Executive Performance Appraisal System in Indian Organisations: A Case Study of an IT Company

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Abstract: Performance Appraisal is the judgment of characteristics traits and performance of employees of the organization. It is a systematic and objective way of judging the relative worth of ability of an employee in performing his task. Generally it is guided at determining how employees can help to achieve the goals of the Organisation. An industry cares about assessing the performance because of its concern for effectiveness and efficiency. The study has been undertaken to analyse and get a detailed idea about the system of performance appraisal prevalent in Anthem Global Technology Services Pvt. Ltd. (AGTSL). The research methodologies used to collect information are explorative. The primary data is collected through interviews and discussions with the employee of AGTSL and conducting a survey through questionnaire of some employees. The secondary data is collected from company record and magazines, manuals of office, booklets, annual report and through various websites. The system of performance appraisal in AGTSL focuses on assessing the usefulness of the human resources in the organization and provides data for self-development and learning. Different methodology and formats have been used by the HR department since the inception of the Company to appraise the performance of its employees. From this study we find that system of performance appraisal in AGTSL is quite effective and balanced one.

Keywords: Performance, Effectiveness and Efficiency, Self-development and Learning, Performance Appraisal

INTRODUCTION

Introduction to Performance Appraisal

An organization’s goals can be achieved only when people put in their best efforts. How to ascertain whether an employee has shown his or her best performance on a given job? The answer is performance appraisal. Employee assessment is one of the fundamental jobs of HRM. Here we briefly discuss of the nature and process of conducting performance appraisal.

“It is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development.”

Performance appraisal may be understood as the assessment of an individual’s performance in a systematic way, the performance being measured against such factors as job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgement, versatility, health, and the like. Assessment should not be confined to past performance alone. Potentials of the employee for future performance must also be assessed.

Performance appraisals provide employees and managers with opportunities to discuss areas in which employees excel and those in which employees need improvement. Performance appraisals should be conducted on a regular basis, and they need not be directly attached to promotion opportunities.

Personal Attention

During a performance appraisal review, a supervisor and an employee discuss the employee’s strengths and weaknesses. This gives the employee individual face time with the supervisor and a chance to address personal concerns.

Feedback

Employees need to know when their job duties are being fulfilled and when there are issues with their work performance. Managers should schedule this communication on a regular basis.

Career Path

Performance appraisals allow employees and supervisors to discuss goals that must be met to advance
within the company. This can include identifying skills that must be acquired, areas in which one must improve, and educational courses that must be completed.

Employee Accountability
When employees know there will be regularly scheduled evaluations, they realize that they are accountable for their job performance.

Communicate Divisional and Company Goals
Besides communicating employees’ individual goals, employee appraisals provide the opportunity for managers to explain organizational goals and the ways in which employees can participate in the achievement of those goals.

PROCESS OF PERFORMANCE APPRAISAL

**Establishing Performance Standards**
The first step in the process of performance appraisal is the setting up of the standards which will be used to as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear, easily understandable and in measurable terms. In case the performance of the employee cannot be measured, great care should be taken to describe the standards.

**Communicating the Standards**
Once set, it is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained to them. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

**Measuring the Actual Performance**
The most difficult part of the Performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.

**Comparing the Actual with the Desired Performance**
The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees’ performance.
DISCUSSING RESULTS
The result of the appraisal is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees’ future performance. The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better.

DECISION MAKING
The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions.

TRADITIONAL METHODS OF PERFORMANCE APPRAISAL

Essay Appraisal Method
This traditional form of appraisal, also known as "Free Form method" involves a description of the performance of an employee by his superior. The description is an evaluation of the performance of any individual based on the facts and often includes examples and evidences to support the information. A major drawback of the method is the inseparability of the bias of the evaluator.

Straight Ranking Method
This is one of the oldest and simplest techniques of performance appraisal. In this method, the appraiser ranks the employees from the best to the poorest on the basis of their overall performance. It is quite useful for a comparative evaluation.

Paired Comparison
A better technique of comparison than the straight ranking method, this method compares each employee with all others in the group, one at a time. After all the comparisons on the basis of the overall comparisons, the employees are given the final rankings.

Critical Incidents Methods
In this method of Performance appraisal, the evaluator rates the employee on the basis of critical events and how the employee behaved during those incidents. It includes both negative and positive points. The drawback of this method is that the supervisor has to note down the critical incidents and the employee behavior as and when they occur.

Field Review
In this method, a senior member of the HR department or a training officer discusses and interviews the supervisors to evaluate and rate their respective subordinates. A major drawback of this method is that it is a very time consuming method. But this method helps to reduce the superiors’ personal bias.

Checklist Method
The rater is given a checklist of the descriptions of the behavior of the employees on job. The checklist contains a list of statements on the basis of which the rater describes the on the job performance of the employees.

Graphic Rating Scale
In this method, an employee’s quality and quantity of work is assessed in a graphic scale indicating different degrees of a particular trait. The factors taken into consideration include both the personal characteristics and characteristics related to the on the job performance of the employees. For example a trait like Job Knowledge may be judged on the range of average, above average, outstanding or unsatisfactory.

Forced Distribution
To eliminate the element of bias from the ratings, the evaluator is asked to distribute the employees in some fixed categories of ratings like on a normal distribution curve. The rater chooses the appropriate fit for the categories on his own discretion.

MODERN METHODS OF PERFORMANCE APPRAISAL

Assessment Centres
An assessment centre typically involves the use of methods like social/informal events, tests and exercises, assignments being given to a group of employees to assess their competencies to take higher responsibilities in the future. Generally, employees are given an assignment similar to the job they would be expected to perform if promoted. The trained evaluators observe and evaluate employees as they perform the assigned jobs and are evaluated on job related characteristics.

The major competencies that are judged in assessment centers are interpersonal skills, intellectual capability, planning and organizing capabilities, motivation, career orientation etc. assessment centers are also an effective way to determine the training and development needs of the targeted employees.

Behaviorally Anchored Rating Scales
Behaviorally Anchored Rating Scales (BARS) is a relatively new technique which combines the graphic rating scale and critical incidents method. It consists of predetermined critical areas of job performance or sets of behavioral statements describing important job

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performance qualities as good or bad (e.g. the qualities like inter personal relationships, adaptability and reliability, job knowledge etc). These statements are developed from critical incidents. In this method, an employee’s actual job behavior is judged against the desired behavior by recording and comparing the behavior with BARS. Developing and practicing BARS requires expert knowledge.

Human Resource Accounting Method
Human resources are valuable assets for every organization. Human resource accounting method tries to find the relative worth of these assets in the terms of money. In this method the Performance appraisal of the employees is judged in terms of cost and contribution of the employees. The cost of employees include all the expenses incurred on them like their compensation, recruitment and selection costs, induction and training costs etc whereas their contribution includes the total value added (in monetary terms). The difference between the cost and the contribution will be the performance of the employees. Ideally, the contribution of the employees should be greater than the cost incurred on them.

Management By Objectives
It can be defined as a process whereby the employees and the superiors come together to identify common goals, the employees set their goals to be achieved, the standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed. Ideally, when employees themselves have been involved with the goal setting and the choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.

The principle behind Management by Objectives (MBO) is to create empowered employees who have clarity of the roles and responsibilities expected from them, understand their objectives to be achieved and thus help in the achievement of organizational as well as personal goals.

360 Degree Performance Appraisals
360 degree feedback, also known as ‘multi-rater feedback’, is the most comprehensive appraisal where the feedback about the employees’ performance comes from all the sources that come in contact with the employee on his job. 360 degree respondents for an employee can be his/her peers, managers (i.e. superior), subordinates, team members, customers, suppliers/ vendors - anyone who comes into contact with the employee and can provide valuable insights and information or feedback regarding the “on-the-job” performance of the employee.

INTRODUCTION TO THE ORGANISATION
Anthem Global Technology Services Pvt. Ltd is a young and growing company in the field of software development, IT products & solutions and consultancy & advisory services. Anthem is a group of companies. The Company is headquartered at Bhubaneswar in India, with offices in Bangalore and Abidjan, cote d’Ivoire. Anthem Global has high expertise in Infrastructure management system. Keeping the global approach and quality standards in tandem with business acumen, the professionals from businesses with established reputation & fame, and upon converging the thought processes & business acumen have formed Anthem Global.

At Anthem, they also provide dedicated development departments (DDCs) for their clients. The Anthem DDC is customized to satisfy the particular needs of each customer. A DDC serves as a virtual extension of your IT department and fulfils the entire range of your IT needs. Their DDCs provide immediate access to highly professional IT staff and all-inclusive technical infrastructure at a competitive cost.

Anthem concentrates on Infrastructure management services, Technology Solutions, Business consulting propositions to variety of geographically placed industries like Government, Private, educational & logistics. Time Tested Products and Services to Medical Systems, Logistics, Transportations and Education add to the first phase of venture of Anthem. Anthem Global has partnered with Techno Park Africa.

OBJECTIVES OF THE STUDY
The main objectives underlying the study of “Performance Appraisal system in Bhubaneswar head office of AGTSL” are:

• To measure the level of satisfaction of the employees towards the PA system.
• To identify the problems in the system and provide measure for improvement.

SCOPE OF THE STUDY
The scope of the project is very vast. But keeping in view the resources and the time constraint of present work is constituted to limited scope. This study was focused on the Performance Appraisal System followed by AGTSL. It was limited to the Bhubaneswar head office of AGTSL.

LITERATURE REVIEW
Fletcher C, Performance appraisal and management, November 4, 2001[1]

Performance appraisal has widened as a concept and as a set of practices and in the form of performance management has become part of a more strategic approach to integrating HR activities and
business policies. As a result of this, the research on the subject has moved beyond the limited confines of measurement issues and accuracy of performance ratings and has begun to focus more of social and motivational aspects of appraisal. This article identifies and discusses a number of themes and trends that together make up the developing research agenda for this field. It breaks these down in terms of the nature of appraisal and the context in which it operates. The former is considered in terms of contemporary thinking on the content of appraisal (contextual performance, goal orientation and self awareness) and the process of appraisal (appraiser–appraisee interaction, and multi-source feedback). The discussion of the context of appraisal concentrates on cultural differences and the impact of new technology.

**Gregory H. Dobbins, Performance Appraisal as Effective Management or Deadly Management Disease, 1990[2]**

Understanding person and system sources of work variation is fundamental to performance appraisal. Two divergent perspectives on this issue, the traditional human resource management view and the statistical process control view (Deming, 1986), are contrasted. Two studies are reported that investigate two specific questions that arise from a broader view of the appraisal process. Results indicate that managers and subordinates believe that typical poor performance has different causes and that actual productivity levels far outweigh person or system sources of performance variance in appraisal judgments.

**Gregory H. Dobbins, A Contingency Approach to Appraisal Satisfaction, 1990[3]**

The present study explored the moderating effects of organizational variables on the appraisal characteristic-appraisal satisfaction relationship. Analyses indicated that the appraisal characteristics of action plans, frequency, and rater training were more positively related to appraisal satisfaction when subordinates experienced role conflict, were not closely monitored, and supervisors had a large span of control. The results provide substantial support for conceptualizing appraisal satisfaction as a contingent function of both appraisal characteristics and organizational variables. Implications of the findings for the design of appraisal systems, appraisal effectiveness, and future research are discussed.

**Taylor Cox, Differential Performance Appraisal Criteria, 1986[4]**

Performance appraisal ratings of 125 first-level managers were analyzed to investigate the degree to which the criteria used to evaluate the overall job performance of black managers differs from that used to evaluate white managers. The performance appraisal form included items that measured both the social behavior dimension and task/goal accomplishment dimension of job performance. The appraisal ratings of both groups on each dimension were correlated with measures of overall job performance and promotability. Results indicated that social behavior factors are more highly correlated with the overall job performance of black ratees than for white ratees. Implications of these results for both black managers and organizations are discussed.

**David A. Waldman, Predictors of Employee Preferences for Multirater and Group-Based Performance Appraisal, 1997[5]**

This study conceptualizes and measures user preferences for 360-degree appraisals and group-level performance management (PM). Users are defined as either recipients of PM processes or those whose job it is to administer the process. Aspects of individual users, their work design, and current appraisal context were used to predict preferences. Two studies were conducted involving data collection in a large Canadian telecommunications conglomerate and a department of the Canadian government, respectively. Predictors explained significant amounts of variance in user preferences, especially those pertaining to group-level PM. Practical implications are suggested with regard to collecting and using user preferences. In addition, suggestions for future research are offered concerning the need to examine a broad range of users in different organizational settings and to measure actual system design features and their effectiveness.

**Dennis W. Organ, A Restatement of the Satisfaction-Performance Hypothesis, 1988[6]**

This article reviews recent evidence in support of Organ’s (1977) argument that satisfaction more generally correlates with organizational prosocial or citizenship-type behaviors than with traditional productivity or in-role performance. An attempt is then made to interpret just what it is in satisfaction measures that provides this correlation, leading to the suggestion that fairness cognitions comprise the major factor. Implications of this interpretation for theory, research, and management practice are offered.

**RESEARCH METHODOLOGY**

**Method of Data Collection**

To collect required information a structured questionnaire is used.

**SOURCES OF INFORMATION**

The sources of information are as follows:

- The primary data obtained from executives
  - Through survey
  - Through interview
Secondary data obtained from
  c. Company record and magazines
d. Manuals of office
e. Booklets
f. Annual Report
g. Through various websites

SAMPLE DESIGN
In this study the sample design is as follows:
Sample unit: Employees in Bhubaneswar head office of AGTSL
Size of sample: 40
Sample design: Simple random sampling design

SCALING TECHNIQUES
Rating scale technique is used in this study to find satisfaction level of the employees with regard to the system of performance appraisal in AGTSL.

First the mean of each is found out and then the weighted average mean of all questions is calculated. Here I have taken the values as 1, 2, 3 and 4 for “not at all”, “to a small extent”, “to a moderate extent” and “to a great extent” respectively.

FORMULA
Mean=\frac{\sum(WX)}{N}

Where, W is weightage, X is the no. of responses in that category and N sample size.

Average Mean=\frac{\sum(Mean/N)}{N}

Where, N is no. of questions.

PILOT TESTING
In order to test the suitability of the questionnaire, the researcher has gone for pre-testing with 2 respondents in the employees; this helped the researcher to make the questionnaire more, simple and practical oriented.

LIMITATIONS OF THE STUDY
- The study was conducted only at the head office.
- The busy schedule of executives gave very little time to interact with them. The person being interviewed could not devote much time and give finer details of their experience.
- Some respondents are also not frank in giving their opinion.
- Some of the employees were not very co-operative.

DATA ANALYSIS AND INTERPRETATION
For analysis of data four point scaling technique has been adopted to find satisfaction level of the employees with regard to the system of performance appraisal in AGTSL. First the mean of each is found out and then the weighted average mean of all questions is calculated. Here I have taken the values as 1, 2, 3 and 4 for “not at all”, “to a small extent”, “to a moderate extent” and “to a great extent” respectively.

MAIN FINDINGS
The findings, after calculating the feedbacks are as follows:

As regards the satisfaction of the employees to the system prevalent they are satisfied to a moderate extent as the mean average calculated is 3.07 i.e., slightly above 3. More than 70% are satisfied with the system. Their acquaintance with regard to the procedure, frequency, methodology of the Performance appraisal system also suggests a universal acceptance.

At the same time the response with regard to implementation, some sort of change is also desired by many of the employees. The response suggests the change to a small extent.

With regard to the importance of the system effectiveness, most of the executives accepted the patterns being implemented right now.

Employees feel satisfied with their presence in decision making. The employees feel proud of being included in it and at the same time they are more responsible to the organisation.

Employees are satisfied to a great extent with the transparency of the system and feel that they are provided with adequate information about their appraisal.

The Performance Appraisal System is a helpful guide to training for development. They are satisfied to a moderate extent.

In assessing the need for promotion and transfer, the system of performance appraisal has got a great contribution. The respondents agree with this view more than to a moderate extent.

Employees are satisfied to a moderate extent with the two-way communication between appraisers and appraisee during the appraisal process.

The executives feel the environment prevailing in AGTSL is congenial to their efficiency. They are satisfied with this system more than to a moderate extent. But they want to suggest some change to make it more effective.
Table-1.1: Comprehensive Table

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Questionnaire</th>
<th>Not at all</th>
<th>To a small extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Is Performance Appraisal needed in this organization?</td>
<td>0</td>
<td>0</td>
<td>16</td>
<td>24</td>
<td>3.6</td>
</tr>
<tr>
<td>2.</td>
<td>Are you fully acquainted with the procedure adopted for P.A. in AGTSL?</td>
<td>0</td>
<td>5</td>
<td>7</td>
<td>28</td>
<td>3.56</td>
</tr>
<tr>
<td>3.</td>
<td>Are you satisfied with the system of P.A. prevalent in AGTSL?</td>
<td>2</td>
<td>9</td>
<td>11</td>
<td>18</td>
<td>3.12</td>
</tr>
<tr>
<td>4.</td>
<td>Are you satisfied with the methodology used for P.A.?</td>
<td>4</td>
<td>8</td>
<td>10</td>
<td>18</td>
<td>3.05</td>
</tr>
<tr>
<td>5.</td>
<td>Is the system of P.A. prevalent in AGTSL really effective?</td>
<td>5</td>
<td>7</td>
<td>15</td>
<td>13</td>
<td>2.9</td>
</tr>
<tr>
<td>6.</td>
<td>Do you suggest any change to make it more effective?</td>
<td>5</td>
<td>23</td>
<td>6</td>
<td>6</td>
<td>2.33</td>
</tr>
<tr>
<td>7.</td>
<td>Any motivational program is needed to develop P.A. system?</td>
<td>4</td>
<td>11</td>
<td>16</td>
<td>9</td>
<td>2.75</td>
</tr>
<tr>
<td>8.</td>
<td>Are you satisfied with the frequency or duration of P.A. in AGTSL?</td>
<td>4</td>
<td>6</td>
<td>17</td>
<td>13</td>
<td>2.9</td>
</tr>
<tr>
<td>9.</td>
<td>Does the management give you any information about the process of P.A.?</td>
<td>1</td>
<td>7</td>
<td>10</td>
<td>22</td>
<td>3.33</td>
</tr>
<tr>
<td>10.</td>
<td>Do you agree P.A. system provides an opportunity for self-review &amp; reflection?</td>
<td>2</td>
<td>10</td>
<td>18</td>
<td>10</td>
<td>2.9</td>
</tr>
<tr>
<td>12.</td>
<td>Does P.A. helps in improving employee performance?</td>
<td>0</td>
<td>7</td>
<td>13</td>
<td>20</td>
<td>3.3</td>
</tr>
<tr>
<td>13.</td>
<td>Does the P.A. evaluation identify the training and development needs?</td>
<td>0</td>
<td>5</td>
<td>26</td>
<td>9</td>
<td>3.1</td>
</tr>
<tr>
<td>14.</td>
<td>Is training program effective for individual &amp; organizational development?</td>
<td>3</td>
<td>9</td>
<td>15</td>
<td>13</td>
<td>2.95</td>
</tr>
<tr>
<td>15.</td>
<td>Is transfer, promotion, suspension and dismissal based on P.A.?</td>
<td>1</td>
<td>5</td>
<td>16</td>
<td>18</td>
<td>3.28</td>
</tr>
<tr>
<td>16.</td>
<td>Does P.A. increase employee motivation?</td>
<td>2</td>
<td>7</td>
<td>14</td>
<td>17</td>
<td>3.15</td>
</tr>
<tr>
<td>17.</td>
<td>Do you think P.A. system in your organization is not a fault finding process?</td>
<td>3</td>
<td>10</td>
<td>15</td>
<td>12</td>
<td>2.9</td>
</tr>
<tr>
<td>18.</td>
<td>Does the P.A. provide for a frank discussion between appraiser and appraisee?</td>
<td>1</td>
<td>6</td>
<td>20</td>
<td>13</td>
<td>3.13</td>
</tr>
<tr>
<td>19.</td>
<td>Do you agree that appraiser evaluates everybody based on merit unbiasedly?</td>
<td>5</td>
<td>9</td>
<td>14</td>
<td>12</td>
<td>2.83</td>
</tr>
<tr>
<td>20.</td>
<td>Is the desired target of organization achieved through P.A.?</td>
<td>2</td>
<td>3</td>
<td>19</td>
<td>16</td>
<td>3.23</td>
</tr>
</tbody>
</table>

**AVERAGE MEAN** 3.07

*Source: Collected and Compiled Data*
CONCLUSION

As it has been found in my project most of the respondents are satisfied with the system of performance appraisal prevalent in AGTSL. With regards to enhancement of skills of the employees this process is one of most important contributor. In training, promotion and transfer the system contributes a lot. But at the same time certain respondents indicate about the scope of some changes in the system. Most of the employees are satisfied with transparency in the system of performance appraisal but some of them feel some where the appraisal process is affected by biases on the part of officer in charge of appraisal. Provision should be made in this regard so that any particular behaviour wouldn’t overshadow the appraisal process. Some respondents also point out the fact that the appraising process should also take into consideration the views of the staff who directly deal with the employee concerned. It would definitely make the process more effective.

But at the same time the system is well accepted and admired by the employees. The employees are satisfied with the procedures, frequency, and methodology of performance appraisal in Bhubaneswar unit of AGTSL. They also feel the system is quite effective in enhancing skill and efficiency. They think it is a really helpful guide in their training, development, promotion and transfer. The overall process of performance appraisal is really an effective one.

SUGGESTIONS

- The supervisors should refrain from the common errors like halo effect, horn effect, leniency etc., that can distort and even invalidate the evaluation process.

- If appraisal is to be effective, staff must see the process attempting to meet their needs; otherwise the system will not work. This means Heads of Department do need to form an overview of the issues raised by their staff and if appropriate feed these into the planning process.

- The appraiser should also take into consideration the views of peers, subordinates and other people associated with the concerned appraise.

- The best performance reviews let managers and employees communicate -- share ideas, opinions, and information. Unfortunately, most traditional reviews put managers into the position of uncomfortable judges, ostensibly telling employees how their work either fit the bill -- or didn’t. The most important aspect in every case is two-way communication between the employee and appraiser, instead of one-way communication, for higher performance.

REFERENCES