A Case Study on Performance Appraisal System in Service Sector Organisations India

A. Kavitha  
Assistant Professor, Dept. of Management Studies,  
Sri VenkatesaPerumal College of Eng. & Technology, Puttur, Chittoor (Dist)  
Andhra Pradesh, India

P. Hemavathi  
Assistant Professor, Dept. of Management Studies,  
Sri VenkatesaPerumal College of Eng. & Technology, Puttur, Chittoor (Dist)  
Andhra Pradesh, India

Abstract: This Paper focuses on the factors affecting performance appraisal system in India. The services sector covers a wide array of activities ranging from services provided by the most sophisticated sectors like telecommunications, satellite mapping, and computer software. Performance appraisal or evaluation is the process of identifying, measuring and developing human performance in organizations. An effective appraisal system must not only accurately measure current performance levels, but also contain mechanisms for reinforcing strengths, identifying deficiencies and feeding such information back to rates in order that they may improve future performance. In this paper we present the review of some popular performance appraisal techniques in India. In recent years, performance management has become more significant because managers are under constant pressure to improve the performance of their organisations. It is now realised that the performance of organisations influence the organisation’s continued existence and success.

Key Words: India, Organisations, Performance Appraisal System, Service Sector,

I. INTRODUCTION

The term performance itself denotes judgment behaviour which has been evaluated. Performance appraisal is thus the process observing and identifying, measuring and developing human behaviour in the organization. Performance appraisal has been synonymous with performance review, performance evaluation, performance assessment, performance measurement, employee evaluation, personnel review, staff assessment, service rating, etc. The development of performance appraisal has four distinct phases. It is called TEAM (Technical, Extended, Appraisal and Maintenance) approach. Performance Appraisal is reviewing past performance, rewarding past performance, goal setting for future performance and employee development. Employee’s appraisal system may be considered one of the indicators of the quality of Human Resource Management in an organization. Properly designed and realized process of employees” appraisal is not only the necessary basis of successful employee performance management, but also provides valuable information for other human resource management functions. Performance Appraisal is important because it helps in Performance Feedback, Employee Training and Development Decisions, Validation of Selection process, Promotions & Transfers, Layoff Decisions, Compensation Decisions, Human Resource Planning (HRP), Career Development and Develop Interpersonal Relationship. Some techniques that were used in the past are not use during present time, like ranking, critical incident, narrative essays. In all the way of work time, many of new advance roads have been suggested for performance appraisal technique like MBO, Assessment Centres, BARS, Human Resource Accounting, 360 Degree and 720 Degree. Due to rapid globalisation of world economy, the context and paradigm of performance in the organisational perspective has undergone sea change. Organisations now have to face competitive pressures, uncertainty, and dynamic environment and above all rising expectations of the customers that includes the external as well as internal customers. These factors have compelled organisations to manage performance of employees for achieving and sustaining their competitiveness. Performance is a behaviour that leads to results. Performance of an employee does not happen in isolation or without adequate reason. There are casual factors which include employee to perform better. Such factors are motivation, leadership, reward and compensation system, promotion system, training and development etc.

II. PERFORMANCE APPRAISAL

Atiomo (2000) agrees with Fajana (1997) that performance appraisal is a system which provides organizations with a means of identifying not only what people’s performance levels are but which areas those levels need to be improved if maximum use is to be made of human resource. According to Atiomo, every organization should ensure that the individual is clearly aware of what his functions and responsibilities are to make performance appraisal effective.

Rao writes that performance appraisal is the process through which organization takes stock of its manpower in terms of its present performance, the aptitude and interest of each person, his strengths and weaknesses and his potential for growth. The data emerging from such an exercise constitutes the primary database for individual development and should be communicated to the subordinate.
The above comment of Rao is revealing because one of the major issues in performance appraisal is communication. If one’s performance is not communicated to him or her, there would be no way the person’s performance would improve in the subsequent future, which would definitely defeat the purpose of performance appraisal. In an industrial organization, if a supervisor fails to communicate to his subordinate in terms of strengths and weaknesses, the subordinate’s future performance would be in jeopardy. In a university system, the heads of departments, should communicate the performance of their subordinates to them at the end of every appraisal exercise and discuss the outcome of the appraisal exercise with the subordinates during performance counselling exercise in order to improve their performance in the future.

III. MEANING OF PERFORMANCE APPRAISAL

Performance appraisals are a regular review of employee performance within organizations. Generally, the aims of a scheme are:

- Give feedback on performance to employees.
- Identify employee training needs.
- Document criteria used to allocate organizational rewards.
- Form a basis for personnel decisions: salary increases, promotions, disciplinary actions, etc.
- Provide the opportunity for organizational diagnosis and development.
- Facilitate communication between employee and administrator.
- Validate selection techniques and human resource policies to meet federal Equal Employment Opportunity requirements.

IV. DIMENSIONS OF EFFECTIVE PERFORMANCE MANAGEMENT

Processes are the means by which individual performance is directed, assessed, and rewarded. Performance management should be a continuous process and should be carried out regularly.

**People Management Capability:** The knowledge, skills, attitude, and behaviours that the managers need in order to raise the performance standards of their employees. The managers and employees should act together in the same spirit within the overall framework of performance management.

**Motivation:** The extent to which the organizations communicate performance management and seek commitment of employees toward it. Performance management should be participatory in nature so as facilitate exchange of performance and development needs.

**Measurement and Rewards:** The performance criteria or indicators that that are used to evaluate individual performance and the organizational effectiveness of the whole system, and how these are used to allocate rewards.

**Role of HR professionals:** The extent to which HR professional demonstrate subject matter expertise: draw upon relevant theory research evidence and influence through leaders within organizations to focus energy on the aspects on performance management that make a significant difference to performance. Human resource professional should follow a win approach in order to help managers and their employees succeed.

**Learning Organization:** The extent to which organizations are able to objectively reflect and lean from their own performance management experience, builds on what works, and refining where necessary.

**Culture and clarity of purpose:** The extent to which an approach to performance management resonates and is congruent with the broader culture of the organization in which it is being applied.

V. TYPES OF APPRAISAL

There are basically three types of appraisal. These include confidential or secret appraisal, open appraisal and we also have semi open and semi secret. However, Mamoria (1995) and Ryars and Rue (1979) identified two types of appraisal, confidential and open appraisal.
Confidential Appraisal: In confidential appraisal, Murthy (1989) writes that the individual is not involved in the appraisal exercise as the appraisal outcome is not at all communicated to the person being appraised. In essence, the person’s strengths and weaknesses are not communicated to him or her. Obisi (1996) adds that some managers and supervisors involved in performance appraisal ignore periodic counselling after an incident has taken place.

Open Appraisal: Open appraisal system reveals to the appraisee his or her strengths and weaknesses, his contributions and failures which are discussed with him or her during performance counselling interview. Mukundan (1989) writes that open appraisal method would reveal and create self awareness, which is a process of giving insight into one’s own performance. It helps the employee become more reflective and objective about him and future planning, which establishes an action plan for the coming year in terms of fixing targets, activities, responsibilities etc. It also makes the employee aware of his key performance areas and the contribution that he is making to the organization.

Semi Open and Semi Secret Appraisal: This is an appraisal process whereby performance appraisal procedure would be made open at the beginning and later made secret. For instance, if an appraisee is asked to fill an appraisal form and the superior rates the subordinate and return his rating to the subordinate to sign and after signing, the subordinate would not hear anything again about his final performance outcome. In some cases, the subordinate would be given the form to fill and after filling and returning the form, the subordinate receives no further communication.

VI. FACTORS AFFECTING PERFORMANCE APPRAISAL

According to S. K. Chakraborty, performance appraisal should be done with caution. It is always advisable to make a preliminary survey of the following constraints within which the employees of an organization is working.

Environmental Constraints: These are several environmental constraints which may be outside the control of a worker and to ignore this fact in judging his performance would be unjust.

Organizational Leadership: The style of the top leadership of an organization should be looked into. It is the nature of leadership at the top which determines to large extent the loyalty and commitment of employees to the goals of an organization.

Interdependence of subsystem: Since every organization is a big system composed of a number of interdependence subsystems, the success or failure of any one subsystem has got to be interpreted in the context of all other systems to which it is related. For example the substandard output of the production department may be due to the poor quality of purchases made by the purchasing department or the trouble may be at some higher level subsystem where planning for the production and purchase department has been done.

Organizational structure: Initiative, drive and innovation thrive best in a flexible structure. These qualities do not receive encouragement in a rigid structure. This is because in this type of structure the authority to approve innovation is often placed several levels above the people who innovate. This is because in this type of structure the authority to approve innovation is often placed several levels above the people who innovate. This makes the proposal pass from person to person and robs the information reaching the ultimate decision maker of much of its logic and understanding. What is needed is a direct relationship between the doer and the approver.

VII. APPROACHES TO PERFORMANCE APPRAISAL

George Odiorne has identified four basic approaches to performance appraisal.

Personality based systems: In such systems the appraisal form consists of a list of personality traits that presumably are significant in the jobs of the individuals being appraised. Such traits have initiative, drive, intelligence, ingenuity, creativity, loyalty and trust worthiness appeared on most search lists.

Generalized descriptive systems: Similar to personality based systems they differ in the type of descriptive term used. Often they include qualities are actions of presumably good managers, organizers, planes, controllers, motivate other, delegates, communicates, make things happen and so on. Such a system, like the personality base system, might be useful if meticulous care were taken to define the meaning of each term in respect to actual results.

Behavioural descriptive system: Such Systems feature detailed job analysis and job descriptions, including specific statements of the actual behaviour required from successfully employees.

Result centred systems: These appraisal systems are directly job related. They require the manager and subordinate sit down at the start of each work evaluation period and determine the work to be done in all areas of responsibility and functions, and the specific standards of performance to be used in each area.

VIII. PERFORMANCE APPRAISAL METHODS

The important methods of Performance Appraisal are:

Methods
a) Traditional Method
1. Ranking Method

The oldest and simplest system of formal systematic rating is to compare person with all others for the purpose of placing them in a simple rank order of worth. In doing this, the appraiser considers person and performance as an entity; no attempt is made to systematically fractionize what is being appraised in to component elements. In this method the employees are ranked from best to worst on some characteristic. The rater first finds the employee with the highest performance and the employee with the lowest performance in that particular job category and rates the former as the best and the latter as the poorest.
2. Alphabetical /Numerical Rating Method

There is various method of rating, but the basis is that the appraiser is presented with a series of performance factors. Such as job knowledge, versatility, analytical ability and so on. Each of these is rated with a number or letter in a scale: 1 to 7 or A to E with A being regarded as outstanding and E as unsatisfactory.

3. Checklist Method

To reduce the burden upon the appraiser a checklist system can be utilized. The rater does not evaluate employee performance, it merely reported. The evaluation of the worth of reported behaviour is by the staff personnel department. A series of questions are presented concerning an employee to his behaviour. The rates then checks to indicate if the answer to a Question about an employee is positive or negative. The value of each question may be weighted equally or certain question may be weighted more heavily than others. This method is done on the basis of Yes or No format.

b) Modern Methods

1. Assessment Centre Method

The Assessment centre concept was initially applied to military situations by somnolent in the German Army in the 1930s and the war office selection board of the British army in the 1960s. The purpose of this method was and is to test candidates in a social situation, using a number of assessors and a variety of procedures. The most important feature of the assessment centre is job related simulations involve characteristics that managers feel are the important to the job related simulations. These simulations involve characteristics that managers feel are the important to the job success. The evaluators observe and evaluate participants as they perform activities commonly found in these higher level jobs. Under this method, many evaluation join together to judge employee performance in several situations with the use of a variety of criteria. It is used mostly to help select employees for the first level (the lowest) supervisory positions. Assessments are made to determine employee potential for purpose of promotion. The assessment is generally done with the help of couple of employees and involves a paper –and –pencil test, interviews and situational exercises.

2. 360 degree appraisal

360 Degree Assessment and feedback is a way of getting feedback from managers, peers, subordinates, customers and suppliers on key competencies, and giving the person receiving that feedback the chance to compare it with their own self Assessment. 360 degree profiling is perception based and participants must be willing to hear a less than positive profile about them and also be willing to address the ambiguous causes. The normal reaction is to not accept the data and say that since and it is people – based, personal bias could have played a major role in the results. Whereas assessment profile of an individual’s natural tendencies, talents and strengths result in self sports that focus on factors like work styles, traits and personality factors. These tools can be perfect complement to a 360 degree type assessment. Now, any organization needs to decide whether they want to use these assessment tools in combination with their existing methods of recruiting. A current assessment project and its success can depend on factors like costs, staff time and effort potential increase in productivity.

3. Management by Objective (MBO)

Is a process of agreeing upon objectives within an organization so that management and employees agree to the objectives and understand what they are? The term “management by objective” was first popularized by Peter Drucker in his 1954 book ‘The Practice of Management’

IX. SERVICE SECTOR

The portion of the economy that produces intangible goods, according to the U.S. Census Bureau, the service sector primarily consists of truck transportation, messenger services and warehousing; information sector services; securities, commodities and other financial investment services; rental and leasing services; professional, scientific and technical services; administrative and support services; waste management and remediation; health care and social assistance; and arts, entertainment and recreation services. Individuals employed in this sector produce services rather than products. Examples of service sector jobs include housekeeping, psychotherapy, tax preparation, guided tours, nursing and teaching. By contrast, individuals employed in the industrial/manufacturing sector might produce goods such as cars, clothing and toys.

Every economy consists of three sectors. They are primary sector (extraction such as mining, agriculture and fishing), secondary sector (manufacturing) and the tertiary sector (service sector). Economies tend to follow a developmental progression that takes them from a heavy reliance on primary, toward the development of manufacturing and finally toward a more service based structure. Historically, manufacturing tended to be more open to international trade and competition than services. As a result, there has been a tendency for the first economies to industrialize to come under competitive attack by those seeking to industrialize later. The resultant shrinkage of manufacturing in the leading economies might explain their growing reliance on the service sector. However, currently and prospectively, with dramatic cost reduction and speed and reliability improvements in the transportation of people and the communication of information, the service sector is one of the most intensive international competition. The service sector is the most common workplace in India.

The service sector consists of the soft parts of the economy such as insurance, government, tourism, banking, retail, education, and social services. In soft-sector employment, people use time to deploy knowledge assets, collaboration assets, and process-engagement to create productivity, effectiveness, performance improvement potential and sustainability. Service industry involves the provision of services to businesses as well as final consumers. Services
may involve transport, distribution and sale of goods from producer to a consumer as may happen in wholesaling and retailing, or may involve the provision of a service, such as in pest control or entertainment. Goods may be transformed in the process of providing a service, as happens in the restaurant industry or in equipment repair.

However, the focus is on people interacting with people and serving the customer rather than transforming physical goods.

X. SERVICE SECTOR IN INDIA

Service Sector in India today accounts for more than half of India's GDP. According to data for the financial year 2006-2007, the share of services contributes to 55.1 per cent of the GDP, where as industry, and agriculture in shares 26.4 per cent, and 18.5 per cent respectively. This shows the importance of service industry to the Indian economy and as service sector now accounts for more than half the GDP marks a watershed in the evolution of the Indian economy and takes it closer to the fundamentals of a developed economy.

There was marked acceleration in the growth of services sector in the nineties. While the share of services in India's GDP increased by 21 per cent points in the 50 years between 1950 and 2000, nearly 40 per cent of that increase was concentrated in the nineties. While almost all service sectors participated in this boom, growth was fastest in communications, banking, hotels and restaurants, community services, trade and business services. One of the reasons for the sudden growth in the services sector in India in the nineties was the liberalization in the regulatory framework that gave rise to innovation and higher exports from the services sector. In the current economic scenario it looks that the boom in the services sector is here to stay as India is fast emerging as global services hub. Indian service industry covers a wide gamut of activities like trading, banking & finance, infotainment, real estate, transportation, security, management and technical consultancy among several others. The major sectors that combine together to constitute service industry in India are listed below. Information Technology, Trade, Education, Financial services, Media, Hospitality, accommodation and food services, Entertainment, culture and recreation, Transportation and warehousing, Storage, Communication, Healthcare & social assistance, Tourism, Public utilities, Real estate and leasing, Public administration and defence, Business support services. Professional, scientific and technical services

Composition of Service Sector in India

In India, the national income classification given by Central Statistical Organization is followed. In the National Income Accounting in India, service sector includes the following:
1. Trade, hotels and restaurants (THR)
   1.1 Trade
   1.2 Hotels and restaurants
2. Transport, storage and communication
   2.1 Railways
   2.2 Transport by other means
   2.3 Storage
   2.4 Communication
3. Financing, Insurance, Real Estate and Business Services
   3.1 Banking and Insurance
   3.2 Real Estate, Ownership of Dwellings and Business Services
4. Community, Social and Personal services
   4.1 Public Administration and defence (PA & D)

XI. ORGANIZATION

An organization (or organisation) is a social entity that has a collective goal and is linked to an external environment. The word is derived from the Greek word organon, itself derived from the better-known word ergon which means "organ" – a compartment for a particular task. A social unit of people that is structured and managed to meet a need or to pursue collective goals. All organizations have a management structure that determines relationships between the different activities and the members, and subdivides and assigns roles, responsibilities, and authority to carry out different tasks. Organizations are open systems they affect and are affected by their environment. Organizations are social systems. If one wishes to work in them or to manage them, it is necessary to understand how they operate. Organizations combine science and people – technology and humanity. Unless we have qualified people to design and implement, techniques alone will not produce desirable results.

XII. BENEFITS OF SUCCESSFUL APPRAISAL SYSTEM FOR THE ORGANISATION
1. Effective communication of organisations objectives and values.
2. Increased sense cohesiveness and loyalty among employees.
3. Managers can be better equipped to use their leadership skills and to develop their staff.
4. Improved over view of task performed by each member of a group.
5. Identification of ideas for improvement.
6. Development of training and long term views.
7. Communication to personnel that they are valued.
For the appraiser
1. Opportunity to develop and overview of individual jobs.
2. Identification of tasks/areas for improvements.
3. Increased job satisfaction and sense of personal value
4. Opportunity to reprioritize targets.
5. Opportunity to link team and individual objectives.
6. Opportunity to clarify the expectations the team leader as from them

For the appraise
1. Increase the levels of motivation and job satisfaction
2. Increased sense of personal value.
3. Clear understanding of what is expected and what needs to be done to meet expectations.
4. Opportunity to discuss work problems and how they are overcome.
5. Improved working relationships with the manager.
6. Opportunity to discuss aspirations and any guidance, support or training needed to fill these aspirations.

XIII. CONCLUSION
Performance appraisal system is used in the organizations to measure the effectiveness and efficiency of their employees. Performance Appraisal system is needed because every employee has a different attitude to handle the work. Performance Appraisal tends to improve the work performance, communication expectations, determining employee potential and aiding employee counselling. From this we conclude that there are many techniques that used for performance appraisal. It is very difficult to say that which technique is better than other technique because it depends upon the type and size of organization.

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