A STUDY ON PERFORMANCE APPRISAL METHODS WITH SPECIAL PREFERENCE TO MNC AND IT ORGANISATION

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ABSTRACT

Performance Appraisal has been considered as the most significant an indispensable tool for an organization, for an organization, for the information it provides is highly useful in making decisions regarding various personnel aspects such as promotion and merit increases. Performance measures also link information gathering and decision making processes which provide a basis for judging the effectiveness of personnel sub-divisions such as recruiting, selection, training and compensation. This research paper will concentrate on analyzing challenges of performance appraisal, innovative methods used by IT organizations confined to TCS and WIPRO .The data used for the study is secondary data collected through the help of internet browsing, book, journal, etc. The findings of the research show that there is a noticeable effect of the performance appraisal on the organization as well as on the Individual.

Keywords: Performance Appraisal, Organization, traditional methods, Rating

INTRODUCTION OF THE STUDY

Performance appraisal is the process of obtaining, analyzing, and recording information about the relative worth of an employee to the organization. Performance appraisal is an analysis of an employee's recent successes and failures, personal strengths and weaknesses, and suitability for promotion or further training. It is also the judgment of an employee's performance in a job

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based on considerations other than productivity alone. Performance' appraisal is a formal structured system of measuring and evaluating an 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 all benefit. Performance Appraisal has been considered as the most significant an indispensable tool for an organization, for an organization, for the information it provides is highly useful in making decisions regarding various personnel aspects such as promotion and merit increases. Performance measures also link information gathering and decision making processes which provide a basis for judging the effectiveness of personnel sub-divisions such as recruiting, selection, training and compensation.

OBJECTIVES OF THE STUDY

• To find out the relationship of human resource management and performance management.

• To critically evaluate the techniques used by the organizations for performance evaluation.

• To find out the challenges and effectiveness of performance appraisal used by the organizations on the performance of the organization.

3. REVIEW OF LITERATURE

ALFORD &BEATTY "It is the evaluation or appraisal of the relative worth to the company of a man's service on the job".

FLIPPER says, "Performance Appraisal is a systematic, periodic and so far as humanly possible and impartial rating of employee's excellence of matters pertaining to his potentialities for a better job".

Cleveland, Murphy& Williams (1989) argued that there is a relationship between organizational characteristics and the uses of a performance appraisal system.

Stonich (**1984**) also argued that performance measurement in an organization should be in tune with its structure and culture. Since the nature of the enterprises in which each industry is engaged varies, its organizational type, business policy, internal and external environment are also usually different. The purpose of this study is to conduct a direct comparative analysis of performance appraisal system in the service and manufacturing industries.

Ilgen, Barnes-Farrell, &McKellin (1993) concluded, from their extensive review of the literature since the 1980s about performance appraisal, that there are four aspects that need to be considered. In practice performance appraisal systems cover a wide range of these aspects, and seldom have the same nature and functions.

Chu (2002) proposed a comprehensive framework including six categories, namely, appraisal purposes, appraises personnel, appraisal criteria, appraisal methods, appraisal timings, and appraisal feedback. This study will adopt this framework to compare performance appraisal systems in the service and manufacturing industries.

THE LINK BETWEEN HUMAN RESOURCE MANAGEMENT ANDPERFORMANCE MANAGEMENT

The management discipline most associated with performance management is HR – because of its link with people and their contribution to organizational performance (Canfield School of Management, 2007). CIPD declare that: *Today's HR department aims to deliver a stronger, morecompetitive business, and is judged on its success in meeting business targets including reducing costs, improving customerservice, quicker delivery and product innovation.*However, HR is not the sole territory of the HR practitioner. All managers, supervisors and team leaders need to be concerned with how employees are recruited, what work they are required to do and how well they are doing it.

Managers therefore need to have the skills, knowledge and ability to performance manage people effectively within a framework of HR strategy, policy and procedure. Earlier models of the HRM territory and the Harvard Model of Human Resource Management start to map out the importance of stakeholder interests and situational factors in influencing HRM policy choice. Beer *et al.* (1984) emphasize the importance of considering the broad spectrum of stakeholder interests when designing HR policies and practices. Although 'Performance' is not explicitly mentioned in the model, the HR outcomes of Commitment, Competence, Congruence and Cost Effectiveness contributing to the longer-term well-being of the individual, organization and society could be described as 'performance in action'. The following questions must be analyzed

like .Do the HR policies and decisions of the organization engender the **commitment** of individuals to their roles and the organization? • Do the HRM/HRD policies and practices serve to attract, retain and develop employees with the right **competence,** i.e. skills, knowledge and attributes?

CHALLENGES TO EFFECTIVE PERFORMANCE APPRAISAL;

BURS (2010) states that the PMS success is depended upon the development of an environment of mutual trust and respect between managers and supervisors, and their staff at all levels. It is further stated that the process is carried out objectively, openly and honestly. The challenge in the researcher's opinion is how to determine that the process was carried out in an honest manner and it also requires some skills on the part of employee and that of the manager to create an environment of mutual trust (MoF, 2009).

The challenge is that not all organization are led by democratic leaders where all employees are treated with trust. Cultural diversity management, management styles especially if it is automatic can impede performance of employees.

Change management is a challenge in itself, to manage performance one must be mindful of changes in the environment and to adapt to it by managing the change. Effective communication is a two-way traffic (Intercultural Management), and plays and in important role in performance management. The challenge is who is the leader at the time and what management style does he/she applies? Can it be changed to allow for flexibility?

The researcher is of a view that challenges will always be there and it is the responsibility of managers to ensure that they are converted into opportunities

PERFORMANCE APPRISAL; SPECIAL PREFERENCE TO MNC AND IT ORGANISATION

PERFERMANCE APPRISAL AT TCS (INTRODUCTION)

•   Performance appraisal goes by various names such as performance rating, progress rating, merit rating, merit evaluation etc.

• Performance Appraisal is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development.

PURPOSE

1. ADMINISTRATIVE PURPOSE

➢ Promotions

➢ Salary

➢ Retention or Termination

➢ Transfers

➢ Recognition of individual performances

➢ Training and development needs

2. DEVELOPMENT PURPOSE

➢ Identification of individual needs

➢ Performance feedback

➢ Determining job assignments

3. ORGANIZATIONAL PURPOSE

➢ HR planning

➢ Determining organization training needs

➢ Reinforcement of organizational development needs

➢ Evaluation of HR systems

4. DOCUMENTATION PURPOSE

➢ Criteria for validation research

➢ Documentation for HR decisions

➢ Helping to meet legal requirements

Performance appraisal at TCS

TCS conducts two appraisals:

1. At the end of the year

2.   At the end of a project

Appraisals are based on Balanced Scorecard, which tracks the achievement of employeesbased on targets at four levels —

•   financial

•   customer

•   internallearning and growth

•   The financial perspective quantifies the employee's contribution in terms of revenue growth, cost reduction, improved asset utilization and so on;

•   The customer perspective looks at the differentiating value proposition offered by the employee;

•   The internal perspective refers to the employee's contribution in creating and sustaining value;

•   The learning and growth refers to the development of employee.

Appraising at TCS

•   Based on their individual achievements, employees are rated on a scale of one to five

•   (five = "superstar"). If employees get a low rating (less than two) in two consecutive appraisals, the warning flags go up. "If the poor performer continues getting low scores then the exit option may be considered"

•   Over the years TCS has found the pattern that leads to the maximum decline in performance — boredom. If employees work for more than two years on the same project, typically either their performance dips or they leave the organization.

•   To avoid that, TCS shuffles its employees between projects every 18 months or so.

•   TCS believes "Performance drops if motivation drops"

Conclusion

•   Performance Appraisal has a beneficial effect on both the persons doing the appraisal and being appraised

•   The Appraisal brings prominently to the attention of supervisors or executives the importance of knowing their subordinates as human resource.

The necessity of performance appraisal leads the appraiser to a thoughtful analysis of people rated and tends to make him more alive to opportunities and responsibilities in developing the subordinates.

Performance appraisal in Wipro

The company organized a planning session for its clients and board of directors. Employees appraised using customer feedback are almost always sales and other client-facing executives who are responsible for raising client satisfaction levels. Since most of their interaction is with clients, companies say it is only fair if these executives are appraised by clients.

Besides evaluating employees better, it also helps companies do away with the age-old annual performance appraisal process, where managers and their subordinates discuss goals and performance.

"Essentially, services rendered by IT firms are an aggregation of firms, and no one employee, or group of employees can be appraised based merely on feedback.". Following are some methods of performance appraisal used in wipro.

1. Ranking Method

The ranking system requires the rater to rank his subordinates on overall performance. This consists in simply putting a man in a rank order. Under this method, the ranking of an employee in a work group is done against that of another employee. The relative position of each employee is tested in terms of his numerical rank. It may also be done by ranking a person on his job performance against another member of the competitive group.

Advantages of Ranking Method

i.   Employees are ranked as per their performance levels.

i.   It is easier to rank the best and the worst employee.

2. Rating Scale

Rating scales consists of several numerical scales representing job related performance criterions such as dependability, initiative, output, attendance, attitude etc. Each scales range from excellent to poor. The total numerical scores are computed and final conclusions are derived. Advantages – Adaptability, easy to use, low cost, every type of job can be evaluated, large number of employees covered, no formal training required. Disadvantages – Rater's biases

3. Checklist method
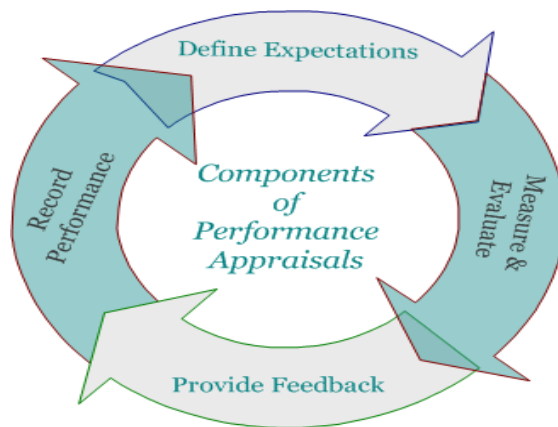
Under this method, checklist of statements of traits of employee in the form of Yes or No based questions is prepared. Here the rater only does the reporting or checking and HR department does the actual evaluation. Advantages – economy, ease of administration, limited training required, standardization. Disadvantages – Raters biases, use of improper weighs by HR, does not allow rater to give relative ratings

4. Critical Incidents Method

The approach is focused on certain critical behaviors of employee that makes all the difference in the performance. Supervisors as and when they occur record such incidents. Advantages – Evaluations are based on actual job behaviors, ratings are supported by descriptions, feedback is easy, reduces recency biases, chances of subordinate improvement are high.

5. Essay Method

In this method, the rater writes down the employee description in detail within a number of broad categories like, overall impression of performance, promotability of employee, existing capabilities and qualifications of performing jobs, strengths and weaknesses and training needs of the employee. Advantage – It is extremely useful in filing information gaps about the employees that often occur in a better-structured checklist. Disadvantages – It its highly dependent upon the writing skills of rater and most of them are not good writers. They may get confused success depends on the memory power of raters.

6. Behaviorally Anchored Rating Scales
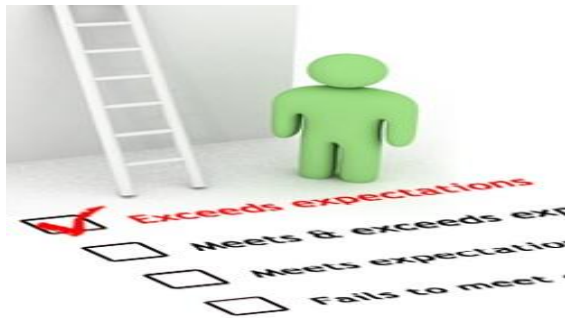
statements of effective and ineffective behaviors determine the points. They are said to be behaviorally anchored. The rater is supposed to say, which behavior describes the employee performance. Advantages – helps overcome rating errors. Disadvantages – Suffers from distortions inherent in most rating techniques.

GENERAL ELECTRIC

• **General Electric**, American multinational corporation incorporated in **New York and headquartered in Fairfield, Connecticut in the United States.**In 2011, GE ranked among the **Fortune 500 as the 26th-largest firm in the U.S. by gross revenue, as well as the 14th most profitable.**

• GE's divisions include **GE Capital, GE Power & Water, GE Oil & Gas, GE Aviation, GE Healthcare, GE Transportation, and GE Home & Business Solutions.**

• **"Management by Objective" and "Rating Scale Method"** are the methods which are used in Performance Management System.

• **Online system of EMS (evaluation measurement system) portal is created.**

• In performance evaluations, **GE executives focus on one's ability to balance risk and return and deliver long-term results for shareowners.**

• Thousands of people from every level of the company are trained at the **Jack F. Welch Leadership Center.**

• 3 Participant will be there in EMS. I.e. **Employee, Manager and Senior Manager.**

• EMS will be done once in a year and reviewed quarterly.

• EMS verticals are defined as-

    1. Leadership

    2. Team Work and Pipeline

    3. Quality

    4. Cost

Evaluation Measurement System

• Employee need to set goals yearly in the month of April.

• Employee should select all 4 verticals and under each vertical, choice of objectives and challenges are given and employee must choose.

• One of the additional goal can be set by the employee.

• Quarterly Meeting will be done by immediate manger and it will be of purely "Professional Discussion". Employees should take initiative of its own and invite manager for this discussion.

• Quarterly Meeting will be in June, September and December. In meeting, Graph Representation of employee performance will be shared by manager quarterly. And Guidelines and problem faced in the critical situation to be discussed.

• Training session will be given to fill the online EMS.

• 31st December is the date set to submit EMS Form w.r.t achieve goals and objectives in the entire year. Overall summary should be only in 2000 words.

- For every question, employee must rate his own in Rating Line – 1,2,3,4,5.

- Training plan will be discussed per the rating.

- EMS Form will be proceed to Manger and it has to be approved. Manger has the right to comment on employee strength, Weakness, Productivity and Goals, but no discussion with the employee.

- After whole process, Senior Manager will release the EMS Form Portal to access for employees. In this, Rating will be given to the employees w.r.t to all 5 verticals. And by putting formula, overall rating is given to the employee.

- If satisfied or not, discussion will be there. Feedback and Comments will be given by immediate manger. It will be kind of one and half an hour discussion.

CONCLUSION

The work force and the organization have a combined effort for the completion of the desired work and success of the organization within the industry. In today's scenario, the human resources should be very committed for the organization and the organization need to be committed for the employee and their overall manpower of the company. The management of the company should participate with the work force so as to achieve the objectives and goal of the organization. In this system of employee management system, more preference must be given for the actions for the authority of the employees rather than fulfillment of task from the side of employees. The various techniques of performance appraisal can be deployed in the IT industry for the betterment of the company and wellness of the organization. In the service industry, performance appraisal is considered as a very crucial function to exist in the organization. The process of performance appraisal is to be a continuous and ongoing activity and should be conducted on regular basis. The session of the performance appraisal has to be an informal session for the betterment in the understanding of the session for the employees of the organization. The main job of human resources is to judge the behavior of employees and overall performance within the organization so as to ensure the accomplishment of tasks. The job performance system can be implied in qualitative and quantitative manner as the requirements of the appraisal differs from organization to organization and employees. The HRD has to evaluate the present work culture of the organization and at the same time, the scope for further improvement has to be analyzed by the human resources. The acts of employees can decide the

expectations of the management. The process of performance appraisal has to be carried out for the benefits of management and at the same time, it also motivates employees for the action required by the management of the organization. The performance appraisal plays a very vital role in the organization in achieving the goals of the organization.

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