Performance Appraisal in Medium Scale Defence Store Manufacturing Firms in and Around Hyderabad: A Perspective and an Approach

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Abstract – Performance Appraisal (PA) is defined as a systematic, periodic and an impartial rating of an employee’s excellence in matters pertaining to his present job and to his potentialities for a better job, more precisely, featuring systematic/periodic process, evaluating process, future oriented, determining employee’s potentialities/development with objectives of providing feedback, facilitating promotions/lay-off decisions, encouraging performance improvement, motivating superior performance, setting and measuring goals, counselling poor performers, determining compensation changes, encouraging coaching and mentoring, supporting manpower planning, determining individual/organizational training and development needs and improving overall organizational performance. This paper aims, by further improvements of existing PA system, for betterment of employees and the medium scale defence store manufacturing firms in and around Hyderabad. There is also scope of undertaking empirical research/study based on primary and secondary data, in future, by adopting suitable research methodology/statistical analysis tools. This paper is purely an approach one and discusses current perspectives of performance appraisal in the firms. Therefore, no statistical date has been used.

Keywords – Performance, potentialities, counselling, compensation.

I. INTRODUCTION

There are limited number of medium scale defence store manufacturing firms in and around Hyderabad. These firms manufacture components/sub-assemblies/assembly/store which are used in defence/space related areas. The personnel employed in these firms are required to be highly qualified, skilled, motivated, committed, dedicated and high performer to undertake technical and non-technical jobs. PA of these personnel is very important as it leads to individual and organizational growth. Currently, PA for these individuals is being undertaken using annual progress forms leaving few ones. Ideally, it has series of processes/steps viz. establishing standards of performance, communicating performance standards to employees, measuring actual performance, comparing actual performance with standards and discussing the appraisal with employees and initiating corrective actions, if necessary, while adopting suitable/mixed traditional/past-oriented/modern/future-oriented methods.

PA practices in these firms could be made more effective using/adopting steps (wherever not being implemented effectively) viz. discussing individuals performance every months, suggesting improvements on their weaknesses, adopting various training methods and developing individuals potentials, making individuals aware of their performance, assigning clear-cut tasks/key performance areas (KPA) and then measuring their performance (using logbooks/registers) and knowing performance benchmarking in other firms/industries. Further, rating errors in PA could be reduced using various factors like halo effect, contrast effect, etc.

II. LITERATURE REVIEW

Performance appraisal is a method of evaluating the behaviour of employees in the workplace, normally including both the quantitative and qualitative aspects of job performance. Performance here refers to the degree of accomplishment of the tasks that make up an individual’s job. It indicates how well an individual fulfilling the job demands. Various social scientists have
defined the performance, like, according to Flippo, “Performance appraisal is defined as a systematic, periodic and so far as humanly possible, an impartial rating of an employee’s excellence in matters pertaining to his present job and to his potentialities for a better job” and literally, performance means outcome achieved or accomplishments at work [1]

FEATURES OF PERFORMANCE APPRAISAL

There are main features of performance appraisal which are as follows:
- Systematic Process
- Evaluating Process
- Periodic Process
- Future-Oriented
- Determines Employee’s Potentialities
- Employee Development

OBJECTIVES OF PERFORMANCE APPRAISAL

General purpose objectives of PA could be enlisted as below:
- Providing Feedback
- Facilitating Promotion Decisions
- Facilitating Lay-Off or Downsizing Decisions
- Encouraging Performance Improvement
- Motivating Superior Performance
- Setting and Measuring Goals
- Counselling Poor Performers
- Determining Compensation Changes
- Encouraging Coaching and Mentoring
- Supporting Manpower Planning
- Determining Individual Training and Development Needs
- Determining Organisational Training and Development Needs
- Validating Hiring Decisions
- Providing Legal Defensibility for Personnel Decisions
- Improving Overall Organisational Performance

PERFORMANCE APPRAISAL PROCESS

Performance appraisal is planned, developed and implemented through a series of steps which are as follows:
- Job Analysis, Job Description and Job Specification
- Establishing Standards of Performance
- Communicating Performance Standards to Employees
- Measuring Actual Performance
- Comparing Actual Performance with Standards and Discussing the Appraisal with Employees

PERFORMANCE MANAGEMENT CYCLE

It describes how employee’s development is managed in a business. The following stages could be used in PM cycle:-

- PLANNING PERFORMANCE
  - Formulating objectives
  - KPI (Input and Output based)
  - Performance standards
  - (Quantitative, Qualitative and behaviours)
  - Targets for each position/employees
  - Using a suitable designed performance agreement forms

- MANAGING PERFORMANCE
  - Observation
  - Measurement
  - Recording
  - Feedback
  - Coaching and counselling

However, this could be well understood by concept of Performance Management System (PMS). PMS has the following three main parts:
- Defining performance (Job Analysis)
- Measuring performance (Performance Analysis)
- Performance Feedback

- REVIEWING / APPRAISING PERFORMANCE (BY PERFORMANCE APPRAISAL FORMS)

REWARDING PERFORMANCE

It links actual performance to appropriate rewards/remuneration to reinforce excellence in performance. However, another Performance Management cycle can also be used depending on the type of firm/period (on probation) which is given below:-

PHASE I- PLANNING
Managers and employees meet to:-
- Review expected outcome
• Set performance objectives
• Set development goals
• Establishes resources needed to meet objectives and goals
• Identify supports and barriers to achieving goals

PHASE II- CHECK-IN

Once performance objectives are set, managers should check in regularly with employees to discuss the status of objectives and to provide feedback based on observations of an employee’s performance. It is equally important to provide feedback on areas of success as on those requiring improvement. In brief, it could be said that managers and employees meet to discuss results to date, review and refine objectives and remove barrier to goal achievement.

PHASE III- ASSESSMENT

The performance assessment summarizes the employee’s contributions over the entire appraisal period (usually one year). It may occur as often as is necessary to acknowledge the employee for accomplishments and plan together for improved performance.

METHODS OF PERFORMANCE APPRAISAL

The methods of performance appraisal are categorised into two, which are as follows:

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RATING ERRORS IN PERFORMANCE APPRAISAL

Some common rating errors [2&3] in performance appraisal are as follows:

HALO EFFECT

Halo effect occurs when a rater attaches too much significance to a single factor of performance and gives similar ratings on other performance elements. Thus, overall evaluation is significantly influenced by a single factor. Such a perception undermines the importance of other elements and loads to an unbalanced performance assessment of the individual.

STRICTNESS, LENIENCY, AND CENTRAL TENDENCY BIAS

People differ in their tendency to evaluate people or performance. Some supervisors are very strict or conservative in their ratings and generally give low scores in their evaluations. This tendency may make high performers attain somewhat average ranking and average performers appear as poor performers. Raters with such tendency are known to have a strictness bias.

RECENCY BIAS

Performance appraisal involves assessment of employee performance for a specific period—quarterly, annually, etc. People may not perform uniformly throughout that period. Employees face highs and lows and demonstrate variance in performance due to numerous factors. It is therefore very important to review performance demonstrated throughout the period under consideration.

CONTRAST EFFECT

When supervisors rate employees one after another, rating of an exceptional performer or a very poor performer could affect the subsequent ratings of other individual(s). This phenomenon is known as the contrast effect.

PERSONAL BIAS

Personal beliefs, attitudes, assumptions, experiences, preferences and lack of understanding about a person, class or a phenomenon can lead to an unfair evaluation which is off from reality. We all suffer from these shortcomings, consciously or unconsciously, while making everyday judgements about people, things, events, etc.

SPILL OVER/PAST PERFORMANCE EFFECT

Permitting an individual’s poor or excellent performance in a previous rating period to colour the manager’s judgement about his/her performance in this
rating period or in other words, allowing past performance appraisal ratings to unjustly influence current ratings.

**STATUS EFFECT**

The inclination to be affected by an individual’s status/position while rating the individual.

**FIRST IMPRESSION ERROR**

The tendency of a manager to make an initial positive or negative judgement of an employee and allow the first impression to colour or distort later information.

**SIMILAR-TO-ME EFFECT**

The tendency of individuals to rate people who resemble themselves higher than they rate others is called similar-to-me effect.

**ATTRIBUTION ERROR**

The tendency to attribute performance failings to factors under the control of the individual and performance successes to external causes.

There are many ways in which individual performance can be planned viz. Key performance areas, Performance targets, Activity plans/Action plans, Key result areas, Goal-setting exercises and Task analysis/activity analysis[4] Out of these, main areas are being briefed in succeeding paragraphs.

**KEY PERFORMANCE AREAS (KPAS)**

Key Performance Areas (KPAs) may be defined as the important or critical categories of functions to be performed by any role incumbent, over a given period of time[5]. These are areas for project success factors that embed an improved performance of an organisation. KPA is the pre-condition for appointment for the position and it differs from role to role. KPA is single in nature and operates one to one. KPA of each organisational member includes the specific business responsibilities that have an ultimate impact on the success or failure of the enterprise as whole. In other words, KPAs describe the reason why the job exists. KPA consists of all the prime responsibilities of an individual member.

**PERFORMANCE TARGETS**

Performance targets are identified under Key Performance Areas (KPAs). These may be qualitative or quantitative but should be time-bound and should specify the level of acceptable performance to obtain high performance ratings. The targets should focus more on the nature of efforts to be made by the appraisee in relation to each of the KPAs.

**GOAL-SETTING EXERCISES**

The purpose of a goal-setting exercise is to lead people for achieving their goal. This is done by getting them excited about achieving the goal, helping them to identify their values, short-term and long-term goals and determining which of their goals are the most important to them. They also help people tap into the feeling of achieving success which they can use to propel them forward to accomplish their real goals.

**ACTIVITY/ACTION PLANS**

Action plan provides the organisation an agreed to, short range schedule for putting the total performance improvement management plan into effect. An action plan details the activities which are needed to be carried out in order to reach the goals. It details the ‘when, where and how’ the training programmes will be conducted. This aspect of planning is critical in organising the time, resources and efforts in a structured and logical frame work that gives the greatest chance of success.

**TASK/ACTIVITY ANALYSIS**

Task analysis provides data about a job or a group of jobs and the knowledge, skills, attitudes and abilities needed to achieve optimum performance. Training need analysis at operational level focuses on the work that is being assigned to the employees. The job analyst gathers the information on whether the job is clearly understood by an employee or not. He gathers this information through technical interview, observation, psychological test; questionnaires asking the closed-ended as well as open-ended questions, etc.

**CURRENT PA PRACTICES**

The employee’s appraisal system of these firms follow the PA system of private sector being one of its branch. The system is designed to provide regular inputs on an employee’s professional ability and performance as well as his personal qualities and attributes. For example, assessment of behaviour or process dimension as performance measure was rated eighth highest criterion in Scottish based quality driven organisations[6].The system serves the following main purposes:-

- To decide the suitability of an employee for promotion and confirmation.
- Professional development, which includes appointment, planning and selection for professional/soft skilled related courses.
Selection for special assignments, e.g. deputation, foreign assignments, courses abroad.

**ELEMENTS OF PERFORMANCE APPRAISAL**

The officers’ PA system is the basis of the professional development programme in the firms and embodies following three main elements:-

- Performance feedback including Performance Appraisal Discussion.
- Performance and Quality reporting.
- Promotion Potential evaluation

**OBJECTIVES**

Present paper aims that by use of various steps/points, wherever applicable, effectiveness of PA system could further be enhanced for improvement of individuals and the in defence stores manufacturing firms. However, the following objectives may be made for empirical research on Performance Appraisal (PA) system in the firms:-

- To review the existing PA system.
- To study the forms/levels of PA in comparison of other firms of different industry.
- To evaluate the prevailing PA system.
- To offer suggestions to strengthen the existing PA system

**HYPOTHESES**

The paper may be hypothesized that basic practices of Performance Appraisal System are being followed in defence stores manufacturing firms. Only the degree/levels of PA are different from other firms of different industry. Therefore, following hypotheses may be designed to ascertain the facts in the firms:-

H1 : 50 % of PA practices are being followed.

H2 : Between 40% and 50% of PA practices are being followed.

H3 : PA in defence stores manufacturing firms are not different from other firms of different industry.

H4 : The degree/levels of PA are different from the levels of other firms of different industry.

**METHODOLOGY**

The following methodology may be adhered to for undertaking the empirical research:-

**SAMPLE**

There are various designations in the firms in respect of personnel/staff employed. Therefore, in order to have homogeneous data, one may fix level(s) of staff from which data is to be collected. Based on various PA systems, 5-point scale - questionnaire could be structured and same may be pre-tested too and subsequently, it may be distributed personally/e-mailed after talking on telephone to these firms in and around Hyderabad. In this case, sample size may be taken suitably (Appr. 50) from each firm. We may take 4 to 5 firms for comparison purpose.

**TOOLS AND TECHNIQUES.**

Depending on nature of data, CHI-square test/correlation/ANOVA may be used to analyse the data with the help of SPSS 20.0 statistical package.

**PRIMARY DATA**

The primary data may be collected by:-

- Administering a structured questionnaire to Heads/Managing Directors(MDs) of the firms located in and around Hyderabad.
- Formal and informal interviews/discussions with the employees/staff.

**SECONDARY DATA**

The secondary data may collected as per following details:

- Published and unpublished official records
- Published research Journals/books, etc.
- Feedback from employees/staff
- Internet[7&8]

**PROCEDURE OF DATA COLLECTION**

The data may be collected from the primary and secondary sources as per following details:-

**DATA ANALYSIS AND INTERPRETATION**

Data collected may be analyzed using various statistical tools and interpreted for proving/disproving the hypotheses made.

**RESULTS AND DISCUSSION**

Results obtained from this empirical research may be discussed in the context of all PA systems with objectives of providing feedback, facilitating promotions/lay-off decisions, encouraging performance improvement, motivating superior performance, setting and measuring goals, counselling poor performers, determining compensation changes, encouraging coaching and mentoring, supporting manpower planning, determining individual/organizational training and development needs. Based on results, PA practices could be suitably modified/strengthened for betterment
of employees in medium scale defence store manufacturing firms in and around Hyderabad.

SUGGESTIONS

Present, PA practices in medium scale defence store manufacturing firms could be made more effective using/adopting following suggested steps (wherever not being implemented) for further improvements:-

- Assigning clear-cut tasks/key performance areas (KPA) and then measuring their performance by recording in registers.
- Discussing individuals performance every one month (informal PAD).
- Suggesting improvements on their strengths/weaknesses.
- Imparting/conducting training/courses at various stages of their service in different disciplines (technical/admin) for developing individuals potentials and for career progression.
- Making individuals aware of their performance.
- Knowing performance benchmarking in other firms of different industry.
- Formal PAD must take place only after the assessment officer has completed the annual report.
- Annual report should be completed within time by the concerned officer to reach Accepting Authority/Officer.
- A case might be taken up with Competent Authority/officer in at appropriate forum for providing copy of annual assessment report to individual.

CONCLUSION

Performance appraisal is a key function of Human Resource Development (HRD). Researchers, historically and currently, refer to two core purposes of performance appraisal systems viz. administrative functions related to pay, promotion and even layoffs, as well as developmental purposes related to employee motivation and development [9]. Also PA practice is very crucial element of Performance Management System (PMS) for growth of individuals and the firms as a whole. In view of the above, the following are concluded:-

- Steps/points as suggested in this paper may be adopted, wherever not being practised fully.
- Empirical study may also be undertaken as for quantitative analysis on PA system for employees in medium scale defence store manufacturing firms in and around Hyderabad which may be completed by the approach as given in this paper.

A case may be taken up with Competent /higher Authority/officer in at appropriate forum for providing copy of annual assessment report to individual.

REFERENCES


CRM