

CHAPTER 1

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CHAPTER I

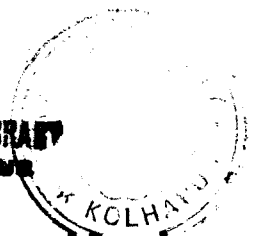
INTRODUCTION

One of the important roles of a manager or a supervisor is to motivate, encourage, build, train, reinforce and modify the behaviour of the subordinates. This can happen only if, there is regular and frequent interrelation between the superior and his subordinate. If the interaction is based on an acknowledgement, there should be ample praise, corrections, comments and suggestions by the supervisor on the tasks performed by the subordinate. This interactive process can be seen as performance appraisal because in each interaction, some comments are exchanged on the tasks in hand.

Performance appraisal system could be seen as an objective method of judging the relative worth or ability of an individual employee in performing his tasks.

The performance appraisal technique is not a new technique. First time it was used during the First World War, when the United States Army adopted the man-to-man rating system for evaluating the military personnel.

During the decade 1920 - 1930, many industrial units adopted rationale wage structures for hourly paid workers. Under



this system, the wages were given to the employees on the basis of merit. This programme was known as "Merit Rating Programme" upto the mid-fifties.

In the early fifties, however, attention was devoted to the performance appraisal of technical, professional and managerial personnel. Since then, the philosophy of performance appraisal has undergone a sea-change. Consequently, a change has also taken place in the terminology used. Now, the older phrase "Merit Rating" is largely restricted to the hourly paid employees. The later phrase "Personnel Appraisal" which is called by many other names, like employee evaluation, performane evaluation, performance rating, efficiency rating, etc., plays emphasis on the development of the individual and to evaluate the performance of technical, professional and managerial personnel.

Performance appraisal has a direct linkage with such personnel systems as selection, training, mobility, induction, etc. Similarly, performance appraisal can also provide data to determine promotions, transfers and even demotions of an employee. The data can also be used by the superior as a basis for counselling the employee. The purpose is to help the employee to overcome his weaknesses and to become more effective in his job.

The performance appraisal system involves at least two persons, namely, the appraiser (the person who does the appraisal)

and the appraisee (the person whose performance is being appraised).

Performance appraisal is the only sub-system in the process of Human Resource Management, which links the efforts of the various individuals in the organisation to the objectives of the organisation through systematic hierarchy (Niazi, A.A. 1982).

1.1 MEANING OF PERFORMANCE APPRAISAL

Performance appraisal is a two dimensional concept, consisting of two words,

- Performance, and
- Appraisal.

'Performance' refers to both the quality and the quantity of work done by the performer. Whereas, 'Appraisal' refers to the objective assessment, balanced judgement and unbiased evaluation of performance on the job of the performer.

Then, "Performance Appraisal" together refers to the systematically, orderly and objectively evaluating the present potential resources of the employees in the organisation. In short, performance appraisal means deciding the values of the work done by an individual. The system focusses on the individual and his

development, so as to make him achieve the desired level of performance in his job.

1.2 DEFINITION

Performance appraisal has been defined in different ways by various authorities as under.

According to Heyel C. (1973), performance appraisal is "The process of evaluating the performance and qualifications of employees in terms of the requirements of the job for which he is employed, for purposes of administration including placement, selection, for promotions, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally".

According to Keith Davis (1981), "Performance appraisal always will exist, and always has in any group, a person's performance tends to be judged in some ways by others".

In the view of Robert L. Mathis and John H. Jackson (1985), "Performance appraisal is the process of determining how well employees do their jobs compared to a set of standards and communicating that information to employees".

Dwivedi R. S. (1990), defines performance appraisal as "a continuous function and not merely an issue of formal report at particular points in time. It is an ongoing responsibility of the supervisor to determine how effectively his subordinates are performing different tasks allotted to them in their positions, to identify and to correct their weak points and to recommend them on the basis of their potentialities for promotions to higher positions in the organisation ".

In the words of Terry L. Leap and Michael D. Crino (1990), "Performance appraisal is the process of assessing the qualitative and quantitative aspects of an employee's job performance".

1.3 MAJOR ISSUES IN PERFORMANCE APPRAISAL

The personnel management function of performance appraisal cannot be effectively accomplished without effective decisions relating to various issues involved in its procedures and methods. These issues include : identification of criteria for performance, launching an appraisal programme, choice of method, involvement of appraisee, role of an appraiser, selection and training of an appraiser, and implementing the appraisal system. The major issues in the performance appraisal system are mentioned below.



[1] IDENTIFYING THE CRITERIA FOR PERFORMANCE - The first and most significant decision is to determine "What to measure" through a particular appraisal system in an organisational setting. An understanding of "What to measure" can be accomplished by analysi-ng a particular job. A systematic job analysis can be used as a basis to identify those factors of job performance which have to be asse^ssed. These factors are called criteria, which must be evolved by determining what is essential for success-on-the-job and what is available for measurement. Thus, what is relevant criteria for one job may be quite irrelevant for another.

[2] LAUNCHING AN APPRAISAL PROGRAMME - The performance appraisal forms to be accomplished with advice and help of the personnel department. Launching an appraisal programme is not possible if it lacks the support of top management, if superiors are not adequately trained or have no trust in its value. In this situation, personnel department tends to explain the purposes, needs and the nature of programme to all the superiors and subordinates and tries to obtain cooperation in devising the appraisal forms.

[3] THE CHOICE OF THE METHOD - Several methods of appraisal are availble. Certain types of appraisal methods may not be suited to certain types of technology. Hence, the choice of the suitable method must be contingent upon various factors such as

organisational climate, especially managerial styles, technology and quality of subordinates.

[4] INVOLVEMENT OF APPRAISEE - The participation of an appraisee in developing a criteria and appraisal formats improve the effectiveness of performance appraisal system. And the participation enhances appraisee's commitment to the goals of the system and enables them to realise the problems of the appraiser. In this case, appraisees become more sensitive to various problems encountered by the appraisers in making their judgements, reviewing a lot of information and comparing them with each other. It also enables them to understand the desired level of performance needed to obtain an excellent or a good performance appraisal.

[5] THE ROLE OF AN APPRAISER - The appraisers have a vital role in the performance appraisal system. They are required to observe and recall the performance, fill up the complex forms objectively and justify their ratings to the appraisee. As they have to observe performance over long periods of time in an appraisal programme, it becomes imperative that the appraiser make anecdotal records of performance embracing both positive and negative events.

[6] SELECTION AND TRAINING OF AN APPRAISER - The quality of an appraiser is much more crucial than all the appraisal issues. Usually, the appraiser is the immediate superior, who has the maximum familiarity with appraisee. Normally, personnel officer frames the appraisal programme. He helps the superiors while evaluating their subordinates' performance to get rid of the errors of the central tendency and leniency.

The superiors who were trained in 'how to assess subordinates' tended to be more effective appraisers than those who had not undergone such training programme.

[7] IMPLEMENTING THE APPRAISAL SYSTEM - The last but not the least, is the successful implementation of the appraisal system. For this purpose, three aspects are to be considered. First, there must be provision to reward the appraisers for accurate and thorough evaluation on the subordinates' performance, completing the appraisal forms conscientiously and communicating their appraisals to their subordinates. Second, the outcomes of the appraisals must be used in decisions which affect an individual's job, reward and career. Third, it must be remembered that a performance appraisal is simply a judgement and information processing document, which is neither completely objective nor infallible.

1.4 METHODS OF PERFORMANCE APPRAISAL

Several methods of performance appraisal have been put forth by different authors. Most of these methods, have a direct attempt to minimise some particular problems found in the approaches. Strauss and Sayles (1971), have given the widely used categorisation of performance appraisal methods as follows.

Traditional Methods, emphasise the rating of the individual personality traits such as initiative, dependability, responsibility, creativity, integrity, leadership, potential intelligence, judgement, organising ability, etc.

Modern Methods, emphasise the evaluation of work results, job achievement and personality traits.

TRADITIONAL METHODS

[1] Straight Ranking Method : In this method, the man and his performance are considered as an entity by the rater. No attempt is made to fractionalize the ratee or 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. It may also be done by ranking a person on his job

performance against that of another member of a competitive group, by placing him as number one, or two, or three in a total group. Thus, persons are tested in the order of merit and placed in a simple grouping.

[2] Person-to-person Comparison Method : In this method certain factors are selected for the purpose of analysis (such as leadership, dependability and initiative), and a scale is designed by the rater for each factor. A scale of man is also created for each selected factor. The each man to be rated is compared with the man in the scale, and certain scores for each factor are awarded to him.

[3] Grading : In this system certain categories of worth are established in advance and carefully defined. The selected features may be analytical ability, cooperativeness, dependability, self expression, job knowledge, judgement, leadership, organising ability, etc. They may be graded in five scales as follows.

- A - Outstanding
- B - Very Good
- C - Good or Average
- D - Fair
- E - Poor

[4] Graphic Scale : Graphic scale consists of list of a general personal characteristics and personality traits, such as quality of work, quantity of work, initiative, co-operativeness, and judgement. The rater judges the employee on each dimension on a scale whose rating varies.

[5] Checklist : To reduce the burden upon the appraiser, a checklist system can be utilised. The rater does not evaluate employee performance, it is merely reported. The evaluation of the worth of reported behaviour is accomplished by the staff personnel department.

Here, the series of questions are presented concerning an employee to his behaviour. The rater, then checks to indicate if the answer to each question may be weighed equally or certain questions may be weighed more heavily than others.

[6] Forced-choice Description Method : This technique was developed to reduce bias and establish objective standards of comparison between individuals, but it does not involve the intervention of the third party.

Under this method, the rating elements are several sets of pair phrases or adjectives (usually sets of four phrases two of which are positive, two negative) relating to job proficiency or

personal qualifications. The rater is asked to indicate which of the four phrases is most and the least descriptive of an employee and his performance at the work place.

[7] Forced Distribution Method : This system is used to eliminate or minimise the rater's bias, so that all personnel may not be placed at the higher end or at the lower end of the scale.

Under this system, it is assumed that it is possible and desirable to rate only two factors viz. job performance and promotability. For this purpose, five-points performance scale is used without any descriptive statement. Employees are placed between the two extremes of good and bad job performance.

[8] Essay Appraisal Method : In this method, the rater asks to write a paragraph or more covering an individual's strengths, weaknesses, potential, and so on. In most selection situations, particularly those involving professional, sales, or managerial positions, essay appraisals from former employees, teachers, or associates carry significant weight. The assumption seems to be that an honest and informed statement either by word of mouth or in writing from someone who knows a man well, is fully as valid as more formal and more complicated methods.

[9] Selection of Critical Incidents Method : This method is based on the theory that there are certain key acts of behaviour that make the difference between success and failure of a job. Supervisors or raters must record or check certain kinds of events that occur in the performance of the ratee's job. These events are critical incidents.

[10] Group Appraisal Method : Under this method, employees are rated by an appriaisal group, consisting of their supervisors who have some knowledge of their performance. The supervisor explains to the group, the nature of his subordinate's duties. The group then discusses the standards of performance for that job, the actual performance of the job holder, and cause of its particular level of performance, and offer suggestions for future improvement.

[11] Field Review Method : When there is a reason to suspect rater bias, when some rater appears to be using higher standards than others or when comparability of ratings are often combined with a systematic review process. The field review is one of the several techniques for dealing this.

Under this method, a trained employee from the personnel department, interviews the supervisor to evaluate their respective subordinates. The appraiser is fully equipped with



definite test questions, usually memorised in advance, which he puts to the supervisor. The supervisor is required to give his opinion about the weakness, good points, outstanding ability, promotability, and possible plans of action in cases requiring further consideration.

[12] Work Standard Approach : Instead of asking employees to set their own performance goals, many organisations set measured daily work standards. In short, the work standard approach establishes work and staffing targets aimed at improving productivity.

This method, provides each employee with a more or less complete set of his job duties, it would seem only natural that supervisors will eventually relate performance appraisal and interview comments to these duties.

MODERN METHODS

[1] Assessment Centres : Under this method, many evaluators join together to judge employee performance in several situations with the use of variety of criteria. The evaluators observe and evaluate participants as they perform activities commonly found in these higher level jobs. Assessments are made to determine employee potential for purpose of promotion. The

assessment is generally done with the help of a couple of employees and involves a paper and pencil test, interviews and situational exercises.

[2] Management By Objectives (MBO) : To minimise the external controls and maximise the internal motivation through joint goal setting between the manager and the subordinate, and increasing the subordinates own control of his work.

Under this system, managers set specific and measurable goals with each individual employees on a regular basis. The employee is then responsible for achieving his or her goals within a certain time.

MBO method is an example of a result based method of performance. Here, individuals are evaluated on the basis of what they have accomplished, not how they get the job done.

[3] Human Asset Accounting Method : This method refers to activity devoted to attaching money estimates to the value of a firm's internal human organisation and its external customer goodwill.

The current value of a firm's human organisation can be appraised by developed procedures, by undertaking periodic

measurements of "key causal" and "intervening enterprise" variables, which include management policies, decisions, leadership, strategies, skill, behaviour, loyalties, attitudes, motivations and collective capacity. However, this method is not yet very popular.

[4] Behaviourally Anchored Rating Scale (BARS) : This method requires superior to evaluate subordinates on a set of dimensions of work behaviour that have been carefully correlated to the specific job being performed by the person being evaluated and it evaluates employees in terms of the extent to which they exhibit effective behaviour relevant to specific demands of their jobs.

Each response alternative along the dimensions of a BARS is labeled as "anchored" with examples of specific job behaviour corresponding to good performance, average performance, poor performance and so on. These behavioural examples help rater to tie the ratings directly to the job behaviour of the person being rated.

[5] Behavioural Observation Scale (BOS) : Under this method, a number of specific examples of work behaviour are listed, and the appraiser rates the extent to which he or she has actually observed the employee engaging in that behaviour on a five point scale varying from "Almost Never" to "Almost Always". An employee's total score on each dimension is determined by adding up his or her ratings on each of the specific examples of job behaviour included in that dimension.

BOS focus attention on actual observed job behaviour, rather than on expected behaviour, the behavioural items included in BOS help managers to know what to look for during an appraisal period and also help facilitate the manager's recall of employee behaviour during the appraisal process.

[6] Psychological Appraisal : Some very large organisations employ full-time psychologists. When psychologists are used for evaluations, their role primarily is to assess an individual's future potential, not just performance. The appraisal normally consists of indepth interviews, psychological tests, discussion with supervisors and review of other evaluations. The psychologist then writes an evaluation of the employee's intellectual, emotional, motivational, and other work related to characteristics that may credit future performance.

1.5 PERFORMANCE APPRAISAL PRACTICE IN INDIA

The performance appraisal practice in India is discussed with the help of three surveys conducted by Malathi Bolar, Administration Reforms Commission and T. V. Rao.

(1) Malathi Bolar (1978) conducted a survey to explore the managerial and supervisory performance appraisal practice in Indian industries in 1968, she further conducted a follow-up

survey in 1976 with the limited purpose of evaluating the nature of change, if any, which took place in the practice explored by original survey (1968). The original survey covered 82 manufacturing and sales organisations. The follow-up survey covered only 49 of these earlier 82 companies. The findings of the survey are summarised below.

(a) All companies accepted that the superior must be involved in the appraisal. However, in actual practice, several decisions relating to the appraisee's increment, promotion, and allied issues were taken up by the top management of some companies without any reference to the superior.

(b) Most of the organisations conducted performance appraisal system annually, one organisation appraised half yearly, while two organisations quarterly, eight organisations appraised their supervisory personnel at the anniversary date of joining. Some organisations conducted as per requirements to reward outstanding performance or to fill up the vacancies.

(c) Eleven organisations had regular feedback sessions to improve the employee performance, three of these operated on the MBO system. In addition, some

organisations communicated their appraisals through administrative actions.

(d) Number of organisations continued to use both the performance and trait approaches, only three organisations entirely moved to the new MBO approach.

In conclusion, she observed that there is need for additional action-oriented research to dispell existing uncertainties and to increase the usefulness of the performance appraisal system.

(2) In public administration of India, a major effort in reforming the practices and principles of performance appraisal was made by the Administrative Reforms Commission (1969). The commission in fact, suggested the following comments.

(a) The reporting officer should submit a 300 words on his achievements (self appraisal) during the period under review, and this should form part of the officer's performance record.

(b) On the basis of the performance record of an officer, he may be graded into three categories viz. first, fit for promotion out of turn, second, fit for promotion, and third, unfit for promotion.

(c) Ordinarily, only five to ten percent of the officials in a work of similar nature and at the same level in any office or organisation should be graded as "fit for promotion out of turn".

(d) An officer's good work should receive prompt appreciation either on file or in a tour inspection note.

(e) Adverse remarks recorded by the reporting officer need not be communicated to the reported officer.

(f) The annual report should be called, the performance report and not the confidential report.

The first two recommendations were broadly accepted by the central Government. And there is understandably, no stipulation however, that only 5 to 10 percent of the officers at a particular level of an organisation should be graded as fit for promotion out of turn.

The Government however, has not accepted the other recommendations made by the Administration Reforms Commission.

(3) A series of workshops and training programmes were organised by T. V. Rao (1988) at the Indian Institute of Management, Ahmedabad. Starting from the year 1979, three

workshops and training programmes were arranged. More than 100 executives from private and public sector industries, service institutions and banks participated in these programmes. The participants were from personnel and training departments as well as line functions. In each of these programmes, the participants shared their experiences about the appraisal system followed in their respective organisations.

From the deliberations and experiences shared in these programmes, the following conclusions were drawn about the status of performance appraisal in India.

(a) A sizeable number of organisations both in private and public sector continue to follow trait based confidential formats of performance appraisal.

(b) Few organisations that have merely changed the format of appraisal from closed to open one, and introduced them without reorienting the managers to the new systems have run into serious difficulties.

(c) Managers are increasingly wanting open system of appraisal and personnel departments are still struggling to find appraisal models suitable for their organisations.

(d) A large number of managers still seem to be excessively oriented to ask the question "what am I going to get from the new appraisal system?" rather than asking the question "how do I use this system to develop my subordinates and the increase my own managerial effectiveness?"

(e) With increased recognition being given to the personnel function, a few organisations have already begun to experiment with new systems of appraisal.

(f) In some organisations the symbols are taken more seriously than the purpose or the spirit behind these.

1.6 IMPORTANCE OF THE STUDY

Performance appraisal has been considered as a most significant and indispensable tool for an organisation. The information it provides is highly useful in making decisions regarding various personal aspects such as promotions and salary increases. Performance measure is a link between information gathering and decision making processes which provide a basis for judging the effectiveness of personnel sub-divisions such as, recruiting, selection, training and compensation.



Hence, the evaluation of the employees performance has become the part and parcel of Human Resource Development (HRD). Many organisations have adapted various techniques to assess the performance of the employee. In the present study, an attempt is made to know the method adopted by the two different organisations in their appraisal system. It is also aimed to know the attitude of the appraisee as well as appraiser regarding the appraisal system.

1.7 STATEMENT OF THE PROBLEM

The present study focusses on the evaluation of the performance of employee in terms of the requirements of the job for which he is employed in the organisation. Evaluation of performance appraisal in the organisation makes the employee to know the present performance and also helps him to improve the performance. So the study is titled as :

"A Critical Evaluation of Performance Appraisal in Selected Industrial Organisations".

1.8 SUMMARY

The performance appraisal system is not a newly developed one. First time, the performance appraisal technique was used during the time of First World War when the United States Army

adopted the man-to-man rating system for evaluating the military personnel. The performance appraisal system has been called by many other names like, performance evaluation, performance rating, efficiency rating, merit rating, personnel evaluation, etc.

The performance appraisal is a continuous line function of personnel management which, if performed objectively, exerts motivational impacts on individuals. Its objective include the salary reviews, training and development, transfers, promotions, and sometimes demotions.

To make the performance appraisal system effective, seven major issues should be considered seriously. The methods of performance appraisal are given by different authors in different manner. But no one method is perfect. All have got their own advantages and disadvantages. The success of each method depends on how effectively they are to be used to evaluate the performance.

While discussing the performance appraisal practice in India, an attempt is made to present the findings and suggestions of three surveys conducted by Malathi Bolar (original survey in 1968, and follow-up survey in 1976), Administrative Reforms Commission (1969), and T. V. Rao (1979).

Now-a-days, the performance appraisal system is treated as one of the most important functions of the Human Resource Development (HRD). The importance of developing a performance appraisal system and implementing has been understood by large number of organisations in product and service sectors as well as public and private sectors. However, the general impression on the utility of the system is questionable. It is lamented that most of the organisations carry out such an exercise as routine. The information collected by implementation of this system, is not used for decision making.

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