



PERFORMANCE APPRAISAL IN INDIA – A REVIEW

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**ABSTRACT**

Globalization has created a niche to maintain and improve human resource as they are the prime contributors to organizational performance. In this 21st century, human development is focused at hire, training and retaining them. Retain its precious and talented employees becomes a main confront for organization if they do not know how to motivate them. Hence, performance appraisal (PA) is extensively used to facilitate salary increments, promotions, staff retention and to reinforce staff behavior. This paper is aimed as long as a review on the various performance appraisal techniques practiced in Indian economy and some of its limitations. This paper as well highlights literature review on efficiency of the PA system in many Indian industries.

**KEYWORDS** : Performance appraisal; employee performance

**INTRODUCTION**

Performance appraisal (PA) has been a important instrument in developing the capabilities of an individuals and organizations. Since the period of financial modernization and globalization in India, (Kumar, V. (2014)) PA has been adopted and practiced across several organizations. In addition, there is a great need for functional human resource department(HRD) to monitor and regulate the relationship, growth and developments of individuals and organizations for improved performance and job satisfaction. Simultaneously, a sound HRD is required in every organization for optimum effective utilization of human and organizational resources. Over the years, there are numerous research conducted in the field of enhancing human capabilities through performance appraisal (Leong, W. (2013), Lawler, E. E., Benson, G. S., &McDermott, M. (2012), Selvarajan, T. T., & Cloninger, P. A.(2012)). Majority of these studies have suggested that there isa positive correlation between effective PA to reinforce constructive work behavior. In order for the PA to be useful tool it has should be perceived valid, reliable, free from bias, practical and must be accepted by the users (Landy, F.J,and Farr. J.L. (1980), Varma, A., Pichler, S., & Srinivas, E. S.(2005)).

**Definition of PA**

PA is defined as "a managerial procedure through which a person employees' behavior and activities for affixed time period are deliberate and evaluate" (IGNOU cited from Human Resource Management V. Balu, (2006)). Broad definition of PA given by Fletcher (2001) is "activities through which organizations look for to assess employees and develop their capability, enhance performance and distribute rewards". In other words, PA is a tool used in organized and purpose way to measure the real performance of employees to the principles set by the organization followed by formal or informal response from the superior in judging the relative value or ability of the employee performing his or her job (Dressler, Gary. (2011),Eichel, E., & Bender, H. E. (1984)).PA is too recognized as organized instrument due to the technique deployed in obtain, analyzing and recording information in relation to the individual that being assessed. According to Balu V. (2006), PA is a personal function and there is a series to be followed (illustrated in Diagram 1) in creation PA more helpful and significant



**Diagram 1:** The PA Scenario as an organizational event(Source: V. Balu (2006), *IGNOU-Human Resource Management pg. 247*)

When the superior does performance appraisal, the subordinate have to be evaluated based on the subsequent assumption:

1. If a output of the employee can be measured, PA system can be minimized. For example an operator assembling products in assembling line, number of goods produced per day can be measured. Therefore PA has less result on measuring the employee's competence, though, if the work performed cannot be measured, PA must be designed to match the character and characteristics that direct to increased output and motivation stage.

2. Secondly, the design of PA itself must be associated with precise characteristics of job performance. This is to demonstrate a reason and effect relationship between employees characteristics and output on the job (Balu V.(2006)). as well, the appraisal questions in the PA should be relevant and applicable to the employee. For example, number of paper published should be diverted to teaching staff and not to managerial personnel.

**METHODS OF PA IN INDIAN ORGANIZATIONS**

many Indian organizations still favor traditional assessment method in difference to the modern approaches(illustrated in Diagram 2). According to Tripathi (cited formBalu V. (2006)) there are a variety of techniques used by management in Indian organization to assess their employee's performance as discussed below.

Traditional Method	Modern Method
Ranking Method	Management of objective
Graphic Rating scale	Behaviorally anchored Rating Scales
Critical Incident	Human resource accounting
Narrative Essay Assessment centers	Assessment Center
Check list method	360 Degree
Forced distribution Method	720 Degree
Confidential Report system	

**Diagram 2:** Employer Rating Scale(Source: Aggarwal, A., & Thakur, G. S. M. (2013), *International Journal of Engineering and Advanced Technology (IJEAT) ISSN: 2249 – 8958, Volume-2, Issue-3, February 2013*)

1. **Graphic rating scale** which rates employees based on a rating scale that list a number of traits and a variety of Performance that should be talented by the individuals. Graphic rating level uses the following essential three scales in rating the employees.

a) Below prospect for poor and unsatisfactory performance. The scale range usually provided for this group is between 0, 1 to 3.

b) Meet expectations for average performance and the scale range will be 4 to 7.

c) Role model for outstanding performance which is between 8 to 10

0,1,2,3,	4,5,6,7,	8,9,10,
Poor performance	Average performance	Outstanding performance

This is one of the most universal practice used in a lot of organizations across global (Landy and Farr (1980)).yet, there is a problem with this technique as there is no obvious definition given for the rating scale. What is apparent as superior performance as be against to poor performance is only on the superior's discretion.

**2. Ranking method** rank employees from the best to the worst based on sure traits or criteria (Dessler et al(2011)). This is one of the oldest means (V. Balu (2006))of assessment which rank employees from the most performing to the least performing. This way is appropriate to remunerate a small group employee generally companies selling insurance or marketing at multilevel (MLM). The drawback of this method always enforces opposition and competition in the middle of employees and discourages team work. The other option method used for bigger group of employees which also a part of ranking method is

**"Paired comparison"**. In this method, after ranking the employees, the superior will pair them into a group and compare each individual to every other person (V.Balu, (2006)).

**3. Check list method** is based on a sequence of statement that contains value in relationship to their significance. The superior is asking to choose "yes" or "no" on each statement. Once the check list is finished, it is send to the HRD to prepare the final scores of the appraise. The one difficulty of this method is that it is difficult to assemble, analyze and weigh a number of statements about employee characteristics and contributions. This technique of appraisal also not suitable if there are copious job categories in the organization.

**4. Force distribution method** is a very old method that is widely used by huge organization in India such as Infosys, ICICI Bank, Aditya Birla Group (Saumya Bhattacharya & Shreya Roy, 2014). According to Indian times, 75 percent to 80 percent companies in India use this bell curve shaped PA system to rank their employees into three categories which is excellent, good and poor in a forced distribution order. Top ranked employees are considered "high potential" and often retained by the management for rapid career and leadership development programs. This method is rather controversial due to the competition it creates and too the employee that does not fit into any of the three categories will not have their performance reflect truly. as well, there is not have of clearness in understanding the process of employee assessment for this method (Chattopadhyay, R., & Ghosh, A. K. (2012)).

**5. Essay appraisal method** or known as narrative essay is a "free form method" (Tripathi cited from V. Balu (2006)) commonly used for expert positions in Indian organization. The superior is necessary to give in writing an knowledgeable and honest account of the employee's strength, fault, potentials which frequently includes examples and evidence to support the evaluation process. The drawback of this method is subject to inseparability of biasness by the assessor and extremely. moreover, in order for the superior to use this way, he or she must be well verse in all area as discussed below:

- a) Job knowledge and potential of employee,
- b) Employees understanding of the organization policies, objectives and programs,
- c) Employees relationship with co-workers and superiors,
- d) Employee's general planning organizing and controlling ability

and

e) Also attitudes and perception of employees in general.

**6. Critical Incidents Method** developed by Flanagan and Burns (Flanagan & Burns, 1955) requires identifying critical job requirements which are very important for the success of a job. This critical incident represents the terrific (positive) or poor (negative) behavior of employees on the profession. For example, for customer service personnel the subsequent incidents could be indentified:

- a) Customer complaint – polite, punctual, enthusiastic in solving problems
- b) Turn over time – very prompt with 10 minutes

However, there are limits with this method. Negative incidents are additional noticeable than positive incidents. as well, this method requires usual note down from superiors which may not be liked by the employees. It is argued that stable monitoring from the superior leads to emotional exhaustion, employee withdrawal and high absenteeism (Deery, S., Iverson, R. D., & Walsh, J. (2002)).

**7. Confidential Report System** is a technique mainly used by government organizations. This is a traditional and suitable method prefer by Indian senior officials to determine employee's promotion. like to narrative essay method the supervisor or superior writes confidential report on their employee's performance mainly on the subordinate behavior, conduct and remarks if any (V. Balu (2006)). as this report only been seen by official persons for evaluation, it fails to provide feedback to the appraise. The employee does not know his or her strength and weakness which may result in lack of interest and motivation.

**8. BARS (Behaviorally based scales)** is a modern appraisal tool that anchors a numerical rating scale with exact examples of good or poor performance (Dessler, Gary. (2011)). According to Tripathi, in developing BARS it requires five steps which is;

- (a) A superior with knowledge on the job to describe useful and ineffective job performance incidents.
- (b) To have these incidents to be grouped into smaller set 5 to 10 size and defined.
- (c) Get another group to confirm, reassign every incident to the cluster which fits best.
- (d) level the incident.
- (e) Develop and discover instruments which comprise aeries of vertical scales that are anchored by the included incidents.

Research has not proven decisively that BARS are superior to other scale format in terms of their skill to produce precise ratings of individual performance (Jacobs etal(1980),Kingstrom,P.O.&Bass, A.R.(1981),Landy,F.J,and Farr.J.L.(1980) Schwab et al (1975), Pounder,J.S.(2000).

However, the procedure of developing BARS regarded as 'essential part of management' in focusing and clarifying what precisely is meant by effective performance (Campbell et al(1973), J.S. Pounder (2000)).though there are a variety of method of PA be, on the contrary there is forever question happen in terms of (i) what region of performance to be deliberate?; (ii) how to gauge this performance?; and (iii) the efficiency of the measured performance since; it is one of the most complex and controversial human resource method(Roberts, G. E.(2003)).

**DESCRIPTION ON INDIAN PA FOR VARIOUS SECTORS**

Ever since the financial reformation in India, a number of organizations from small, medium and large scale have adopt PA in developing their human capability considering that, hiring and training employees is expensive to them. Companies in India contain started to depart from the conventional technique of evaluating performance which is "top to down appraisal "normally carried out by the superior (Armstrong, M., &Baron, A. (2000)) to contemporary methods (illustrated in Diagram 2) in compliance

with the important change in organization's structure, process and culture.

A study conducted by Rani, L., Kumar, N., & Kumar, S.(2014) for private banks in Rohtak City, India, has indicated that the majority banks in this region has started to use 360 degree appraisal to assess their employees. 360 degree appraisal is a technique that uses a variety of source of assessment such as supervisors, peers, subordinate and the employees themselves and as well give multiple view of the individual's performance in arrange to decrease slanted appraisal error (Sepehrirad, R., Azar, A., & Sadeghi, A.(2012)). The investigation of this study (Rani, L., Kumar, N.,& Kumar, S. (2014)) focus on the put into practice and application of 360 degree in the chosen banks and the effect of this appraisal method on employee satisfaction and motivation level. The result of this research show that present is a positive association between the 360 degree appraisal method and the other tested variables so suggesting, this technique is extensively conventional by the employees in the region's banking sector.

The PA practice itself should be carefully designed by integrating organizations reason and goal as it is as well used as a means of providing feedback to more motivate and maximize the performance of the employees to attain the predictable results (Boxall, P., Purcell, J., & Wright, P. (2007)).The employee's motivation and engagement has been a main concern and there are a lot of research take out on this division(Fletcher, 2001, Sanyal, M. K., & Biswas, S. B. (2014)). Ever since globalization and deal openness, India has encouraged foreign IT firms to business enterprise into Indian economy and at the similar time has let to sure degree host country (Bhardwaj,A.,Dietz, J., & Beamish, P. W. (2007)) cultural influence in Indian economy.

According the study accepted out by Sanyal, M. K., & Biswas,S. B. (2014) for IT field in West Bengal, India, the use of modern PA method such as 360 degree and MBO which acting a vital role for the HRD activities. This research imply that the strengthening of modern PA method establish fundamental connection between the application of assessment method and employees motivation level. further research consist of PA practice in service and manufacturing division by Rohan Singh, R., Mohanty, M., &AK, M. (2010) to look at the connection between PA and employee's presentation in India. The answer of this research point to that there is an relationship exists between these two variables. Outstanding PA practices guide to improved employee performance. Also, in today's working surroundings, the employee themselves wants to have the information on how they fit their organization. Whether they have met the organization's goals and target and also aspects of self improvement for greater performance in future through (Rohan Singh, R., Mohanty, M., &AK, M. (2010)).

Since India is a "collectivist" nation (Hofstede, G. (1980)) and "hierarchy and inequality" deeply rooted in Indian traditions (Jain, H. C., & Venkata Ratnam, C. S. (1994)), a research has-been carried out by Varma, A., Pichler, S., & Srinivas, E. S.(2005) to assess the behavioral aspects on how "interpersonal" affect the PA system. "Interpersonal" in this context is defined as a "like-dislike relationship" between supervisor and his or her subordinates (Cardy R.L. and Dobbins, G.H. (1986)). The employees in India are often concerned with their personal relationships with their superior rather than the actual job performance itself (Kanungo R. &Mendonca. M. (1994)). Moreover, they also always rely on the superior to solve their problems (Varma, A., Pichler, S., &Srinivas, E. S. (2005))

Based on this research (Varma, A.,Pichler, S., & Srinivas, E.S. (2005)) a sample of 113 supervisors was tested from large manufacturing organizations in India and it is proven that there is a significant correlation between the interpersonal of the subordinate and the PA rating system. In Indian context, culturally influence dependence of subordinates on superior gives precedence to favorable or unfavorable PA evaluation over the actual job performance.

PA tool constantly subject to criticism, hence there are research carried out to explore the relationship between perceived fairness of performance appraisal and employees satisfaction. The perceived fairness is an imperative instrument that affects the motivation level of employees (Sudin, S. (2011)). Fairness involves procedural, distributive, interpersonal and informational justice of PA (Vishal Gupta,Sushil Kumar, (2013))

J. Sheelam, J. Ravindran (2014) carried out a research for public, private and foreign banks in India aimed at measuring the fairness of PA rating system, accuracy of PA and the employees overall satisfaction with current PA procedures in their organization. The results of this study indicate that there is a high degree of positive correlation exists between fairness in PA rating and overall job satisfaction. An appraisal system will be ineffective is employees does not see the PA as fair, useful, valid and accurate (Levy, P. E. and Williams, J. R.(2004)).

## CONCLUSION

PA is an important human resources practice tool which give information to a lot of significant human resource decisions (Sudin, S. (2011)). There is countless research extensively done over the past decades (Landy and Farr,1980), yet research still ongoing in testing the validity of the PA system crossways global. Also, the efficiency of the PA system is also based on to the extent how well HRD in an organization is leaning (Jain and Kamble,2005).

## FUTURE ENHANCEMENTS

A good performance appraisal has to consist all of the following characteristics

1. Setting suitable work standard for employees. The principles set must be thorough and attainable.
2. The performance appraisal should be done by assessing the employee's real performance to the relative Standards set.
3. Each supervisor accountable to provide response to employees with the aim of motivating him or her and to eliminate performance deficiency or to carry on to perform over par. a few of the conventional method discuss previous fails to slot in the over stated features because PA is assessed based on "knowledge, plan, loyalty, leadership and judgment" (Aggarwal, A., & Thakur, G. S. M. (2013)). thus, there is a keen want for Indian organization to alter and accept the modern technique of assessment such as MBO, 360 degree, 720 degree, BARS, Human Resource Accounting, Balance Score Card, Electronic Performance Monitoring, Assessment center and etc. From the previous discussion, we know that there are by now some organizations in India working BARS, MBO and 360degree though; the other mention methods are still new to the field and there is forever room for promotion.

## SUMMARY AND DISCUSSION

There is growing debate whether the PA is truly helpful to many organizations. W. Edward Deming and different studies have suggested for the abolishment of PA system in organizations (Thomas S.L., and Brezt Jr. R. D., 1994) due to the disadvantage it poses for example extreme importance on psychometric issues. Besides, PA does not incorporate quality and team work and it is assessed solely base on individual performance. According to Bowman J. S., (1994), "personnel ratings have created tensions, defensiveness and avoidance in the part of both superior and employees which generally does not improve performance". Furthermore some PA system is old fashioned, does not fit a variety of jobs, time consuming, costly and enforce conflict and competition among superior and subordinates.

Other research suggests that PA has potential for further development and growth (Edward E. L., George S.B.,Micheal M. D., 2012). The study of this review paper suggest that despite which PA system adopted by the Indian organization, it should reflect the culture and the behavior pattern (Dayal, I. (1976)) of the employees in the effective assessment because according to Peter Drucker "*an organization is like a tune; it is not constituted by individual sounds but by their synthesis.*" The success of an organization depends on its

ability to measure precisely the performance of its employees and use it objectively to optimize them as a fundamental resource (Bajpai, N., & Soni, A. (2011)).

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