Performance Appraisal System of Corporate Sector

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ABSTRACT: Managing human resources in today’s dynamic environment is becoming more and more complex as well as important. Recognition of people as a valuable resource in the organization has led to increased trends in employee maintenance, job security, etc. This Research Paper deals with “Performance Appraisal as carried out at (CORPORATE SECTOR)”. In this report, I have studied & evaluated the performance appraisal process as it is carried out in the company. Performance Appraisal is the important aspect in the organization to evaluate the employee’s performance. It helps in understanding the employees work culture, involvement, and satisfaction. It helps the organization in deciding employee’s promotion, transfer, incentives, and pay increase.

Keyword: corporate sector; promotion; satisfaction.

INTRODUCTION

Human Resource (or personnel) management, in the sense of getting things done through people, is an essential part of every manager’s responsibility, but many organizations find it advantageous to establish a specialist division to provide an expert service dedicated to ensuring that the human resource function is performed efficiently.

“People are our most valuable asset” is a cliché, which no member of any senior management team would disagree with. Yet, the reality for many organizations is that their people remain undervalued, under trained and underutilized (Mayo Elton, 1945).

Performance Appraisal is the process of assessing the performance and progress of an employee or a group of employees on a given job and his / their potential for future development. It consists of all formal procedures used in working organizations to evaluate personalities, contributions and potentials of employees.

Human Resource (or personnel) management, in the sense of getting things done through people, is an essential part of every manager’s responsibility, but many organizations find it advantageous to establish a specialist division to provide an expert service dedicated to ensuring that the human resource function is performed efficiently.

The market place for talented, skilled people is competitive and expensive. Taking on new staff can be disruptive to existing employees. Also, it takes time to develop ‘cultural awareness’, product / process / organization knowledge and experience for new staff members.

FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

Following are the various functions of Human Resource Management that are essential for the effective functioning of the organization:

1. Recruitment
2. Selection
3. Induction
4. Performance Appraisal
5. Training & Development

Recruitment

The process of recruitment begins after manpower requirements are determined in terms of quality through job analysis and quantity through forecasting and planning.

Selection

The selection is the process of ascertaining whether or not candidates possess the requisite qualifications, training and experience required.

Induction

a) Induction is the technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purposes of the organization.

WHAT IS “PERFORMANCE APPRAISAL”?

Performance Appraisal is defined as the process of assessing the performance and progress of an employee or a group of employees on a given job and his / their potential for future development. It consists of all formal procedures used in working organizations and potential of employees.
According to Flippo, “Performance Appraisal is the systematic, periodic and an important rating of an employee’s excellence in matters pertaining to his present job and his potential for a better job.”

**CHARACTERISTICS**

1. Performance Appraisal is a process.
2. It is the systematic examination of the strengths and weakness of an employee in terms of his job.
3. It is scientific and objective study. Formal procedures are used in the study.
4. It is an ongoing and continuous process wherein the evaluations are arranged periodically according to a definite plan.
5. The main purpose of Performance Appraisal is to secure information necessary for making objective and correct decision an employee.

**PROCESS**

The process of performance appraisal:

1. Establishing performance standards
2. Communicating the Standards
3. Measuring Performance
4. Comparing the actual with the standards
5. Discussing the appraisal
6. Taking Corrective Action

**CURRENT SCENARIO OF CORPORATE SECTOR**

The Indian corporate sector has two main components, namely, the government owned and privately owned companies. The size of both the components, in terms of both umbers and capital, has grown fast, particularly since beginning of the ‘seventies. Government companies are mainly in the basic, heavy and capital intensive industries whereas the private sector is predominantly in industries which cater to the consumer markets directly. It is due to such a basic difference that while the government sector accounts for nearly two-thirds of the productive industrial capital, its share in the net value added is less than one-third. And the opposite is true of the private sector. The differing nature of the activities undertaken by the two sectors is also reflected in the pattern of industrial activities of the two sectors. For instance, energy -- which is a re-requireis for processes of economic development -- alone, accounts for more than 44 per cent of the capital investment of the Central Government production enterprises; another 15 per cent investment is in steel, 11.4 per cent in chemicals, fertilizers and pharmaceuticals and nearly 8 per cent in minerals and metals. Being government owned enterprises, the choice of investment, location; pricing, employment and all other important policies are centrally decided. These have to be in conformity with the macro and socio-economic objectives -- which are multiple and sometimes even self contradictory. The constituents of the private sector do not have multiple objectives to pursue; the purpose of a private business organization is clear i.e. to operate as a business enterprise -- and business means, profit and economic advantage and ot social service. The primary test of performance of a private enterprise is in terms of the profits it can make.

Private corporate sector, unlike the government sector which comprises of about a title more than one thousand companies, consists of more than two lakh units. An operational division, within the sector exists i.e. 'private limited' and 'public limited' ones. Generally speaking, private limited companies are small and closely held; the public limited are large and widely held. While in terms of numbers, the public limited companies are only 12 per cent of the total, more than three-fourths of the total paid-up capital (PUC) of the private corporate sector is accounted by them.

“In 1956-57, the number of ’public limited’ private sector companies was 8,771 and in 1984-85 it stood at 26,813. The size of PUC in this period increased from Rs. 696 crores to Rs. 14,569 crores. The sector is marked by the existence of high degree of concentration, i.e. a small number of large sized companies enjoying a dominant place. In 1980, the small sized companies, each with less than Rs. 5.0 lakhs PUC, accounted for nearly half of the public limited companies but had less than two per cent share of the PUC; on the other hand, less than six per cent of the large sized group, each with Rs. 1.0 crore and more of PUC accounted for nearly two-thirds of the gross PUC. If one combines the last two categories in Table-2 the Companies with more than Rs. 50.00 lakhs each as PUC, are seen to account for a little less than four-fifths of the total PUC of the public limited companies of the private corporate sector. The highly skewed nature of the public limited companies is only too obvious.” (India, Bureau of Public Enterprises)

1. “In the recent past, one observes a trend towards furtherance of concentration, especially at the top, in the Indian private corporate sector. The Gini coefficient of concentration increased from 0.56 in 1969-70 to 0.65 in 1981-82 and 0.74 in 1987-88 1981-82 and 1987-88 for companies, having more than Rs. 50.00 lakhs as PUC. The distribution shown is based on sales turnover.” (http://www.epw.in www.wikipedia.org)
a) The large private corporate sector has acquired a significant place in the Indian economy;

b) Because of its size and place in the Indian economic system any distortions in the sector would have high economic costs;

c) If one goes by the extent of direct and indirect share in the equity in individual companies as also in the privately managed and controlled House companies, public sector financial institutions taken together are the single largest shareholders. Infact the macro picture would reveal that the share of the public sector financial institutions is a multiple of the net risk borne by those who happen to enjoy management control;

d) The old and traditional systems of control and managements need to reform

**OBJECTIVE OF STUDY**

- Measures an employee’s performance of corporate sector.
- Helps in clarifying, defining, redefining priorities and objectives.
- Motivates the employee through achievement and feedback CORPORATE SECTOR.
- Facilitates assessment and agreement of training needs.
- Helps in identification of personal strengths and weaknesses.
- Clarifies team roles and facilitates team building.

**RESEARCH METHODOLOGY**

Methodology is the systematic, theoretical analysis of the methods applied to a field of study, or the theoretical analysis of the body of methods and principles associated with a branch of knowledge. It, typically, encompasses concepts such as paradigm, theoretical model, phases and quantitative or qualitative techniques.

A Methodology does not set out to provide solutions but offers the theoretical underpinning for understanding which method, set of methods or so called “best practices” can be applied to a specific case.

It has been defined also as follows:

"The analysis of the principles of methods, rules, and postulates employed by a discipline"

"The systematic study of methods that are, can be, or have been applied within a discipline"

**METHODS OF PERFORMANCE APPRAISAL GENERALLY ADOPTED BY CORPORATE SECTOR**

The foregoing list of major program pitfalls represents a formidable challenge, even considering the available battery of appraisal techniques. But attempting to avoid these pitfalls by doing away with appraisals themselves is like trying to solve the problems of life by committing suicide. The more logical task is to identify those appraisal practices that are (a) most likely to achieve a particular objective and (b) least vulnerable to the obstacles already discussed.

Before relating the specific techniques to the goals of performance appraisal stated at the outset of the article, I shall briefly review each, taking them more or less in an order of increasing complexity.

The best-known techniques will be treated most briefly.

**ESSAY APPRAISAL**

In its simplest form, this technique asks the rater 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 employers, teachers, or associates carry significant weight.

**GRAPHIC RATING SCALE**

This technique may not yield the depth of an essay appraisal, but it is more consistent and reliable. Typically, a graphic scale assesses a person on the quality and quantity of his work (is he outstanding, above average, average, or unsatisfactory?) and on a variety of other factors that vary with the job but usually include personal traits like reliability and cooperation. It may also include specific performance items like oral and written communication.

**FIELD REVIEW**

The field review is one of several techniques for doing this. A member of the personnel or central administrative staff meets with small groups of raters from each supervisory unit and goes over each employee's rating with them to (a) identify areas of inter-rater disagreement, (b) help the group arrive at a consensus, and (c) determine that each rater conceives the standards similarly.

**FORCED-CHOICE RATING**

Like the field review, this technique was developed to reduce bias and establish objective standards of comparison between individuals, but it does not involve the intervention of a third party.
MANAGEMENT BY OBJECTIVES

To avoid, or to deal with, the feeling that they are being judged by unfairly high standards, employees in some organizations are being asked to set - or help set - their own performance goals. Within the past five or six years, MBO has become something of a fad and is so familiar to most managers that I will not dwell on it here.

RANKING METHODS

For comparative purposes, particularly when it is necessary to compare people who work for different supervisors, individual statements, ratings, or appraisal forms are not particularly useful. Instead, it is necessary to recognize that comparisons involve an overall subjective judgment to which a host of additional facts and impressions must somehow be added. There is no single form or way to do this.

The best approach appears to be a ranking technique involving pooled judgment.

The two most effective methods are alternation ranking and paired comparison ranking.

1. “Alternation ranking”:

Ranking of employees from best to worst on a trait or traits is another method for evaluating employees. Since it is usually easier to distinguish between the worst and the best employees than to rank them, an alternation ranking method is most popular. Here subordinates to be rated are listed and the names of those not well enough to rank are crossed. Then on a form as shown below, the employee who is highest on the characteristic being measured and the one who is the lowest are indicated. Then chose the next highest and the next lowest, alternating between highest and lowest until all the employees to be rated have been ranked.

2. “Paired-comparison ranking”:

This technique is probably just as accurate as alternation ranking and might be more so. But with large numbers of employees it becomes extremely time consuming and cumbersome.

Both ranking techniques, particularly when combined with multiple rankings (i.e., when two or more people are asked to make independent rankings of the same work group and their lists are averaged), are among the best available for generating valid order-of-merit rankings for salary administration purposes.

ASSESSMENT CENTERS

So far, we have been talking about assessing past performance. What about the assessment of future performance or potential? In any placement decision and even more so in promotion decisions, some prediction of future performance is necessary. How can this kind of prediction be made most validly and most fairly?

360 DEGREE FEEDBACKS

Many firms have expanded the idea of upward feedback into what the call 360-degree feedback. The feedback is generally used for training and development, rather than for pay increases.

Most 360 Degree Feedback system contains several common features. Appropriate parties – peers, supervisors, subordinates and customers, for instance – complete survey, questionnaires on an individual. 360 degree feedback is also known as the multi-rater feedback, whereby ratings are not given just by the next manager up in the organizational hierarchy, but also by peers and subordinates. Appropriate customer ratings are also included, along with the element of self appraisal. Once gathered in, the assessment from the various quarters are compared with one another and the results communicated to the manager concerned.

Another technique that is useful for coaching purposes is, of course, MBO. Like the critical incident method, it focuses on actual behavior and actual results, which can be discussed objectively and constructively, with little or no need for a supervisor to "play God."

TOOL AND TECHNIQUES OF STUDY

The main purpose of the Paper is to find out facts with the help of these facts inference are drawn. Data is analyzed though the computational of certain indices or measures of coefficient with searching for patterns of relationship is explored that exists among data group. Hence for this research study analysis following algebraic and statistical techniques can be used while analysis data for different perspective:

- Averages, Percentages relationship etc.
- Descriptive analysis
- Correlation, regression, standard deviation etc.

Generally some mistakes done by corporate

1. Errors in Rating
2. Lack of reliability
3. Negative approach
4. Multiple objectives
5. Lack of knowledge
ANALYSIS AND DATA INTERPRETATION

Performance appraisals are subject to a wide variety of inaccuracies and biases referred to as 'rating errors'. These errors can seriously affect assessment results. Some of the most common rating errors are:

Leniency or severity: - Leniency or severity on the part of the rater makes the assessment subjective. Subjective assessment defeats the very purpose of performance appraisal. Ratings are lenient for the following reasons:

a) The rater may feel that anyone under his or her jurisdiction who is rated unfavorably will reflect poorly on his or her own worthiness.

b) He/She may feel that a derogatory rating will be revealed to the ratee to detrimental the relations between the rater and the ratee.

c) She/he may rate leniently in order to win promotions for the subordinates and therefore, indirectly increase his/her hold over him.

Central tendency: - This occurs when employees are incorrectly rated near the average or middle of the scale. The attitude of the rater is to play safe. This safe playing attitude stems from certain doubts and anxieties, which the raters have been assessing the rates.

Halo error: - A halo error takes place when one aspect of an individual's performance influences the evaluation of the entire performance of the individual. The halo error occurs when an employee who works late constantly might be rated high on productivity and quality of output as well as on motivation. Similarly, an attractive or popular personality might be given a high overall rating. Rating employees separately on each of the performance measures and encouraging raters to guard against the halo effect are the two ways to reduce the halo effect.

Rater effect: -This includes favoritism, stereotyping, and hostility. Extensively high or low score are given only to certain individuals or groups based on the rater's attitude towards them and not on actual outcomes or behaviors; sex, age, race and friendship biases are examples of this type of error.

Primacy and Regency effects: - The rater's rating is heavily influenced either by behavior exhibited by the ratee during his early stage of the review period (primacy) or by the outcomes, or behavior exhibited by the ratee near the end of the review period (regency). For example, if a salesperson captures an important contract/sale just before the completion of the appraisal, the timing of the incident may inflate his or her standing, even though the overall performance of the sales person may not have been encouraging. One way of guarding against such an error is to ask the rater to consider the composite performance of the rate and not to be influenced by one incident or an achievement.

Performance dimension order: - Two or more dimensions on a performance instrument follow each other and both describe or rotate to a similar quality. The rater rates the first dimensions accurately and then rates the second dimension to the first because of the proximity. If the dimensions had been arranged in a significantly different order, the ratings might have been different.

Spillover effect: - This refers to allowing past performance appraisal rating to unjustifiably influence current ratings. Past ratings, good or bad, result in similar rating for current period although the demonstrated behavior does not deserve the rating, good or bad.

FINDING

- Measures an employee’s performance.
- Helps in clarifying, defining, redefining priorities and objectives.
- Motivates the employee through achievement and feedback.
- Facilitates assessment and agreement of training needs.
- Helps in identification of personal strengths and weaknesses.
- Plays an important role in Personal career and succession planning.
- Clarifies team roles and facilitates team building.
- Plays major role in organizational training needs assessment and analysis.
- Improves understanding and relationship between the employee and the reporting manager and also helps in resolving confusions and misunderstandings.
- Plays an important tool for communicating the organization’s philosophies, values, aims, strategies, priorities, etc among its employees.
- Helps in counseling and feedback.
- Rating Errors in Performance Appraisals

CONCLUSION

Instead of assuming traits, the MBO method concentrates on actual outcomes. If the employee meets or exceeds the set objectives, then he or she has demonstrated an acceptable level of job performance. Employees are judged according to real outcomes, and not on their potential for success, or on someone's subjective opinion of their abilities.

The guiding principle of the MBO approach is that direct results can be observed easily. The MBO method recognizes the fact that it is difficult to
neatly dissect all the complex and varied elements that go to make up employee performance.

MBO advocates claim that the performance of employees cannot be broken up into so many constituent parts, but to put all the parts together and the performance may be directly observed and measured.

**REFERENCE**

India, (CSO), Annual Survey of Industries 1980-81, Vol I, 1981. The low value added could also be attributed to the pricing policies of the Government as the gross output in value terms is dependent on the prices.


