EMPLOYEE'S PERFORMANCE APPRAISAL SYSTEM: A LITERATURE REVIEW

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Abstract:

The core function of Human Resource Performance Management System in Information technology industry is to facilitate the performance improvement among its people. Factors such as skills, attitudes and knowledge of personnel, play a critical role in determining the competitiveness within the organization or the industry. The quality of human resources indicates the ability of organization to deliver the value to clients or customers. Indian Information Technology industry has been an important driving force behind the national economic development. The emerging environment poses both opportunities and threats, particularly to the companies as well as the human resource in changing economic and business environment Today, HR works towards facilitating and improving the performance of the employees by building a conducive work environment and providing maximum opportunities to the employees for participating in organizational planning and decision making process. The paper discusses about the role of performance management system in IT industry.

Key words: IT industry, Information security, Performance, Appraisal.

Introduction:

In the current day and age, the role of HR has evolved and developed to new levels. The focus of HR now is largely on the development of functional strategies to help in corporate strategy implementation. HR works in tandem with corporate strategies for optimum results, to improve employee performance, to create a harmonious work environment and to involve employees in decision making and planning for the corporate. It is the role of HR to provide these opportunities and hence it has climbed a notch higher from being just an passive participant to an enabler and facilitator. Performance management system in HR is a key component to increase employee motivation and drive high performance.

Performance management systems set in line an organized and systematic way of progress review, goal setting, and communication, recognizing and rewarding achievement, providing feedback for better performance and implementing employee development programs. It is a continuous process, which is carried out right from the time when an employee joins an organization till the time he or she leaves. Performance management in HR is aimed at improving the overall corporate performance by enhancing individual performance within the framework of a team. It pushes for optimum performance by setting the right expectations, communicating effectively, defining clear roles, and setting achievable objectives.

The development of an organization depends mainly upon the essential organizational climate and a proper human resource development mechanism so that it may bring favorable outcomes. Human Resources Development (HRD) in a business or an organization is the sub system of the Human Resource Management. Climate means the atmosphere in the company, especially a supportive atmosphere that allows staff members to develop their skills for the benefit of the company on one hand and for themselves on the other hand whereas the HRD Mechanism refers to the various tools (Performance Appraisal system, Potential Appraisal, Training, Feedback counseling etc.) that may be used for the development of the personnel and as a result, there comes favorable/unfavorable outcomes.

The core function of Human Resource Performance Management System in Information technology industry is to facilitate the performance improvement among its people. Factors such as skills, attitudes and knowledge of personnel, play a critical role in determining the competitiveness within the organization or the industry. The quality of human resources indicates the ability of organization to deliver the value to clients or customers. Indian Information Technology industry has been an important driving force behind the national economic development. The emerging environment poses both opportunities and threats, particularly to the companies as well as the human resource in changing economic and business environment. The primary emphasis needs to be on integrating human resource strategies with the business strategy. Above the aspects of recruitment, placement, performance management, rewards and employee relations - a radical transformation of the existing personnel structure in companies like the seniority over performance is not the best environment for attracting the best talent from the young competitive environment. However, recruitment practices as well as on-the-job-training and redeployment are considered as one of those many improvements of HR in Indian IT companies. The Human Resource field in the IT Industry is considered as one of the process of discovery and transformation. The field of Human Resource can be described as emergent and dynamic within the cultural business aspect in aIT Industry. The success of today's IT business will sparsely depends on the human resources of the organization, in which plays a crucial role in providing the services needed.

The evolution of IT system in India affected the human resource practices, recruitment and selection practices, and training system. It is very important that the details of human resource are discussed along with the employees, to build their own career planning, perceptions and development. The primary strength of the industry is the human resource that is why the efforts to develop the skills and management are the main subject placed before the human resource.

A key focus of the human resource System is highlighted in the role of staffing, performance management, training and development, and compensation that plays indifferent types of business strategies. With the acquisition and preparation of human resources, including planning, recruitment, selection, and training can affect the whole organizational performance.

An effective training systems of the manager's role in determining employees' readiness for training, creating a positive learning environment, and ensuring the training is used on the job.

Beyond the human resource strategies are the rewarding and compensating that can strengthen or weaken the employee effectiveness. In order to give recognition and increase motivational levels amongst the employees, some Companies linked the individual performance in an incentive scheme – or for some rewards that may come into any form. In summary, all of the HRM strategies and function should be aligned to help the company meet its objectives – as well as focusing on their customers.

Literature review:

Although the interest in and use of performance appraisal have increased over the past 30 years, the practice of formally evaluating employees has existed for centuries. As early as the third century AD., Sin Yu, an early Chinese philosopher, criticized a biased rater employed by the Wei dynasty on the grounds that "thy Imperial Rater of Nine Grades seldom rates men according to their merits but always according to his like or dislikes" (Patten, 1977,p.352). In 1648, the Dublin (Ireland) Evening Post allegedly rates legislators using a rating scale based on personal qualities (Hackett, 1928). According to Heilbroner (1953), the first industrial applicationof merit rating was probably made by Robert Owen at his cotton mills in New Lanark, Scotland, in the early 1800s. Wooden cubes of different degrees of merit were hung over each employee's workstation. As employee performance changed, so did the appropriate wooden cube. The merit rating or efficiency rating in the Federal Civil Service has been in place since at least 1887 (Petrie, 1950) and perhaps as early as 1842 (Lopez, 1968).

One impetus to the development of performance appraisal in U.S. industry (Patten, 1977) can be traced to the work of industrial psychologists at Carnegie-Mellon University and their early work in salesman selection and "man-to-man" rating forms on trait psychology (Scott, Clothier, & Spriegel, 1941). The man-to-man rating form was later used by the army in World War 1 to assess the performance of

officers (Scott et al., 1941), although formal PA probably began in the United States in1813 (Bellows &Estep, 1954) when army General Lewis Cass submitted to the War Department an evaluation of each of his men using such terms as "a goodnatured man" or "knave despised by all."

Although the man-to-man ranking by the department is not frequently used in industry or in appraising performance, it can be an effective method for determining the order of layoffs. In fact, in the late 1960sit was used by many companies that experienced cutbacks in government contracts to make layoff and retention decisions (Patten, 1977). This technique was known as the "totem approach" to personnel cutbacks. After World War I,many of individuals associated with the work of the man-to-man appraisal secured positions in industry, in part because of business leaders were impressed by the contribution of industrial psychologists to army research. Despiteearly criticisms (Rudd, 1921), the graphics rating scale increased in popularity and remainspredominant today. Just prior to and during World War II, the army again sought assistance from psychologists to improve its rating system. The outcome of these research efforts included the forced- choice and the critical-incident approach to merit rating (Flanagan, 1949; Sisson, 1948). Appraisal of industry employees became popular only after World War I, and appraisal of managers was not widely practiced until after World War II.

By the early 1950s, appraisal was an accepted practice in many organizations. In 1962, performance appraisal was conducted in 61 % of the organization surveyed (Spriegel, 19620) and typically top management was exempt from such ratings (Whistler &Harper, 1962). After the passage of the 1964 civil Right Act and the 1966 and 1970 Equal Employment Opportunity Commission (EEOC) guidelines for regulation of selection procedures, legal considerations exerted strong pressure on the organization to formalize their appraisal systems (De Vise, Morrison, Shullman&Gerlach, 1986). Federal legislation and the civil rights and women's movements of the 1960s and 1970s created the need for rapid improvements in organizational appraisal practices.

Several surveys of business organizations have indicated that between 74% and 89% of those surveyed have a formal performance appraisal &Villere, 1979; Lazer&Wilkstrom, 1977). Further, surveys concerning the prevalence of formal appraisal systems indicated that approximately 765 of the city governments and 100% of the state governments sampled had appraisal systems. Large organizations were more likely to have performance appraisal than smaller organizations (95% and 84% respectively), and (74%) to middle (71 %) management levels were more likely to have formal appraisals than top management (55%) (Lazer&Wilkstrom, 1977). Finally, in a recent study, approximately 96% of the organizations surveyed that had an industrial/organizational psychologist on staff also had at least one formal performance appraisal system (Cleveland, Murphy, &Williams, 1989). In general, then, performance appraisal appears to be nearly universal, and the apparent importance of performance appraisal as a tool for

managing human resources has increased. DeVires and colleagues (1986) point out two particular trends in the practice of PA during the past 30 years. First, appraisal methods have evolved from traits and essay approaches to such behavioral and results- oriented methods as Behaviorally Anchored Rating Scales (BARS) and Management by Objectives (MBO). A second trend isthat the number of uses of PA in organizations has increased during the past 30 years. The earliest use of performance appraisal was as a basis for administrative decisions such as promotions, salary increase and so on. Throughout the 1960s and 1970s, however, performance appraisals were increasing used for employee development and feedback, corporate planning,legal documentation, system maintenance, and research.

Finally, performance appraisal represents one of the least popular aspects of human resource management. As Meyer (1991) notes performance appraisal is one of the most frequent sources of dissatisfaction in the entire human resource system; neither supervisors nor subordinates look forward to appraisal, and neither is likely to be totally satisfied with the appraisal system in their organization. George (1986) refers to the appraisal systems in many organizations as "sterile paper chases". One possible reason for the widespread dissatisfaction with performance appraisal in organizations is that the systems used by organizations do not help them or their employees meet important goals. The performance appraisal system has undergone a lot of changes over the years as shown below:

1900	Subjective appraisals
1940	Increased psychometric sophistication
1950	Management by objectives (MBO)
1960	BARS
1970-90	Hybrid system and approach.

Scope of the Study:

This research holds significant purpose for academic research and IT industry. In the globalized Indian economy all the industries are doing well in the market and Indian IT industry are also performing well comparatively.

IT industry being a service sector industry, productivity of the staff has a significant bearing on the industry overall performance. Academic fraternity might also benefit with the proposed research as the need to understand the emerging industry sectors is paramount to develop theory, new ideas and future research possibilities.

In future the response of IT industry to the challenges imposed by the changing economic and business environment will mainly depend upon the extent to which they can leverage their intrinsic strength called human resources.

This study could provide useful guidance to IT industry particularly in recruiting skilled manpower from the open market, including lateral induction of experts and deployment of existing staff in new business and activities after suitable training.

CONCLUSION:

In today's competitive environment it is important for IT organizations to innovate, improve and adapt itself with the changing environment. This can be realized if the potential of the human resource is fully optimized and they are in a trajectory of growth and dynamism. Human resource development plays an imperative role in developing a learning environment where the knowledge and intellect can grow. The HR Performance Management Systems like performance appraisal, training, feedback and other planned developmental activities coupled with enabling climate helps an employee to gain competencies and realize their potential. For the development and growth of any organization, human resource is the basic requirement and most important resource. Therefore, the continuous attraction, development and retention of the human resources become a prerequisite for excellence (competitive advantage) for every organization. This is found out that performance management system plays a key role in the organization. From the data collected it is clear that employees in the organization are clear about how this system works.

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