Chapter 32
Performance Appraisal Techniques Across Various Sectors in India

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ABSTRACT

In recent times competitive and outperforming employees are of the utmost requirement for the success and sustenance of any organization. Organizations hire employees to achieve long-term and short-term goals so that they can get an edge over competitors and can meet the challenges posed by the continuously changing environment. Therefore, employees strive hard and give their level best to the organization and prove their worth by showing exemplary performance. At this juncture it becomes really important for the employers to know the exact level of employee performance as every employee differs in skills, abilities, and competence. This chapter discusses the concept, development of performance appraisal, and techniques of performance appraisal that are used across various sectors in India.

INTRODUCTION

Of late performance appraisal has gained lot of attention as it has emerged as a critical factor for an organization's long term success as it measures how well employees perform. Further, the information derived from performance appraisal is utilized to ensure that performance meets present standards and improves overtime. Performance appraisal gives clear cut criteria about the performance and other aspects. It is considered as the most important Human Resource Activity which lays foundation for many other functions like promotion, salary increment, training & development, succession planning and many more. Performance appraisal is a very important aspect for the sustainable competitive advantage of an organization (Huselid & Becker, 2011). Nowadays organizations consider their workforce as an asset, therefore responsible to satisfy their internal customers i.e., employees. Today there are a number of organizations that uses performance appraisal strategically to support company goals and values, better focus employee efforts, and align employee performance with the company mission. Companies and

researches have increasingly stressed the use of the employee evaluations for motivational and organizational planning purposes (Filiz K. McNamara, 2011). Cascio (1998) has emphasized the importance of performance appraisal in the following manner:

Performance appraisal is a process to improve employee's work performance by helping them realize and use their full potential in carrying out the organization's missions and to provide information to employees for use in making work related decisions.

Fletcher (2001) added rewards in performance appraisal as he stated that performance appraisal is an activity through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards.

Hence, performance appraisal is a technique utilized in a systematic and factual way to evaluate the actual performance of employees against the standards set by the organization followed by feedback from the senior for examining the relative worth or competency of the employee while performing the task (Dessler, 2011).

Further, performance appraisal is a key for effective assessment and development of Human resources (Ashok Khurana & Kanika Goyal, 2010). Performance appraisal also known as performance evaluation, progress rating, merit rating, merit evaluation, is that part of the formal assessment process in which an output of an employee in the form of performance during a specified period of time is assessed in the organization (Chhabra, 2008).

The most important objective of performance appraisal is to upgrade the performance of the individual employee, which results in the overall improvement of organizational performance (Mullins, 2002). Performance appraisal is one of the human resource techniques that may be used to manage performance effectively as it gives useful information which, further, assists in improving other aspects of the performance management process. Rewards, which are received by employees on their outstanding performance in an organization, are the outcome of Performance appraisal system (Mathis and Jackson, 2008). A properly designed performance appraisal system assists in achieving targets and objectives of the organization which further enhances the performance of employees. As a matter of fact, performance appraisal data is extremely important for almost all the functional areas of the organization.

Robert J. Greene, CEO of Reward Systems Inc., stated that performance appraisal is the single largest factor which is solely responsible for organizational effectiveness. (Tyler, 2005) If ignored then the organization fails. Further, it should be strategically linked with the organization's mission, vision, and values.

EVOLUTION OF PERFORMANCE APPRAISAL TECHNIQUES

Performance appraisal techniques answers the "how" of performance i.e., how a particular performance will be evaluated. In order to answer this question it is of great importance to know the type of techniques, which had been evolved over a period of time. Many techniques of performance appraisal had been unfolded since its inception. "Man to Man" rating system was adopted by the US army in early 1900 during the first world for assessing its personnel (Scott and Clothier, 1923). As this concept of assessment got lot of success therefore, industries and business organizations adopted it (Scott et al, 1941).

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