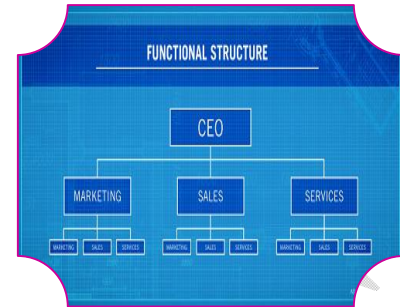




A STUDY ON THE FUNCTIONING OF PERFORMANCE APPRAISAL SYSTEMS IN PUBLIC SECTOR ORGANISATIONS OF NORTH EAST INDIA

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ABSTRACT

Human Resources are the key resource in today's world for all Organisations whether it is in the Public or Private Sector. It is the key to financial results as productivity of an Organization is directly related to the productivity of its Human Resources.

The screening process of most Organisations especially Public Sector Organizations is designed to attract and tap the best possible talent available. However it is seen that inspite of the best of systems and procedures, people who seem to have high potential fail to match upto expectations where actual performance is concerned. When explanations are sought on this, in most cases the main cause for this which is identified is the dearth of a robust performance management system in that organisation.

Performance Management is a broad aspect which involves appraisal, development and progression of an individual. One of the key components that help to achieve the objectives of performance management is a comprehensive performance appraisal system.

Informal discussions with Managers and various studies of Public Sector Organizations in India has revealed that the Performance appraisal system in Public Sector organisations are lacking behind and they need to be redesigned to become an effective tool to improve the overall performance management process. This paper aims to understand and study the effectiveness of the performance appraisal system in the public sector units in northeastern India.

The main findings of the study has been that mostly ranking method of appraisal is followed and though performance goals are set for the employees, sometimes determining the evaluation criteria on which to evaluate become a big challenge.

Performance is taken as criteria for rewards and pay only in a few cases and not for all cadres in all organizations. Though most of the employees agreed that there has to be alignment of individual and organizational goals, the reality was different as the employee's individual targets and goals are set by the immediate superior and this has resulted in the fact that the individual's goals are not necessarily linked to the Organization goals which has affected the organizational efficiency.

Overall though the performance appraisal system in public sector organizations is working well there is still a lot of scope for improvement.

KEYWORDS: Public sector Undertakings (PSUs), Performance Appraisal, KRAs, SMART, Potential.

INTRODUCTION TO THE TOPIC

A performance appraisal is a systematic and periodic process that assesses individual's employees 'job performance and productivity in relation to certain pre established criteria and organizational objective. There are certain other aspects of individual employees that are considered as well such as organizational

citizenship behavior, accomplishments, potential for future improvements, strengths, weaknesses etc. Performance Management systems are employed “to manage and align” all of an organisations resources in order to achieve highest possible performance. How performance is managed in an Organization determines to a large extent the success or failure of an organization. And one of the ways of doing this is by improving the performance appraisal system for everyone as it is a key element of the Performance Management system. A robust performance appraisal system would contribute in the following areas:-

- a) Improvement in performance in the individual level as well as the level of the organization,
- b) Is the base on which employment decisions like promotions, transfers, terminations etc are taken,
- c) Improve overall communication within the organisation.
- d) Help identify training and developmental needs of employees
- e) To provide proper wage and salary administration to all.

The principle employments of Performance Appraisals are –

Execution Improvement: - Performance input permits the workers, Manager and the Human Resources authorities to mediate with proper activities to enhance execution.

Remuneration Adjustment: - Performance assessments help leaders figure out who ought to get increases in salary.

Position choices: - Promotions, exchanges and downgrades are typically founded on past or foreseen execution.

Preparing and Development needs: - Poor execution may show the requirement for retraining. In like manner great potential may show undiscovered potential that ought to be produced.

Profession Planning and Development: - Performance inputs guides vocation choices about explicit profession ways one ought to research.

Staffing process insufficiencies: - Good or terrible execution infers qualities or shortcomings in the Organizations enrollment approaches

Educational mistakes: - poor execution may show blunders in employment examination data, human asset designs or different parts of staff data frameworks. Dependence on incorrect data may have prompted improper contracting, preparing or directing choices.

Job Design errors: - Poor performance may also be because of ill conceived job designs. Examinations help analyze these mistake.

Rise to Employment Opportunities: - Accurate execution evaluations that really measure work related execution guarantee that activity related exhibitions are not oppressive.

Outer Challenges: - Sometimes exhibitions are impacted by components outside the workplace like family, wellbeing and so on. These whenever revealed through evaluations will help the HR division to help the people.

Input to Human Resources: - Good/awful execution all through the association demonstrates how well the Human Resources work is performing. (P Subba Rao, 2010).

It is expected that a study of the performance appraisal system in public sector units in North east India would contribute to a great extent to

- 1) To understand and analyse the different performance appraisal systems in existence in the large public sector units which are operating mainly out of North east India to ascertain their effectiveness and contribution to the Performance Management process.
- 2) To examine how the Performance Appraisal exercise can be made more objective in Public Sector Organisations which will help to link performance to the productivity of the Organisation.
- 3) To study the problems faced by Public Sector Units in their Performance Appraisal systems

LITERATURE REVIEW:-

The process of performance appraisal is one of the key components of an effective performance appraisal process and a lot of research has been done on the process of performance appraisal. Verma and Chouhan, 2014 characterizes execution examination as the way toward acquiring, breaking down and recording data about the general worth of a representative. Jacobs et al., 1980 characterizes execution examination as the orderly assessment of the person regarding his or her execution at work and his or her potential for improvement.

Performance Appraisal is the main tool on the basis of which employee performance is linked to organisational effectiveness. Performance Appraisal System (PAS) is used as a measure for increasing the effectiveness of organizations by improving the performance of the employees and developing the capabilities of teams and individual contributors (Baron and Armstrong, 1998). Flippo 1984 establishes the linkage of performance appraisal to organisation and society, "Performance appraisal is a structured system of measuring and evaluating employee's job-related behaviors and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organization, and society are benefitted." As per Cummings, the general goal of execution examination is to enhance the effectiveness of a venture by endeavoring to activate the most ideal endeavors from individual utilized in it. Such evaluations accomplish for the most part four destinations viz. the pay audits, the improvement and preparing of people, arranging work revolution and help with advancements. (Dessler Gary (2003).

The capacity of associations to introduce a successful execution evaluation methodology encourages them accomplish upper hand which is required most in the current aggressive period. Mc Gregor says: "Formal performance appraisal plans are designed to meet three needs, one of the organization and two of the individual namely,

They provide systematic judgments to back up salary increases, transfers, demotions or terminations.

They are methods for telling a subordinate how that individual is getting along, and recommending required changes in conduct, frame of mind, aptitudes or occupation learning.

They are utilized as a base for training and advising the person by the prevalent. (Mc Gregor Douglas 1957.)

There are a few studies that have been conducted on performance appraisal process in India and Indian Organisations and in some of these researches some aspects of the research topic has been covered. India has traditionally been a country with high power distance in working relationships, implying reverence and high authority for the superiors (Rai 2012). Mendonca and Kanungo, (1990) pointed out the typical aspects of the Indian way of management wherein decision process was centralized, allowing less scope for employees to be updated about different aspects of management. Similar views about leadership and supervisory styles of management across Indian organizations have been detailed by Kakar (1971), Sinha (1990), Virmani and Guptan (1991). These studies through understanding of Indian work cultures and values emphasize a different perspective towards management of employees in India. Managers in India follow a paternalistic way of management and hence find it difficult to adhere to the process of stringent and objective Performance Appraisal Systems (Rai, 2012). The general trend is to follow an adhoc system of appraising performance which is more subjective and relationship oriented than objective and statistically measurable. There is a conflict in catering to their professional role while maintaining balance with their social role which results in the fact that there is a superficial commitment to the process of Performance appraisal and true value determination of the subordinates (Rai, 2012). This is more pronounced in the public sector organizations where it is seen that Managers in Public Sector Units are doing it more as a routine manner and there is a lot of subjectivity rather than objectivity.

A detailed study to understand the Performance Appraisal systems in India by way of a comparative study across 116 firms in India, comprising public sectors, private sector and MNC/JV firms was undertaken by Amba-Rao in 2000. The study revealed the impact of culture and values on the functioning of Indian

managers and their perception towards the process of performance appraisal. The study revealed that in public sector organizations objectivity was missing in the performance appraisal process and was more of a formality given its rules and adherence to legislations. Also the focus was more for developmental perspectives rather than evaluation for assessing value and worth of an individual. As such performance was not getting linked to the productivity of the organisation.

In the year 2009, Sadananda studied the performance management system of the public sector undertaking, NALCO (National Aluminium Company Limited) through a book chapter. The study highlights aspects of PMS which is based on Management by Objectives, and is an annual exercise for both executives and nonexecutives of the organization. The survey depicts lacuna in communication of goals, review of performance and use of key PA techniques like Assessment Centers for objective analysis of multiple evaluation parameters. Although NALCO follows the mode of Coaching and mentoring for employee development, the system has not been implemented to great success and

Thus some research work has been done connected to the research topic which would be helpful for the study but there is no research work done focused only on the public sector units of North east India or those units which are primarily operating out of North east India.

Existing Performance Appraisal System in NORTH EAST PUBLIC SECTOR UNITS

Most of the Organisations are following the system of APAR which is the annual performance review system. The Organisational performance parameters are set by the Organisations in consultation with their respective Ministries if required. The performance appraisal goals of the department and its senior managers are mostly aligned to the organizational objectives which would be used for evaluation. The HR Department and the senior manager's tries to ensure that there is linkage of organization goals to the lowermost rung of executives which will help to increase the organizational effectiveness.

The Performance Appraisal system followed is mostly a two step process which comprises of self appraisal and appraisal by the immediate supervisor. The appraisal document which is a confidential document provides valuable inputs on various aspects of performance management of an individual. The performance appraisal system of employees is conducted annually formally and mid term reviews are not formally done. Performance evaluation is generally done on a 5 point scale and the parameters used are (1) excellent, (2) very good, (3) good, (4) fair and (5) poor.

The process of Performance Appraisal generally involves the following steps –

- a) Establishing standards and measures – The first step is to establish measures that would help to differentiate between successful and unsuccessful performers. The method of assessing performance is also decided at this juncture.
- b) Communicating job expectation – The second step in the process is to communicate to employees the measures and the standards that would be used in the appraisal process. Such communication should clarify expectations and create a feeling of involvement.
- c) Planning: - The Manager plays a critical role in this stage where he helps arrange the resources that should be available for achieving the goals as well as helps to plan how to achieve those goals.
- d) Monitoring performance:-Performance Appraisal is a continuous process and involves ongoing feedback. Performance has to be monitored on a daily basis to ensure that the planning to meet the objectives is on track.
- e) Appraising: - This stage involves documenting performance through observing, recalling, evaluating, analysis of data etc.
- f) Feedback: - There is a discussion between appraiser and appraise. Discussions which centre on conflict resolutions, problem solving and things in the appraisal period. The appraiser tries to reach a general consensus on his appraisal of the employee.
- g) Decision Making: - On the basis of the documentation of the appraisals and the feedback, decisions are made on all aspects connected to the process.

RESEARCH METHODOLOGY:

The research methodology adopted for the purpose of the mentioned study can be classified into two stages, namely:-

- 1) Collection of secondary data and Exploratory Study: - Exploratory study was carried out by scrutinizing the available secondary data. This study was done by studying the website of the organization, past reports and articles in magazines as well as observing the past performance of the Organisation which was essentially secondary data.
- 2) Collection of primary data and Descriptive study : The descriptive study can be further sub divided into the following steps –

FINDINGS AND ANALYSIS

1. Most of the Public Sector Units are following a formal performance appraisal system based on the ranking method.
2. The performance goals i.e. the Key Result Areas for the appraise are mostly set by the immediate superior. Only in very rare cases, other Senior Managers or Line Managers were involved.
3. Determining the evaluation criteria is the most challenging part of the performance appraisal process and this is mostly because of lack of time as all the employees are busy in their day to day activities.
4. Performance linked pay and incentives are in existence and it is believed that pay is related to performance.
5. The Executives felt that though the KRAs are set by the immediate superiors, the final performance rating was in the hands of the Managers and the HR Managers as the Line Managers and the HR Managers had the ability to change the final rating.
6. The main focus of the performance appraisal system was development and fostering communication and not merely a case of filling up forms.
7. There are conflicting signals on whether the employees used to undertake performance planning. In some cases it was there and not there in some case
8. Performance planning of employees is undertaken only at the beginning of the year. There is no periodic review or adequate planning at the time of hiring or when new business plans were developed
9. In terms of training on performance management techniques, no great trainings have been imparted in g in performance management techniques. Majority of the respondents felt that mostly Managers or appraisers were only trained in performance management techniques.
10. Self appraisal is also there but it is not clear how integral it is to the performance appraisal process.
11. The main issue for non performance is mostly seen to be role clarity. Lack of communication was the other factor which is seen as a cause for failure of performance appraisal system.
12. Midterm reviews rarely happen in most of the Organisations. Mostly reviews were done annually once and also at the goal sharing stage.
13. Career development does not seem to be fully integrated into the appraisal process.

CONCLUSION:

In contrast to many other Public Sector Organisations , the public sector organizations of North east India seem to be giving due importance to the Performance Appraisal System and its successful implementation. There are gaps in the process which have to be identified as given in the findings but generally the system is effective and is been perceived as a strategic tool for the development of the Organisation.

Performance related pay or variable pay is a part of the compensation structure of most of these organizations which is a very positive sign as generally most public sector Companies are not implementing this. This has helped to reward good performers and motivate them.

There has to be focus on alignment of individual and organizational goals. The employee's individual targets and goals are generally set by the immediate superior so this may result in the fact that the

individual's goals are not necessarily linked to the Organisation goals which may decrease organisational efficiency. Also the goals may not necessarily be SMART which may deter the actual and effective measurement of performance.

Training and career development processes are in place but lack of time and routine work sometimes is an impediment to successful implementation of these employee development techniques.

The employees need more clarity in their roles as this is a key factor for failures and gaps in the appraisal process. Hence it is important that job descriptions are drawn up in a structured manner. Mid term reviews and performance planning are other grey areas which need to be worked upon for better performance and overall productivity.

The study has revealed that certain best HR Practices in terms of Performance Management currently being used in the Private Sector is not used in the Public Sector. Hence incorporation of some of these best HR practices may help the performance appraisal system and in turn the performance management system to become more robust and effective.

SUGGESTIONS AND RECOMMENDATIONS FOR PUBLIC SECTOR ORGANISATIONS IN NORTH EAST INDIA

1. Separation of the role of Judge and helper: - Most Appraisal systems and the implementation of performance appraisal system in Organisations have mixed the role of the judge and the helper. The process of helping an employee with suggestions has to be separated from the process of evaluation of performance of an employee and both have to be done at separate time.
2. Generally it is seen that only the ranking method of performance appraisal is used. There has to be adequate usage of other techniques of performance management like critical incident method, behavioural rating scales etc which helps to make the appraisal system more comprehensive as well as it improves the performance of the employee.
3. It is seen that promotions are time bound and linked to performance i.e. attainment of results. However this need does not necessarily mean that it is correlated to potential for promotion. Separation of potential and performance helps to minimize against the superiors averaging his /her unconscious assessment of these qualities and increase the likelihood of a constructive non defensive dialogue.
4. There needs to be mechanisms in place to identify the employee's potential and to reward based on the potential and performance rather than experience alone.
5. Development of merit and competency based recruitment system which helps to identify the right person for the right job. Recruitment should not be generalized for all positions but should be done specific to positions as specialization is the key today.
6. Adequate attention should be given to new joinees so that they are able to deliver performance after joining.
7. Appraisal should be done more objectively, the targets have to be measureable and be SMART (Specific, Measurable, Achievable, Realistic and Time Bound).
8. There should be mechanisms in place that ensure continuous feedback. Midterm and quarterly reviews are two of the mechanisms that will help to ensure that performance is in place.
9. Modern performance management tools like 180 degree and 360 degree appraisal need to be introduced. The process of allowing a subordinate to rate the superior helps to mitigate the superior subordinate imbalance and may help to increase the level of openness and transparency in the performance appraisal process.

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