AN EMPIRICAL ASSESSMENT OF PERFORMANCE APPRAISAL EFFECTIVENESS IN LARGE SCALE

INDUSTRIAL UNITS IN YAMUNA NAGAR

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ABSTRACT

The present competitive environment, organizations have to ensure peak performance of their employees continuously in order to compete the market place, effectively and traditionally, this objective was attempted to achieve though employee performance appraisal which was more concerned with telling employees where they lacked in their performance. Once the employee has been selected trained and motivated, he is then appraised for his performance. Performance appraisal is the step where the management finds out how effective it has been at hiring and placing employees. If any problems are identified, steps are taken with the employed and to remedy them. The paper examines major issues related to programme design and implementation of Performance Appraisal System (PAS) and reports an empirical assessment of PAS effectiveness in two divisions of a manufacturing company. Programme implementation consisted of three stages of (1) developing mindset for open superior-subordinate evaluation based on key performance areas; (2) designing/monitoring PAS; and (3) conducting the post-appraisal effectiveness survey using appraisers and appraises. The study documented empirical evidence in favour of programme success. The post-appraisal effectiveness survey clearly pointed out acceptability of PAS design and its process and indicated greater satisfaction of managers and employees with design and implementation of the programme. Implications for practicing managers/HRD managers to design and benefit from the programme are suggested.

KEY WORDS: Performance Appraisal, Performance management, Employee appraisal, Human Resource.

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INTRODUCTION

Performance Appraisal Effectiveness of is an important tool in the hands of the superiors to assess their subordinates. It is a systematic evaluation of an employee by some other qualified person who is familiar with the employee’s performance. It is also an important prerogative in the hands of the seniors which the subordinate respects.

Performance appraisal effectiveness provides a linkage between the organization and the person, through a process of enabling him/her to determine the kinds of specific contributions, which she/he would be making for the achievement of the organizational goals and objectives.

HISTORY OF PERFORMANCE APPRAISAL SYSTEM

The history of performance appraisal system can be traced back to as early as the third century A.D. It is believed that formal appraisal of an individual’s performance began in Wei dynasty (A.D.221-265) in China with an Imperial ratter appraising the performance of members of the official family.

People also believe that the performance appraisal system was probably started with the east India Company that started to keep some kind of record in the form of confidential roll (C.R.); government organisations still continue to have the word C.R. for the confidential report of their employees.

Employee evaluation or appraisal techniques are believed to be first used during World War I when, at the instance of Walter D.Scott, the U.S. Army adopted the man to man rating system for evaluating military personnel. Subsequently during 1920s, the adopted policy was of giving grade wage increments to hourly paid workers in industrial units on the basis of merit. After 1950, attention was drawn towards the performance appraisal of professional, technical and managerial personnel. Performance appraisal philosophy witnessed drastic changes in recent years. Now the personnel appraisal on the development of the development of the individual and evaluates professional, technical and managerial employees. On the other hand, merit rating -the older term is restricted to a large extent to the evaluation of hourly paid employees and is used quite often for developing the criteria for wage adjustments, promotions, transfers, etc. At present, it is a common practice to use the term ‘performance appraisal’ instead of any other terminology.

As far as the use of appraisal system for managerial personnel in Indian industries is concerned, researches reveal that Union carbide had such a system in operation as far back as 1940. The Tata Iron and Steel Company (TISCO) and Volta’s introduced such systems in 1953 and 1954 respectively. Public enterprises which were established after independence had a confidential reporting system almost from their very inception and this was an extension of the government practice in respect of civil servants.
Locher and Teel (1988) Performance appraisal system was more widespread in western countries. USA increased from 89% of organisations (1970) who adopted this system to 94% by the mid of 1980. It was widespread in London also with same speed.

UK Randek (1989) identifies it first use via the ‘silent monitor’ in Robert Owen’s textile mills.

Hitachi (1993) A comparative, literature search of one year alone in USA reports a ‘conservative figure of eleven articles per month appearing with ‘Performance Appraisal’ in their titles.


It was common in non-western countries such as China (Chow-1994) Hong Kong (Snape et al, 1995), Japan in the form of Satei (Seeendo, 1994), Africa (Asthur et al, 1995) and India (Lowler et al, 1995). It is more prominent in some industrial sector in UK, mostly in the financial services (IRS, 1994, 1999). The last decade has seen its introduction in schools, hospitals, universities, local authorities, the civil services etc. An introduction of new approach of performance management in the USA is the so called ‘Stretch management’. It involves setting demanding objectives of ‘Stretch targets for the organisation.

Upward appraisal is recent addition to performance appraisal practice in the UK. More common in USA companies such as Federal Express, Standard Chartered bank and AMEX. U.K companies such as WH Smith, The body Shape and parts of UK public sector are adopting upward appraisal.

REVIEW OF LITERATURE

Sumita Gupta and Manisha Aggarwal (2006) examined the relationship between the organisations performance appraisal system and process facets, members’ perception of the effectiveness of the performance appraisal system. The sample for the study consisted of managerial participants belonging to a private sector aluminium producing company, situated in the state of Uttar Pradesh. A survey was conducted on the personnel serving above the first line of supervisors in the organisation. Findings showed that among the system facets of performance appraisal system openness and system commitment, were positively related with perceived effectiveness of the PAS, while all the process facets, namely, multiple inputs, session planning and session feedback were also positively corrected with perceived effectiveness of performance appraisal system.

Ravindra Jain & Sachin S. Kamble (2005) conducted a study with reference to eight large and medium size manufacturing organisation belonging to private sector located with the jurisdiction of three industrially advanced districts (viz. Belgaum, Dharwad & Uttar Kannada) of North Karnataka region in India. The selected organisations represent variety of industries which manufactures different products, belong to different business groups fall in varying age groups and which also have different level of profits, employee strength etc. The study was
based on the cross section perception analysis of employees. However, the study was confined to the perception analysis of the personnel in the managerial cadre. Senior and Middle managers in the role of the appraisers; and middle level and junior managers in the role of appraisers were considered for such analysis.

B. Vijaya, P. Paramashivaiah & S. Arvind (2004) conducted research in a State Bank of Hyderabad in Hyderabad and Karnataka area to know the Performance Appraisal System in commercial banks. A sample of 230 employees representing the 21 percent of total population of bank. The population is restricted to employees of clerical and officer level. The main findings of the study was in both levels, if a new Key performance Area called, concern for developing the subordinates, is introduced in the appraisal system, the employees realise the need for developing the subordinates was introduced in the appraisal system, the employees realise the need for developing the subordinates as part and parcel of their duty, with the existing organisation culture, this experiment may also be tried as the same system has yielded rich dividends in the corporate sector.

AIMS & OBJECTIVES OF THE STUDY

1. To critically evaluate the existing performance appraisal system in Indian industries.
2. To study the difference in the methods applied by the large scale industries in Yamuna Nagar.
3. To study which traits/attributes are given more importance by appraisers while appraising the performance of lower and high level staff also to study which traits/attributes should be given more importance according to appraises.
4. To study how successfully the self-appraisal and MBO system is working.
5. To study the reaction of employees to the performance appraisal system.
6. To study how far the decisions regarding promotion, transfers, and increments, identification of training needs and selection of executives for meritorious service depend upon the result of performance appraisal.
7. To study the influence of personnel bias and leniency on appraisal.
8. To understand the perception of employees towards the performance appraisal method employed by the industries.
9. To study the relationship between the performance appraisal method & employee career growth.

SIGNIFICANCE OF THE STUDY

The main significance of the study is to examine the negative aspects of the present systems and to suggest methods for the improvement in the existing system with introduction of improved appraisal system.
Taking into account the effectiveness of the performance appraisal in the large scale industrial units in Yamuna Nagar, the research undertakes the study on it under the topic “an empirical assessment of performance appraisal effectiveness in large scale industrial units in Yamuna Nagar”.

Survey of literature on various aspects of the subject reveals that there is still exists a need to highlight some of the aspects of the performance appraisal. The effectiveness of performance appraisal is being increasingly realized in industrial and service organizations both in India and abroad. A great deal of knowledge available in this regard is found in research results abroad. Indian researches are rather few; a few of these are not published as companies conduct them for internal consumption.

This study examines the effectiveness of performance appraisal system for the various HRM decision like incentives, promotions, wages, transfer, training and development. This research is regarding various types of appraisal systems adopted by various industrial units selected for research.

**SCOPE OF THE STUDY**

The focal point of this study is to examine the effectiveness of performance appraisal system in various selected large scale industrial units in Yamuna Nagar. Systematic appraisal systems are very necessary in organisation especially with large structures which are diverse staff functions and which are seriously concerned about management development.

Present study attempts to sketch a picture of the performance appraisal effectiveness of large scale selected industrial Units of Yamuna Nagar. The study attempts to critically examine and compare the various aspects of performance appraisal system of selected companies.

The study attempts to find importance given by appraisers to various traits/attributes while appraising the performance of lower and high level staff and also study which traits/attributes should be given more importance according to appraises.

The study attempts to examine the working of self-appraisal, feedback and MBO system. The influence of personal bias and leniency in appraisal system is also examined in the study.

The study also highlights the various decisions regarding promotion, transfers, increments, identification of training needs and selection of executives for meritorious service depend upon the result of performance appraisal.

**APPROACHES TO PERFORMANCE APPRAISAL**

Generally speaking, three approaches are used in making performance appraisal.

(a) **A casual, unsystematic, and often haphazard appraisal**: This method was commonly used in the past, but now it has given place to a more formal method, the main basis being seniority or quantitative measures of quality and quantity for the regular members’ person...
(b) The traditional and highly systematic measurement of
   (i) Employee characteristics.
   (ii) Employee contributions or both

(c) The behavioral approach emphasizing mutual goal setting.

**Performance Appraisal Effectiveness in Large Scale Industrial Units Some Important Cases Are:**

**EICHER** - Performance Appraisal System reflects the human resource function. Emphasis has been on the quality, teamwork, and process of development. Eicher has done away with term Appraisal and focusing on development.

**ICICI** - The appraisal system at ICICI highlights a practical development approach and peer appraisal is a component and reverse appraisal are one of its noteworthy features.

**THE GRASIM INDUSTRIES** of Aditya Birla Group was gearing itself towards environmental changes through introduction of more participative appraisals. The current system has moved from the trait-oriented subjective system to a more objective form.

**MODI XEROX** - In Modi Xerox performance management system linked to career development, succession planning and management of maturation through rewards. The performance planning and appraisal is based on the companies roles and responsibilities which are filled for every appraisee. The areas taken are customer satisfaction, employee satisfaction, business results and quality. The performance planning and appraisal also centers around development action planning (DAP).

**ZEE TELEVISION LIMITED** - At zee, a good performance assessment system is a strategic tool towards achieving the objectives of the organization. It forms the basis for employee training and development, further progression as well as increment to remuneration packages.

The performance appraisal is based on specific performance objectives, which are jointly determined by subordinates and their superiors and progress towards their objectives is periodically reviewed. Rewards are granted based on progress towards achieving their goals.

**NEW TRENDS OF PERFORMANCE APPRAISAL**

The two most popular forms of appraisal are 360 degree feedback and upward assessment, the latter being a relatively new concept in India. First the 360 degree. Almost all leading companies use this system, as they believe that the days of traditional supervisor-subordinate performance evaluations are numbered. Rather than having a single play judge (the boss), a 360-degree appraisal acts more like a jury. The biggest benefit of the 360-degree feedback is that it helps discover whether an employee is an effective performer in all interactions-or whether the worker is simply an effective performer when the boss is around.
The main problem that the 360-degree method faces is that it does nothing to reduce the fears that people have about a group of anonymous people determining their raises, promotions, and standing. The solution to use it as a performance development tool has been found by companies like Infosys and Wipro, which make the appraisers as broad based as possible and supplement this system with other appraisal methods.

Upward assessment is another such method being practiced by several companies, including HDFC Bank Ltd. HDFC HR head says, subordinates are encouraged to provide feedback on how they rate their supervisors on three critical areas:

- **Communication**, where employee writes on things like: Does the boss listen attentively? Is he or she responsive to the subordinates concern?
- **Direction and Feedback**, where the areas assessed include things like whether the boss gives appropriate recognition, whether he gives proper feedback on the gaps and weaknesses, etc.
- **Empowerment**, under which one is asked questions like whether the boss is empowering his direct reports to carry out the job adequately, etc.

**WHY DISTRICT YAMUNA NAGAR?**

In this study Yamuna Nagar District has been taken. Yamuna Nagar district is one of the most prospective and promising district of Haryana state with high potential. The reason being that this district is highly agriculturally sound. The major output is of sugarcane. All the produce goes to the industry for further production process. The final output of sugar is done with least cost of production since the transportation cost is cut short and the cost of labour is too low as compared to the other districts. One of the most popular production units of sugar in India is set up in Yamuna Nagar named Saraswati Sugar Mill. Due to cheap labour and availability of cheap raw material the other large scale industries like ISGEC (Indian Sugar and General Engineering Corporation), BILT (Ballapur Industries Limited) & YGCL (Yamuna Gases & Chemicals Limited. avail the human resource at the maximum. This thereby increases the potential capacity of labour and hence creates more employment opportunities for the local population. As a result Yamuna Nagar is becoming more economically stable day by day. Moreover, the plywood industry of Yamuna Nagar is one of the most leading sectors of India. The economically sound status of Yamuna Nagar district makes it more stable political field also. It has been a history of Yamuna Nagar that every government fulfill its tenure of five years successfully. This results in an efficient administrative system which keeps the law and order of the district in control. Due to political and economic stability the employment opportunities are increasing day by day. Moreover the training institutes are orienting the fresher’s
and the trainers as per the needs of these large scale industries for overall development of Yamuna Nagar district.

Yamuna Nagar is famous city for the paper mills and sugar machinery. Yamuna Nagar and its twin city Jagadhari is a hub of heavy engineering industrial units. Yamuna Nagar district has a paper mill i.e. BILT. The main industrial units of Yamuna Nagar are ISGEC, BILT, YGCL & many more.

- **ISGEC-Indian Sugar and General Engineering Corporation**

ISGEC works at Yamuna Nagar is center of manufacturing activities of heavy engineering capital goods. Its employees are well qualified and trained with a total strength of around 1940 persons. Works activities are divided into three sections namely Pressure Vessel Division (PVD), Machine Building Division (MBD) and foundry Group. All these section work as independent profit centers. As per the philosophy of the company, Human Resources are most important assets of the company. These resources need to be utilized and develop to the best of their capability, skill and knowledge. The company has drawn detailed action plan for development of its employees. Performance appraisals effectiveness are changing as per the requirements of the Industry. Earlier at ISGEC, officers were being assessed on the general intelligence, job knowledge, resourcefulness, supervision, business capacity, dependability, and relationship with junior and senior colleagues, relationship with public, sociability, appearance and dress, managerial ability.

Since its formation, ISGEC has system of appraising managerial performance. The performance appraisal system in ISGEC has undergone several changes in the years as a result of continuous efforts by ISGEC to review its system and ensure that its employees to grow develop and contribute to organizational excellence. This system of ISGEC has several objectives and components of a development oriented appraisal system. The performance appraisal system in ISGEC based on the belief that “the strength of an organisation ultimately depends on its capacity to develop people”.

**The following are the objectives of the managerial appraisal system:-**

- To evaluate performance against established objectives and job accountability.
- To provide feedback and counseling for self-improvement with supportive training and development programmes.
- To provide data for organizational development and improved management process.
- To strengthen working relationship through personnel effectiveness and developing an understanding of expectations.

- **Yamuna Gases & Chemical Ltd. (YGCL)**
YGCL is a Public Limited Company listed with Delhi stock Exchange having its registered office at Jagadhari and corporate office at New Delhi. The capital and reserves of the company in millions and the group turnover is around IRS. 35 millions. The company has been making profits and paying constant dividend to its shareholders since inception.

Employees are appraised on the annual basis, giving people credit for their achievements and setting targets for the forthcoming year. They have developed a balanced policy that is both objective and holistic in its approach. The HRD personnel facilitate the appraisal process and also train senior personnel in assessing individual performance. They resolve the areas of conflict and follow up the outcome of the appraisal.

**MAIN OBJECTIVES OF PERFORMANCE APPRAISAL AT YGCL**

- To identify the development actions to be taken to enhance the performance of employees.
- To identify the specific training needs of the employees.
- To integrate company and individual goals through a process of performance assessment linked to the achievements of organisation objectives.
- To give employees credit for their achievements and setting targets for the forthcoming year.
- To train senior personnel in assessing individual performance.

**Ballarpur Industries Limited (BILT)**

BILT is India’s largest paper company and the only Indian company to rank amongst the top 100 paper companies in the world" 

Ballarpur Industries Limited (BILT), part of the US$ 3 bn Avantha Group, is the undisputed leader of the Indian paper industry. It is India’s largest manufacturer and exporter of paper, with a strong presence in all segments of the usage spectrum, including writing and printing (W&P) paper, industrial paper and specialty paper. Complementing this is a diversified production infrastructure with six manufacturing units spread across the country.

In recent years, BILT has evolved as a dynamic, knowledge-driven organization focused towards creation of stakeholder value. In the process, it has also transformed the paper industry from its traditional 'commodity market' mindset to a branded one. A concerted programme of innovation and technological excellence helps it proactively respond to the needs of each individual segment. Today, BILT not only has the range, but also a well-entrenched distribution network that enables it to reach customers, any time, any place.

**GENERAL GUIDELINES OF PERFORMANCE APPRAISAL SYSTEM**
There are a number of general guidelines on how the appraisal discussion may be conducted. Each of them should be applied according to the circumstances in which the discussion is taking place and the personalities of those involved - there is no one right way to conduct an appraisal discussion.

Let the appraisee do most of the talking. Encourage self-appraisal keep the whole period under review.

No surprises i.e. discuss issues at the time they take place. Recognize achievements and reinforce strengths. Criticize constructively. Adopt a joint problem-solving approach. Interpersonal skill asking the right questions.

What the Company expects.

- Individual employees must clearly know what is expected from them.
- Individual employees must be willing to be evaluated against such pre-arranged expectations.
- Development and growth of individuals must come about as a result of such evaluations.
- Such evaluations and feedback must motivate employees to do better, work better in teams, within a healthy work environment – and thus also help to achieve specific organizational goals.
- In particular, the Company expects that the roles played and work done by staff, managers and directors must move Cosmos Brands along its strategic path and strategy.

**CONCLUSION & SUGGESTIONS**

After study the Effectiveness of Performance appraisal system of the selected industrial units, it is realized that some suggestions are required to improve the present system. The company wise suggestions are given as under:-

**ISGEC:**

- Workers, supervisors and appraisers should be rated under single system and time, the organization should provide supporting environment and other facilities required to write self-appraisal. Appraisers should be given training before writing appraisal report of an individual, while writing an appraisal report. Weightage should be given to actual performance, rather than personal loyalty and interpersonal relation. There should be a provision of giving feedback to both poor and good performers to improve their performance. It is necessary that before fixing the targets every manager should discuss the key performance areas and targets with the subordinates. This type of involvement highly motivates the subordinates. Training programmes should be designed by trainers to achieve certain goals. Care must be taken while designing training programs and learning objectives.

**YGCL:**

- There is a need for a shift from increments and promotions oriented appraisals to developmental oriented appraisals. Self-appraisal should be free and open, so that everyone gets chance to evaluate him fairly. Leniency in self-appraisal can be avoided by imparting training of writing skills of appraisal. The separate appraisal Performa should be introduced for the supervisors.
and workers. Their traits should also be considered along with other criteria of evaluation. Appraisers should avoid assessment on the basis of a few recent incidents of success or failure. Extreme ratings on either side of the scale should be supported by justification and examples. It is recommended that feedback system should be introduced for each category of appraisees. Managers should be encouraged to discuss performance related matters with the employees rather than shy away from the problems. Discuss the areas of the poor performers with the appraisees and try to elicit ways to improve their performance. Aptitude and interest tests should be conducted so that inherent work performances of employees can be known. Designer training system can be implement by trainers to meet the learning goals typically includes identifying learning objectives, needed facilities, necessary funding course content, lessons and sequence of lessons.

BILT:- The true meaning of performance appraisal system should be communicated to the appraisees, so that appraisees should be aware about the present performance appraisal system of the company. Every employee should know how it is conducted, why it is conducted and along with the purpose of the appraisal system. There should be an involvement of non-managerial staff also along with managerial staff in fixing the targets. Involvement of workers in goal setting results in motivation. Supportive behavior should be used by appraisers while giving negative feedback to appraisees. Counseling, boosting of morale, giving proper guidance and hearing their genuine problems are another way to improve poor performers. Personal problems if any, can be discussed and try to share their difficulties. If they are affected by any problems then suggest solutions in friendly way and motivate them to perform better. Rating should be done on the basis of actual performance of appraisees during the appraisal period. Personal relation, personal loyalty and memory should not be considered while appraising an individual. Appraiser should avoid assessment on the basis of a few recent incidents of success or failure. It is recommended that appraisers should write appraisal report after evaluating the personal records, traits and self-appraisal of the appraisees.

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