CHAPER I
INTRODUCTION

1.1 INTRODUCTION

Appraising the performance of individuals and groups of an organization is a common practice in all societies. While in some instance the appraisal procedures are structural and formally sanctioned, in other instances they are an informal and integral part of daily activities. Thus teachers evaluate the performance of students, bankers evaluate the performance of creditors, parents evaluate the behavior of their children, and all of us, consciously or unconsciously evaluate our own actions from time to time. In social interactions, performance is conducted in a systematic and planned manner to achieve widespread popularity in recent years.

Performance appraisal is a method of evaluating the behaviour of employees in the work spot, normally including both the quantitative and qualitative aspects of job performance.

Performance refers to the degree of accomplishment of the tasks that make up an individual’s job. It indicates how well an individual is fulfilling the job demands. Often the term is confused with effort, which means performance is always measured in terms of results. When properly conducted, a performance appraisal not only let the employee know how well he is performing but also influences the employee’s future level of effort, activities, results and task direction. Under performance appraisal,
the superiors evaluate not only the performance of a worker but also his potential for development.

The system should record individual employee performance appraisal data such as for each performance criteria, potential for promotion, and other information to form a comprehensive overview of each employee. The textual data relating to appraisals can be retained in paper form and can be combined with the overview obtained from the human resource information system for training, transfer and promotion purposes.

Performance analysis means verifying whether there is a significant performance deficiency and determining whether that deficiency should be rectified through training or through some other means (such as transferring the employee). The first step is to appraise the employee’s performance, and to improve it supervisors must first compare the person’s current performance with what it should be.

The employee training and testing program was established to ensure that employees acquire the knowledge required for their respective job series classifications. It was also intended to give employees the ability to complete their workload, improve their morale and instill pride in the quality of workmanship.

The system should consider the training and development need of an employee, with the ability to record and enquire on courses completed, those underway and a projected course. This will enable and gaps in training to be identified and also allow training costs to be monitored at the organizational
level. The system could also be used for recoding the details of training imparted to various employees.

THE APPRAISAL PROCESS

Performance Appraisal and Training Programme is very important for employees to know the level of their performance and the area in which they need to improve. Performance Appraisal is a very useful activity provided to both the appraiser and the appraisee to take it in the right spirit. It helps the employee as well as the organization to identify weaknesses and then to formulate strategies to improve the performance. Performance improvement ultimately helps the organization to meet its goals and objectives. It is always important to evaluate the performance of the employees periodically to find out their level of efficiency. Some standard methods have been devised to make employees understand how far they are from the expected standards so that their performance can be improved. Those employees who lag behind in certain key performance areas must be assisted to analyze and improve their performance levels. Therefore, the process of performance appraisal helps to evaluate and improve the performance of the employees so that they can give their best to achieve the goals of the organization as well as achieve better career satisfaction.

The performance standards are articulated in ambiguous phrases that tell us little, such as “a full day’s work” or “a good job.” What is a “full day’s work” or a “good job”? The expectations a supervisor has in terms of work performance by his/her employees must be clear enough in his/her mind so that he/she will be able to, at some later date, communicate these
expectations to his/her employees, mutually agree to specific job performance measures, and appraise their performance against these established standards.

**FIG. 1.1 PERFORMANCE APPRAISAL PROCESS**

1. Establish performance standards with employees

2. Mutually set measurable goals

3. Measure actual performance

4. Compare actual performance with standards

5. Discuss the appraisal with the employee

6. If necessary, initiate corrective action

**Seven criteria for assessing performance are:**

1. **Quality**

   The degree to which the process or result of carrying out an activity approaches perfection.

2. **Quantity**

   The amount produced, expressed in monetary terms, number of units, or number of completed activity cycles.
3. **Timeliness**

   The degree to which an activity or a result produced.

4. **Cost effectiveness**

   The degree to which the use of the organisation resources (e.g. man, monetary, material and method) are maximized in the sense of getting the highest gain.

5. **Need for supervision**

   The degree to which a job performer can carry out a job function without supervisory assistance.

6. **Interpersonal impact**

   The degree to which a performer, promotes feelings of self-esteem, goodwill and co-operation among co-workers and subordinates.

7. **Training**

   One of the primary reasons for having an effective performance management system in an organization is that it can help reduce emotional confrontations. Everyone needs to recognize that emotions may run high during a performance evaluation session. However, with a properly designed system and effective implementation (including effective appraiser training) emotional outbursts can be significantly reduced.
Success =
Train appraisers +
Rate selectively +
Have multiple raters +
Provide ongoing analysis +
Combine absolute and relative standards +
Use behavior – based measures
1.2 NEED FOR THE STUDY

Performance Appraisal is a systematic objective way of judging the relative worth or ability of an employee in performing a job. It identifies three purposes of performance management system and who are served by them. The three purposes of performance management systems are feedback, development and documentation. They are designed to support the employees, the appraisers and the organization.

Performance appraisal provides information about the performance ranks based on which decisions regarding salary fixation, confirmation, promotion, transfer and demotion are taken. It provides feedback information about the level of achievement and behavior of subordinates. This information helps to review the performance of the subordinate, rectify performance deficiencies and set new standards of work, if necessary. Further, it helps to counsel the subordinates and to diagnose deficiency in employee regarding skill, knowledge, determine training and development needs and to prescribe the means for employee growth and provide information for correcting placement.

Performance appraisal offers a competitive advantage to a firm by improving performance, helping make correct decisions, ensuring legal compliance, minimizing job dissatisfaction and employee turnover and ensuring consistency between organizational strategy and behaviour.

Employees are the most significant resources of any business, and performance appraisals reflect the organization’s commitment in developing
this important resource of human capital. Performance appraisals grant upper management an opportunity to reward excellent performance or reprimand unsatisfactory performance. This powerful managerial tool should directly reflect the overall organization’s goals and objectives; the employee assessment should provide useful feedback about the employee’s contributions or lack of contributions toward these goals.

1.3 STATEMENT OF THE PROBLEM

Performance appraisal is a systematic way of judging the relative worth of an employee in performing his/her tasks. It helps to identify the employees’ (Strength), who are performing the given task well and also those who are not able to achieve. The reasons for such (poor) performance over the period are recorded and necessary steps taken to equip the employees where they are weak and unable to cope with the organisation’s task. Since, its formal introduction in 1920, Performance Appraisal has undergone tremendous changes in terms of its concept and philosophy.

Basically in all introductions, the appraisal on performance has been practiced to assess the knowledge, skill and involvement of an employee towards the jobs assigned to him/her, which enables the employer to decide the structure of their salary and promotion. The Performance Appraisal is done to identify the employees’ weakness and train them to acquire technical knowledge and skills.

In order to ascertain the problems in performance appraisal and training programmes practiced in sugar industries of Erode District, the
research has mainly focused on the performance appraisal system and its functioning in sugar industries. Further, it has collected the opinion of the employees regarding performance appraisal.

On certain occasions, the employees are exhibiting their full talents. At this juncture, it is very difficult to measure accurately or appraise the potential of each and every employee working in the study area (i.e. Sugar industries). Based on the above issues, the following questions were probed.

1. How far the Performance Appraisal is measured in the selected sugar industries?
2. Are they using traditional method or modern method of appraising the potential of employees working in sugar industries in Erode District?

1.4 OBJECTIVES OF THE STUDY

The following are the objectives of the study:

- To study the conceptual frame work of Performance Appraisal in general and in particular in selected sugar industries in Erode District.
- To study the present methods of Performance Appraisal system practiced by Sakthi Sugars Limited and Bannari Amman Sugars Limited.
- To analyze the factors that influence the performance appraisal of employees.
• To examine the impact of training on different phases such as before training and after training.
• To suggest better ways and means for effective training programmes and Appraisal System.

1.5 RESEARCH METHODOLOGY

The validity of any research depends on the systematic collection of data and analysis. Descriptive research approach has been adopted in this study. The data have been collected through field survey method and these reliable data were analyzed in the logical and sequential order. In the present study, extensive use of both primary and secondary data has been made.

Sample Design

Stratified random sampling method was used to collect the data from the employees working in sugar industries in Erode District (Sakthi Sugars Ltd., and Bannari Amman Sugars Ltd.,) Six hundred sample respondents working in various departments were selected and directly contacted by the researcher. Out of 2933 employees (total population from Sakthi Sugars Ltd., 1633 and Bannari Amman Sugars 1300 employees), three hundred respondents from each sugar factory were selected randomly with different designations in the selected sugar industries.
TABLE NO.1.1
DETAILS OF SAMPLE RESPONDENTS

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Department</th>
<th>No. of Respondents</th>
<th>Sakthi Sugars Ltd.,</th>
<th>Bannari Amman Sugars ltd.,</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Electrical</td>
<td>152</td>
<td>76</td>
<td>76</td>
</tr>
<tr>
<td>2</td>
<td>Engineering</td>
<td>256</td>
<td>128</td>
<td>128</td>
</tr>
<tr>
<td>3</td>
<td>Administration</td>
<td>100</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>4</td>
<td>Distillery</td>
<td>92</td>
<td>46</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>600</strong></td>
<td><strong>300</strong></td>
<td><strong>300</strong></td>
</tr>
</tbody>
</table>

DATA COLLECTION

Primary Data

The primary data were collected with the help of field survey method. For this purpose, direct face – to – face interview technique was used by the researcher to collect the pertinent data. Interview schedule was the main tool to collect the primary data. Hence, a well structured interview schedule was framed after consulting research experts, Human Resource Development Managers of the sugar industries and the research supervisor. For this purpose, the researcher has established a good rapport with the employees working in sugar mills in Erode District and with the officials in HRD section. A noteworthy feature was that all the six hundred respondents filled the questionnaire with much zeal. This was due to the significant level of literacy among the respondents and the researcher’s rapport with them.
The specimen of the questionnaire issued to the selected sample respondents is shown in the appendix section of this synopsis.

Secondary Data

The primary data were supplemented by a spate of secondary data. The secondary data were collected from the records maintained by sugar industries in Erode District and the latest information was gathered from well equipped libraries located in Bangalore, Mysore, Chennai and Coimbatore and from internet resources. Further, library sources were used for collecting the relevant reviews required for the study. A number of standard text books were studied to obtain the pertinent literature on performance appraisal and training programmes of employees.

TOOLS OF DATA COLLECTION:

By virtue of a mass of data obtained from the research survey, as well as data from secondary sources collected and presented in the present report, descriptive and analytical research was considered most appropriate for the study. The research problems and the questionnaire were all framed accordingly. The suggestions offered in the final chapter of the present research report emerged from the inferences drawn from the study of the sample respondents’ information who are employed in sugar industries in the study area during the study period.
Construction of Interview Schedule

The researcher used close-ended and open-ended questions in the Interview schedule to collect the necessary primary data.

Pilot Study (Pre-test)

The key aspect of the present research was identified through the preliminary interviews (Pilot study) with selected employees in the research field. A well structured interview schedule was prepared with the consultation of research supervisor and experts in the research field. After framing the interview schedule, it was circulated to a few samples among the employees working in the study area. After their comments and suggestions the interview schedule was redesigned and used for the main study.

FRAMEWORK OF ANALYSIS

The data thus collected were presented in a sample tabular form and sample statistical tools like Percentage, Average, Range, Standard Deviation, Two-way tables and Chi-Square ($\chi^2$) analysis were used appropriately.

CHI-SQUARE ANALYSIS

The degree of influence of the following independent variables pertaining to respondents’ on their level of satisfaction with existing performance appraisal system was also studied.
i. Respondents’ Age
ii. Respondents’ Designation
iii. Respondents’ Department
iv. Respondents’ Educational qualification
v. Respondents’ Marital status
vi. Respondents’ Family size
vii. Respondents’ Type of family
viii. Respondents’ Experience

In order to identify the factors influencing the employees’ level of satisfaction in performance appraisal system of sugar industries by the selected respondents from the study area, a Chi-Square ($\chi^2$) test was used and the formula is given below.

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Degree of freedom (D.F) = (R-1) (C-1)

whereas, $O =$ Observed frequency
$E =$ Expected frequency
$R =$ Number of rows
$C =$ Number of columns.

**Multiple Regression Analysis**

The regression is a statistical relationship between two or more variables. When there are two or more independent variables, the analysis
that describes such relationship is multiple regression. This analysis is adopted where there is one dependent variable that is presumed to be in relation with the function of two or more independent variables. In multiple regression, a linear composite of explanatory variable is formed, in such a way that it has maximum correlation with an active criterion variable. The main objective of using this technique is to predict the variability of the dependent variable, based on its co-variance with all the independent variables. It is useful to predict the level of dependent phenomenon through Multiple Regression Analysis Models, if the levels of independent variables are given. The linear multiple regression problems is to estimate coefficients of $\beta_1, \beta_2, \ldots, \beta_j$ and $\beta_0$ such that the expression,

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \ldots + \beta_j X_K$$

provides a good estimate of an individual Y score based on the X scores.

In this analysis, the relationship between the respondents’ level of satisfaction with the Performance Appraisal and Training Programme practices were studied by selecting eleven independent factors. It was found that out of eleven variables, only eight were closely associated with the level of satisfaction with the Performance Appraisal and Training Programme practices among the selected sample respondents. The eleven independent variables used in multiple regression analysis are shown below. They are,

Where,

$$Y = \text{Level of satisfaction in performance appraisal system}$$

$$X_1 = \text{Respondents’ Age}$$
\[ X_2 = \text{Respondents’ Designation or grade} \]
\[ X_3 = \text{Respondents’ Department} \]
\[ X_4 = \text{Respondents’ Educational Qualification} \]
\[ X_5 = \text{Respondents’ Marital Status} \]
\[ X_6 = \text{Respondents’ Family Size} \]
\[ X_7 = \text{Respondents’ Type of Family} \]
\[ X_8 = \text{Respondents’ Scale of Pay} \]
\[ X_9 = \text{Respondents’ Experience} \]
\[ X_{10} = \text{Respondents’ Workers Performance} \]
\[ X_{11} = \text{Respondents’ idea about Labour Welfare Measures} \]

\[ \beta_0 + \beta_1 + \beta_2 + \ldots + \beta_j \] are the parameters to be estimated.

**Factor analysis**

The interview schedule is based on Likert scaling method ranging from the scale of 1 to 5 weightage. The data collected have been analyzed and interpreted by applying on Likert scaling method ranging from the scale 1 to 5 weightage. The data collected have been analyzed and interpreted by applying multi-variant statistical tools i.e. Factor Analysis. Factor Analysis is used to study a complex performance factor or characteristics considered important by the respondent. The purpose of factor analysis is to determine the responses to the several numbers of statements, which are significantly correlated. The SPSS package is used comprehensively for this purpose. The same has been presented in the form of tables interpretation.
Henry Garrett Ranking Method

Henry Garrett Ranking Method was also employed for measuring the benefits and problems highlighted by the employees and officers working in sugar industries in Erode District. In this method the respondents were asked to rank the given problem according to the magnitude of the problem. The orders of merit given by the respondents were converted into ranks by using the following formula.

\[
\text{Percentage Position} = \frac{100(R_{ij} - 0.5)}{N_{ij}}
\]

Where, \( R_{ij} \) = Rank given for \( i^{th} \) factor by \( j^{th} \) individual
\( N_{ij} \) = Number of factors ranked by \( j^{th} \) individual.

The percentage position of each rank thus obtained is converted into scores by referring to the table given by Henry Garrett. Then for each factor the scores of individual respondent were added and divided by the total number of respondents for whom the scores were added. These mean scores for all the factors were arranged in order of ranks and from this, inferences were drawn.

1.6 PERIOD COVERED BY THE STUDY

The primary data were collected for a period of two years from the respondents, covering all the six hundred respondents in the field area. Web resources were also referred to collect the latest information about the employee performance of sugar industries. Review of relevant literature took
a period of six months. Analysis and interpretation of the data took another six months. The last six months were used for rough drafting and giving the thesis its final form.

1.7 SCOPE OF THE STUDY

The scope of any performance appraisal should include the following: provide employees with a better understanding of their role and responsibilities; increase confidence through recognizing strengths while identifying training needs to improve weaknesses; improve working relationships and communication between supervisors and subordinates; increase commitment to organizational goals; develop employees into future supervisors; assist in personnel decisions such as promotions or allocating rewards; and allow time for self-reflection, self-appraisal and personal goal setting.

1.8 LIMITATION OF THE STUDY

The presented sample size was limited to 600 employees (300 respondents from each industry) due to cost and time constraint. The working hours are on shift basis and the researcher could contact the respondents in the “A” shift and general shift only during the lunch break. Most employees were reluctant to share the information. Bias on the part of employees while answering the questions is yet another limitation.

The researcher could apply a few statistical tools due to qualitative type of data with different scales while analyzing the primary data. The top and middle level executives have lack of interest in encouraging this type of research and filling up questionnaires.
1.9 OPERATIONAL DEFINITIONS

Performance

The word performance describes the degree of accomplishment of the tasks in an individual’s job. It indicates how well he is fulfilling the requirements of his position on the basis of results achieved. Porter et al (1975) have defined performance as the net effect of a person’s efforts as modified by his abilities, traits and role perception.

Effort

Effort refers to the physical and mental energy expanded by the individual.

Abilities

Abilities refer to personal characteristics. The way in which individuals believes their efforts on the job should be directed make-up their role perception. Thus, the kind of performance that individuals achieve depends upon their efforts, their abilities and traits that are applied, Beatty & others (1977) stated performance is simply behavior that has been evaluated in an organization. Often the indices of performance are developed to help judge whether the performance contributes to Organizational outcomes.

Performance appraisal content:

There are three basic categories of individual’s performance assessment content:
(i) Individual’s personality traits
(ii) Behaviours and
(iii) Out comes.

Performance Dimensions

Performance Dimensions are the aspects of performance stated either in the form of traits/behaviours/outcomes. These form the content of a Performance Appraisal form at possible examples of performance dimensions will help in understanding the meaning associated with term ‘traits’ ‘behaviours’ and ‘outcomes’. The usual traits found on most of the appraisal forms are: initiative leadership, attitude cooperation etc. “Behaviours” as job dimensions are expressed in small sentence.

Assessor

The term “Assessor” is used for the person who judges the performance of another person (usually a subordinate). Assessor is also known as rater/appraiser/source/superior.

Assessee

The term “Assessee” refers to an employee on whose performance his immediate superior passes judgement for the record of the company. Assessee is also known as ratee/object/appraise/subordinate.
Manager

The term “Manager” is associated with the rate of a superior (rater) who, in turn, in the capacity of a subordinate perceives himself as a ‘ratee’ also. The term “Managerial Perception” is interchangeably used for rater/rate perceptions.

Rating Scale

The extent to which an employee has been able to perform his duties well is judged on a scale having various grades of “goodness”. Usually a scale may range from 3 to 10 points but the most commonly found is a five point scale, having outstanding, “Very good”, “Good”, “Fair”, and “Poor” as scale points. The scale helps in the categorization of number of employees into specific grades for basing the personnel decisions connected with their employment.

Performance Appraisal Effectiveness

The meaning of effectiveness as applied to PA has been perceived different by psychologists, personnel administrators and others. By this term we mean, the ability of the system of appraisal to meet various demands made from the system, so as to fit into the contextual features of the organizational polices and culture.
Appraisers

The appraisers may be any person who has a thorough knowledge about the job content, content to be appraised, standards of content and the one who observes the employee while performing a job. Typical appraisers are:

- Supervisors
- Peers
- Subordinates
- Consultants
- Customers (internal and/or external)
- Users of services.

Appraisal Year

For the purpose of PA under this system the appraisal year will be from October to September. This is with a view to keep a time gap between Appraisal Year and date of annual increment & promotions (i.e., 1st January to avoid delay in their processing.)
## MANAGEMENT BY OBJECTIVES, PERFORMANCE APPRAISAL
AND PERFORMANCE MANAGEMENT COMPARED

<table>
<thead>
<tr>
<th>Management by objectives</th>
<th>Performance Appraisal</th>
<th>Performance Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Packaged system</td>
<td>Usually tailor made</td>
<td>Tailor made</td>
</tr>
<tr>
<td>Applied to managers</td>
<td>Applied to all staff</td>
<td>Applied to all staff</td>
</tr>
<tr>
<td>Emphasis on individual objectives</td>
<td>Some qualitative performance indicators may also be included</td>
<td>Competence requirements often included as well as quantified measures</td>
</tr>
<tr>
<td>Annual appraisal</td>
<td>Annual appraisal</td>
<td>Continuous review with one or more formal reviews</td>
</tr>
<tr>
<td>Top-down system, with ratings</td>
<td>Top-down system, with ratings</td>
<td>Joint process, ratings less common</td>
</tr>
<tr>
<td>May not be a direct link to pay</td>
<td>Often linked to pay</td>
<td>May not be a direct link to pay</td>
</tr>
<tr>
<td>Monolithic system</td>
<td>Monolithic system</td>
<td>Flexible process</td>
</tr>
<tr>
<td>Complex paper work</td>
<td>Complex paper work</td>
<td>Documentation often minimized</td>
</tr>
<tr>
<td>Owned by line managers and personnel department</td>
<td>Owned by personnel department</td>
<td>Owned by line management</td>
</tr>
</tbody>
</table>
1.10 CHAPTER SCHEME

Chapter I - deals with introduction and design of the study which covers introduction, need for the study, statement of the problem, objectives of the study, research methodology, period of study, scope of the study, limitation of the study, operational definitions and chapter scheme.

Chapter II - presents the review of literature.

Chapter III - highlights an overview of Performance Appraisal and Training Programmes.

Chapter IV - covers the profiles of selected sugar industries in the study area.

Chapter V - presents the data analysis and interpretation.

Chapter VI - recapitulates the summary of findings, suggestions and conclusion.