

FACTORS AFFECTING PERFORMANCE APPRAISAL IN PUBLIC SECTOR ENTERPRISES IN INDIA

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ABSTRACT

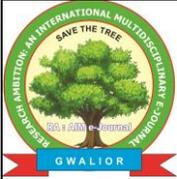
This study evaluates the performance factors in Public Enterprises in India. The result described that the factors of the performance appraisal in Public Enterprises in India, it confirms the job security in PSUs. If performance doesn't match with job role, next upgrading job is offered in PSUs due to job security given by various amended laws and regulations regarding jobs in Public Enterprises in India. Performance Appraisal is the systematic appraisal of employee's and is a development for holistic development of the employee and the organization. This review study tells about Human Resource Practices in Central Enterprises in India and how they implement and work for employee's performance.

KEYWORDS: Human Resource Practice, Recruitment, Training and Development, Grievance Procedure, Central Public Enterprises.

INTRODUCTION

Performance Appraisal is a process that provides analysis of a person's overall capabilities and potential, allowing informed decision to be made for particular purpose. An effective and efficient performance appraisal system is the one which provides that individual and managers, an organized system to attain goals and objectives productively, devoid of the needs for close regulation.

An employee has been selected, trained and motivated; he is then appraised for his performance. Performance appraisal is the step where the management finds out how effective it has been at hiring and placing employees. If any problems are identified, steps are taken to communicate with the employee and to remedy them. A "performance appraisal" is a process of evaluating an employee's performance of a job in terms of its requirement. Employee's performance appraisal is appraised at annual intervals when the appraisers complete a form in which observations on personality and attributes such as drive, energy and moral courage are made. Neither the appraisers nor the appraisee know what are the criteria for assessing performance. And the only means by which an appraisee gets feedback is the post-appraisal interview with the appraiser. Such a system leaves



many questions unanswered and the appraisee dissatisfied. But the appraisal can be used as a strategy for organizational effectiveness.

The Performance appraisal process

Performance appraisal is about successful employee who meets their individual goals, thus becoming a significant part of HRM. Performance appraisal is aimed at the following: It forms the basis of reward allocations, it is used for identifying deficiency areas of employees that need development effort and also used as a criterion for selection devices and development programs are validated.

The appraisal process can be briefly summarized as below:

1. Established performance standard.
2. Communicate performance expectations to employees.
3. Measure actual performance.
4. Compare actual performance with set standards.
5. Discuss the appraisal with the employees
6. If necessary, initiate the corrective action

Performance appraisal system in Public Enterprises in India

Performance Appraisal system has been playing an immense role for strengthening Central Public Enterprises (CPE) in India. The government is putting in place a performance management system in public sector companies to have a uniform mechanism for distributing performance-linked bonus to employees. At present, these companies have their own parameters for rewarding executives. The second pay revision committee proposed to develop a robust and transparent performance management system for central public sector enterprises (CPSEs). The proposal has found favour in the government. The department of public enterprises and other administrative ministries are now working in conjunction to put the new system in place. Under the new system, the government will ask CPSEs to adopt a Bell Curve Approach while grading its executives. Only 10-15% of the executives in a public sector undertaking will be graded as outstanding or excellent in their performance appraisal. According to the new system, about 10% of officers in a company would be graded. Some companies have a similar appraisal system. CPEs have a sophisticated performance



management system in place, which is much like the new one that the government has prescribed. BHEL (Bharat Heavy Electrical Limited), the company is the first PSU to implement electronic network-based paperless appraisal process. PSUs HRM identified a few key performance areas (KPA) for each employee. Now KRAs became the base for performance appraisal and compensation planning. PSUs follow a Balanced Scorecard based performance management, which ensures balanced performance by executives across manifold dimension including customer satisfaction, client satisfaction management, internal operation processes and research and development. Using the balanced scorecard, the PSUs have modified key performance indicators (KPIs) of the plan.

Review of Literature

Number of studies relating to Human Resource Management in public enterprises in India has been conducted by researchers and social scientists and they have been used different yard sticks in their research studies. Their main findings have been discussed in the following paragraphs:

Sarika. K. & Begum Sameera (Feb. 2015) identified about performance appraisal, it was suggested employee should responsibly dedicate their honesty and hard work towards an organization. An organization should also understand emotional values and dedication towards the firm of employee and should give suitable employee benefits. Organization should always treat every employee as their organization family member. In government firms updated technologies should be introduced on frequent basis. In government firms punctuality and discipline should be maintained. In private firms job securities should be developed highly. In private firms packages and perks should be good enough to particular employee's quality of work. Recruitment and Selection in government sector need a change and should adopt new techniques. Feedback system should be introduced in all the sectors of government and private. Employees and management will get to know their actual performance.¹

Neelakantaiah. M. (2015) analyzed organizations all over are rushing to implement the latest ideas on management, sometimes to the point of overuse. The major challenge now for banks as well as any other organization is therefore how to develop their social architecture that generates intellectual capital as the quintessential driver of change. Developing the individual or human capacity is an integral element of building capacity and, in fact, capacity building initiatives are now

¹ Begum Sameera, Sarika K: A Study on Performance Appraisal Public Sector vs. Private Sector: IOSR Journal of Business and Management, E-ISSN 2278-487X, P-ISSN 2319-7668: Volume-17, Issue-2 Version II: Page No. 80



increasingly becoming almost an index of institutional quality. Taking the banking industry to the heights of excellence, especially in the face of the a forehead-detailed emerging realities, will require a combination of new technologies, better processes of credit and risk appraisal, treasury management, product diversification, internal control and external regulations and, not the least, human resources.²

Yahiaoui Naima & Anser Ahlem & Lahouel Samia (2015) identified the differences between human resources in the public and private sectors. But the goal is the same—to enable our organizations to attract, develop and retain talent. However, as we all know, one key difference is that, unlike the private sector, most public sector organizations are not at-will employers. Among other things, that means that employees can only be removed "for cause." There are several reasons for that, including court rulings that government employees have property rights to their jobs and therefore this property—their jobs—can only be taken away for cause. This legalistic approach also applies to your specific question about hiring. While there are variations among public sector organizations, government hiring typically must be merit-based, requiring "fair and open competition." This often means that hiring is more process-oriented than in the private sector. In practice, fair and open competition means that: Hiring is preceded by, and based on, very detailed position descriptions.³

Bajaj Roopali & Sinha Shalini (2014) focused on performance Appraisal is one of the critical components which need focus in PSUs. If employees are properly appraised then definitely the level of satisfaction will be high and this can be a marked improvement in Employee Relationship Management. This finds true in case of Motivational measures and Career growth and Development also.⁴

² Neelakantaiah. M: Human Resource Management and practices in Indian banks: Acme Intellects international Journal of Research in Management, Social Science and technology, ISSN2320-2939 Print, ISSN 2320-2793 online: Volume-9 No.9, Jan. 2015: Page No. 18

³ Yahiaoui Naima, Anser Ahlem and Lahouel Samia: Human Resource Management and Public Organizations: Global journal of Human Resource Management, ISSN 2053-568 Print/ ISSN 2053-5694 online:: Volume-3, Issue-2, March 2015: Page No. 10-11

⁴ Bajaj Roopali and Sinha Shalini: Quantitative analysis of Human Resource Management components- A case study in Public Sector: International journal of scientific and engineering research, ISSN 2229-5518: Vol-5, Issue-7, 2014: Page No. 430



Kim Taehee & Holzer Marc (2014) identified that this study examined the factors that foster employee acceptance of performance appraisal. It is important because when employees have limited buy-in to performance appraisal, in terms of its purpose and its value, the performance appraisal system may well be ineffective. The path to improving effectiveness, and gaining the support of employees, is anchored in enhancing employee perceptions of the importance of the appraisal process and its usefulness in developing their career building capacities.⁵

Kaur Narinder & Bansal Sandeep (2014) focused on the recruitment and retention of good employees in banks or in any other organization proper procedure is to be followed. As discussed above the various methods of recruitment are followed by banks. With the accurate method of recruitment right kind of financial and non financial incentives are to be followed for retention of employees.⁶

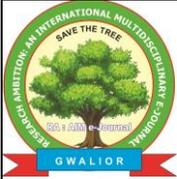
Jain Ruchi & Kaur Surinder (2014) analyzed the result of the study indicates that workload, stress, overtime, fatigue, boredom are some factors to increase job dissatisfaction. On the other hand good working condition, refreshment & recreation facility, health & safety facility, fun at workplace increase the degree of job satisfaction. Effectual human resource management and preserving progressive work environment would consequences the job satisfaction and performance of organization as well as entire economy. Hence, for the success of organization it is vital to accomplish HRM successfully and find whether the work environment is satisfied for employees or not.⁷

Bhati. P. Parul & M. Kumar Ashok (2013) identified about the employees expressed their willingness to continue contributing towards retaining the image of the organization as they have full faith in the current leadership and its management functioning. However, a section of people feel that their organization may not be construed as the employer of choice amongst public sector enterprises. This may be due to the fact that in India there has been an emergence of various star companies in

⁵ Kim Taehee and Helzer Marc: Public Employees and Performance Appraisal- A Study of Antecedents to Employees' perception of process: SAGE-Review of Public Personnel Administration: Volume-36(1) 2014: Page No. 35-36

⁶ Kaur Narinder and Bansal Sandeep: Employee recruitment and retention practices in Indian banking sector: University College Meerapur (Patiala) 2014: Research Scholar Department of Commerce Punjabi University, Patiala: Page No. 9.

⁷ Jain Ruchi and Kaur Surinder: Impact of work environment and job satisfaction: International journal of scientific and research publications, ISSN 2250-3153: Volume-4, Issue-1, 2014: Page No. 430



public sectors and some of them have been able to capture public image as the best employer. Notwithstanding this, majority of the employees intend to continue working for the organization and help retain company's image.⁸

Bajaj Roopali & Sinha Shalini (2013) focused on the study reveals that if HRM determinants like Compensation Management, Role of Top Management, HRD including (Training, Job Satisfaction, Job Rotation, Performance Appraisal, Participative Management, Career Planning & Development and Human Relations like (Motivational Measures and Grievance & Disciplinary Procedure) are improved can improve satisfaction of employees and thus can enhance ERM status in an organization.⁹

Murty T. N. & Fathima Faiza (2013) identified the Training & Development practices, their implications, perception and attitude of the employees towards T&D practices implemented by PSUs. Further the study is being carried out with collection of review of literature and relevant information collected from the employees of PSU. On the basis of the results obtained from the study, it is found that the T&D practices followed by PSU have deep impact on workers psychology and motivate the workers towards their job in a commendable manner. It is concluded that the employees have positive attitude towards the T&D practices followed in PSU. They perceive the T&D practice in a positive manner. Besides it has also been found that the perception and attitude of employees' assume paramount importance in the context of present industrial scenario.¹⁰

Rao Venkoba D. (2012) depicted that Indian PSUs give adequate importance to T&D programs which help their employees to acquire technical knowledge and skills, lay adequate emphasis on developing their managerial capabilities and adequately develop their human relations competencies. There is also ample evidence of evaluation and objective assessment of effectiveness and outcomes of training and development programs in PSUs. However, care need to be taken while

⁸ Bhati. P. Parul and M. Kumar Ashok: Key factors analysis for retention and attraction of employees: Asia Pacific journal of marketing and management, ISSN 2319-2836: Volume-II (2), 2013: Page No. 146.

⁹ Bajaj Roopali and Sinha Shalini: Successful Human Resource Management Determinants to build good employee relations- A quantitative Approach: International Journal of Human Resource Management and Research, ISSN 2249-6874: Vol-3, Issue-2, June 2013: Page No. 33-34

¹⁰ Murthy T.N. and Fatima Faiza: Perception and Attitude of Employees towards Training and Development in Public Sector Unit: Abhinav International Monthly Referred Journal of Research in Management & Technology, ISSN 2320-0073: Volume-II, March 2013: Page No. 147



applying these results. A major limitation is that the study was conducted in select organizations with a small sample. Future research can address these issues. Nevertheless, it provides a direction to PSUs to understand the concept, design and conducted T&D policies appropriately.¹¹

Grossi Estolano Luciano (2012) identified that Performance appraisal system is not much different from the Brazilian system. Both are centralized and regulated by law and have standards to all federal agencies. In my opinion, Brazil should have more flexible laws to allow agencies to create innovative appraisal and reward systems. The best characteristic of the US system is the reward system, based in non-periodic payments or non-monetary rewards. A monthly-bonuses-based system, as the Brazilian system, turns what should be a reward into a complement to the employee's salary. As it is embedded into the salary, every negative variation on monthly bonuses causes the employee to lose a portion of their salary. This has a strong impact on the evaluation by the leader, giving him power to maintain, increase or decrease the salary of the employees. Moreover, there is pressure on the leader to assess at 100%, with the argument that not doing this will cut part of employee's salary. It is important to consider the political environment of the public sector to remember that not all leaders are motivated 26 to make a candid assessment, mainly because it takes time and it is public money in contrast to the salary and the support of the employees. It's also important to state here that the main goal of Performance Appraisal is to evaluate and motivate the performance of public servants for them to give good service to the society in return for taxes paid by the citizens.¹²

Kim Suk Pan (2011) identified in an increasingly competitive world, performance improvement is not optional; it is essential for enhancing government's effectiveness and competitiveness. In the era of globalization and the borderless economy, competency and performance of government employees need substantial improvement. In that regard, having performance management and performance appraisal including PRP programs seems to be a good idea. However, the well-articulated system design based on in-depth understanding of complex human nature and effective management of such programs is a key to success. Having a good idea is not enough. So the good idea must be followed up by system improvements and sound practices. If

¹¹ Rao D. Venkoba and Kishan K: Understanding Training and Development in Public Sector Undertakings: European Journal of Commerce and Management Research: Vol-1, Issue 1, December 2011: Page No. 34.

¹² Grossi Estolano Luciano: Performance Appraisal as a tool for efficiency in public sector: The George Washington University School of Business, The Institute of Brazilian Issue: The Minerva Program, December 2012: Page No. 25.



performance measurement is simply viewed as a data collection and reporting exercise, it will serve little purpose to a policy community. Accordingly, performance appraisal and performance measures must be improved or adjusted to be successful in aligning with overall organizational and social environments. There needs to be understanding of the relationship between strategy, people, organizational design and performance systems in order for performance management to be achieved in the public sector.¹³

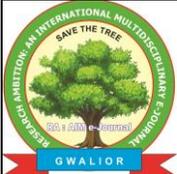
Kalburgi Javed Mohammed & G.P. Dinesh (2010) focused on many factors that play into the concept of employee motivation. The first necessary step is to determine what motivational tools will actually be effective in each particular situation. Some tools may work for some companies, but not for others and vice versa. It is important to note that the decisions dealing with motivation are based upon several theories. The workers were positively affected toward higher productivity with the provision of regular promotion, assurance of adequate job security and bonus for excellent performance. Nevertheless monetary incentives and rewards do not exert stronger influence on workers than any form of motivational factor. The organization should encourage initiative and creativity by allowing for some flexibility in application of rules and regulation. Too much rigidity in applying the rules may constitute a set back in the modern growth of the organization and dampen initiative and creativity. If the worker does not understand his duty, how can he perform? Understanding his task will increase the likelihood of improving his performance eventually lead to high productivity.¹⁴

Yusoff Mohd Yusliza (2009) focused on the first one undertaken in the manufacturing and service firms with emphasis on the differences in the perceptions of HRM effectiveness between HR and line managers. It has analyzed the extent to the differences of HRM effectiveness is applied in organizations and has helped to evaluate the present scenario.¹⁵

¹³ Kim Suk Pan: Performance Management Performance Appraisal in Public Sector: CEPA Meeting, April 2011: Page No. 19-20

¹⁴ Kaliburgi Javed Mohammad and G.P. Dinesh: Motivation as a tool for productivity in public sector Unit: Asian Journal of management Research, ISSN 2229-3795: Page No. 152.

¹⁵ Yusoff Mohd. Yusliza and Abdullah Shah Hazman: HR roles effectiveness and HR contributions effectiveness-Comparing Evidence from HR and Line Managers: International journal of business and management: Vol-4. No.2, Feb. 2009: Page No.161.



Centre for Good Governance (April 2009) analyzed about robust performance management system is to be introduced in the government covering all organizations and different levels of functionaries. Time has also come to look at a paradigm shift in ensuring accountability by introducing concepts like service agreements and bringing in the tools of social accountability to involve the citizen also in appraising the performance. The alignment between individual performance and organizational goal is also of utmost importance by introducing an appropriate set of performance indicators. Evaluation Performance Management Intervention Planning, implementing, reviewing, evaluating and reporting effectiveness of policies, programs & projects Individual Appraisal Key Performance Indicators Rewards/Punishments Performance Agreements Career Development Monitoring Management Information System Internal controls & standards Institution HRM Policy and a Nodal Department Performance Agreements 20 Measuring performance is useful only when it translates into action. Performance management tools by themselves do not create sustained high performance. It is important to create an environment conducive for effective and efficient performance with a system of rewards and punishment, besides building capacity at all levels of government to get results.¹⁶

Brown Kerry (2004) identified the problems are to be setting the public sector that ushered in NPM required more than simply maintaining a traditional context for bureaucratic action. Rising costs and the need for fiscal restraint, a loss of community confidence in the ability of government to be responsive to the community and structural change drove government and public sector leaders to seek a radically different model for operating and structuring the public sector. The more pertinent question relates not to how appropriate is the general thrust of reform that transposes business criteria onto the delivery of public services, but what is the relevant reform direction given prevailing public sector conditions and context. Calculations about HRM as a key platform for reform can then be usefully undertaken. What is at stake is the balance between competing values about the role and purpose of the public sector and the possibility of recuperating a viable human resource model that

¹⁶ Department of Administrative Reforms & Public Grievance: Performance Management in Government-Report: Centre for Good Governance: 4th Civil Services Day, April 2009: Page No. 19



considers both the particular character of the public service and also responds to the shifting conditions wrought by new management practices.¹⁷

CONCLUSION

PSUs are the backbone of the nation, the economy and mainframe of technology, innovation in Indian industries is highly depend upon PSUs, so the role of PSUs in Indian economy development is wide. For effective operation of PSUs, there is a heavy need of self-motivated and trained employees. Self-motivated employees are those employees who are satisfied from their job and appraise according to their performance for next job.

Performance Appraisal is the key for both employee and organization. It determines the path of success of the employee and organization. Performance Appraisal sets the key responsible areas of an employee towards his job and organization. In PSUs manpower is numerous so the each employee's performance appraisal system is rigid, so the various techniques of performance appraisal are used but these techniques are ineffective due to job security is high in the PSUs while outcomes of performance appraisal are given below, in private sector- **Outstanding-** if the employee performs well, as to collect 3 consecutive outstanding performances into his/her credit, he/she gets promoted. **Good-** If she/he is graded 'graded', they are sent to training program to improve his/her skill to perform better. **Below average-** if the employee gains three below average to her/his credit, then she/he is terminated from work. Above three outcomes are used in private sector using performance appraisal result. But in PSUs performance is not maistream. Any above (outstanding, good, below average) outcome would occur in public sector job security is available even below average employee demands his salary increment according to his given time in PSUs. Human Resource Department in PSUs always tries its best Human Resource Practices in PSUs but Government job security policy in PSUs becomes hurdles in implementing Human Resource Practices. If an employee is answered for his performance, uses the grievance procedure to escape his duties and responsibilities and also uses Trade Union interference in his matter so the Personnel Department of PSU has a list of employees who are passing their time in PSUs, don't want to enhance their potential for future job and role.

¹⁷ Brown Kerry: Human Resource Management in the Public Sector, School of Management: Queensland University of technology, ISSN- 1471-9037Print/ ISSN 1471-9045 online: Volume-6, issue-3, 2004: Page No.7