KEY FACTORS INFLUENCING THE EXECUTIVE PERFORMANCE APPRAISAL SYSTEMS IS SMES - CRITICAL ANALYSIS

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ABSTRACT

Performance Appraisal is an important component of Management tools and a source for Management Information and Control System. An appraisal system tells an employee what is expected of him/her, gives him/her an opportunity, provides feedback, guidance & support and establishes policies concerning reward, training, career development etc., which are contingent upon one's performance.

The reason for this exploration task is to conduct a critical examination of the Executive Performance Appraisal System followed by the XYZ Company over a period of ten years without having any changes to the system. The study directed (a) the Performance Appraisal Forms / methods used (b) the Management's approach towards Performance Appraisal System and (c) what needs to be put in place to help the system appropriate and effective.

The researcher through this project scanned 150 Performance Appraisal Forms over a period of 4 years, of 50 Executives covering the major Departments, both Service and Production and the three levels of Officers, Junior, Middle and Senior and gathered information that would assist in the development of a fair, accurate, objective and effective Performance Appraisal System.

INTRODUCTION

As per 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 precise method for inspecting and surveying the execution of a representative amid a given timeframe and planning for his future. It is a powerful apparatus to adjust, refine and compensate the performance of the worker. It breaks down his accomplishments and assesses his commitment towards the accomplishments of the general organizational objectives.

The Executive Performance Appraisal System now in vogue was introduced in the XYZ Company about 10 Years before. There has been a sea-change in the business scenario during the last 10 years. The goals of an organization vis-a-vis expectations of an individual have also been changed over the periods. Customer's Cares and Competitive Advantages are the two buzz words in today's industrial arena, the two primary driving forces behind the survival / growth of any organization. Against the above backdrop, this study intends to critically examine the existing

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Performance Appraisal System being followed in the Company for more than ten years with a view to evaluating / asses of its effectiveness, with a desire for suggesting necessary changes / modifications to suit the same for the present / future-day needs of the Organization as well it's Executives.

OBJECTIVES OF THE STUDY

The objectives of the present study are:-

I. To gain an insight into the problems on performance related factors reflected in the Executive Performance Appraisal Forms, being assessed over the years.

II. To identify the degree of aberrations, minor and / or major, if any, in the existing Appraisal techniques.

III. To diagnose areas / issues of concern.

IV. To generate ideas / to suggest remedial measures for improvement of the existing Appraisal System.

RESEARCH METHODOLOGY

The study was conducted in a medium-sized Industry.

Convenience sampling method was adopted to collect the data covering all major Departments viz, Accounts, Administration, Marketing, Production, Inspection, Maintenance etc. to cover the entire Organization of all important functions.

The subjects covered in the study were the Executives at all levels i.e. Jr. Level Executives, Middle-Level Executives and Sr. Level Executives.

The sample consisted of 5 nos. of Deputy General Managers, 10 nos. of Managers, 10 nos. of Deputy Managers, 16 nos. of Assistant Managers and 9 nos. of Officers totaling 50 nos. against the aggregate quantity of 110 Executives.

Already assessed 150 Performance Appraisal Forms, over the last 4 Years, of these 50 no. of Executives were collected and examined for this Research Work. The sample amply mirrored the total working population in the three categories of Executives.

Besides, the guided interview technique with the help of a structured questionnaire and an unguided interview technique were adopted for the purpose and requirement of the Project.

Executive Performance Appraisal Forms used in the Organization -A few salient features:

a) The appraisal is done **annually** (12- month period from April to March).

b) There are **two** different Performance Appraisal Forms now in vague.

Form - A: This Appraisal Form is used for the Executives - Officer, Assistant Manager and Dy. Manager.

Form - B: This Appraisal Form is used for the Executives – Manager, Deputy General Manager, General Manager, and Chief General Manager.

c)   Form - A: It has **four** parts:-

Part I - Contains certain basic information about the Executive.

Part II -"Assessment of present assignment" filled up by the Reporting Officer on a five - point scale.

Part III - "Assessment of five different Traits viz. Technical and Professional Skill, Ability in Execution, Leadership Ability, Organizing Ability and Dealing with People " assessed by the Reporting Officer on a five- point scale and finally Overall Rating is done as - Poor / Average / Good / Very Good / Outstanding.

Part IV - It contains the following

   a) Remarks of the Reporting Officer on "Training and Development", "Suitability for Promotion", "Other   Assignment / discipline" where the Executive can be gainfully utilized.

   b) The assessment made by the Reviewing Officer with the remarks either "Agreeing or disagreeing" with the assessment made by the Reporting Officer.

   c) Remarks made by the Reviewing Officer on anything to be Communicated to the Assessed.

   d) Remarks of the Countersigning Officer.

   e)

d)Form- B: It has also **four** parts alike Form A .The only difference is - it includes a

        Self-appraisal Part.

e) Meaning of: -

   i) "Reporting Officer"- the Sr. Executive to whom the Appraised Officer directly reports.

   ii) "Reviewing Officer" - the Head of the Department.

iii) "Countersigning Officer"- the CEO of the organization.

<u>Details of Performance Appraisal Forms Examined:</u>

a) Total no. of Executives of the Company: 110

b) Total no. of Executives who's Appraisal Forms was examined: 50.

c) Cadre-wise no. of Executives who's Performance Appraisal Forms was examined. Dy. General. Mgr.-5, Manager - 10, Dy. Manager - 10, Assistant Manager - 16 and Officer - 9

d) No. of Appraisal Forms examined against each Executive: Two to Four Forms over a span of Four years.

e) Total no. of Appraisal Forms examined (considering each separate year covering 50 Officers): 150

f) Each Trait was rated in a Five-Point Scale (**Lowest** -1, **Highest** - 5)

g)Overall Rating was done on Twenty Five- Point Scale – Poor (5 - 9), Average (10 - 14), Good (15 - 19), Very Good (20 - 24) and Outstanding – 25

INTERVIEWING

As a part of the Project work, I gathered opinions from a no. of Executives through question - answer -cum - conversation method by using two different Sets of Questionnaire.

Table I- Set A: Used for Officers, Assistant Managers and Dy. Managers

Sl.No.	Statement	N	YES		NO	
			No.	%	No.	%
1	Are you aware of the Appraisal systems followed in the Company?	25	7	28	18	72
2	Are you aware of the contents of the Appraisal Form?	25	5	20	20	80
3	Have you ever been told about the ratings you received by your Boss?	25	00	00	25	100
4	Have you ever received any formal communication about your performance as a part of the appraisal system?	25	00	00	25	100

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5	Ratings are often seen as biased on subjective judgments.	25	20	80	05	20
6	Confirmation of execution is not gathered consistently.	25	21	84	04	16
7	Once completed the P.A. Forms are just filed away.	25	20	80	05	20
8	Are you satisfied with the current Appraisal System?	25	05	20	20	80
9	Does the current P. A. Framework give a legitimate evaluation of your commitment to the organization?	25	09	36	16	64
10	Do you rate the E.P.A. System of your Company as an appropriate and effective Management tool for various HR related issues?	25	07	28	18	72

Table II- Set B: Used for Managers, Dy. General Managers and General Managers

Sl.No.	Statement	N	YES		NO	
			No	%	No	%
1	Are you aware of the step-by step process of the P A System?	15	12	80	3	20
2	Have you ever been told / taught how you should rate your subordinates?	15	3	20	12	80
3	Is there any system in the Company by which you come to know the final rating of your subordinates?	15	00	00	15	100
4	Do you discusses / counsel / give feedback etc. to your subordinates before and / or after you appraise them?	15	2	14	13	86
5	Have you ever checked that your overall assessment and sum total of individual trait assessment are same or different?	15	5	34	10	66
6	Do you check the training needs identified in the Appraisal Form, before sponsoring the subordinates to any training program me?	15	4	27	11	73

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7	Do you feel that the present appraisal system is fulfilling the objectives/expectations of the Organization/Executives?	15	5	34	10	66
8	Do you feel the existing P A system needs to be re-looked for a change?	15	9	60	6	40
9	Did you get any training on how to fill up the Appraisal Form?	15	00	00	15	100
10	Do you think that a training session on P A will help in appraising?	15	15	100	00	00
11	The current process is too time-consuming.	15	11	74	04	26
12	Whether you keep record of evidence of performance throughout the year?	15	5	34	10	66
13	Do you rate the E.P.A. System of your Company as an appropriate and effective Management tool for various HR related issues?	15	06	40	09	60

Total No. of Executives Covered-50   Periods Covered: Four Years

Total No. of Performance Appraisal Forms Examined: 150

(For each 50 Executives, 2 to 4 Forms were scanned depending on the availability).

Table III: Details of Assessment made (Final Assessment based on Perception)

	Outstanding	Very good	Good	Average	Poor	Total
No.	08	82	49	11	NIL	150
Percentage	5.6 %	54.4 %	32.8 %	7.2 %	NIL	100 %

Table IV: Details of Two Overall Ratings

Overall Assessment	OU	VG	G	AV	PR	Total
Rating – A (Based on overall perception)	08	82	49	11	NIL	150

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Rating- B (Actual Rating on Total Score Obtained)	05	72	66	07	NIL	150
Differences between two Ratings A & B	03	10	17	04	NIL	34
Cases of Higher Rating made than that of the Actual(B)	03	10	NIL	04	NIL	17
Cases of Lower Rating made than that of the Actual(B)	NIL	NIL	17	NIL	NIL	17

Note:

OU- Outstanding, VG - Very Good, G - Good, AV - Average and PR - Poor

Rating – A is the overall assessment made by the Rater based on his overall perception.

Rating – B is the actual assessment which has been derived based on the total score obtained by Summing up the scores of five individual Traits, as Poor (5 - 9), Average (10 - 14), Good (15 - 19), Very Good (20 - 24) and Outstanding – 25.

FINDINGS

➢ The **majority** of the Junior and Middle-level Executives do **not** have clear idea about the Appraisal System followed in the Company.

➢ There exists **no** feedback / communication system about the degree of one's performance in the Company.

➢ There exists **no** Post-Appraisal Interview / Counseling system in the Company.

➢ There was **not** a single Executive judged as "**Poor".**

➢ Officers judged as **"Average"** in the Overall Rating Scale were also very **low- 7.2 %.**

➢ Officers judged as **"Outstanding"** were about 5.6 **%.**

➢ Officers judged as **"Good"** were **32.8 %.** It means the Raters follow an approach to cluster the ratings around the mid-point to avoid the extremes. In such approach, the Rater may think "better rate most people as good so that I do not have to justify or clarify".

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➢ Officers judged as **"Very good"** were about 54.4 **%.** This means the Raters had a tendency to rate leniently.

➢ There were **considerable differences in the two Overall Ratings** – one derived on the basis of total point value obtained and the other Overall Rating as finally assessed based on the Rater's perception.**In 34 cases there were Rating differences (either higher or lower) which constituted 23 % of the total Forms assessed (150 nos.).** The assessment made based on perception was higher in 17 cases while in 17 cases it was lower than that of actual assessment based on Traits scored. It means there exists an inbuilt defect in the structure of the Form. This has occurred due to the non-existence of scoring identification against each Trait assessed in the Form. Final rating/evaluation has been made on the perception about the concerned Executives but not on the total scores obtained against each Trait assessed. This is a **serious drawback** of the Form (Table-IV).

➢ The Reporting Officers did **not** put due importance to the "Training and Development" part of the Appraisal Form. Only 33 % of Reporting Officers put forward their remarks regarding training needs of the Executives properly. 67 % Reporting Officers kept the Column **blank** and the Personnel Department did **not** take any corrective steps in this regard.

➢ The **majority** of the Sr. Executives were of the opinion that the existing Appraisal Form, as well as the System, **needed a re-look** for better and appropriate utilization.

➢ In most of the cases, the Forms were **not** filled in by the respective Authorities **in time.** Normally it was **delayed by about two months.**

➢ No training program was conducted on - how to fill up the Appraisal Form for the Sr. Executives.

➢ In essence, it was observed that the Management did **not** consider thePerformance Appraisal System as an important Management tool.

RECOMMENDATIONS

1. The two forms i.e. Form A and Form B are required to be changed / modified.

2. Each Officer should be given a sample copy of the Appraisal Form for his information and knowledge.

3. A training program needs to be organized by the Personnel Department for all those Executives, who by dint of their positions, function as either the Reporting Officer or the Reviewing Officer to discuss various issues relating to filling up of the Appraisal Forms.

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4. A procedure order needs to be issued by the Personnel Department detailing the following points :

   a. Who can act as the Reporting Officer?

   b. Who can act as the Reviewing Officer?

   c. Time frame for

   a. Sending the Appraisal Form to the Reporting Officer by the Personnel Department.

   b. Sending the filled-in Form by the Reporting Officer to the Reviewing Officer.

   c. Sending the filled - in Form by the Reviewing Officer to the Countersigning Officer

   d. Sending the filled-in Form by the Countersigning Officer to the Personnel Department.

   e. Taking appropriate steps by the Personnel Department, where called for. The whole process should preferably be completed within 31st May.

5. Since the assessment is made on a five-point scale, each Trait should be earmarked with the point for the appropriate/accurate assessment of the overall Rating.

6. The following additions /alterations are suggested in the structure of the Appraisal Form-

   A few Traits may be added - Cost consciousness, Developing people, Reaction to criticism. Adaptability to change / Receptivity to new ideas.

   The introduction of certain weight age factor against each Trait depending on its degree of importance /relevancy.

   To minimize the subjectivity and "Hallow effect" on one hand as well as to increase the degree of objective appraisal it will be better if the Appraise is assessed by the Reporting Officer and by the Reviewing Officer separately.

7. The introduction to Post Appraisal Interview and Counseling in the Performance Appraisal System.

8. Constitution of a High-Power Committee / Expert Committee by the Top Management to review the existing Performance Appraisal System keeping in view the following points:

   a. The appraisal system must be easily understandable. If the system is too complex or too time consuming it may be anchored to the ground by its own dead weight of

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        complicated Forms which nobody but the experts only understand.

    b.   Support of the Line Executives, who administers it. If the Line Line individuals think it is too theoretical, too aspiring, and too impractical or that it has been foisted on them by ivory tower Staff-Consultants who have no understanding of the requests on the time of the Line Executives, they will resent it.

    c.   The framework should have a built-in incentive that is a prize should follow a decent presentation.

    d.   The system should emphasize the development of the subordinates rather than their evaluation.

9. Last but not the least the top management must attach due importance to it and think that Performance Appraisal is an important tool of Management Information and Control System for the development of its employees.

CONCLUSIONS

Today performance management is a broad, sweeping, living system, characterized by ongoing interactions, feedback, and mutual ownership. Based on the trends observed, Performance Management substantiates that effective Organizations - like never before- understand that performance management is a critical business instrument, especially in translating an interpretation of a technique into results. Performance management, therefore, keeps on developing and develop as an integrated business system, with solid connections to business methodology, remuneration, employee development, and other systems.

It has been revealed from the Project Study that the Performance Appraisal System now in vogue in the XYZ Company is practiced as a ritual and not as an important HRD tool. This is because of a narrow understanding of the potential scope of the Appraisal System on one hand and lack of due commitment and importance from the Top- Management, on the other hand. By focusing the attention on performance, performance appraisal goes to the heart of personnel management and reflects the management's interest in the advancement of the representatives. It thus requires a serious re-look and reviews. Because of the unpredictability as well as the sensitivity of the framework, the researcher recommended that a specialist in the field of Performance Management be approached to determine the circumstance to manage the present day needs of the Company and its agents.

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