# A STUDY ON PERFORMANCE APPRAISAL MANAGEMENT SYSTEM

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## ABSTRACT

People differ in their abilities and their aptitudes. There is always some difference between the quality and quantity of the same work on the same job being done by two different people. **Performance appraisals of Employees** are necessary to understand each employee's abilities, competencies and relative merit and worth for the organization. **Performance appraisal** rates the employees in terms of their performance.

Performance appraisals are widely used in the society. The history of performance appraisal can be dated back to the 20th century and then to the second world war when the merit rating was used for the first time. An employer evaluating their employees is a very old concept. Performance appraisals are an indispensable part of performance measurement.

**Performance appraisal** is necessary to measure the performance of the employees and the organization to check the progress towards the desired goals and aims.

The latest mantra being followed by organizations across the world being – "get paid according to what you contribute" – the focus of the organizations is turning to performance management and specifically to individual performance. Performance appraisal helps to rate the performance of the employees and evaluate their contribution towards the organizational goals. If the process of performance appraisals is formal and properly structured, it helps the employees to clearly understand their **roles and responsibilities** and give direction to the individual's performance. It helps to align the individual performances with the organizational goals and also review their performance.

Performance appraisal takes into account the past performance of the employees and focuses on the improvement of the future performance of the employees.. An attempt has been made to study the current global trends in performance appraisal.

## I.      INTRODUCTION

A major concern of every organization should be to contribute positively towards the achievement of its objective. Organizational effectiveness is often equated with managerial efficiency. A manager can ensure organizational effectiveness only by guaranteeing the full utilization of human resource available through individual employees under his guidance. Hence, it is always required for a manager to monitor and measure the performance of employees.

Moreover, since the organization exists to achieve the goals, the degree of success that individual employees have in reaching this individual goal is important in determining organizational effectiveness. The assessment of how successful employees have been at meeting their individual goal to come a critical part of human resource management. This leads to concept of performance appraisal.

A performance appraisal system functions as definitions of performance.

Performance appraisal is a method of evaluating the behaviour of employees in the work spot, including both qualitative and quantitative aspects of job performance indicates how an individual is fulfilling the job demands and it is always in terms of results. Under performance appraisal not only the performance of an employee but also his potential for development is evaluated.

"Performance Appraisal is a systematic description of an employee's job relevant strengths and weaknesses".

In performance appraisal or merit rating refers to all the formal procedures used in working organizations to evaluate the personalities and contributions and potential group members. In appraisal system the employee's merits like initiatives, dependability, personality etc., are compared with others and ranked to rated. Appraisals might be based on the criteria of employee's skills, educational Qualifications, knowledge, abilities to delegate plans, supervise; assume responsibility, exercise leadership, personal qualities, creativity, decision making and interpersonal skills.

An appraisal motivates an employee into increased effort aimed at enhancing the outcome of the assessment. It tells an employee what set of activities or what qualities are considered desirable by the organization.

It is the systematic method of obtaining, analyzing & recording information about an employee that is needed:

- For effective management of business.

- By the manager to help him improve the jobholders performance and plan his career.
- By the jobholder to assist him to evaluate his own performance and develop himself.

In performance planning and review, the Reporting Manager is expected to set targets or tasks for the appraise in the beginning of the year. In the middle of the year, the appraise fills the self-appraisal form, indicating the extent which the target or task has been completed, the difficulties faced and the suggestions for improvement. At the end of the year, there is the annual review and targets/tasks set for the next year. Both in the mid-year review and annual review, the self-appraisal is supplemented by a performance review, discussion, the problems are discussed and the appraiser is given feedback on how he is doing.

The appraisal system is an instrument for improving the work culture by convincing employees that their career growth is linked with the performance of the company.

## NEED FOR THE STUDY:

The need of the study of performance appraisal is to determine what aspects of performance are required to be evaluated.

- To identify those who are performing their assigned task well and those who are not and the reason for such performance.
- To provide information about the performance ranks basing on which decisions regarded salary fixation, conformation, promotion, demotion and transfer are taken.

- To provide feedback information about the level of achievements and behavior of an employee.
- To provide information and counsel the employee.
- To compare actual performance with the standards and in out deviations (positive and negative)
- To create and maintain satisfactory level of performance.
- To prevent grievance and in disciplinary activity.
- To facilitate fair and equitable compensation.
- To ensure organizational effectiveness.
- It guarantees useful information about employees and the nature of their duties.

We can briefly say that performance appraisal systems are necessities to assess performance at regular intervals with consistency to study improvements, deviation and to take corrective actions to bride gaps and improve performance over a period of time.

**OBJECTIVES:**

The objective is to know how effective is the execution of appraisal system in **HERITAGE FOODS INDIA Ltd's.**, Hyderabad.

The aim of most performance appraisal programming is to encourage the employees to set his own objective for the next time period following the review of his past performance. It enables the management to make effective decisions/ to modify earlier decisions based on the evaluation of the existing plans, information system, job analysis, and internal and external environment factors influencing employee performance.

The objectives is to identify the common goals of the organization, define each individuals major areas of responsibility in terms results expected of him, review the individual performance progress in a job and his potential for future improvement. It aims at providing data to managers with whom they may judge future job assignments and compensation.

To establish an objective basis from the different levels of performance and to identify executives with potential to grow in the organization.

To counsel the employees appropriately regarding their strengths and weaknesses and asses in developing them to realize they are full potential in line with the company's objectives and goals. Always emphasize that the role of a manager is to offer constructive support and not condemn. Give the employees many opportunities to ask guidance to air grievances and discuss anxieties

.**SCOPE:**

In the present study an attempt has been made to know the actual implementation of performance appraisal techniques in general and some other aspects such as awareness of the workers, effectiveness of the performance appraisal system in particular.

Human resource projections are valid on appraisals. By improving job skills, the employees have lot of scope for development and prepare themselves for higher responsibilities.

A through analysis of the performance appraisal system will help the management to know the short comings, if any. It also help the company in knowing

whether the performance appraisal techniques are used to full extent or not, there by the researcher can understand the effective implement of the performance appraisal system.

## METHODOLOGY & DATABASE:

The research methodology is a systematic way to solve the problem and it is an important component of the study without which researcher may not be able to obtain the facts and figures from the employees.

## SOURCE OF DATA:

The study is based on primary as well as secondary data collected from different sources**:**

### A). Primary Data:

The primary data is collected with the help of questionnaires, which consists of twenty questions each. The questionnaires are chosen because of its simplicity and liability. Researcher can expect straight answers to the questions. The respondents are informed about the significant of the study and requested to give their fair opinions.

### B). Secondary Data:

Secondary data is collected through the documents provided by the personnel department. The documents include personnel manuals, books, reports, journal, etc.

## SAMPLING PROCESS:

### A). Sample Unit:

The executives and employed at HERITAGE FOODS INDIA Ltd's., Hyderabad constitute 'universe' of the present study. A part of it is taken as sample unit for the resent study. It includes JGMS, AGMS, manager and other employees of HERITAGE FOODS INDIA Ltd's.Hyderabad.

### B). Sample Size:

The sample size consists of 100 respondents employed in HERITAGE FOODS INDIA Ltd's, Hyderabad. Of these 30 are executives, 20 are senior executives and the remaining 50 are employees.

## PERIOD OF THE STUDY:

Since so many years HERITAGE FOODS INDIA Ltd's.Hyderabad has been following the same procedure of appraisals for their executives and employees and for the study of my project last one-year data has collected on performance appraisals.

## PLAN OF THE STUDY CHAPTERIZATIONS:

- ❖ To shed light on introduction on subject background of study
- ❖ The profile of the company
- ❖ Present frame work regarding research design of the study
- ❖ Explore performance appraisal process in HERITAGE FOODS INDIA Ltd's.., Hyderabad
- ❖ Exam in data, analysis and interpretation
- ❖ Highlight summary of findings and conclusions
- ❖ Offer suggestions and recommendations

## Limitations of the study

- ❖ In this case the superior appraises the person on certain positive qualities only. The negative traits are not considered. Such an appraisal will not give a true picture about the employee. And in some cases employees who do not deserve promotions may get it.

- In this case only the negative qualities of the employee are considered and based on this appraisal is done. This again will not help the organization because such appraisal may not present a true picture about the employee.
- In this case the superior gives an appraisal by giving central values. This prevents a really talented employee from getting promotions he deserves and some employees who do not deserve anything may get promotion.
- Some bosses are lenient in grading their employees while some are very strict. Employee who really deserves promotions may lose the opportunity due to strict bosses while those who may not deserve may get benefits due to lenient boss.
- In this case the employee is judged +vely or –vely by the boss depending upon the past performance. Therefore although the employee may have improved performance, he may still not get the benefit.
- Many bosses do not wish to spoil their relations with their subordinates. Therefore when they appraise the employee they may end up giving higher grades which are not required. This is a n injustice to really deserving employees.
- Sometimes a very strict appraisal may affect the goodwill between senior and junior. Similarly when different departments in the same company use different methods of appraisal it becomes very difficult to compare employees.

## II.    PERFORMANCE APPRAISAL

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 hiring and placing employees. If any problems are identified, steps are taken to communicate with the employee and remedy them.

Performance appraisal or merit rating is one of the oldest and most universal practices of management. Performance appraisal often provides the rational foundation for the payment of piecework wages, bonus etc. the estimates of the relative contributions of employees help to determine the rewards and privileges rationally.

Performance appraisal serves as means for evaluating the effectiveness of devices used for the selection and classification of workers.    Performance appraisal has been considered as a most significant and indispensable tool for an organization, for the information it provides is highly useful in making decisions regarding various personal aspects such as promotions and increases.

According to Ronald Benjamin, "performance appraisal determines who shall receive merit increases, counsel's employee's ob their improvement determines training needs, determines promotability, identifies those who should        be        transferred".

### III. METHODS, TECHNIQUES FOR APPRAISING PERFORMANCE

Several methods and techniques of appraisal are available for measuring the performance of an employee. They are:

1. Straight rank method
2. Man to man comparison method
3. Grading
4. Graphic rating method
5. Forced choice description method
6. Forced distribution method
7. Checklists
8. Free from easy method
9. Critical incidents
10. Group appraisal
11. Field review method

**Modern Methods:**

1. Assessment center
2. Appraisal by results or management by objectives
3. Human asset accounting method
4. Behaviorally anchored rating sales

### TRADITIONAL METHODS

**1. Straight Rank Method:**

It is the oldest & simplest method of performance appraisal, by which the man and his performance are considered as an entity by the rater. Then ranking of a man in work group is done against may also do that of another member of a competitive group by placing him as one or two or three in total group, i.e. persons are tested in order of merit and place in a simple grouping.

**2. Man –To-man Comparison Method:**

The USA army during the FIRST WORLD WAR used this technique. By this method, certain factors are selected for the purpose of analysis and a scale is designed by the rater for each factor. A scale of man is also created for each selected factor. The each man to be rated is compared with in the scale, and certain scores for each factor are awarded to him. This method is used in job evaluation, and is known as the factor comparison method.

**3. Grading Method:**

Under this system, the rater considers certain features and marks them accordingly to a scale. The selected features may be analytical ability, cooperativeness, dependability, self-expression, job knowledge, judgment, leadership and organizing ability, etc. they may be

A – Outstanding,

B – Very good,

C – Good or average,

D – Fair,

E – Poor,

-B (or B-) very poor or hopeless.

The actual performance of an employee is then compared with these grade definitions; such type of grading is done in semester examinations and also in the selection of candidates by the public service commissions.

**4. Graphic or Linear Rating scale:**

This is most commonly used method of performance appraisal. Under it, a printed forms one of each

person to be rated. According to juices, these factors are employee characteristics ad employee contribution. In employee characteristics are included such qualities and initiative, leadership, cooperativeness, dependability, industry, attitude, enthusiasm, loyalty, creative ability, decisiveness, analytical ability, emotional ability and co-ordination. In the employee contribution are quantity and quality of work, the responsibility assumed specific goals achieved regularity of attendance, leadership offered, attitude towards supervisors and associates, versatility etc.

The rating scale method is easy to understand and easy to use, and permits a statistical tabulation of scores. A ready comparison of scores among the employees is possible.

## 5. Forced Choice Description Method:

This method was evolved after great deal of research conducted for military services during World War II. It attempts to correct a rater's tendency to give consistently high or consistently low ratings to all employees. The use of this method calls for objective reporting and minimum subjective judgment. Under this method the rating elements are several sets of pair phrases or adjectives (usually sets of four phrases two of which are positive, two negative) relating to job proficiency

Or personal qualifications. The rater is asked to indicate which of the four phrases is most and least descriptive of the employee.

## 6. Forced Description Method:

Joseph Tiffin evolved this method after statistical work. This system is used to eliminate or minimize rater's bias, so that all personnel may not be placed at the higher end or at the lower end of the scale.

It requires the rater to appraise an employee according to a predetermined distribution scale. Under this system, it is assumed that it is possible and desirable to rate only to factors, viz., job performance and promotability. For this purpose, a five point performance scale is used without any descriptive statement. Employees are placed between the two extremes of 'good' and 'bad' job performance.

## 7. Check List:

Under this method, the rater does not evaluate employee performance; he supplies report about it and the personnel department does the final rating. A series of questions are presented concerning an employee to his behaviour. The rater, the checks to indicate if the answer to a question about an employee is positive or negative. An example of check list is given below:

1. Is the employee really interested in his job? Yes/No
2. Is regular on his job? Yes/No
3. Does he follow instructions properly? Yes/No
4. Is he always wiling to help other employees? Yes/No
5. Does he ever make mistakes? Yes/No

## 8. Free Easy Method:

Under this method, the supervisor makes a free from, open-ended appraisal of an employee in his own words and puts down his impressions about the employee. He takes not of these factors.

a. General Organization and planning ability.
b. Job knowledge and potential.
c. Employee characteristics and attitudes.
d. Understanding and application of company policies and procedures.
e. Production, quality and cost control.
f. Physical conditions.
g. Development needs for future.

## 9. Critical Incident Method:

The essence of this system is that I attempts to measure workers performance of certain 'events' or 'episodes' that occur in the performance of the rate's job. The supervisor keeps a written record of the events that can easily be recalled and used in the course of periodical of formal appraisal. Feedback is provided about the incidents during performance review session. Various behaviors are recorded under such categories as the type of job, requirements for employees, judgment, learning ability, productivity and precision in work, responsibility and initiative.

## 10. Group Appraisal Method:

Under this method, an appraisal group rates employees, Consisting of their supervisor and three or four other supervisors who have knowledge of their performance. The supervisor explains to the group the nature of his subordinates duties. The group then discusses the standards of performance for that job, the actual performance of the job holder, and the causes of their particular level of performance, and offers suggestions for future improvement, if any.

## 11. Field Review Method:

Under this method, trainer employees from the personnel department interview line supervisors to evaluate their respective subordinates. The appraiser is fully equipped with definite test questions, usually memorized in advance, which he puts to the supervisors. The supervisor is required to give his opinion about the progress of his subordinates, the level of the performance of each subordinate, his weakness, good points, outstanding ability, and promotability, and the possible plans of action in cases requiring further consideration.

## MODERN METHOD OF APPRAISAL:

1) **Appraisal by Results  Management by Objectives(MBO):**

Peter ducker has evolved this method. MBO is potentially a powerful philosophy of managing and an effective way for operationlising the evaluation process. It seeks to minimize external controls and maximize internal motivation through joint goal setting between the managers and subordinate and increasing the subordinate's own control of the work. It strongly reinforces the importance of allowing the subordinate to participate actively in the decisions that affect him directly. Management by objectives can be described as a process where by the supervisor and subordinate managers of an organization jointly identify its common goals, define each individuals major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contributions of each of its members.

## Objectives of MBO:

MBO has an objective in itself. The objective is to change behaviour and attitudes towards the affecting getting the job done. In other words, it is result oriented; it is performance that counts. It is a management system and philosophy that stresses goals rather has methods. It provides responsibility and accountability and recognizes that employees have needs for achievement and self-fulfillment. It meets

These needs by providing opportunities for participation goals setting process. Sub ordinates become involved in planning their own careers.

**MBO Process:**

This method emphasizes the value of the present and the future instead of that of the past, and focuses attention on the results that are accomplished and not on personal traits or operational methodology. An employee is not judged in terms of operational methodology, or in terms of initiative, cooperativeness, attitude, emotional stability, or any other human quality, but on the basis of the achievement of the targets that have been set. This method is largely applied to technical, professional, supervisory or execute personnel and not to the hourly paid workers because their jobs are usually too restricted.

Under MBO programme, an employee and his supervisory meet and together define, establish and set certain goals or objectives which the employee would attempt to achieve within the period of, prescribed time.

It consists of five basic steps:

- Set organizational goals i.e., establishment of an organization wide strategy and goals.
- Joint goals setting i.e., establishment of short term performance targets between the management and the subordinate in a conference between them.
- Performance review i.e., frequent performance review meetings between the manager and the subordinate.
- Set check points i.e., establishment of major check points to measure progress.
- Feed back.

1) **Benefits of MBO Programme:**
   The benefits of MBO programme are:

   - MBO helps and increases employee motivation because it reveals overall goals to the individual goals and help to increase an employees understanding of where the organization is and where it is heading.
   - MBO reduces role conflict and ambiguity. Role conflict exists when a person is faced with conflicting demands from two or more. Supervisors and role ambiguity exists when a person is uncertain as how he will be evaluated, or what he has to achieve. Since MBO aims at providing clear targets and their order of priority, it reduces both these situations.

- MBO identifies problems better and early. Frequent performance review sessions make this possible.
- MBO forces and aids in planning. By forcing top management to establish a strategy and goals for the entire organization and by requiring other managers to set their targets and plan how to reach them.
- MBO helps he individual manager to develop personal leadership especially the skills of listening, planning, counseling, motivating and evaluating.

### 2) Assessment Center Method:

Under this method, many evaluations join together to judge employee performance in several situations with the use of a variety of criteria. The purpose of this method was end is to test the candidates in a social situation using a number of assessors and a variety of procedures. The most important feature of this is job related simulations.

### 3). Human Asset Accounting Method:

This method refers to activity devoted to attaching money estimates to the value of a firm's internal human organization and its external customer goodwill. If able, well trained personnel leave a firm, the human organization is worthless if they join it, its human assets are increased. If distrust and conflict prevail, the human enterprise devalued. If team work and high moral prevail, the human organization is a very valuable asset.

### 4) Behaviorally Anchored Rating Scales(BARS):

This is a new technique for appraisals. It provides better, more equitable appraisals as compared to other techniques. Though bars technique is more time consuming and expensive than other appraisal tools. Since bars is done by person's expert in the technique, the results are sufficiently accurate. It has got certain advantages:

- More accurate
- It clearly clarifies what we extremely good performance, average performance & so forth.
- More useful in providing feedback to the people being appraised.
- Helps in making dimensions more independent if one another.
- The technique is not biased by the experience and evaluation of the rater.

### IV. CONCLUSION

1. The rating instruments, which should strive for simplicity not complexity, are derived from job analysis.

2. Training is provided to all employees about the systems and to managers in its use.

3. The appraisal is grounded in accurate job descriptions and the actual ratings are based on observable performance.

4. Evaluations are completed under standardized conditions and are free of adverse impact.

5. Preliminary results are shared with the rate.

6. Some form of upper level review, including an appeal process, exists that prevents a single manager from controlling an employee's career.

7. Performance counseling and corrective guidance services exist.

While many systems may not compare favorably to such standards, recall that the crux of the appraisal problem is not system design. Instead, since evaluation is a matter of human judgment, the conundrum is how the plan and the information it generates is used.

As we peer into the century ahead, personnel appraisal will become either more or less complex. Should the long standing preference for person-centered evaluations persist, then organizational downsizing and workforce changes will likely complicate appraisals. The virtual workplace unbound by time and space is apt to exacerbate this situation.

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