

PERFORMANCE APPRAISAL EFFECTIVENESS: BRIDGING THE GAP BETWEEN EXPECTATIONS AND EXPERIENCE

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Abstract

The process and the significance of Performance Management System is vital for any company. The present case is about a wholly owned subsidiary of an international IT company in India which is in its nascent stage. Human resource is the core element that leads to the success of any organization but if the employees are unhappy the organization can never achieve its goal."Cz" is an international IT company that has opened up its subsidiary in India. The company is a "true believer" in its implementation policy i.e. it follows exactly what is done in the parent country. The managers and the employees relate to the performance management system and its philosophy in totality. There are elements of local customization but by and large the head office philosophy and systems remain intact. The company was unable to meet its anticipated turnover. To understand the cause of the problem the HR tried to observe how the employees were behaving. After interacting with them it was identified that the employees were not happy with their performance appraisal. They felt that their performance was not completely justified and thus, it affected the performance of the organization and the individual. The case outlines all the issues the protagonist faced and how they were resolved. The case can be a good resource of discussion among management students.

The objectives of the case are:

- 1. To identify the problems that the employer and the employees might be facing.*
- 2. To consider what measures can be taken for the improvement of the system*

Keywords: *Performance Measurement/Metrics, Employee Motivation, Organizational Performance*

Introduction

"Performance Appraisal is a disciplined valuation of an individual with regards to performance on the job and employee's potential for development in the future."Understanding in simpler terms, performance appraisal is measurement of a person's performance in an organized mode. It can be called as a developmental instrument that is used for a holistic growth of the employee and the business. The performance is calculated keeping in mind factors like leadership abilities, knowledge about the work, superiority and magnitude of productivity, idea, command, fidelity, support, verdict, adaptability and strength. It measures both the past and the potential performance of an individual.

Performance appraisal has a lot of purposes:

- Encouragement
- Confirmations
- Learning and development
- Reimbursement reviews
- Capability building
- Progress communication
- Valuation of hr programs
- Criticism & grievance

IT Sector in India

India is one of the most important destinations of outsourcing of the information technology (IT) industry. The value of the market is around 67 % of the US market that is worth around US\$ 124-130 billion market. It employs a workforce of 10 million. The important point is that the industry has economically transformed India and has changed the perception of the country globally. India has an edge over the US market due to its cost competitiveness making it 3-4 times cheaper than US. This competitiveness is still India's USP in the global market in the sourcing industry. Thus, becoming a breeding ground for international IT firms to set up a base in the country

The IT industry provides employment to 2.5 million people making India as one major IT capital globally which houses the biggest players in the IT industry. India today is the biggest exporter of IT services in the country.

The IT industry accounts for 40% GDP of the country and also is the reason for 30% earnings through export. Bangalore is called as the Silicon Valley of India as it contributes to 38% of the IT exports from the country.

As per NASSCOM and ImaCS in 2015, the IT industry is divided into IT services which account for 59 percent, Engineering services account for 16 percent and the rest 25 percent is account for BPO.

India is better than other countries because of the following reasons:

- Easy accessibility of capable English speaking personnel is the major reason that makes India strong in the international domain.
- The CAGR increased to 9.4% as the number of graduates increased during 2008-15.
- In 2015, around 5.8 million graduates increased.
- The increasing number of graduates in India has the vigor to make the innovation business in the IT industry grow in the IT-BPM arena.^[1]

HR in the it Industry

Human resource is the most important part of any organization. Professional and personal holistic development of an employee is the most important aspect for any growing organization.

An proficiently run human resource department has the ability to offer any company with a strong structure and the capability to meet the requirements of the organization by managing efficiently the most treasured resources of the organization that are its employees.

IT industry is an extremely knowledge intensive and skill oriented industry. It is a highly expert concentrated and knowledge concentrated industry thus, human resources play an important role. The industry is remarkably aggressive, energetic whose development and expansion is dependent upon the human resources. Thus, the industry needs highly qualified, talented and well read individuals who carry expertise and the zeal to make the industry grow. The value of products and services depends on efficiency of employees, which requires constant training & development skills so that they gain the required skills as and when needed.

Thus, to achieve such human resource, it is necessary to initiate a strategy for efficient human resource development in the IT industry. Human resource can be divided into following parts: Selection measures, Training guidelines, and Performance and Promotion procedure, Transfer strategy, Compensation, Social-Security strategy, Recreational strategy, Employee- Employee/

Employer/ Management Relations etc. All of this forms an effective measure to develop highly competitive and excellent workforce who is skilled to take challenges and make the organization grow and attain laurels. The only necessity is to position the right person at the right job so that he can happily work for the betterment of the organization. The identification of a person who is fit for the job is the first step towards the development of the organization.

The IT is one industry that is in a constant state of boom, with this boom also come certain challenges that especially affect the human resource management department of the organization.

As the IT industry is a service industry therefore, it is important to see that how well the organization can offer quality service to individuals and organizations which will determine the success of your organization. Thus, it leads to the fact that the creativity, innovativeness, knowledge and skill of employees is an important assets.

How well the HR department is able to manage these assets is the challenge that the IT industry is facing. It is not capital or finance or marketing management that gives an organization a competitive edge but rather how well they are able to manage human resources whose intellectual applications drive the business.

Some of the HR challenges that the IT industry faces are in Recruitment, Performance Management, Training & Development, Compensation Management and HRM as whole.

Recruitment has become an important sub system in HR especially in the IT industry. When in an industry the major asset is Human Resources, it is important that quality people join the organization. How the HR is able to fine tune the recruitment process in a manner that they are able to get the best talent available and how well they have been able to put systems in place so that the people that the recruit are a perfect fit for the job and the organization is one of the major challenges.

Another major challenge is to create a culture wherein opportunities are provided for enhanced performance and where giving out optimum performance becomes a way of life.

Training and development is important for every employee. It means not to just identify training needs and giving the required training also to foresee and anticipate the requirements and develop suitable training so that the employees are well equipped to handle the challenges forehand.

The IT industry is one of the high paying industries. Since it is also very competitive, vying with each other to attract the best talent, offering the best possible compensation package to their employees is in itself a challenge.

Thus, in a high performance driven industry like IT, it becomes all the more important. People have to be groomed to get in tune with the performance culture. Creating an environment that stimulates the creation of knowledge, its sustenance and its dissipation throughout the organization will be the challenge for organizations in the future. How to go about doing this will fall on the HR department.

The HR department cannot carry on with its traditional functions. It has to become Human Resource Information Systems that will be put in place. Its function would be to build and sustain a performance driven culture. The role will shift to that of a facilitator. Facilitate the process of change, for change would be the only thing that will be constant in the future. HR will have to involve the whole organization in this process and act as a guide, counselor and facilitator. In the future the competitive edge that the organizations will get will only be through their human

resources. How organizations are able to manage them, will determine whether they will run the race or be left behind.

Organisation and Performance Appraisal

In regular circumstances, it is important to appreciate the employees. Evaluation is dependent on past and the present. Performance Appraisal (Bagul, D. 2014) is an essential part of a Manager's job. "Performance Appraisal is a disciplined valuation of an individual with regards to performance on the job and employee's potential for development in the future." Understanding in simpler terms, performance appraisal is measurement of a person's performance in an organized mode. It can be called as a developmental instrument that is used for a holistic growth of the employee and the business. The performance is calculated keeping in mind factors like leadership abilities, knowledge about the work, quality and magnitude of output, initiative, supervision, dependability, co-operation, judgment, versatility and health. It measures both the past and the potential performance of an individual.

The staff should be appraised when they have to be encouraged to work better in the future. It aims to use the strengths and minimize the weakness of the people such that there is no gap in their potentials and aspirations.

Performance appraisal has affect of both social and political views. Politics in such scenarios is not the Gandhian principles but the measures people take to influence the appraisal of others even if it's not a part of their job. It can be stated that it's a vice-versa process people affect the performance appraisal which in turn affect how people fill in rating scales, forms etc. but performance appraisal in turn also affects how people react and interact with each other thus, having a psychological impact on the behavior of the people. This is called as Socio-Political Realism.

It is necessary to understand that Performance appraisal systems require substantial time to be "embedded" in norm and behavior, and that over time organizational behavior itself forces proper management tools to acclimatize and "bend" to individual and group preferences and interactions.

Thus, it can be stated that the manager's can maneuver the ratings of appraises. Therefore "when appraisers are motivated to alter ratings and they recognize that the methods to do this exist, they will take benefit of the apparent opportunity and knowingly distort their ratings."

There have been a lot of changes occurring in the performance management system as employers have realized that performance management is a key function that has the potential to increase the overall productivity of the organization and give it an edge over the others.

Hence, an employee-focused performance management technique is gaining momentum that has the strength to accelerate the entire employee engagement process at once. Today, organizations are aiming to support their employees, help them garner new skills and align them to the business goal to make them shine in the fierce market competition. Few of the changes in performance management method are:

1. Regular one-to-one performance conversations or 'check-in' model.

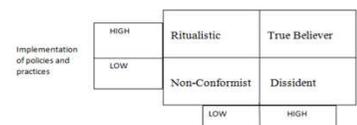


Figure 1

2. Peer and manager's in-moment feedback policy.
3. Near-term objective than the annual objectives and regular update over goal fulfillment.
4. Performance reviews highly focused on development and skill training and less over the regular employee assessment.
5. No to performance rating.
6. Performance evaluation process supported by online mobile apps.

Current Scenario

Due to the falling financial returns, Aadish, the Head HR at the Indian office tried to understand what could be the flaw in the performance appraisal system that affected the performance of the employees.

The performance appraisal system was initiated by the HR dept which passed it on to the employee to rate himself on the specified objectives. The rating was from 1 to 5 with 5 being the lowest and 1 being the highest. 1 meant exceeded expectations, 2 meant met expectations, 3 meant mostly met, 4 meant some expectations met and 5 meant below average. The self evaluation was then passed on to the manager for approval. After the approval of the manager, it went to the Senior manager for approval and then the appraisal is released.

The problem was highlighted when Jayant told the HR that the employees felt they did not understand where they were falling short in their efforts as they were not given feedback and also the evaluation process happened once a year and the employees felt that their entire year's work could not be evaluated at one go. This further decreased the performance of the employees as they always felt that their work will never be appreciated and thus, the quality of work in the international offices was also affected. Further, another employee Ramesh told that it was being felt among the employees that anyone close to the manager only got a higher rating and not the others.



Figure 2

The initial system was as follows:



Figure 3

Recommendations

Robert, the Head HR of the headquarters had come to India to see why the company was running into losses. Upon seeing the environment in the office he discussed a few points with Aadish. He told him to see the employees from the perspective of a team leader and told him to evaluate the performance of the employees on 4 basic conditions:

1. Given what if he knew the person's performance, and if it were my money, would he give him the highest award or not. This would help in *measuring the overall performance and unique value that person will bring to the organization on a Five-point scale from "strongly agree" to "strongly disagree"*.

2. Given what if he knew of this person's performance, would he always want to have him in his team. This would help in *measuring the capacity to work well with others on the same five-point scale*.
3. Is this person a potential low performance employee? This would help in *identifying the problems that might affect the client or the team on a yes-or-no basis*.
4. Is this person ready for promotion? This would help in measuring the *potential on a yes-or-no basis*.^[5]

After the discussion Robert suggested that the once a year appraisal system should be replaced with a twice a year evaluation system. Further, there should be feedback given to the employees about their performance so that they can assess themselves better and the managers should help their employees in filling their performance review. Further he told Aadish to ask the team leaders about how they see the future of the employee with themselves so as to reduce bias.

He proposed the new system to be implemented such that the performance review will be initiated by the HR dept. Then the employee would rate himself on the objectives stated by the organization on the given rating scale. The self evaluation would then go to the manager for performance review. After the manager's approval of the performance review, the performance review would then go to the manager of the manager. After the approval of the Head manager would approve it, the manager would discuss the review with the employee and give him midyear ratings accordingly. The entire process would be initiated again at the end of the year so that both the ratings could be combined and a final result could be given. And finally, the appraisal would be released.

Conclusion

Human resource is the most important part of any organization. Professional and personal holistic development of an employee is the most important aspect for any growing organization. The paper is aimed at understanding how important performance appraisal is for the betterment of an organization. Performance appraisal fosters better and efficient performance of employees. If the employees feel that their work is appreciated then, they perform better else it affects their performance into a downward spiral.

The paper is about a wholly owned subsidiary that is in its nascent stage of development and there are a lot of disparities in the function of performance appraisal in the organization that is affecting the performance of the employees and thus, the performance of the organization in India as well as the head office in America.

In the case, the protagonist feels that his work is underappreciated thus, affecting his performance. The issue arose due to lack of feedback, the employees could not understand where they were falling short in their efforts moreover, they also felt that how their work could be evaluated all at once. Understanding the issue, the Head HR ordered to improve the review system by conducting a mid-year review and wherein the employees would be provided with regular feedback after they have done self evaluation which has been approved by the manager and the senior manager thus, reducing the chances of biasness that the employees felt they were being objected to.

The case aims to draw attention on the importance of performance appraisal. It can be used by management institutes for a healthy discussion. But the case cannot be used to fully understand what performance appraisal is, it focuses only on fostering the understanding about the merits and perils of performance appraisal.

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