

# Criteria of Performance Appraisal in Companies

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**Abstract – Performance Appraisal (PA) is gradually becoming a part of a more strategic move towards integrating HR practices and organizational objectives and might now be seen as a general term covering a range of actions through which organizations seek to measure employees and increase their competence, improve performance and distribute rewards. Globalization has created a niche to sustain and enhance human resource since they are the prime contributors to organizational performance. In this 21st century, human development is focused at hiring, training and retaining them. Retaining its valuable and talented employees becomes a major challenge for organisation if they do not know how to motivate them. This paper is aimed providing a review on the various performance appraisal techniques practiced in Indian economy. This paper also highlights literature review on effectiveness of the PA system in various Indian industries.**

**Keywords: Performance Appraisal; Employee Performance**

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## INTRODUCTION

The performance evaluation includes all the systematic methods used in evaluating representatives of a work organization's personalities, achievements and potential. It is a constant process in which information is protected which is needed to make accurate and rational employee decisions. Simply put, Performance appraisal is the individual's structural assessment of the job performance and of its development potential.

Performance evaluation is a formal system that assesses the performance of an employee. An appraisal should not be viewed as an end in itself, but rather as an important process within a broader performance management system that links:

- Organizational objectives
- Day to day performance
- Professional development
- Rewards and incentives

Simply put, Appraisal can be understood by assessing the performance of a person systematically against factors such as job awareness, quality and quantity of production, initiative, leadership, supervision, trust, collaboration, decision-making, flexibility, health and so on. Evaluating past performance alone should not be proven. The future performance capacity of the employee should also be measured.

## DEFINITION OF PERFORMANCE APPRAISAL IS:

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

## MORE COMPREHENSIVE DEFINITION IS:

"Performance appraisal is a formal, structured system of meaning and evaluating an employee's job related behaviours and outcome to discover how and why the employee is presently performing on the job and he the employee can perform more effectively in the future so that the employee, organization and society and all benefit."

## LITERATURE REVIEW

Liliane. M and Peter .M (2010) exclaimed that the performance and seriousness of various organizations can be attained through execution of impeccably characterized performance estimation pointers and structure that can quantify the performance work by breaking down the utilization of certain performance markers in the executives of upkeep. They found that the greatest respondents have exceptionally less choices and changes in forms activated by performance estimation.

Michael Pitt (2013) featured on the way that Performance the board is a fundamental component to check the performance and nature

of properties. This paper decided the ongoing gauges and performance of upkeep the board framework by concentrating skyscraper private places of business.

Jorge M. S, Carlos F (2010) expressed communicated that Performance the executives is the summarize of performance appraisal frameworks long with more extensive human asset frameworks as a methods client to be the focal point of key hierarchical, operational and rehearses. Many assembling associations work as open frameworks of tasks. In these sorts of frameworks, most recent operational advancements of assembling are improved with present day correspondence advances, data and to incorporate and facilitate operational assets, exercises and procedures so as to make a flood of significant worth included activities planned for catching and supporting a serious advantage and performance the executives framework ends up being exceptionally useful in doing as such. Roger.S looked into six most recent performance the board contemplates and composed the key discoveries into two gatherings: Performance Management Impact on Organizational Success and Performance Management Trends/Best Practices that have demonstrated effective for other people and influence any association's primary concern.

Sayantani G, Niladri .D (2013) examined the effect of performance reward frameworks essentially Performance Related Pay, the job of assets in affecting instructive results and the unwavering quality of existing strategies for evaluating instructive performance. They announced the discoveries which recognize the techniques for PMS in Indian and universal training part by presenting another model in performance the board framework. This model uses three structures to gather data with respect to the specific staff from different sources that are the specific personnel, understudies and Head of the Department. This data will be send to the Management for examination and input. Significant advantage is straightforwardness.

Neeti and Santosh .C (2015) studied that workers have great information on performance appraisal and have an uplifting demeanor towards it as their advancement is simply founded on performance appraisal and the evaluations help to fix increases. Over the span of study recommendations originated from the workers for the need of guiding. Performance appraisal ought to be made progressively straightforward and reason.

Goyal, Rita (2011) With the end goal of the investigation, information were gathered through close to home contact of 250 workers in four parts of LIC in northern India. The consequence of the investigation uncovered that distinction is noteworthy between the view of male and female representatives in regards to performance appraisal. Female representatives have a great disposition

towards performance appraisal when contrasted with male workers. There is no critical contrast among representatives at various level with respect to their impression of performance appraisal chose parts of LIC.

Akuoko, Kofi Osei (2012) For the examination information were gathered from 147 workers of six monetary establishments were picked in the Kumasi Metropolis, Ghana. The examination exhibited that the performance appraisal framework can be a successful apparatus in representative inspiration if both the procedure and result are reasonable. The examination likewise uncovered that worker support in the appraisal procedure was high and this prompted representative inspiration and impression of the procedure and result as reasonable.

Sandeep Kumar Joshi (2012) Performance Management System: A Factorial Study of Cement industry Rajasthan. To recognize key components of performance the executives framework by a factorial report which have critical significance for concrete organizations.

Dr.D.B.Bagul (2013) studied the perspectives of the workers towards performance appraisal in SEMCO ELECTRIC PVT LTD, Chakan. He proposed 360 degree criticism demonstrate and diminish the parameters in assessment with higher authorities and opined that appraisals must be less complex and shorter.

Amit Hole and Dr. Ashutosh Misal (2013) found out Employees who business related with offer of protection strategies in private part broad insurance agencies is performing acceptable than representatives who business related with offer of protection arrangements in open division general insurance agencies..

Sanjita Tendon (2013) reasoned that Performance Appraisal is more compelling in private area than open part by directing z-test. She recommended to use numerical evaluations. Preparing is basic for appraiser inclinations to be decreased. Also, she tells a worker is chosen, prepared and roused lastly assessed for the performance.

Christoph Reichard and Jan van Helden (2015) in the exploration paper found that the contrasts between performance the executives rehearses in the general population and private area are less stringent than anticipated concerning pretty much major contrasts between the two divisions. They discovered distinction dependent on 3 properties to be specific proprietorship, financing and control. They isolated lifecycle of PMS into configuration stage and use stage.

Sameera Begum, K. Sarika & G. Sumalatha (2015) looked at performance both open and private division in general dependent on the

parameters like two-route correspondence among evaluate and appraiser, criticism framework in which friends, Superiors, and Junior Employees offer input to each worker, receiving advancements, fiscal and non-financial advantages, professional stability, Leave Management System just as Process of Recruitment and Selection.

Kona Yasoda (2016) detailed the components of an Ideal Performance Management System. The significant components are sets of expectations, performance desires, appraisals, remunerations, disciplinary approaches and tributes. She portrayed all around slanting models like Team Performance Appraisal, 360 Degree Appraisal, Rank and Yank technique, the new model and constant input.

Ramila Ram Sign & S. Vadivelu (2016) referenced in their paper about the performance appraisal in India. Maintenance of the workers in the association is a troublesome undertaking for the administration. Inspiration assumes a key job right now. Performance appraisal is an apparatus to know the representatives performance in different perspectives. It is helpful for compensation increase, advancement, staff maintenance and to strengthen staff conduct. The above alluded writing shows that Performance Appraisal is just instrument in evaluating the representative's undertakings and duties coordinating their capacity. A correlation has been done out in the open and private area undertakings where private division appraisals have been progressively compelling.

## MEANING OF PERFORMANCE MANAGEMENT

By precisely identifying performance standards and expectations through evaluation and input and the application of the various appraisal processes, employees' output is managed to achieve excellent results. The whole process is known as management of results. That is, it is the mechanism that seeks to recognize an organization's pre-set working standards. This is about creating a balanced relationship between the organizational goals and the expertise and skills of employees and the necessary performance. The PM process includes certain activities which ensure that goals and objectives are achieved effectively on a regular basis. PM can also be described as a process that improves the efficiency and effectiveness of a workplace through the creation of the skills and enhancement of people working for predefined goals and goals.

## HISTORY OF PERFORMANCE MANAGEMENT

The history of PM goes back 60 years, when it was used to determine the wages of a worker which was based on performance. At that point of time, PM was

used as a tool for changing the behavior and working methods of the employees to get certain results but there was a huge gap between justification of wages and development of knowledge and skills it became a large problem for using performance management. In 1980 it was reward managed performance as its need got broader. Due to this understanding the process has become more specialized and dignified.

## PERFORMANCE MANAGEMENT IN 21<sup>ST</sup> CENTURY

Over the past several years, performance management has been popular and administrators perform various performance evaluations and even training employees. The performance management approaches of the 21st century are explicitly designed to enable workers to fulfill the job requirements and to help managers identify inefficiencies and to implement training methods to fix these inefficiencies. The new and improved technology also plays a major role in making efficient and effective performance management in the 21st century.

## GOALS OF PERFORMANCE APPRAISALS

General Goals	Specific Goals
Developmental Use	Individual needs , Performance feedback ,Transfers and Placements , Strengths and Development needs
Administrative Decisions / Uses	Salary , Promotion , Retention / Termination , Recognition Lay offs ,Poor Performers identification
Organizational Maintenance	HR Planning ,Training Needs , Organizational Goal achievements , Goal Identification , HR Systems Evaluation Reinforcement of organizational needs
Documentation	Validation Research , For HR Decisions , Legal Requirements

## THE APPRAISAL PROCESS



- A) **Establish Performance Standards:** Firstly, all the standards developing from the strategy of the company should be fixed.

- B) Mutually Set Measureable Goals:** The prefixed goals should be in such a manner that they are clear to everyone could be easily understood and measured. After the establishment of standards, they expectations should be made clear to everybody so that the employees need not to guess that what is being expected from them.
- C) Measurement of Actual Performance:** After the job has been done, it steps up to the judgment of job done.
- D) Compare Actual Performance with Standards:** This step involves the noticing of difference between the standard performance expected and the actual work done.
- E) Discuss the Appraisal with the Employees:** Discussing the appraisal with the employees is also very important. The feedback which they get for their appraisal is very important to them for their self-confidence plus enthusiasm. That is why it is very significant to talk about the act appraisal with the employees.
- F) If Necessary, Take Corrective Action:** The final step in the evaluation process is to take the corrective action wherever it is required. The corrective action helps to reduce the difference between the actual standards and actual work done.

## METHODS OF PA IN INDIAN ORGANIZATIONS

Numerous Indian organizations still prefer traditional appraisal method in contrast to the modern approaches. According to Tripathi (cited from Balu V. (2006)) there are various techniques used by management in Indian organization to evaluate their employee's performance as discussed below.

Traditional Method	Modern Method
Ranking Method	Management By Objectives (MBO)
Graphic Rating Scales	Behaviourally Anchored rating
Critical Incident Method	Human Resource Accounting
Narrative Essays	Assessment Centers
Check List Method	360 Degree
Forced Distribution	720 Degree
Confidential Report System	

### 1. Straight ranking method

This is the oldest and most basic performance evaluation tool. In this way, superior classifies his subordinates according to their merit, starting from their numerical level. Individuals ranked from high to

lowest in this system. In this way, the boss tests people to job expectations. The drawback of this approach is that when people differ in quantities, behaviors etc. it is very difficult to compare individuals as a whole.

### 2. Graphic rating scales

A rating scale lists traits and a range of performance values for each trait. The superior rates each subordinates by circling or checking the score that best describes his performance for each traits. The values assigned for the traits are then totaled. The selection of factors to be measured on the graphic rating scale is an important point under this system. Rating scale is of two types, continuous and discontinuous.

### 3. Critical Incidents Method

Critical Incidents Method developed by Flanagan and Burns requires identifying critical job requirements which are vital for the success of a job. This critical incident represents the outstanding (positive) or poor (negative) behaviour of employees on the occupation. For instance, for customer service personnel the following incidents could be identified:

- Customer complaint – polite, punctual, enthusiastic in solving problems
- Turn over time – very prompt with 10 minutes

### 4. Free essay method

Under free essay method, the supervisor writes a report about the employee which is based in his assessment. The supervisor continuously watches the subordinates and writes his assessment in the report. While preparing an essay on employee, the rater generally considers the following factors:

- Job knowledge and potential of the employee
- Employee's relation with co-workers and supervisors
- Employee traits and attitudes
- Employee understanding of the company programme, policies, objectives, etc.
- Development of evaluations, etc.

Essay method of evaluation is a non-quantitative technique of appraisal. It provides a good deal of specific information about the employee and can reveal even more about the supervisor.



## 5. Check list method

Check list method is based on a series of statement that contains value in relationship to their importance. The superior is asked to select "yes" or "no" on each statement. Once the check list is completed, it is send to the HRD to prepare the final scores of the appraise. The one disadvantage of this method is that it is difficult to assemble, analyse and weigh a number of statements about employee characteristics and contributions. This technique of appraisal also not suitable if there are copious job categories in the organization.

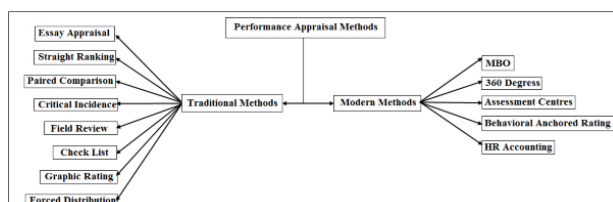
## 6. Force distribution method

Methods of force distribution are a very ancient method used widely in India by large groups such as Infosys, ICICI Bank and the Aditya Birla Group. According to Indian estimates, 75 percent to 80 percent of Indian companies in a forced distribution order use that bell-shaped PA system, in order to classify their workers into three groups. Top workers are known as 'high potential,' and management for accelerated career and leadership development is often retained. This approach is somewhat problematic due to competition and it also does not really represent the success of an individual who doesn't fit into any of the three categories. Furthermore, the mechanism of employee evaluation for this approach is not clear.

## 7. Confidential report

This is a traditional form of assessment used in most governments. An employee's immediate supervision officer prepares a confidential report. This approach concentrates on the evaluation instead of employee growth. In the past few years, the employee must be told of a disappointing confidential audit. In the case that the employee disagrees, the report must be told of this. Trade unions and courts have made this possible.

## METHODS OF PERFORMANCE APPRAISAL



In traditional methods, the essay evaluation approach takes into account objective examples and facts. Small scale allows comparative evaluations and combined comparisons make it possible to equate each employee with all other employees. The system of critical incidents measures the efficiency of critical incidents. The superior employee teaches the boss to assess his or her workers in the field

evaluation process. Checklist includes yes or no answer statements for job performance assessment. Of consistency and amount of work to be scores, the graphic rating scale indicates. All workers are allocated in fixed groups as opposed to each other in the bell curve or in forced distribution. Modern methods assess the assessment center by assigning an employee a position in the job when he / she is promoted. This approach is generally used to determine the need for training and staff growth. The Behaviorally Anchor Rating Scale is a hybrid of the critical and interactive incident process. HR accounting means that success is the difference between the company's contribution and the employee's expense. The system of 360 degrees feedback involves self-assessment, superior, subordinate and peer groups. In management by targets, workers set their own expectations for their managers who set standard results that can apply to actual performance in accordance with them.

## FUTURE TRENDS IN PERFORMANCE APPRAISAL PRACTICES

The performance management world is changing drastically from what it was just ten years ago. Data-based assessment approaches have proven unproductive by age. 90 percent of HR practitioners cannot be trusted to have accurate performance scores. Adobe adapts the different patterns that leading companies already adapt to and adapts to other organizations:

- Adobe adaptes the regular checks to replace the annual performance review, which are accompanied by periodic (both positive and constructive) reviews
- Each team leader shall check on a weekly basis and discuss near-term work and goals with each team member and report on recent work. In Deloitte, 360 degree feedback and goal cascading are pursued, as well as ad quarterly reviews instead of once year performance reviews.

The regular feedback and conversations, which are called "touch points," are now carried out by General Electric by eliminating the yank system from rank and rank, to evaluate progress with defined short-term goal(that enables employees to catch progress against their goals, to offer their feedback and request).

- Accenture has decided to focus on regular reviews and discussions in its new process and not on performance improvement and to dismantle its rating and assessment process once a year.

- Cargill, the food manufacturer and distributor in America, eliminated performance reviews and annual review forms and instead concentrated on managers having regular on
- the-job meetings, frequent positive input, including exchanging progress ideas, rewarding best practices managers and building skills through suggestions and coaching with a different terminology.
- Businesses set more frequent targets with shorter time periods in line with the elimination of performance ratings.

Paul Hamerman of Forrester Research, vice president and chief analyst, predicted that the transition to cloud, and increased software use, will become a major part of the future of performance management.

Focus on gender bias to reduce gender differences in reviews.

## CONCLUSION

In the fast varying scenario of the Indian economy, performance appraisal has become an essential requirement of every organization to properly evaluate the performance of its employees. In a lot of organizations, rarely is an effort made to discuss with its work force as to whether expected results, as predetermined, were met, exceeded or not. Today's employees want to know not only how they fit in with the targets of the organization for which they work but also what aspects of self-improvement is needed in their performance. Organizations supported through genuine performance appraisal. The existing relationship between performance appraisal and employee performance in service and manufacturing sectors, which was the objective of this study, was met and the variance have been projected. Performance appraisal has an important role to play on employee performance. But there are other factors also. Conducting periodical review of workforce performance by organizations has become a fundamental requirement which will help to shrink the gap between employee performance and successful attainment of its objectives.

## FUTURE ENHANCEMENTS

A good performance appraisal must consist all of the following characteristics:

- Setting appropriate work standards for employees. The standards set must be rigorous and achievable.
- The performance appraisal should be done by assessing the employee's actual performance to the relative standards set.

- Each supervisor responsible to provide feedback to employees with the aim of motivating him or her and to eliminate performance deficiencies or to continue to perform above par.

Some of the traditional methods discuss earlier fails to incorporate the above stated features because PA is assessed based on "knowledge, initiative, loyalty, leadership and judgment". Hence, there is a keen need for Indian organization to transform and adopt the modern techniques of appraisal such as MBO, 360 degree, 720 degree, BARS, Human Resource Accounting, Balance Score Card, Electronic Performance Monitoring, Assessment Centers and etc. From the earlier discussion, we know that there are already some organizations in India practicing BARS, MBO and 360 degree however; the other mentioned methods are still new to the field and there is always room for improvement.

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