

Performance Appraisal: A Survey of Organizational Practices in India

Arvind Sudarshan

The author is a faculty member of the Management Group at BITS, Pilani and is presently pursuing a Ph. D in the area of Performance and Appraisal

Abstract:

This paper reports the findings of a study on performance practices of organizations in India. A survey type methodology was used to obtain the appraisal forms used by different organizations. The sample covered a wide range of organizations classified on the basis of types (commercial, government, or other); ownership (Indian, multinational corporation, or joint-venture); sector (private or public); industry, size, and geographical regions. Various aspects of appraisal were studied including frequency, approach, technique, appraiser details, appraisal for training and developmental needs, and potential appraisal. The study finds that while manner of performance appraisals are taking place, organizations apparently place a lower priority on assessment of training and development aspects and appraisal of potential.

1. Introduction

This study was carried out in the context of developing a methodology for performance appraisal. In order to prescribe better systems and practices, it was felt that, an appropriate starting point would be to first ascertain current organizational practices. Apart from the researchers quoted below, few such studies appear to have been carried out in India and even fewer in recent years. The objective therefore, was to obtain an overview of the current prevalent organizational practices, as attempted earlier by Rudrabasavaraj (1969), Bolar (1978) and Basu (1988), covering a wide range of different organizations. The

research carried out may be thus classified as exploratory, observational and analytical. It is also both quantitative and qualitative in nature.

In the Indian context, Prakash (1966) made a study of the Annual Confidential Report (ACR) forms and suggested some changes to improve the system, some of which do appear to have been implemented (perhaps independently) and some of which do not appear to have been implemented. Banerji (1971) reported on the systems used in banks and noted the use of sketchy formal appraisal reports based on personality traits. Rudrabasavaraj (1969) studied the personnel administration practices of 32 organizations including 12 from the cooperative sector, 14 from the private sector and six from the public sector. He noted that systematic performance appraisal was absent in the cooperative sector. However, two thirds of the cooperatives had ACRs and the others only had informal assessment. All the PSUs had some appraisal systems, progress reports, ACRs or merit rating programmes, which were used for wage and salary administration, training and development needs, promotion and also to provide feedback to the workers. Among the private sector organizations, about 11 (78%) had formal appraisal systems and remaining three had some sort of progress reports or ACRs. The appraisal systems were used for similar purposes to the PSUs. Rudrabasavaraj (1977) studied the

personnel practices, including the appraisal systems, relating to executive development of twelve private sector organizations using the case study method. Bolar (1978) reported the results of a survey covering 82 companies carried out in 1968, to determine the managerial performance appraisal practices in Indian industries. All the organizations studied were involved in manufacturing and sales. No insurance, banking, public utilities or government organizations were included in the sample. A follow up study in 1976 covered 49 companies of the original sample. She studied areas such as: purposes of appraisal, criteria, tools of evaluation, appraiser details, periodicity and feedback. In 1968 49 companies had formal systems of appraisal and 33 informal systems. In 20 out of the 49 companies, the formal system was not followed in practice. In 1976, 46 companies had formal systems of appraisal (three were informal) and in 18 the formal system was followed.

Basu (1988) reviewed the performance appraisal practices in Indian organizations and attempted to develop theory and guidelines for more satisfactory appraisal systems based on the responses of 60 large and medium-size business organizations. Formal systems were present in 18 public and 32 private companies. Two public and eight private companies did not have formal systems. The study listed nine purposes of appraisal systems, most of which were administrative, and also training and development and validation of the selection process. The three major purposes of appraisal were identified as promotion, training and development, and placement and transfer. The study also covered a number of other aspects of the appraisal process including, purposes, linkages with compensation, promotions and development, methods and techniques,

appraiser details and appraisal of potential. Its conclusions included concerns about effectiveness, subjectivity and developmental aspects. Rao's study cited by Rao (2004) covered 45 organizations (34 private sector and 11 public sector). The study found that the purpose of the appraisal in about 50% of the organizations was for regulating employee behaviour as well as developing employee capabilities; only for controlling and regulating employee behaviour in about thirty percent of the organizations and about 10% percent mainly used them for development purposes. Rao, Rao, and Yadav (2001), studied the HRD practices of 12 companies in terms of the structure and systems used. Specifically, they were concerned with aspects such as structure of the HRD, the type of performance appraisal system, potential appraisal, feedback and counselling, career planning and development, training and development, and organizational development.

Other research has studied various aspects of the performance appraisal process in Indian organizations but generally with reference to specific organizations (for example, Rainaye, 2006; and Rao and Pareek, 1996), which precludes the drawing of general conclusions.

2. Methodology

Data was collected on the performance appraisal systems and procedures followed by organizations in India by obtaining the performance appraisal forms used by organizations. The rationale for using forms is a fact that has long been recognised by researchers: forms are integral to any formal system of evaluation. Basu (1988, pp 12) defines performance appraisal as, "a

formal exercise in which an organization makes an evaluation, in a documented form of its [employees]". Bacal (2003, pp. 13, 14) states: "HR departments ...want a consistent method for evaluating, reviewing, and documenting performance ... a standard form or set of forms". Any formal system requires a record and is therefore dependent on some system of documentation, and the standardized form (or set of forms) is the most fundamental document on which the system rests.

Earlier researchers (Bolar, 1978; and Basu, 1988) have used personal interviews and a questionnaire survey. In addition Basu also did attempt to collect the actual forms used by organizations. The advantage in using forms is that there is a tangible consistent basis for any observations made in the course of the research. In case of interviews or questionnaire surveys, there is likely to be some inconsistency, due to different interpretations of the questions. The perceptions and motivations of individuals as well as their knowledge (or lack thereof) will also get reflected in the data. On the other hand by using forms, a true picture of what is actually present in the formal system is obtained. It is expected that the use of the forms would help ensure robust results.

2.1. Sample Characteristics: Profile of Respondent Companies

Forms were collected from a range of different organizations to give a sufficiently representative indication of the types of appraisal systems currently in use in India. In general convenience sampling was used. The forms were collected over a period of approximately two years from August 2005 to July 2007. Certain difficulties were encountered in obtaining the same, as

many organizations / individuals approached were reluctant to part with the forms due to various reasons mostly unmentioned. Some respondents cited "policy" while others did not respond, in some cases despite repeated reminders. In one case, where a formal (written) refusal was made, it was held that the forms had been developed specifically for the organization and were confidential. Similar arguments were advanced verbally by others who were approached. The methodology followed for data collection may thus be classified as a survey, though instead of a questionnaire or interview, forms were collected.

Ultimately, fifty-one forms were obtained from thirty-eight organizations. (Some organizations use multiple forms). This is similar to the situation faced by Basu (1988) who mentions that out of 600 organizations contacted, 60 forms were returned and that this response of just ten percent was obtained after repeated personal follow up and over a period of nine months. Similar reasons of sensitivity and confidentiality were advanced by those organizations that refused to participate in that study.

In addition, respondents from at least two other organizations, indicated that they did not have a formal appraisal system, and hence no forms could be obtained from them.

All the organizations studied were operating in India whether or not they were Indian owned (especially in case of companies). However, this element of ownership has been recognized explicitly and discussed below. More information about the organizations whose forms were analysed in this study is presented in Tables

1 to 6. (It should be noted that in case of one organization some data was missing and therefore, the total of the individual entries under some classifications will add up to 37 and not 38; likewise the number of forms may sometimes add up to 50 instead of 51.) The classification of the types of organizations is primarily in order to establish the representative nature of the sample.

Type of organization (Commercial, Government, Other):

Organizations are classified as commercial, from either the private sector or the public sector or as government entities or 'other' organizations including private non-profit organizations. (Refer Table 1 below.) This is important because, it is commonly believed, (whether well founded or not), that differences in objectives will result in different stress laid upon performance or some aspects of performance. Government organizations for example, are rarely cited, if at all, for exemplary customer service. Likewise, not for profit organizations may require different measures of performance from commercial organizations. All these factors are therefore likely to be reflected in the approach and techniques used by those particular organizations.

An overwhelming majority of the organizations were commercial enterprises. One state government and one central government department were also represented. In addition, one private sector non-profit organization (educational institute) was also present in the sample. However, due to the preponderance of one group (over ninety percent are commercial firms), in the analysis that follows, group wise data is not examined for this classification.

Table 1: Distribution of organization by type

Type of Organization	No.	%
Commercial	35	92.11
Government	2	5.26
Other	1	2.63

Ownership (Indian, Multinational Corporation, or Joint-Venture):

What is the ownership pattern of the organization? In case of commercial organizations, are the shareholders Indian or foreign in case of a Multinational Corporation (MNC), or is it a Joint-Venture (JV) between an Indian firm and an MNC? For the purpose of this classification government departments and other organizations are classified under Indian (in case of other organizations, based on the nationalities of founders, leaders and employees rather than ownership). Details of the break-up are provided in Table 2. It is a common perception that MNCs are professionally managed while Indian businesses being almost invariably family promoted and managed are perceived as lacking in this aspect. Generally, one of the factors that are used to differentiate between professionally managed companies and the others is the lack of favouritism and the emphasis on performance. Therefore, at least in theory, if the perceptions are true, there may be some differences in the appraisal systems as well.

Table 2: Classification of organizations by origin of ownership

Ownership/ Shareholding Pattern	Organizations		Forms	
	No.	%	No.	%
Indian	20	54.05	32	64
MNV	15	40.54	16	32
JV	2	5.41	2	4

Over 50% of the organizations were under Indian ownership and over 40% were subsidiaries of multinational corporations (MNC). JVs formed a very small part of the sample.

Sector (Private or Public):

Public sector organizations (also referred to as Public Sector Units (PSUs) or Public Sector Enterprises (PSEs)) are essentially those organizations in which government has a majority shareholding and which are managed by a board appointed or dominated by government appointees. Private sector organizations refer to those organizations which are not owned and/or managed by the government but by individuals or groups in their private capacity. Private sector organizations are perceived to be more efficient than their public sector counterparts, who at least in India, are expected to work towards not mere profits but also social objectives.

Table 3: Break up of organizations by nature of organization

Nature of Organization	Organizations		Forms	
	No.	%	No.	%
Private sector	31	83.78	38	76
Public Sector	6	16.22	12	24

As can be seen from Table 3, a majority of the organizations are from the private sector. It is believed that this will not significantly affect the analysis, since private participation is permitted in almost all sectors save perhaps some areas related to defence and national security.

Industry:

A wide range of industries has been covered. Different industries may have historically developed different measures of

performance. Certainly, the nature of the industry, particularly whether the organization is in the business of manufacturing or services, must affect the performance measurement process. Likewise, firms engaged in project type activities, as opposed to uniform activity throughout the time period under consideration are likely to have different requirements.

As detailed in Table 4, organizations from 29 different industries/sectors were covered, including manufacturing, services and the government sector. With the exception of the software industry, almost all the other sectors covered in the study are evenly represented.

Table 4: Distribution of organization by industry or area of operation

Sr. No.	Industry	No. of Orgn.s
1	Auto Ancillaries	1
2	Auto plastics	1
3	Automobile	1
4	Banking	1
5	Biotech	1
6	Car Service	1
7	Conglomerate	1
8	Consumer Electronics	1
9	Diversified Travel and Tourism	1
10	Education	1
11	Fertiliser	1
12	Financial Services	1
13	Food	1
14	Government Depts	2
15	Health Services	1
16	Hotel	2
17	Information Technology	2

Sr. No.	Industry	No. of Orgn.s
18	Insurance	1
19	Microelectronics	1
20	News	1
21	Newspaper	1
22	Oil	1
23	Oil Exploration	2
24	Plantation	1
25	Private Equity	1
26	Software	5
27	Shipbuilding	1
28	Telecom	2
29	Testing	1

Size:

Table 5: Distribution of organization by size

Size of Organization	Organizations		Forms	
	No.	%	No.	%
Large	27	71.05	33	64.71
Medium	6	15.79	12	23.53
Small	5	13.16	6	11.76

Large, long established organizations are expected to have well developed systems in place as compared to smaller organizations which may not have the same requirements. Having respondents of different sizes in the sample gives it a more representative character. For the sake of this classification, revenue has been used, with organizations with less than 150 crore rupees turnover being classified as small, those with turnover greater than 150 crores but less than 1000 crores as medium and those with a turnover greater than 1000 crores as large. Details are given in Table 5.

As can be observed, over two thirds of the organizations are large, while the number of medium sized and small organizations is almost the same.

Geographical Dispersion (Region):

While it is not expected that the location of the organization will have any bearing on the performance appraisal process or system followed, since the study covers organizations in India, in order to have a well representative sample, it may be appropriate to have a geographically distributed set of companies. Details of geographical dispersion are provided in Table 6. The analysis has been carried based on the location of the head office of the organization.

While not quite evenly distributed, organizations from all four regions are part of the sample. However, organizations from the south predominate.

Table 6: Distribution of organization by geographical location

Location	No.	%
North	6	16.22
East	4	10.81
West	10	27.03
South	17	45.95

2.2. Statistics

The data obtained from this study was ordinal in nature. Therefore, the chi-square test was the most suitable to test for differences in appraisal practices between the different types of organizations. Accordingly the data given in tables 7 to 12, was examined to determine whether there was any significant difference in practices between the different types of organizations, with the null hypothesis being that there is no difference between the practices followed by different classifications of organizations. Using the data for the numbers from the tables,

column, row and grand totals were obtained and the chi-square test was carried out for the aspects of the process detailed below, to test for differences among organizations classified on the basis of ownership, sector and size as detailed above.

3. Results and Discussion

Based on the appraisal forms used by different organizations, in India, various aspects of the appraisal process such as, frequency of appraisal, approaches to appraisal, appraiser details, appraisal of training and developmental aspects, and appraisal of potential have been analysed in this study, the details of which have been presented in sections 3.1 to 3.6. The statistical analysis has been covered separately in section 3.7 for convenience and easy reference.

3.1 Frequency of Appraisal

The data about the frequency of appraisal was available in thirty-four of the forms which constituted about two thirds of the total. Considering those forms where the issue was explicitly specified, about 70% were observed to have only an annual appraisal. (Refer Table 7. N.B. Tables 7 to 12 are large and due to formatting requirements have therefore been placed at the end of the paper.) While almost all organizations do have an annual appraisal, many organizations have instituted reviews at shorter intervals with some having six monthly reviews, others having two or more intermediate review dates and some having monthly performance reviews. A number of organizations also appraised at certain milestones or at specific career points such as at the end of probation period, promotion, review and the like.

These findings appear to be in accordance with that of other researchers. Rudrabasavaraj (1969) recorded that merit ratings in both the public sector and private were usually carried out annually. In addition, three private sector companies rated employees during their trial period. Rudrabasavaraj (1977) found that performance appraisals were conducted annually. Bolar (1978) found that among those organizations with formal systems and which adhered to them: most rated annually, one half yearly and two quarterly. Of those that had informal systems, most appraised annually and some only when they wanted to reward outstanding performance or when there were vacancies to be filled. There were more frequent appraisals for trainees or those on probation. Basu (1988) found that most organizations appraised annually and two semi-annually. The only thing of note is that in this aspect little seems to have changed over almost the last forty years!

3.2 Approaches to Appraisal

As dealt with earlier, the question is what is being appraised: performance or behaviour competences or traits? However, it may be noted that organizations in practice are observed to use a combination of approaches and therefore, this is reflected in the findings. (Refer Table 8.) The results have been classified under the different heads discussed below.

Objectives and achievements: These are also referred to variously as objectives, targets, goals, Key Result Areas (KRAs), or Key Performance Indicators (KPIs). In case of others, work achievements or the quantity of work were mentioned.

Performance Factors: Alternatively referred to as attributes, competences, skills, behaviours, and in one case traits, these include all types of qualities or competences which companies apparently believe a good employee should possess.

Overall Performance or Summary: Is there an overall performance summary or grade or rating? If not, then the question arises as to how the organization is able to distinguish its better performers from the others.

It was found that over 90% of the forms used some sort of achievement based approach, and a slightly over 80% used behaviours and traits (competences) as well. In some cases, the KRAs were to be set at the beginning of the year but did not figure explicitly in the form, while in others, they were to be specified individually and yet others had the KRAs listed for the function. The number of instances of MBO is mentioned separately because, in many cases, work achievements or output were a criteria, without reference to objectives or targets. The point of interest is that while over 60% mentioned objectives as a criterion for assessment, only about 40% required the objectives for the following year to be specified in the form! This leads to some doubt as to how the objectives being measured are specified and set. Slightly fewer than 80% also required the appraiser to specify an overall grade or rating. It was not possible to determine whether any organization had a TQM based system.

(It may be noted that the percentages given in several of the tables above do not add up to hundred because, the specific characteristic or aspect being studied (for example approaches to appraisal or techniques of appraisal) has been classified under alternatives that are independent

rather than mutually exclusive, and many of the organizations studied do use more than one of the alternatives examined).

The findings of other researchers are as follows. Rudrabasavaraj (1969) recorded that in case of both PSUs and private sector organizations, employees were rated on both personality traits and performance. Rudrabasavaraj (1977) found that organizations appraised performance or traits or both. One organization was using MBO, two were planning to do so and one had rejected it after a trial. Bolar (1978) found that in 1968, qualitative characteristics and other abilities were assessed by all of the organizations with formal appraisal systems and by almost 97% of those with informal appraisal; and in 1976, by over 93% of the organizations with formal appraisal systems and all of those with informal appraisal. In 1968, actual performance was appraised by about 55% of the organizations with formal appraisal systems and all of those with informal appraisal; and in 1976, by about 78% of the organizations with formal appraisal systems and all of those with informal appraisal. There were multiple responses, that is to say some organizations appraised both. Basu (1988) stated that performance was evaluated by about 78% of the organizations and personality traits and managerial skills by about 65% of the organizations. Overall ratings were used by all but two organizations (over 96%). Rao cited in Rao (2004) reported that 62% of the organizations used agreed tasks or targets or functions as a basis of appraisal and 73% appraised managerial qualities such as leadership, and co-ordination. Rao, Rao, and Yadav (2001) found that organizations followed various approaches to performance appraisal including trait based, and performance based.

It would appear that over time there is an increasing trend towards the use of achievement oriented appraisals even though the practice of rating traits continues. (Though perhaps it is behaviours or skills or competencies that are now appraised rather than traits.)

3.3 Appraiser Details:

Who carries out the appraisal? While under normal circumstances, one might assume that it is the immediate superior manager, in some cases, the designation is simply reported as the appraiser or initiating officer or reporting officer. In addition, there is the mention of reviewing officer or superior reviewing authority and the like wherein the exact relationship to the appraisee is left unclear. However, it should be noted that in the guidelines the relationships are sometimes specified with additional provisos regarding the relative ranks of the officers involved. Additionally, the ultimate authority or finalizing authority is not clearly specified in most of the forms.

In general, wherever two or more appraisers are specified in any form it is taken to mean that some form of moderation is being implemented even if it is not explicitly stated in so many words. In case of some organizations, however, this aspect is clearly specified, and particularly in government organizations, it is clearly laid down in the procedures as to the relative hierarchy of each appraiser and under what circumstances who takes precedence and the minimum level who can take decisions, etc. It is also specified for example if the ratings of the appraiser and the reviewer differ by more than some permitted extent, what procedure should be followed to reconcile the same. Some organizations have a review committee composed of

senior management across the organization. At least one mentions the use of the review committee for moderation. On the other hand, in a number of organizations, based on information available, it is not clear as to what sort of dispute mechanism exists or even whether any exists at all. The other aspects covered are briefly discussed below.

Employee comments: are the views of the employee sought? Is the employee permitted to mention other issues? What happens if the employee disagrees with the rating given by the appraiser? Permitting employees to record their comments is one answer to the above problems.

Self-Appraisal: Is there a self-appraisal component? Do employees get to appraise their own performance? Either in the form of a narrative or to rate themselves on the specified criteria - actual performance as compared to the targets, competences, development in the past year, problems, etc.

Reviewer/ Review panel: Is the appraisal reviewed at all? Is there a specific reviewer or a review panel? Who does the review? Does the appraiser's superior (sometimes termed the reviewing officer) get to comment? Who else plays a role in the appraisal? In case of various organizational structures, various officers such as the Branch Manager, Head of Department, and Functional Head may have some say. Others involved may include the Managing Director and the HR manager.

It was found that all the appraisals involved the direct (immediate) superior. However, in two of the forms, the appraiser was only required to carry out a rating and

no space was provided for any further comments, and therefore, appraiser's comments has been mentioned separately. (Ref. Table 9.) In general the term 'Appraiser' is used to refer to the immediate superior or reporting officer. Slightly over half required self-appraisal but only about forty percent allowed the employee to comment on the (superior's) appraisal and only about eleven percent specifically asked about issues that the appraisee wanted to raise. HR personnel were involved in about only fifteen percent of the cases. However, some provision or scope for review or moderation was present in almost seventy-five percent of the cases.

Among other researchers, this aspect was studied in some detail by Bolar (1978) in the 1968 study. She found various combinations of officers were used by different organizations such as: immediate supervisor and supervisor's supervisor, and/or personnel chief/top management (three), departmental head or committee with no reference to the immediate supervisor (six), solely by top management group (two). The supervisor's immediate boss was not involved in seven organizations. Finally, some combinations were not used such as: immediate supervisor only, immediate supervisor and departmental head, and/or personnel chief/top management, solely by personnel chief, immediate supervisor and separately by a committee of senior supervisors / departmental heads/personnel chiefs/top management. Basu (1988) found that the appraiser was the immediate supervisor in about two thirds of the organizations, and the supervisor's superior in about 36% of the organizations. Self-appraisal was required by about 28% of the organizations. A committee of superiors was used in 5% of the organizations. Peers were not involved in the process. All organizations had some

review system. Rao cited in Rao (2004) stated that 44% of the organizations had self-appraisal and the same percentage also allowed employees to identify factors affecting performance and communicate them to the boss.

In both Bolar and Basu all the organizations had a reviewer either explicitly or by implication. However, this does not seem to be the case here, since scope for review appears to be present in only about three quarters of the forms. This would seem to be a disturbing trend. However, further investigation may be required to validate this conclusion.

3.4 Techniques used for Appraisal

This part is concerned with the specific techniques used by organizations to carry out the appraisal. The details of the techniques themselves have been covered by other researchers (notably Whisler and Harper, 1962; and Oberg, 1972) and will not be dealt with in detail here. However, some points may be noted. As was observed in the case of the approaches followed, organizations do in practice use more than one technique. Hence, the percentages will not add up to 100 but instead exceed it.

As detailed in Table 10, the narrative technique was used in all but one of the forms. Over two-thirds also used some form of the graphic rating scale. Most of the rating scales used had three to five points. There was one six point scale and one which had ten points. No indication was found that several techniques including the field review, the forced choice rating method, critical incident appraisal method, ranking methods, forced distribution, and the work standard approach were being used. (Ranking methods include alternation, paired comparison, and person to person rating.)

Only one organization had a 360-degree feedback system and some others intend to introduce the same. (This information was verbally provided to the author during personal interactions with some HR managers.)

Bolar (1978) reported that the tools of evaluation included forms, merit rating systems and graphic scales. In 1968, two companies had partially adopted forced choice and critical incident technique, three had narrative type and three had MBO. In 1976, eight organizations used MBO (about 17%). In 1968 14 organizations had evaluation interviews (slightly less than 30%) and three others had goal setting and reviewing interviews (about 6%). Basu (1988) notes the use of performance, traits, and graphic rating scales for appraisal, but specific numbers are not provided. However, forced choice was reported to be used by 25% of the organizations, the critical incident technique by about 27%, forced distribution by about 8% of the organizations, and essays occasionally. None of the organizations used ranking.

It appears that organizations have moved to simpler techniques since none of the forms appeared to use forced choice or forced distribution.

3.5 Appraisal of Training and Development Needs

One of the objectives of appraisal is to determine the training and development needs of employees. This aspect was specifically assessed in about two thirds of the forms. (Refer Table 11.) In almost all the cases, where the assessment was made, the appraiser's views were asked for. In about half, the appraisee's views were also sought. However, relatively fewer forms (all

from private sector organizations) had a provision to check whether the development goals had been achieved and even fewer required for the specific development goals to be stated. One form also required the head of the department to review the developmental aspects.

Several conclusions may be drawn. The first is that training and development is not as important an objective of the appraisal system, since almost one third of the forms do not provide an opportunity for this assessment. Even organizations that provide for this aspect in their form apparently do not give it very much importance, as can be deduced from the absence in most of the forms of specific objectives, review mechanism and documentation of follow up action. Finally, it is not clear what approach is being followed in order to determine the training requirements of the individuals, that is, whether it is focussed on weakness or strengths. If the focus is on weaknesses, then as argued by Drucker (1954) and Buckingham and Coffman (2000), it will almost certainly not be effective. If on the other hand it is focused on developing strengths, then the outcomes are likely to be more fruitful.

Bolar (1978) found that in 1968, about 59% of the organizations with formal appraisal systems and 39% of those with informal appraisal claimed that one of the purposes of the appraisal was development and growth. In 1976, the same was stated by about 76% of the organizations with formal appraisal systems and one third of those with informal appraisal. However, she notes (pg 160) "... follow-up analysis by the 1968 and 1976 surveys also indicated that the emphasis in terms of follow-up action despite what was stated was largely, if not solely, on rewards and punishment -

increments, promotion etc. Evaluation of training needs was more a statement of intent than activity." However, Rao cited in Rao (2004) reported that 87% of the organizations identified training and developmental needs.

While there is some disagreement among researchers on this point, it would seem that things have not changed over almost forty years from the time of Bolar's first survey.

3.6. Potential Appraisals

Many organizations seek the appraisers' views about whether their subordinates are fit for promotion. It may be necessary to explain the headings under which this aspect has been reported. In numerous organizations, the views of the appraiser and/or reviewing officer, etc, are sought regarding whether an employee is suitable for some role change including promotion. However, this is usually in the form of a question as to whether the appraiser believes the candidate is suitable for promotion, and if so to provide some justification. Slightly under half the forms require this question to be answered. (Refer Table 12.) On the other hand, formal systems of appraisal of potential are somewhat fewer. By formal potential appraisal, it is meant that the appraiser is required to rate the employee on a number of criteria and that based on the results of the rating, the candidate may or may not be found suitable for promotion or may be found to require further training to become suitable or may not be recommended for promotion as yet and so on. (One organization explicitly states that potential appraisal is done separately.) It is also possible that organizations may follow both procedures and in fact three organizations do have both.

A small number of organizations also seek the views of the appraisee regarding accepting additional responsibilities and whether they would be willing to transfer, etc.

Taking the various approaches all together, slightly over half the forms had some sort of potential appraisal (under this point were considered all organizations that had a separate section (or form) for potential appraisal, as well as those that asked the appraiser for promotion recommendations).

Rao, Rao, and Yadav (2001) found that half the organizations did not appear to have any system for potential appraisal. However, Rao cited in Rao (2004) found that 78% of the organizations claimed to appraise potential for promotions.

Clearly there is a difference of opinion in the literature, perhaps due to the different samples. The findings here seem to be in conformance with Rao, Rao and Yadav (2001).

As in the case of training, potential appraisal may not be considered to be important by organizations, or more likely, perhaps there is insufficient awareness about how potential appraisal differs from performance appraisal.

3.7 Results of the Statistical Analysis

As detailed above chi-square tests was carried out in order to determine whether organizations classified differently actually differed in terms of their appraisal practices. The test was carried out for all the combinations of appraisal aspects and organizational classifications which

exhibited expected cell frequencies of at least 5 on the basis of ownership (Indian or MNC), sector (Public or Private) and size (Medium or Large). None of the chi-square values differences were found to be significant at the 1% or 5% or even at the 10% levels. The null hypothesis was therefore accepted that there is no difference in the appraisal practices of the different types of organizations. This result though counterintuitive is borne out by an examination of the data in tables 7 to 12, where it may be observed that with very few exceptions, there is considerable similarity in the percentage of the different classifications of organizations following a particular practice.

One possible explanation for this could be that only organizations with formal systems are covered in this study. Since most of the appraisal practices followed have been developed and refined for some time now, all organizations have access to the same management knowledge and business practices and this is reflected in the finding.

The implication of this finding is that it implies that all the organizations in the sample come from the same population and since the sample is statistically large, ($n > 30$) it is possible to generalize the conclusions based on the sample findings. However, it is important to note that these findings are like a snapshot at a particular moment. Organizational practices do change over time. This study can therefore also serve to study the evolution of business practices over time.

4. Conclusion

Over 90% of the organizations seemed to focus on results as a basis of evaluating

performance. However, the use of performance factors as a criterion was almost as widespread. Just one organization had a 360-degree system. It was not possible to clearly conclude whether any organization had a TQM based system.

All the organizations surveyed carried out performance evaluation on an annual basis. In addition a few of them also had semi-annual assessments and some had assessments even more frequently or when particular milestones were reached. Appraisals appeared to be carried out in all cases by the direct superior, though over half of organizations also followed the practice of self-appraisal and about three fourths had some process for review and moderation. One organization specifically allowed employees to raise issues.

Many of the organizations in the sample did not appear to consider development as an important outcome of the appraisal process as almost one third did not have any provision in the form concerning training or development.

Potential appraisal of some sort was carried out by over fifty percent of the organizations in the sample. A small number of organizations also sought inputs from the appraisees regarding administrative decisions such as reassignment or relocation.

By the nature of the study, all the organizations surveyed were those that carried out formal performance appraisals. However, it should be noted that in addition to the organizations included in this study, at least two others did not have a formal system of appraisal.

To sum up, it can be seen that while some sort of performance appraisals are taking place, assessment of training and development aspects and appraisal of potential are accorded a lower priority.

5. Limitations and Scope for further Research

One limitation was that appraisal forms were used as the basis for this study; the study therefore was restricted to organizations with performance appraisal forms and by extension formal performance appraisal systems.

The other was that due to the analysis being based on forms, certain information may not have been provided therein about some aspects of the system. Sometimes when a characteristic is not present in them it may possibly have been dealt with elsewhere, and therefore it is not possible to conclude that such a characteristic is necessarily absent. (For example, companies may have separate procedures for potential appraisal.) Forms, thus, do not provide a complete picture of the entire system. Furthermore, due to distribution and number of respondents, while the analysis was indicative, further research can be carried out on the comparisons between different types of organizations. Future studies can perhaps address these aspects and build up a more robust body of empirical knowledge.

References

- Bacal, R (2003): *Managers Guide to Performance Reviews*, New Delhi, Tata McGraw-Hill.
- Banerji, K (1971): "Performance Appraisal in Banks", *Economic and Political Weekly*, 6(22), M-73 - M-76.
- Basu, M K (1988): *Managerial Performance Appraisal in India*, New Delhi, Vision Books.
- Bolar, M (1978): "Survey of Performance Appraisal Practices", in Bolar, M (ed.) *Performance Appraisal, Readings, Case Studies and a Survey of Practice*, New Delhi, Vikas Publishing House.
- Buckingham, M and Coffman, C (2000): *First Break All the Rules; What the World's Greatest Managers Do Differently*, London, Simon and Schuster.
- Drucker, P F (1955): *Practice of Management*, Bombay: Allied
- Oberg, W (1972): "Make Performance Appraisal Relevant", *Harvard Business Review*, 50(1), 61 - 67.
- Prakash, K (1966): "The Annual Assessment and Promotion System in Indian Bureaucracy", *Indian Journal of Public Administration*, 12(4), 770 - 809.
- Rainaye, R (2006): "Performance Planning, Analysis, and Development in Commercial Banks: A Micro level Comparative Study", *Manpower Journal*. Vol. XLI, No 3: 1 - 13.
- Rao, T V (2004): *Performance Management and Appraisal Systems; HR Tools for Global Competitiveness*, New Delhi, Response Books.
- Rao, T V and Pareek, U (1996): (eds), *Redesigning Performance Appraisal Systems*, New Delhi, Tata McGraw-Hill.
- Rao, T V, Rao, R and Yadav, T (2001): "A Study of HRD Concepts, Structure of HRD Departments, and HRD Practices in India", *Vikalpa*. Vol. 26, No. 1: 49 - 63.
- Rudrabasavaraj, M N (1969): *Personnel administration practices in India*, Poona, Vaikunth Mehta National Institute of Cooperative Management.
- Rudrabasavaraj, M N (1977): *Executive Development in India*, Bombay, Himalaya Publishers.
- Whisler, T L and Harper, S F (1962): (eds), *Performance Appraisal: Research and Practice*, New York, Holt Rinehart and Winston.

Table 7: Frequency of Appraisal

Frequency	Sector				Size						Ownership						Total	
	Public		Private		Small		Medium		Large		MNC		JV		Indian			
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Annual Semi	9	90.00	15	62.50	1	25.00	6	85.71	17	73.91	6	66.67	1	100.00	17	70.83	24	70.59
Annual Several	0	0.00	4	16.67	0	0.00	0	0.00	4	17.39	1	11.11	0	0.00	3	12.50	4	11.76
Various	1	10.00	5	20.83	3	75.00	1	14.29	2	8.70	2	22.22	0	0.00	4	16.67	6	17.65

Table 8: Approaches to appraisal

Appraisal Approaches	Sector				Size						Ownership						Total	
	Public		Private		Small		Medium		Large		MNC		JV		Indian			
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Objectives and achievements	12	100.00	35	92.11	5	83.33	12	100.00	31	93.94	16	100	2	100	29	90.63	48	94.12
Management by Objectives	6	50.00	25	65.79	3	50.00	4	33.33	25	75.76	15	93.75	2	100	14	43.75	32	62.75
Specific Objectives for future	4	33.33	17	44.74	2	33.33	4	33.33	15	45.45	8	50	2	100	11	34.38	21	41.18
Performance Factors / Attributes	12	100.00	30	78.95	4	66.67	10	83.33	28	69.70	14	87.5	1	50	27	84.38	42	82.35
Overall Performance / Summary	10	83.33	30	78.95	4	66.67	11	91.67	25	75.76	11	68.75	2	100	27	84.38	40	78.43

Table 9: Appraiser details: Who does the appraisal?

Appraiser Details	Sector				Size						Ownership						Total	
	Public		Private		Small		Medium		Large		MNC		JV		Indian			
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Self-Appraisal	10	83.33	18	47.37	3	50.00	5	41.67	20	60.61	7	43.75	2	100	19	59.38	28	54.90
Appraisee's Comments	3	25.00	19	50.00	1	16.67	2	16.67	19	57.58	11	68.75	0	0	11	34.38	22	43.14
Issues appraisee would like to raise	1	8.33	5	13.16	0	0.00	1	8.33	5	15.15	3	18.75	0	0	3	9.38	6	11.76
Appraiser Comments	12	100.00	35	92.11	4	66.67	12	100.00	32	96.97	15	93.75	2	100	31	96.88	49	96.08
Next Level Manager	4	33.33	11	28.95	0	0.00	1	8.33	14	42.42	8	50.00	0	0	7	21.88	15	29.41
Branch Manager	0	0.00	1	2.63	1	16.67	0	0.00	0	0.00	0	0.00	0	0	1	3.13	1	1.96
Head of Department	1	8.33	3	7.89	2	33.33	0	0.00	2	6.06	0	0.00	0	0	4	12.50	4	7.84
Managing Director	1	8.33	2	5.26	0	0.00	2	16.67	1	3.03	0	0.00	0	0	3	9.38	3	5.88
HR Manager	1	8.33	7	18.42	2	33.33	2	16.67	4	12.12	1	6.25	0	0	7	21.88	8	15.69
Reviewer	8	66.67	16	42.11	1	16.67	7	58.33	16	48.48	4	25.00	1	50	19	59.38	24	47.06
Review panel	4	33.33	2	5.26	0	0.00	1	8.33	5	15.15	0	0.00	1	50	5	15.63	6	11.76
Approving Authority	3	25.00	0	0.00	0	0.00	0	0.00	3	9.09	0	0.00	0	0	3	9.38	3	5.88
Functional Head	2	16.67	4	10.53	2	33.33	0	0.00	4	12.12	1	6.25	0	0	5	15.63	6	11.76
Superior Reviewing Authority Rating	0	0.00	1	2.63	0	0.00	0	0.00	1	3.03	0	0.00	0	0	1	3.13	1	1.96
Moderation done	12	100.00	26	68.42	3	50.00	8	66.67	27	81.82	9	56.25	2	100	27	84.38	38	74.51

Table 10: Appraisal Techniques used by organizations

Techniques Used	Sector				Size						Ownership						Total	
	Public		Private		Small		Medium		Large		MNC		JV		Indian			
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Narrative or Essay appraisal method	12	100.00	38	100.00	6	100.00	12	100.00	32	96.97	16	100	2	100	32	100.00	50	98.04
Graphic Rating Scale / Narrative	8	66.67	27	71.05	5	83.33	11	91.67	19	57.58	9	56.25	2	100	24	75.00	35	68.63
Behaviorally anchored rating scales	2	16.67	2	5.26	0	0.00	1	8.33	3	9.09	1	6.25	0	0	3	9.38	4	7.84
Numerically anchored rating scales/%	3	25.00	0	0.00	0	0.00	2	16.67	1	3.03	0	0	0	0	3	9.38	3	5.88
Checklist	0	0.00	1	2.63	1	16.67	0	0.00	0	0.00	0	0	0	0	1	3.13	1	1.96
360-Degree System	0	0.00	1	2.63	0	0.00	0	0.00	1	3.03	1	6.25	0	0	0	0.00	1	1.96

Table 11: Appraisal of Training and Development needs

Training & Development Aspects	Sector				Size						Ownership						Total	
	Public		Private		Small		Medium		Large		MNC		JV		Indian			
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Employee Perception Personal Development	3	25.00	15	39.47	2	33.33	5	41.67	11	33.33	7	43.75	1	50	10	31.25	18	35.29
Manager Perception -Training/ Development	9	75.00	26	68.42	3	50.00	10	83.33	22	66.67	10	62.5	2	100	23	71.88	35	68.63
Employee Strengths/ Weaknesses	1	8.33	11	28.95	0	0.00	3	25.00	9	27.27	4	25	2	100	6	18.75	12	23.53
Development Goals achievement	0	0.00	8	21.05	0	0.00	0	0.00	8	24.24	4	25	0	0	4	12.50	8	15.69
Head of Department Comment Developmental	0	0.00	1	2.63	0	0.00	0	0.00	1	3.03	0	0	0	0	1	3.13	1	1.96
Developmental Objectives	1	8.33	4	10.53	0	0.00	0	0.00	5	15.15	1	6.25	0	0	4	12.50	5	9.80

Table 12: Potential Appraisal

Potential Appraisal Details	Sector				Size						Ownership						Total	
	Public		Private		Small		Medium		Large		MNC		JV		Indian			
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Potential	2	16.67	4	10.53	0	0.00	1	8.33	5	15.15	0	0	0	0	6	18.75	6	11.76
Manager Perception- Promotions etc	10	83.33	15	39.47	3	50.00	9	75.00	13	39.39	3	18.75	2	100	20	62.50	25	49.02
Existing/ Potential skills not used in current position	0	0.00	2	5.26	0	0.00	2	16.67	0	0.00	2	12.5	0	0	0	0.00	2	3.92
Employee Perception Additional Responsibilities etc	1	8.33	5	13.16	0	0.00	0	0.00	6	18.18	2	12.5	0	0	4	12.50	6	11.76

