A STUDY ON PERFORMANCE APPRAISAL SYSTEM IN INDIA

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ABSTRACT

In this dynamic and ever exponentially changing global market, nothing can be measured with accuracy because business world made market attributes volatile. In the complex business world, human beings are the most valuable assets. Human resources attitude is also volatile as subjected to many experiences and situations. In such scenario, one needs to measure how Human Resources perform for the purpose of reward, assessment and knowledge. The tools & techniques innovated for measuring human productivity and performance with respect to the required capability, intellect and experience is under an umbrella named Performance Appraisal System. No single Performance Appraisal system can assure the reliability of its results. PAS can only be performed as impartial as possible by choosing the best fit method out of trending ones. Performance appraisal process is a continuous process to monitor the actual performance of the employee i.e the work done by the employees throughout the year. In this stage careful selection of the appropriate techniques of measurement such as personal observation, statistical reports, and written reports for measuring the performance is needed. This paper attempts to explain PAS followed in Indian IT companies.

Key Words: Appraise, Appraiser, bell curve, feedback, iCount, Performance Appraisal.

I. INTRODUCTION

Performance can be defined as the actual output delivered to the organization when provided with certain roles and responsibilities within a given period of time. Performance appraisal is evaluation of the performance of an employee for a defined period of time. These appraisals can be used in deciding the pay, career prospects, training. Performance appraisal is normally given to the employee to the next superior designated person who would observe the employees’ efforts, performance and efficiency. T V Rao has given a formula for performance i.e.

\[
\text{Individual Performance} = \text{Ability} \times \text{Motivation} \times \text{Organizational Support} \pm \text{Chance factors}
\]

Different dimensions of Performance Management are:

- Output or result dimension
- Input dimension
- Time dimension
Focus dimension
Quality dimension
Cost dimension

Each of these dimensions must be focused in order to secure the best performance (of employee) as well as to evaluate the performance of the employee (by employer). Appraisals are linked to rewards such as hike in compensation, promotion which demotivates the employees who don’t secure them through their performance appraisal sheets. In these terms, Performance Appraisal creates a negative effect on the employees as well as towards the organizational objectives. Broadly, performance management, which is a continuous process must contain performance appraisal to assess the employees stand in pursuing individual as well as organizational goals. Performance appraisal simply serves as an aid for managers in the process of performance management. The main important aspects of Performance Management are Performance Improvement and competency building.

The building blocks of an appraisal sheet are KPAs and KRAs. KPA means Key Performance Area. At the outset, KPAs are broad categories of functions to be performed in job by the employee specifically. Generally, they are given in job description in an elaborate manner. KRAs means Key Resulting Areas. Several functions of KPAs have a KRA, a much broader term in appraisals. Identifying KPAs and setting quantifiable targets wherever possible is the better way of planning one’s performance.

Importance of Performance Appraisal or Performance Management:
- Every employee gets the feedback from superior about the work done or tasks completed.
- Deficiencies of employees are known individually.
- It is the only prominent tool based upon which promotion, compensation, transfer or layoff decisions are taken.
- It helps in framing the content required for Human Resource Planning.
- Generally, employees are counseled after receiving appraisal which benefits them to perform better.
- Employees are motivated by constructive appraisal formats.
- Flow of communication improves through the process of Performance counseling
- It gives a good estimate of employee’s potential and has scope to set future goals based on one’s capability.
- A critical appraisal gives chance for employees to rectify their mistakes.
- It assesses the need of training or whether employee is eligible to get trained.

Definitions
Performance Planning: According to T V Rao, “It is defined as systematic outlining of the manager’s activities which are expected to undertake during specified period contributing for organizational outcome.” It is just a beforehand blueprint of future plans to be implemented and accomplished.
Appraiser: A person who undertakes/ is given the responsibility to evaluate in terms of performance, skills and ability of his team (individually) or subordinates or employees at the immediate next & down level of superiority is called appraiser.
Appraisee: A person who is being evaluated (knowingly or unknowingly) by the Appraiser is called Appraisee
Performance Review Discussion: It is the brainstorming and thought sharing activity performed by appraiser and appraisee. It is also called performance counseling. Here, even the negative feedback must be given in a positive and constructive way by the appraiser.
Self-Appraisal: A notes developed by an employee about the tasks and accomplishments performed by matching the attitude and ability of himself/herself to critically evaluate. A manager has to self-appraise
to know variations for the last year and now in his performance even if organization doesn't mandate its requirement.

**Dyadic performance:** The role played by the boss in accomplishment of goals of his/her sub-ordinate is often neglected. The role played and actions performed are called dyadic performance. Boss and subordinate are called Dyads.

### 1.1 Methods of Performance Appraisal

[Diagram: Performance Appraisal Methods]

In traditional methods, essay appraisal method considers examples and evidences which are factual-based. Straight ranking does comparative evaluation whereas paired comparison makes each employee to be compared with all other employees. Critical incidents method judges by observing the performance during critical incidents given. In field review method, superior employee trains the supervisor about how to evaluate their workers. Checklist contains statements with yes or no answer for judging job performance. Graphic rating scale suggests for quality and quantity of work to be marked on a rating scale. In bell curve or forced distribution, all employees are distributed in fixed categories while comparing with each other.

In modern methods, Assessment centre method assess an employee by assigning a role in job if he/she is given promoted. Usually this method is used for assessing the need of training and development of employees. Behaviorally Anchor Rating scale is a combination method of critical incident method as well as graphic rating method. HR accounting method defines performance as the difference of contribution to the company and cost incurred for the employee. 360 degree feedback method takes the appraisals from himself/herself, superior, sub-ordinate and peer group. In Management By Objectives, employees set their own goals with their superior which in parallel to set the standard performance which can be reference to the actual performance.

### 1.2 OBJECTIVES OF THE STUDY

1. To describe the performance appraisal practices adopted and followed in India’s largest IT companies.
2. To study the performance appraisal systems implemented in Indian IT companies.

### II. FUTURE TRENDS IN PERFORMANCE APPRAISAL PRACTICES

The world of performance management is drastically changing from what it was just a decade ago. Of age, data-based methods of evaluation have confirmed themselves unproductive. It is hard to believe
that 90 percent of HR professionals don’t believe performance ratings are effective. The different trends already adapted by leading companies and to be adapted by other companies are as follows:

- Regular check-ins, supported by frequent feedback (both positive and constructive) replacing the annual performance appraisal is adapted by Adobe.
- A weekly check-in of every team leader with every team member discussing the near-term work and priorities along with comment on recent work and provide coaching as well ad quarterly reviews instead of once-a-year performance reviews, 360 degree feedback and objective cascading is followed in Deloitte.
- A frequent feedback and regular conversations called ‘touchpoints’ to review progress against agreed near-term goals supported by online and mobile app enabling employees to capture progress against their goals, give feedback to peers and request is now implemented by General Electric by eliminating the rank and yank system(in which least performed employees 10% were fired).
- Accenture have decided to put frequent feedback and conversations at the heart of their new process, and focus on performance development, rather than performance rating and disbanded their ranking and once-a-year evaluation process.
- Cargill, the US food producer and distributor, removed performance ratings and annual review forms and instead focused on managers having frequent, on-the-job conversations and giving regular, constructive feedback with a different terminology 'Everyday Performance Management' including sharing success tips, rewarding managers of best practices and building skills with feedback and coaching.
- In line with the abandonment of performance ratings, companies are setting more regular objectives with shorter time frames.
- Paul Hamerman, Vice President and a principal analyst at Forrester Research, has predicted that a shift to the cloud and increased use of software will be a big part of the future of performance management.
- A focus on gender bias to reduce the discrepancies in feedback because of gender.

II. REVIEW OF LITERATURE

Dr.D.B.Bagul (2013) studied the attitudes of the employees towards performance appraisal in SEMCO ELECTRIC PVT LTD, Chakan. He suggested 360 degree feedback model and reduce the parameters in evaluation with higher officials and opined that appraisals must be simpler and shorter. Amie Farrell (2013) mentioned that the finding of the study revealed that overall the employees were happy with having to complete performance appraisal by knowing the benefits they receive like rewards and promotions at NALCO.

Amit Hole and Dr. Ashutosh Misal (2013) found out Employees who work related with sale of insurance policies in private sector general insurance companies is performing good than employees who work related with sale of insurance policies in public sector general insurance companies. Sanjita Tendon (2013) concluded that Performance Appraisal is more effective in private sector than public sector by conducting z-test. She suggested to utilize numerical ratings. Training is essential for appraiser biases to be reduced. Moreover, she tells an employee is selected, trained and motivated and finally appraised for the performance

Christoph Reichard and Jan van Helden (2015) in the research paper discovered that the differences between performance management practices in the public and private sector are less stringent than expected with regard to more or less fundamental differences between both sectors. They found out
difference based on 3 attributes namely ownership, funding and control. They divided lifecycle of PMS into design phase and use phase.

Sameera Begum, K. Sarika & G. Sumalatha (2015) compared performance both public & private sector as a whole based on the parameters like two-way communication between appraise and appraiser, feedback system in which peers, Superiors, and Junior Employees give feedback to every employee, adopting technologies, monetary and non-monetary benefits, job security, Leave Management System as well as Process of Recruitment & Selection.

Kona Yasoda (2016) detailed the elements of an Ideal Performance Management System. The important elements are job descriptions, performance expectations, appraisals, compensations, disciplinary policies and commendations. She described globally trending models like Team Performance Appraisal, 360 Degree Appraisal, Rank and Yank strategy, the new model and real-time feedback.

Ramila Ram Sign & S. Vadivelu (2016) mentioned in their paper about the performance appraisal in India. Retention of the employees in the organization is a difficult task for the management. Performance appraisal is a tool to know the employees performance in various aspects. It is useful for salary increment, promotion, staff retention and to reinforce staff behavior. The above referred literature shows that Performance Appraisal is only tool in assessing the employee’s tasks and responsibilities matching their capability. A comparison has been done in public and private sector enterprises where private sector appraisals have been more effective.

III. PERFORMANCE APPRAISAL PRACTICES IN INDIAN IT COMPANIES

Hindustan Computers Limited

HCL is an IT services and IT consulting company founded in 1976 by Shiv Nadar. It serves in the fields of BPO (Business Process Outsourcing), remote infrastructure management, natural resources, telecom and travel, transportation, etc. It earned a quarterly revenue of US$6.746 billion and gained profit of US$1.198 billion. In 2015, HCL secured Aecus Innovation Award for implementing an operational control centre for Unilever. In 2014, HCL grabbed the award of Best Governed Company by the Asian Centre for Corporate Governance & Sustainability. No. of employees in HCL are 1,11,092. Their performance appraisal is done as mentioned below:

HCL was using Bell Curve method but now shifted to feedback based system. During Bell Curve or Forced distribution, the performance based pay with ratings is as follows:

i) Each one of the employees are rated in relation with all other employees making it a relative ratings from 5.0 to 10.0

ii) After rating, pay hike is made in percentages as follows:

- 10.0 rating is regarded as outstanding performance who get hike of 50%
- 9.0 - 9.9 rating is regarded as exceptional performance who get hike of 30%
- 8.0 - 8.9 rating is regarded as good performance who get hike of 20%
- 7.0 - 7.9 rating is regarded as threshold performance who get hike of 10%
- 5.0- 7.0 rating is regarded as needs improvement who get hike of 1000-1500

iii) In feedback system, individual ability is the base factor for giving feedback and no relative comparison in numbers is done but feedback is provided individually to strengthen weak KPAs and certain amateur skills.
Tata Consultancy Services

TCS is a subsidiary of Tata Sons Group. It was found in 1868 by Jamshedji Tata. It generates 70% revenues of Tata Sons i.e. about US$103.5 billion. In 2015, TCS is ranked 64th overall in the Forbes World's Most Innovative Companies. It employs 660,000 people. The performance appraisal for these employees is done as follows:

Even TCS has been in the process of transforming from Forced Distribution model to continuous feedback. In forced distribution, every appraisee is provided with a goal sheet which contains 15 to 20 goals (based on his/her experience and profile) which are rated out of 5 by appraiser and attendance of project as well as technical trainings. Average score of these ratings is done for aggregate rating.

According to the aggregate rating obtained, employee is put into A, B, C or D categories. For suppose, 20 members in a group for a project are to be evaluated, the project leader or project manager rates them and put 2 in A, 6 in B, 8 in C and 4 in D categories based on the rating scores. While rating appraisee, it is also observed for them meeting with Subject Matter Experts. The pay hike starts from 0% for D to 12 - 14% for A. The hike is based on Gross Pay. This forced ranking model is done twice in a year and pay is increased once in a year by rating and categorization basis. Appraiser for entry level employees is team leader or project manager.

Continuous feedback has more transparency when compared to the above model implemented. Appraiser would be willing to share the feedback and appraisee can ask to know the lacking KPAs in the appraisal sheet. Here, the feedback is provided for each quarter of financial year. Feedback here is given by considering individual ability and not compared with any other which has a better scope for self-improvement of skills and lacking areas of performance.

Infosys

Infosys is a multinational corporate providing Business consulting, Information Technology or outsourcing services. Its revenue is US$10.208 billion and profit is US$2.140 billion. The no. of employees are 200,364. These employees were assessed according to traditional. Bell curve method but now trying change to 'iCount' which is explained below:

'iCount' is the model developed for appraisals of Infosys' employees. Its CHRO stated that they are striving to inculcate the strength of dialogue and feedback through iCount. As per iCount, employees are rewarded on specific short term targets and are given feedbacks throughout the year. This iCount is brainchild of Vishal Sikka, CEO with concepts of 'new and renew' strategy linking 'design thinking'. Under iCount each employee is individually given feedback throughout the year and not relatively compared with other unlike Bell Curve. Saurabh Govil, CHRO of Wipro stated that the appraisal system has shifted now to develop an employee rather than criticizing the employee by describing what he/she have done.

IV. CONCLUSION

With the challenges brought down by economic liberalization, even HR strategies must match the diverse socio-economic situations accordingly. In present Indian IT companies the HR practices revolve around hiring new talent and retain existing best talent. Performance appraisal is a crucial and critical tool to retain the existing employees. Appraisal system followed in HCL in rating out of 10 is good because the highest increment is 50% in basic pay for outstanding performers, up to mid-senior level. The least performer would also have an increment of ₹1000 of Gross pay in HCL. HCL employees are benefitted in terms of cost dimension. Infosys emphasizes on dialogue and feedback which makes the culture more communicative. Focus dimension is given more priority here i.e. focus on employee welfare within the
premises of company. TCS employees would always be craving to fall in A category to secure maximum increment. D category employees would be demotivated as they need to wait for one more financial year for increment. TCS focuses on input as well as output dimensions through evaluation of goal sheet.

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Web links

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