



A DESCRIPTIVE STUDY OF PERFORMANCE APPRAISAL SYSTEM AND PROMOTION POLICY FOLLOWED IN INDUSTRIES OF PRIVATE SECTOR

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Abstract

The core of human resource development (HRD) in all large-scale industries is the performance appraisal system. The performance appraisal system (PAS), which is used by the management of target size industries for the assessment of the workforce, is fully dependent on promotions, awards, financial



and nonfinancial advantages, and career planning. From this vantage point, performance evaluation is crucial to the large-scale private sector industries. In the current study, the researcher made an effort to observe the actual performance appraisal systems and promotion policies followed by significant private sector industries, as well as their effects on industry development and the participation of personnel managers and officers, office and supervisory staff, and workers in the assessment. The objectives of the study are to study the techniques of the performance appraisal, to understand the present performance appraisal system and to study the relationship between performance appraisal and promotion policy. The study has been carried out in Chennai city to understand the performance appraisal system followed and the promotional policies applied in the private organizations. 500 sample respondents are selected from the private organizations which have more than 100 employees in office, supervisory and workers cater using simple random technique. The opinion of the respondents about the appraisal system and promotional strategies based on the performance appraisal are observed using the questionnaire. The study concluded that the private organizations adopting the modern method of the performance appraisal highly considered it for the promotion.

Keywords: *Performance Appraisal system and promotion policy, Industries and private sector*

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Introduction

We live in a time of vivid change right now, making it absolutely crucial to weigh pros and cons. It requires prompt application or precise measuring. Nothing can avoid such performance evaluations in light of the rising globalization and economic liberalization. This performance evaluation is based on a number of important factors that help to increase both individual and organizational effectiveness. It is a crucial component of the performance review. It is a necessary and unavoidable managerial activity to foster excellence in both the business and the individual. The majority of the time, performance reviews can be a factor in helping each employee internalize the cultural norms and tenets of the company, resulting in the development of an organizational distinctiveness and responsibility throughout the company. A tool for self-reflection and defining personal goals for the employee is the performance appraisal. By continually fostering the development of the behaviour and qualities required for advanced positions in the business, it helps to prepare individuals for performing advanced jobs. The idea of performance evaluation was first introduced in the early 20th century. It is the

procedure for gathering, examining, and documenting data on a worker in order to assess and enhance their performance. An employee's performance is assessed in terms of quality, quantity, time, and cost, as well as the value that they provide to the organization's objectives. Depending on the type of organization, its size, and the time frame for use, many techniques of performance evaluation are employed.¹

¹ Sayeed Omer and Bhinde., (2003) "Performance Appraisal effectiveness; an empirical Assessment" an article in Indian Journal of Industrial Relations (HR) Shri Ram Centre, New Delhi", pp. 166-179, Volume 39, Number 2





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Knowing the proper nature of the job and the essential requirements for job performance is aided by performance appraisal. Knowing the advantages and serious disadvantages of the roles and responsibilities within a specific organization is also helpful. It helps to identify how each employee needs to improve in terms of his or her role and responsibilities. Each employee feels glad to work with his or her supervisor and so contributes the most to the organization as a result of improved cohesion between employees and their supervising officer brought about by performance appraisal. It may be a tool for boosting communication between the executive and the staff. The employee learns what his managers expect of him, and each manager learns about the challenges his staff has and works to address them so that they can jointly complete the responsibilities.² Globalization's strong pull and the ongoing liberalization of the corporate environment have forced the sector in a new direction. The large-scale industries in the private sector must fight hard for survival and diverse expansion in

order to benefit from these conditions. Everything must occasionally be inspected for success. The need for a performance appraisal system becomes essential for long-term performance and achieving specified goals or objectives. It has been one of the most significant endeavors of the relevant industry or organization.

² Werther William B., Jr. and Davis Keith; (2012) "Human Resource and Personnel Management", Tata Mc-Graw-hill-inc, New Delhi," p. 341.





Elements of Performance Appraisal System

The performance assessment system identifies expectations for employees' performance, and it should compute, assess, and record each employee's performance in relation to those expectations as well as provide each employee with an opinion. The Department designs the annual performance evaluation system for employees. The direct supervisor is responsible for scheduling the evaluation. The following are the essential components of a successful performance evaluation system. –

A Clear Appraisal Process: Employers should be as open as honest as they can during the performance review process. The efficiency of any instrument is increased and anxiety is reduced when the procedure is known. Ambiguity can breed distrust between managers and staff which imply that the goal of performance reviews is to "find" employees making mistakes and punish them.³ All employees should have free access to the forms and formatting connected with the procedure. To make sure that the requirements for success

are both objective and realistic, employees should have the chance to offer advice on how the evaluation should be formatted and how the process should be restructured. Employee participation in the assessment process increases comprehension of the process' genuine goal as well as willing participation.⁴

Standards Must Be Objective and Equally Applied: It is essential that all employees, regardless of level, meet the same performance criteria. The first to follow library policy should be the management of the libraries as a symbol of responsibility. Harrison et al.(1997)⁵ pointed out that Management by objectives enables the establishment of quantifiable standards that are independent of the appraiser's subjective judgments. In order to evaluate the present, appraisers cannot use an employee's past performance evaluations, whether positive or negative. It is easier to ensure that evaluators are appropriately trained in performance appraisal methodologies by predetermining objectives for each job title and employee.

³ Boyd (2005). "Juanita's paintings: a manager's personal ethics and performance reviews. Library Administration & Management, Vol.19, 31-35.

⁴ Smith, (2005). "Sally in Library land. Illinois Library Association Reporter", Vol.23, pp.18-19.

⁵ Harrison et al.(1997). "Performance appraisal in public libraries. New Library World", Vol.98, pp.275-280.



The Appraisal Must Be a Review: The chance to confront and resolve issues right immediately in a far less forceful manner is lost if concerns and difficulties are postponed until a year-end review. Any praises or grievances voiced during the year must be recorded and considered as part of the appraisal process.. According to Holcomb (2006)⁶, the chance to confront and resolve issues right immediately in a far less forceful manner is lost if concerns and difficulties are postponed until a year-end review. Any praises or grievances voiced during the year must be recorded and considered as part of the appraisal process.⁷

Performance Appraisal and Promotion Policy Conceptual and Theoretical Framework

Anthony (1965)⁸ first distinguished managerial control as a distinct phenomenon for study more than fifty years ago. The researcher placed management control between operational control and strategic planning at the time, giving it a very restrictive definition and emphasizing accounting-related controls. It is generally acknowledged that "management control" refers to a wide range of operational managerial practices that direct, influence, over organizational member behaviour to align disparate interests within the organization toward a single goal. It's important to note that in modern research, the phrases "management control systems" (MCSs) and "performance management systems" (PMSs) frequently function as markers for the same or roughly comparable phenomena. The latter phrase became a key indicator in the field in the 1990s to set it apart from the more constrained thinking that originated with the discipline. According to the modern perspective, we see MCSs (and PMSs) as necessitating practices that

relate to "the evolving formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management, for assisting the strategic process and ongoing management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for assisting the ongoing management process." Ferreira and Otley (2009)⁹. There are a few requirements for this definition. The definition encompasses a wide range of MC practices, it is crucial to emphasize that the core of MCS research continues to have a behavioral focus, referring to any organizational setting in which someone (such as superiors or managers) tries to control the behaviour of another (such as subordinates or employees) in order to manage their performance (Abernethy and Chua)¹⁰ pointed out that because of the behavioral focus, it is crucial to comprehend what performance means both in the context of an empirical study and from a theoretical standpoint. Performance, for instance, might be related to sociological and psychological factors, financial and non-financial components, as well as individuals or groups.

The potential to progress in their current role is among the biggest rewards a firm can give its employees. Practically speaking, very few people—across all companies—are consistently satisfied with their existing jobs. Every person has a fundamental desire to advance and improve their position, and once that desire has been satisfied, the majority of individuals still work toward achieving higher status and greater pay, which improves their quality of life, morale, and job satisfaction. Promotion is therefore one of the best forms of

⁶ Holcomb (2006). 'The annual performance evaluation: necessary evil or golden opportunity?' *Law Library Journal*, Vol.98, pp.569-574

⁷ Johnson (2004). 'The case of performance appraisal: Deming versus EEOC'. *Library Administration and Management*, Vol. 18, pp. 83-86.

⁸ Anthony (1965), "Planning and Control Systems: Framework for Analysis, Harvard University Press. Boston".

⁹ Ferreira, and Otley (2009), "The design and use of performance management systems: an extended framework for analysis", *Management Accounting Research*, Vol. 20, (4), pp. 263-282

¹⁰ Abernethy and Chua (1996), "A field study of control system "redesign": the impact of institutional processes on strategic choice", *Contemporary Accounting Research*, Vol. 13, (2), pp.596-606



incentive that encourages loyalty to the firm and keeps staff members busy exerting their best efforts in the goal of moving up the corporate ladder. Performance evaluation serves as the foundation for HR decisions involving training, wage increases, promotions, transfers, and terminations. Among them, separations, promotions, and transfers are effective strategies to change an organization's workforce size. Promotions, transfers, and separations can be used by the workforce to meet organizational demands because they are flexible and mobile. Promotion is among the best forms of incentive because it gives employees additional responsibilities, better pay, high morale, and a fulfilling job. Practically every worker hopes to advance in their profession, and promotions include climbing the corporate ladder.

Research Objectives

The objectives of the study are as follows –

1. To study the various techniques of the performance appraisal.
2. To understand the present performance appraisal system.
- 3 To study the relationship between performance appraisal and promotion policy.

Research Methodology

The study has been carried out in Chennai city to understand the performance appraisal system followed and the promotional policies applied in the private organizations. 500 sample respondents are selected from the

private organizations which have more than 100 employees in office, supervisory and workers cater using simple random technique. The opinion of the respondents about the appraisal system and promotional strategies based on the performance appraisal are observed using the questionnaire.

Findings, Results and Conclusion

The study analyses the performance appraisal system followed in the private organizations and its link with the promotional strategy applied. The results are given in two aspects. The first part deals with the performance appraisal system followed and second one is to show the promotional strategy followed based on the performance appraisal system.

1. Method of performance appraisal

The private firms adopt different methods of the performance appraisal system based on their situation and need. The performance appraisal method can be traditional, modern or inclusion of both traditional and modern. The result is given below.

Traditional methods

The traditional methods are straight ranking method, man to man comparison, grading, critical incidents, etc. The respondents' opinion about the performance appraisal method followed in their organizations is given below.

Table 1: Traditional system

Straight ranking method	118	23.60
Man to man comparison	24	4.80
Grading	16	3.20
Critical incidents	53	10.60
Committee appraisal	65	13.00
Others	224	44.80
Total	500	100.00

The above table shows that straight ranking method is followed in some companies (result from 118 (23.60%) respondents). committee

appraisal method is followed in some private companies. It is opined by 65 (13.0%) respondents. Most of the respondents (44.80%)



opinion is other methods are used in the performance appraisal system of the private companies. Based on the critical incidents, the performance of the employees in the private organization is appraised (10.60%).

Modern methods

The modern method of performance of appraisal could also be used while measuring

Table 2: Modern methods

Management by objectives	24	4.80
Others	476	95.20
Total	500	100.00

The result from the Table 2 indicates that 476 (95.20%) respondents opined other methods are followed in their organizations. Only 24 (4.8%) respondents have mentioned that the management by objectives is followed in their organizations.

Other methods

the performance. The modern performance appraisal system is based on the management by objectives. Other systems like 360 degree appraisal system are also used by the private organizations based on their system or need. The opinion of the respondents is given below.

Other methods which are the mixer of the modern and traditional methods used by the private organizations according to the need and nature of the human resource management. They are self appraisal, key performance based appraisal, performance method, target method and agreement method.

Table 3: Other methods

Self appraisal	58	11.60
Key performance	124	24.80
Performance method	87	17.40
Target method	179	35.80
Agreement method	52	10.40
Total	500	100.00

Self appraisal system is followed as per the opinion of the 58 (11.60%) respondents. Key performance appraisal system has been mentioned by 87 (17.40%) respondents and 179 (35.80%) respondents mentioned that their company follow the target method of appraisal.

Period of appraisal

The performance appraisal method is a continuous process to improve the performance of the employees. It will be made periodically according to the size and nature of the business. The respondents are also asked to the period of appraisal.

Table 4: Period of performance appraisal

Quarterly	34	6.80
Half yearly	57	11.40
Annual	409	81.80
Total	500	100.00

Majority (81.80%) of the respondents say that the performance appraisal is done in their organization yearly once. 57 (11.40%)

respondents say that the appraisal is done yearly twice and 34 (6.80%) respondents opined



that 34 (6.8%) respondents' organizations are doing the appraisal quarterly.

Grade point system followed

While appraising the performance of the employees, different grad point systems are

followed i.e., 5 ranking scale, A to F grade and 1 to 3 points grade. The respondents' opinion is given below.

Table 5: Grade point system

5 ranking scale	311	62.20
A to F grade	124	24.80
1 to 3 points	65	13.00
Total	500	100.00

As per the opinion of the majority of the respondents (62.20%), it is understood from the above table that most of the companies follow the 5 ranking scale system to measure the performance appraisal. 124 (24.80%) respondents say that their organizations follow the A to F grade system. 65 (13.0%) respondents have mentioned that their management use 1 to 3 points scale grading system.

Satisfaction

The satisfaction of the employees towards the performance appraisal system is very important. The performance appraisal system is not only for the management but also for the employees. The appraisal system will motivate the employees towards the achievement of the goal of the organization. In this perspective, the level of satisfaction of the employees is measured.

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Table 6: Satisfaction towards the performance appraisal system

Very high	284	56.80
High	122	24.40
Neither high nor less	72	14.40
Less	14	2.80
Very less	8	1.60
Total	500	100.00

The Table 6 reveals that 284 (56.80%) respondents are highly satisfied with the performance appraisal system followed in their organizations. 122 (24.40%) respondents highly satisfied and 72 (14.40%) respondents are neither highly satisfied nor less dissatisfied.

Benefits

The success of the performance appraisal can be identified with the benefit achieved by the organization. The impact of the performance appraisal is studied as below.

Table 7: Benefits of the performance appraisal system

Improve performance	408	81.60
Less absenteeism	64	12.80
Others	28	5.60
Total	500	100.00

Most of the respondents (81.60%) feel that the performance appraisal improves the performance of the employees and 64 (12.80%) respondents opined that the performance

appraisal system reduces absenteeism. Other benefits have been mentioned by 28 (5.60%) of the respondents.



2. The link between the performance appraisal system and promotion

Another objective of the study is to measure the linkage between the performance

appraisal and its impact on the promotional strategies. Using the Chi-Square test, the relationship is tested.

Table 8: Performance appraisal system and promotional system used

Performance appraisal	Promotion		Total
	Yes	No	
Traditional	83	72	155
	53.5%	46.5%	100.0%
Modern	143	46	189
	75.7%	24.3%	100.0%
Others	83	73	156
	53.2%	46.8%	100.0%
Total	309	191	500
	61.8%	38.2%	100.0%

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The respondents who say that their organization is majorly adopt traditional method (53.5%), modern methods (75.7%) and other methods (53.2%) use the result of the appraisal for the decision of the promotions.

Though the majority of the respondents from all the group use the appraisal method, the percentage of the modern method following organization is more. The relationship is tested as below.

Table 9: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.734	2	0.000
Likelihood Ratio	25.548	2	0.000
Linear-by-Linear Association	0.005	1	0.943
Total	500		

The result from the Chi-Square test shows that the calculated value (24.734) is more than the table value for the degree of freedom 2. It is significant at 1% level. The p value is 0.000. Hence it is concluded that the private organizations adopting the modern method of the performance appraisal highly considered it for the promotion.

Basis used for promotion policy

The promotional strategy also considers other factors along with the performance appraisal. In this background the respondents are asked to give their opinion about various factors like experience, qualification or quality of job. The result is given below

Table 10: Basis for the promotion policy

Length of services or experience	168	33.60
According to qualification	48	9.60
According to quality of job / work	284	56.80



Total	500	100.00
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The result from the Table 10 exhibits that majority (56.80%) respondents feel that their performance or quality of the work is mostly considered for the promotion. 168 (33.60%) respondents feel that the promotion is given based on the experience and 48 (9.60%) say that the qualification plays important role in the promotion of the employees.

Conclusion

In order to improve performance, performance appraisal (PA) serves as a strategic tool in public sector human resource management (HRM). The core of human resource development (HRD) in all large-scale industries is the performance appraisal system. The performance appraisal system (PAS), which is used by the management of target size industries for the assessment of the workforce, is fully dependent on promotions, awards, financial and nonfinancial advantages, and career planning. From this vantage point, performance evaluation is crucial to the large-scale private sector industries. The study concluded that the private organizations adopting the modern method of the performance appraisal highly considered it for the promotion.

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