

# Employee Performance Appraisal System in ITC Ltd. ILTD Division, Chirala

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**Abstract** - A major concern of every organization should be to contribute positively towards the achievement of its objective. Organizational effectiveness is often equated with managerial efficiency. A manager can ensure organizational effectiveness only by guaranteeing the full utilization of human resource available through individual employees under his guidance. Hence, it is always required for a manager to monitor and measure the performance of employees. Moreover, since the organization exists to achieve the goals, the degree of success that individual employees have in reaching this individual goal is important in determining organizational effectiveness. The assessment of how successful employees have been at meeting their individual goal to come a critical part of human resource management. This leads to concept of performance appraisal. The objective is to know how effective is the execution of appraisal system in ITC- Limited ILTD Division, Chirala. The aim of most performance appraisal programming is to encourage the employees to set his own objective for the next time period following the review of his past performance. It enables the management to make effective decisions/ to modify earlier decisions based on the evaluation of the existing plans, information system. In the light of above discussion the following findings and conclusions are made. It is revealed that the executive are getting feedback on their performance though which they can review their performance.

**Key Words** - Need of the study, Objectives of the study, Scope of the study, Methodology and Sampling design, Limitations of the study, Methods of performance appraisal, Traditional methods, Modern methods, Conclusion and Bibliography.

## INTRODUCTION:

Appraising the performance of individuals, groups and organization is a common practice. Performance Appraisal refers to the degree of accomplishment of the tasks that make up an individual job. Performance Appraisal is a systematic description of an employee's job relevant strengths and weaknesses. It refers to how well someone is doing the assigned job. It is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for purposes of administration included placement, selections for promotions, providing financial rewards and other actions which require differential treatment among the members of a group. As distinguished some actions affecting on members equally. The process of Performance appraisal helps the employee and the management to know the level of employee's performance compared to the standard level.

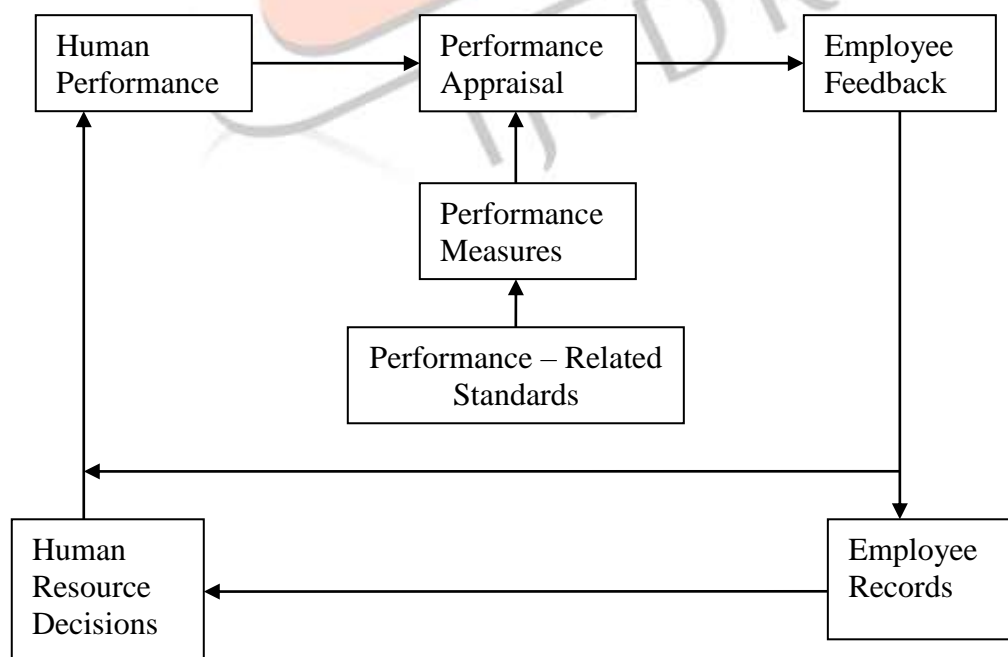


Fig: key Elements of Performance Appraisal Systems

## NEED OF THE STUDY:

In an effort to excel in the corporate world, organization's have from time immemorial, concentrated on only the three M's'' Money, machinery and materials. In the process, they have failed to realize the tremendous untapped potential lying in the first and the most commonly available ''M''-the manpower.

- To help each employee to understand his strengths and weaknesses.
- To assess the training and development needs the employee.
- To effect promotion based on competence and performance.
- To bridge the gap between the existing performance and desired performance.

#### **OBJECTIVES OF THE STUDY:**

- To study the performance appraisal system in the company.
- To study the impact of performance appraisal on decision making.
- To study the benefits available for employee based on performance appraisal.

#### **SCOPE OF THE STUDY:**

The study on performance appraisal helps to know about different techniques used by the organization and whether it is appropriate for the organization. It helps to improve employee satisfaction and also their morale. When employees are appraised they know where they stand and what is expected from them. If these techniques are used properly the employee attrition rate can also be reduced. Retraining can also be plan for employee to find technical gap in the especially for multi functional skill employees.

#### **METHODOLOGY AND SAMPLING DESIGN:**

##### **DATA BASE**

###### **Primary data:**

- Primary data was collected by developing a questionnaire to get information regarding various aspects of performance appraisal followed by the company.

###### **Secondary data:**

- The source of secondary data is from different magazines, news papers, articles, websites, past research report, company manuals and its reports.

##### **PERIOD OF STUDY**

The whole study was conducted within a period from 02-12-2010 to 17-1-2011.

##### **SAMPLING FRAME:**

140 employees from staff category working in ITC Limited ILTD Division in Chirala have been taken as random sample, from total 2026 employees.

##### **SAMPLING TECHNIQUE:**

Simple Random Sampling method was used in performance appraisal system.

##### **LITERATURE SURVEY:**

For study on performance appraisal previous abstracts, periodicals, academic journals and articles will be reviewed. Industry related performance appraisal methods/techniques will be analyzed and the main focus on performance appraisal methods/techniques of ITC will be done.

##### **LIMITATIONS OF THE STUDY:**

- Time can be a limitation because we have only 45 days so we are not able to collect data from all the employees.
- A sample size of 140 employees is selected which is limited sample.
- This performance appraisal system only to ITC-Limited ILTD DIVISION.

##### **PERFORMANCE APPRAISAL:**

The performance of an organization is managed by monitoring and managing the performance of the individual employees in the organization. The objectives and goals of individual performance are determined based on the objectives and goals of the organization. Hence, the successful performance of the organization is a culmination of individual's performances and contributions. Performance appraisal management is a critical and sometimes controversial aspect of the organizational management.

Performance appraisal has been traditionally connected to rewards and punishments in the organization. In recent times however, the concept of developing employees based on the appraisal has gained popularity. While the system of performance appraisal can be effective and productive in the organization context, the problems in appraisal are related to its application and implementation. It can therefore be said that a well designed and well implemented performance appraisal systems adds value to the organization.

##### **CONCEPT OF PERFORMANCE APPRAISAL:**

Performance appraisal can be defined as the process of evaluation the performance of an employee and communication the results of the evaluation to him/her the purpose of rewarding or developing the employee.

Performance can be defined as the degree of accomplishment of tasks by the employee in his/her job. In some organizations it is the measure of the results achieved and targets accomplishes whereas in others it is a measure of employee behavior. However, most organizations use a combination of both efforts and results. Performance appraisal is also termed as performance review, annual review or annual appraisal.

Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also

the future potential of the employee. Its aim is to measure what an employee does. According to Flippo, a prominent personality in the field of Human resources, “performance appraisal is the systematic, periodic and an impartial rating of an employee’s excellence in the matters pertaining to his present job and his potential for a better job”.

Performance appraisal is a systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future.

It is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze his achievements and evaluate his/her contribution towards the achievements of the overall organizational goals.

By focusing the attention on performance, performance appraisal goes to the heart of personnel management and reflects the management’s interest in the progress of the employees.

#### **OBJECTIVES OF PERFORMANCE APPRAISAL:**

- To review the performance of the employees over a given period of time.
- To judge the gap between the actual and the desired performance.
- To help the management in exercising organizational control.
- Helps to strengthen the relationship and communication between superior subordinates and management – employees.
- To diagnose the strengths and weakness of the individuals so as to identify the training and development needs of the future.
- To provide feedback to the employees regarding their past performance.
- Provide information to assist in the other personal decisions in the organization.
- Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
- To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.

A performance appraisal system should provide for recognition of employee performance in the face of adverse external influences, if any. For example, the performance appraisal of a sales person should take into account the effects of a slump in the market or high inflation rate.

#### **THE APPRAISAL PROCESS:**

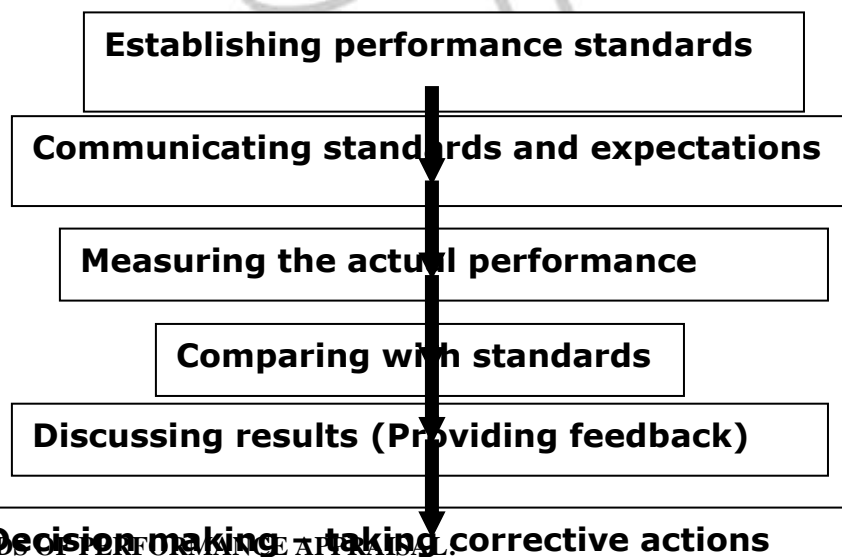
The first step in the appraisal is the determination standards of performance based on the organizational objectives and the job description. The performance standards and objectives have to be determined by the employee and the supervisor together. These have to be communicated in a simple and lucid manner to the employee.

The next step in the process of performance appraisal is the measurement of employee performance against the pre-determined goals and standards. This determines what components of the performance are to be measured. At this stage, the process of measurement, namely, how the performance components are to be measured, has to be determined.

The next step is the actual process of measurement. Performance appraisal has to be a continue process and the feedbacks should be given to the employee at the regular intervals. Making a note of the critical incidents, either positive or negative, helps the manager keep a track of the employee performance. Feedback has to be given once in 2 to 3 months, depending on the need to do so, which would help the employee in meeting his objectives.

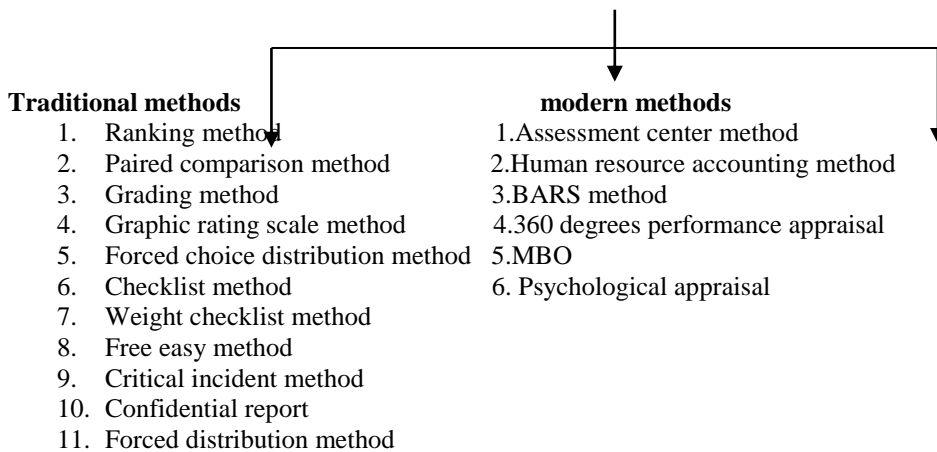
The next step is a very critical step and involves communicating the results of appraisal to the employee concerned. It is the responsibility of the manager to make the employee feel comfortable with the whole process. Continuous feedback and orientation would ensure a simple final appraisal discussion, with very few differences of opinion.

Once the appraisal is finalized after discussing it has to be put to effective use. Though most organizations link it to the rewards system, some prefer to restrict it to the development of employees. Whatever might be the immediately put to ensure a better performance during the next appraisal periods



#### **METHODS OF PERFORMANCE APPRAISAL:**

Several methods and techniques are used for evaluating employee performance. These may be classified in to Traditional and Modern methods.

**Methods of performance appraisal:-****TRADITIONAL METHODS:****1. Ranking Method:**

In this technique, evaluator assigns relative ranks to all employees in the same work unit doing the same job. Employees are ranked from the best to the poorest on the basis of overall performance. The relative position of an employee is reflected in the numerical rank. It is one of the simplest methods. It is time saving and comparative evaluation technique of appraisal.

**2. Paired comparison method:**

This is a modified form of man to man ranking. Herein, each employee is compared with all others in pairs on at a time. The number of times an employee is judged better than other determines his rank. Comparison is made on the basis of overall performance.

**3. Grading method:**

Under this method, the rater considers certain factors, and marks them accordingly to a scale. The selected factor may be analytical ability, co-operation, dependability, self-expression, job knowledge. They may be grades as 'A' – outstanding, 'B' - very good, 'C' - good/average, 'D' - fair, 'E' - poor. The actual performance of an employee is then compared with these grade definitions and he is allotted the grade which best described his performance.

**4. Graphic rating scales method:**

It is a numerical scale indicating different degrees of a particular trait. The rater is given a printed form for each employee to be rated. The form contains several characteristics relating to the personality and performance of employee. Intelligence, attitude, quality of work, leadership skills, judgment, etc. are some of characteristics. This method is widely used as it is easy to understand. It allows a statistical tabulation of scores and, a ready comparison of scores among the employees is possible. The approach is multi-dimensional as several significant dimensions of the job can be considered in evaluation.

**5. Forced choice Distribution method:**

In this method, the rating elements are several sets of pair's phrases or adjectives relating to job proficiency or personal qualification. The rater is asked to indicate which of the phrases is most and least descriptive of the employee.

**6. Checklist method:**

In this method, series of questions are presented concerning an employee's behavior. Here rater does not evaluate employee performance; he supplies reports about it and the personnel department do the final rating

**7. Weight checklist method:**

The check list provides to the evaluator containing statements relating to work related behavior of the employees. Under this check list method, the items having significant importance for organizational effectiveness are given weightier. In this weights are assigned to different statements to indicate their relative importance.

**8. Free Essay Method:**

In this method, the supervisor makes a free form, open-ended appraisal of an employee in his own words and puts down his impression about the employee. The description is always as factual and concrete as possible.

**9. Critical incident method:**

In this method the superior keeps a written record or critical (either good or bad) events and how different employees behaved during such events. The rating of the employee depends on the positive or the negative behaviors during these events. These critical incidents are identified after through study of the job and discussions with the staff. This method helps to avoid vague impressions and general remarks as the rating is based on actual records of behavior..

**10. Confidential report:**

A confidential report by the immediate supervisor is a still major detriment of the subordinates promotion or transfer. This is a traditional form of appraisal used in most government organizations. It is a descriptive report prepared, generally at the end of the every year, by the employee's immediate superior. This report highlights the strengths and weakness of the subordinates.

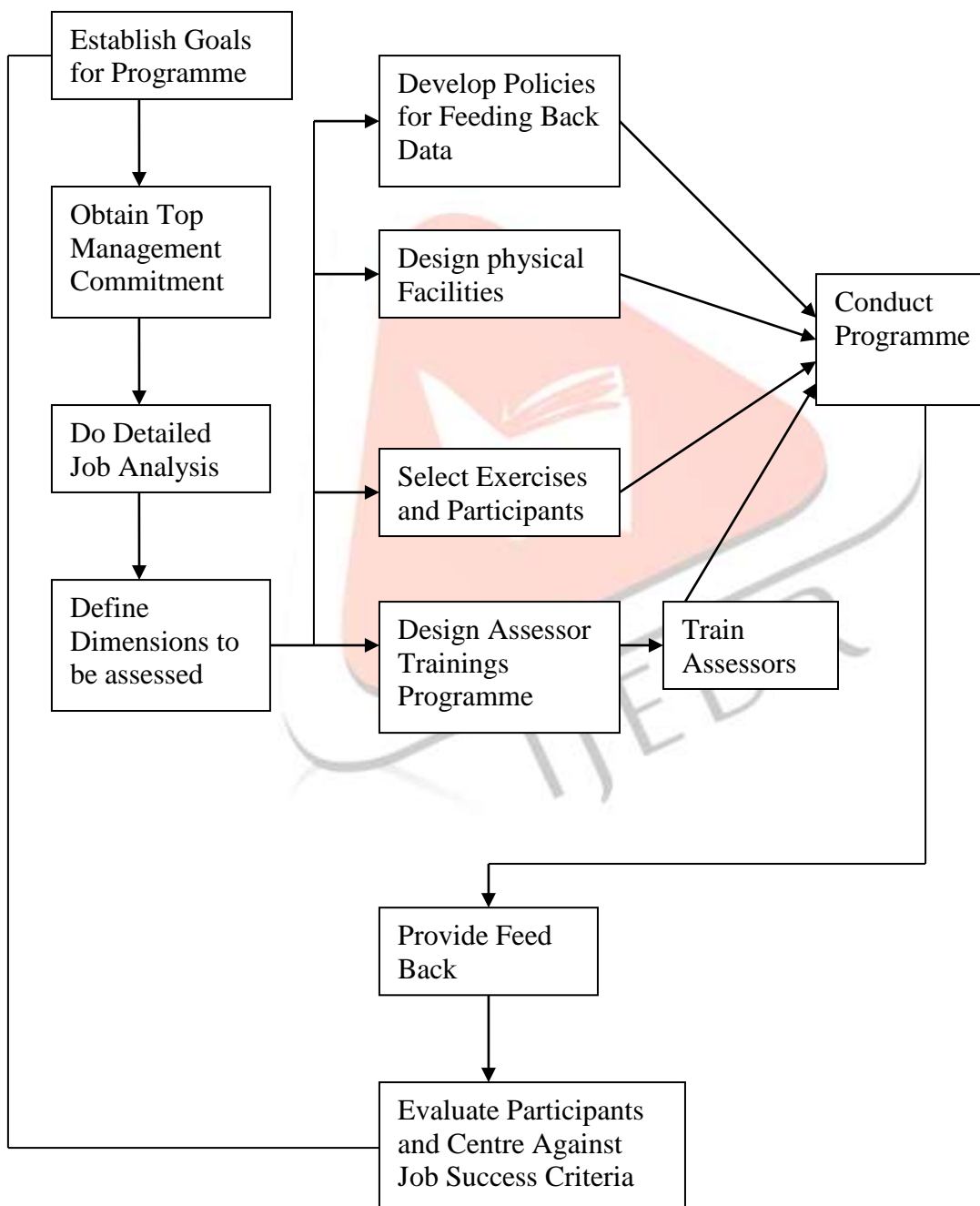
**11. Forced distribution method:**

In these techniques the rater appraises an employee according to a pre-determined distribution scale. It is assumed that it is desirable to rate only two factors by this method that is Job performance and promotability. For this purpose a five pooking performance scale is used without any descriptive statement& employees are placed between two extremes of good and bad performance.

### **MODERN METHODS:**

#### **1. Assessments Center Method:**

An assessments center is a group employee drawn from different work units. These employees work together on assignments similar to the one they would be handlings when promoted. The most important feature of the assessments center is job-related simulations. Evaluators observe and rank the performances of all participants. This group evaluates all employees are both individually and collectively by using simulations techniques like role- playing, business games and in-basket exercises? Employees are evaluated on the basis of job related characteristics considered important for job success. The evaluators prepare a summary report and feedback is administered on a face-to-face basis to the employees who ask for it. An assessment center generally measures interpersonal skills, communicating ability to plan and organize, etc. Assessments centers are not only methods of appraisal but help to determine training and development needs of employees and provide data for human resource planning.



**Fig: An Assessment Centre Model**

#### **2. Human Resource Accounting Method:**

Human resources are a valuable asset for any organization. This asset can be valued in terms of money. When competent and well-trained employees leave an organization the human asset is decreased and vice versa. Under this method



Performance is judged in terms of costs and contributions of employees. Costs of human resources consist of expenditure on human resource planning, recruitment, selection, induction, training, compensation, etc. Contribution of human resources is the money value of labor productivity or value added by human resources. Difference between cost and contribution will reflect the performance of employees. This method is still in the transitory stage and is, therefore, not popular at present.

### 3. Behavioral Anchored Rating Scales (BARS):

This method combines graphic rating with critical incidents method. BARS are descriptions of various degrees of behavior relating to specific performance dimensions.

Critical areas of job performance and the most effective behavior for getting results are determined in advance. The rater records the observable job behavior of an employee and compares these observations with BARS. In this way an employee's actual behavior is judged against the desired behavior. These steps involved are:

- **Identify Critical Incidents** - Persons with knowledge of the identify job to be appraised describe specific examples of both effective and ineffective job behaviors.
- **Select Performance Dimensions** - The persons then cluster the behavioral incidents into a smaller set (usually 5-10) of performance dimensions.
- **Retranslate the Incidents** - Another group of knowledgeable persons assign each incident to the dimension that it best describes. Incidents for which there is less than 75% agreement with the first group are not retranslated.
- **Assign scales to incidents** - The second group rates each incident on a 7 or 9 point scale. Rating is done on the basis of how well the behavior described in the incident represents the performance on the appropriate dimensions. Means (average) and standards deviations are then calculated for the scale values assigned to each incident.
- **Develop Final Instrument** - A subset of the incidents that meets both the retranslation and standard deviation criteria is used as a behavioral anchor for the final performance dimensions. A final BARS instrument typically comprises a series of vertical scales that are endorsed by the include incidents. Each incident is positioned on the scale according to its mean value.

### 4. 360 Degrees Performance Appraisal:

This is a new concept in performance appraisal, where the feedback is collected from all around the employee, the superior, the subordinates, the peer group, and the customers. The evaluation is very comprehensive in terms of the employee's skills, abilities, styles, and job-related competencies. This system has the following advantages:

- a) Higher validity and reliability of the evaluation.
- b) Self evaluation by the employees gets compared with the perception of others.
- c) Helps in maximizing employee potential in the face of challenges.

#### ADVANTAGES:

- Ratings are likely to be accurate because these are done by experts.
- The method is more reliable and valid as it is job specific and identified observable and measurable behavior.
- Ratings are likely to be more acceptable due to employee participation
- The use of critical incidents is useful in providing feedback to the employee being rated.

#### LIMITATIONS:

- It is very time consuming and expensive to develop BARS for every job.
- Behaviors used are more activity oriented than results oriented.

### 5. PROCESS OF MBO:

- Set Organization Goals
- Defining Performance Targets
- Performance Reviews - Feedback

#### ADVANTAGES:

- Ends –means chain
- Role clarity
- Objective appraisal
- Motivation and commitment
- Management development
- Co-ordination

#### LIMITATIONS:

- Difficulty in goal setting
- Problem of participation
- Lack of understanding
- Time-consuming and expensive
- Inflexibility

### 6. Psychological Appraisals:

Psychological appraisals are conducted to assess the employee potential. It is conducted in the areas of employees.

- Intellectual abilities
- Emotional stability
- Reasoning and analytical abilities
- Sociability

- Interpretation and judgments skills
- Motivational response
- Ability to foresee the future

Psychological appraisals results are useful for decision making about employee placement, career planning, development and training etc.,

#### **PERFORMANCE APPRAISAL IS AIMED AT:**

- To review the performance of the employees over a given period of time.
- To judge the gap between the actual and the desired performance.
- To help the management in exercising organizational control.
- Provide information to assist in the HR decisions like promotions, transfers etc.
- Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
- To reduce the grievances of the employees.

#### **Pitfalls In Performance Appraisal**

##### **Halo effect**

The appraiser allows a single characteristic of the appraisee to dominate his/her judgment of the employee performance. This can result in either positive report or a negative report on the performance of the employee.

##### **Leniency effect**

This refers to the situation where the appraiser tends to give high ratings and only positive feed back to the appraisee, irrespective of his actual performance.

##### **Stringency effect**

This is just the opposite of leniency effect. An appraiser, who feels that the rules and standards of the organization are not strict enough, tries to be very strict in rating his appraisees.

##### **Recently effect**

This occurs when the recent performance of the appraisee dominates the appraisal. The appraiser tends to get influenced by the performance of the employee over the last 2-3 months of the appraisal period is still fresh in his memory.

##### **Primacy effect**

The performance of the appraisee at the beginning of the appraisal period dominates the evaluation.

##### **Central tendency effect**

The appraiser gives neither high nor low ratings and tends to give ratings in the middle of the scale to all the appraisees.

##### **Culture**

In some cases, the culture of the organization or the country can influence the appraiser to rate the appraisee in a particular way.

##### **Perceptual set**

This is the tendency of the appraisers to have an expectation of the performance level, which might distort the perception and judgment of actual performance.

#### **USES OF PERFORMANCE APPRAISAL**

Apart from evaluating the performance of the employees for rewards/punishments and development, a good appraisal system has many other uses. Some of them are listed below:

- ✓ Training and development needs of employee can be determined.
- ✓ Organizational effectiveness can be improved by improving the individual performances of employees.
- ✓ The performance system forms the basis for compensation management in the organization, in addition to other methods like market surveys.
- ✓ Can be used for basis for transfers, promotions and other career planning activities of the individual employee.
- ✓ An effective performance appraisal system also helps in succession planning in the organization.
- ✓ Cross-functional transfers and job enrichment exercises etc. can be taken up, based on inputs from the appraisal system.
- ✓ Human resources of the firm can be evaluated based on the competency and skill set and potential of the work force. This provides the base for human resource planning.
- ✓ An assessment of the value of the human resource helps in organizational planning.
- ✓ The performance appraisal system also helps in evaluating and auditing the existing plans, process and systems in the organization.

#### **ETHICS OF PERFORMANCE APPRAISAL**

Every performance management system needs the support of the top management and the acceptance of the workforce of the success. Without these, any system will be a failure. The employees of the organization have to be convinced about the effectiveness and importance of the appraisal system. They should have trust in the process of implementation of the system. Performance appraisals systems turn out to be ineffective due to implementation errors, rather than design effects. Some of them are:

- Making the ratings more measurable and quantifiable.
- Reducing subjectivity by using multi-rater feedback.
- Using instruments/methods which have hidden weights or keys attached to them.

- Having the feed back evaluated by the third party like the HR department.

#### CONCLUSION:

Performance Appraisal system is very important to assess training needs to effect promotions, and to give pay increase. There are two methods in performance Appraisal system, those are modern & tradition method. The visit to the ITC Ltd – ILTD DIVISION has been a great privilege for me to learn about many aspects. A practical knowledge has been attained by me. According to me, ITC Ltd – ILTD DIVISION is a profitable company which concentrates more on the customers and their satisfaction. If the company shows more empathy towards its employees, then it would gain more & more profits. And also the company should concentrate on the quality of the products. Appraisal of performance proceeds in a set of pattern; the steps involved are defining Appraisal objectives, establishing job expectations, designing the appraisal programmers', conduction performance interview, and using appraisal data for different HR activities.

It is a great pleasure to me to work with such a good and big company which helps me to know about many things apart from my academics. This study helps me to gain more inputs about the performance appraisal.

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