A CONCEPTUAL FRAMEWORK TO UNDERSTAND APPRAISAL METHODS IN IT COMPANIES IN BANGALORE.

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Abstract.

Performance appraisal is one of the most important processes in human resource Management. This process apart from identifying and culling out potential of a person to organizational development and revenue generation it also improves the general ethos of the company. A successful Appraisal method will lead to satisfaction amongst employees, increasing loyalty and decreasing Attrition. In Knowledge industry like IT Sector the product of the company namely IT Solutions happens in the mind of the Employees, unlike in the shop floor in a manufacturer Sector. In this paper through exploratory research various appraisal methods are showcased. The process of appraisal methods followed in four distinguished IT companies in Bangalore is captured. The four companies were chosen based on convenience and 10 members from each company who are software engineers and programmers were interviewed through partially structured interview Schedule. The Exploratory Study revealed that companies do not strictly adhere to one method of appraisal system. Each of the four companies have evolved an appraisal method which is a combination of various methods described in literature.HR manager in charge of creating, managing, executing, evaluating the appraisal system hence need to be creative and proactive to keep the system and method lucid so that the appraisal system works towards achieving the company goals.

Keywords: Performance Appraisal, Methods of Performance Appraisal, IT Companies.

INTRODUCTION:

Performance appraisal has many definitions "Performance appraisal" is a practice within the Overall performance management process Dowling et al (1999). Robbins et al (2000) defines appraisal as "the evaluation of an individual's work performance in order to arrive at objective personnel decisions". Manasa K. & Reddy N. (2009) **has connected the individual performance with pre-defined job description.** She has defined the Performance Appraisal as a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives.

A performance Appraisal system is an integral employee practice of the macro human resources (HR) framework of an organization. It is a formal and at times informal and documented process of the performance of workers, professionals and other staff members of an organization. All professionally managed businesses and enterprises have performance appraisal systems to measure the intrinsic worth and work performance of employees and encourage, motivate and reward them based on their performances.

Various methods are in use to carryout performance appraisal. In most of the researched articles performance appraisal method is interchange belly used for performance appraisal techniques. The most used classification of PA methods is Traditional Approach and Modern Approach.)

Methods of Performance Appraisal:

There are numerous methods to measure employee's performance appraisals. Winston & Creamer, 1997 has defined performance appraisal as "An Effective appraisal systems should address clarity, penness, and fairness; recognize productivity through rewards; and be cognizant of appraiser leadership qualities"

Performance Appraisal methods are Traditional and Modern methods. Literature related to the classification is dealt with in the following paragraphs:
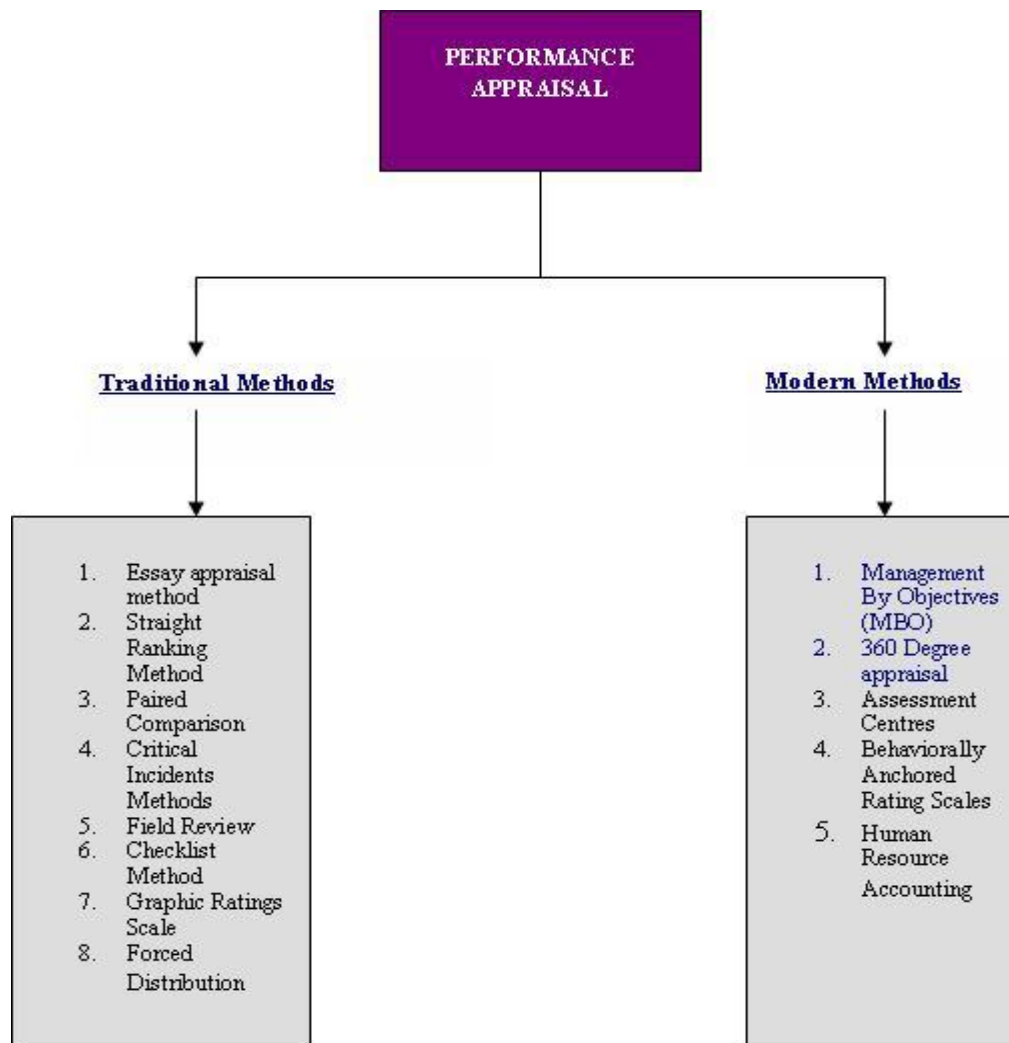
Traditional methods:

Under Traditional methods following Appraisal systems are included:

The essay appraisal: It is the simplest evaluating method in which evaluator writes an Explanation about employee's strength & weakness and analyses previous performances. Suggestions will be given by the managers for his (her) improvement at the end of evaluation term. This method often combines with other methods. In essay appraisal the attempt is to focus on behaviors. (Mondy, 2008).

Straight Ranking Method: This is one of the oldest and simplest techniques of performance appraisal. In this method, the appraiser ranks the employees from the best to the poorest on the basis of their overall performance. It is quite useful for a comparative evaluation.

Paired comparison: In this method, employees are compared with all others in pairs. The number of comparison is followed as N*(N-1)/2 in which N shows the number of employees. After doing all the comparisons, the best person is determined for each characteristic.(Mondy, 2008).

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The critical incident appraisal:(Mondy, 2008) has explained the critical incident appraisal method in his book on Human Resource management and has mentioned that critical incidents methods of Appraisal focus on key factors which make difference in performing ajob efficiently. This method is more credible because it is related to job and based on individual's performance than characteristic. The necessity of this system is to try to measure individuals' performance in term of incidents and special episodes which take place in job performance. These incidents are known as critical incident. In this method, the manager writes down the positive and negative individuals' performance factors in evaluation terms.

Field Review:In this method, a senior member of the HR department or a training officer discusses and interviews the supervisors to evaluate and rate their respective subordinates. A major drawback of this method is that it is a very time consuming method. But this method helps to reduce the superiors' personal bias

The checklist:(Decenzo, et al 2002) has explained the checklist method, as a system where the evaluator has a list of situations and statements and compares it with employees. The checklist is a presentation of employee's characteristics and performance. The results can be quantitative and give weight to characteristics. Answers of checklist are often "Yes" or "No".

The graphic rating scale: This is the most commonly used methods of performance appraisal because they are less time-consuming to develop, administers, and also allow for quantitative analysis & comparison. It is a scale that lists some characteristics and range of performance of each individual. Therefore, employees are ranked by determining a score which shows their performance level. The utility of this technique can be enhanced by using it in conjunction with the essay appraisal technique (Mondy, 2008).

Forced choice: Referring Mondy, 2008 again Force Choice method has been described as a system which evolved after a great deal of research conducted for the military services during World War II. It is a method in which the evaluator should rank individual work behavior between two or more states. Each state may be favorable or unfavorable. The activity of evaluator is to determine which state has an explanation of employee the most.

Modern Methods

Management by Objective

In this approach Employees are evaluated on how an Employee has accomplished a specific set of objectives that have been determined to be critical in job. This approach is frequently referred to as

Management by Objectives (MBO). Management by objectives is a process that converts organizational objectives into individual objectives. It consists of four steps (Ingham, 1995).

1.Goal   setting

2. Action planning

3. Self-control

4. Periodic reviews

360 Degree Appraisal

360 degree Appraisal is the latest approach and also popular modern method followed in most of the IT companies in Bangalore. It is a popular performance appraisal method that involves evaluation input from multiple levels within the firm as well as external sources. There are numerous authors who propose definitions of the 360 degree feedback process (Yukl and Lepsinger, 1995 defined the 360 Degree Appraisal as "Feedback from multiple sources or '360 degree feedback' is a performance appraisal approach that relies on the input of an employee's superiors, colleagues, subordinates, sometimes customers, suppliers and/or spouses" .the author through their study have brought out that the appraisal relies on the feedback given by the internal and external sources.

Group Order Ranking:

Dessler, 2000 in his work has elaborated on *Individual ranking system.* In this type of appraisal, individuals are ranked from highest to lowest. It is assumed that the difference between the first and second employee is equal to difference between 21st and 22nd employee. In this method, the manager compares each person with others than work standards.

Assessment Centers:

Assessment center refers to a method to objectively observing and assessing the people in action by experts or HR professionals with the help of various assessment tools and instruments. Assessments Centers stimulate the employee's on the job environment and facilitate the assessment on the job performance. An assessment center typically involves the use of methods like social informal events, tests and exercise, assignments being given group of employees to assess their competencies and on the job behaviour and potential to take higher responsibilities in the future. Generally, employees are given an assignment similar to the job they would be expected to perform if promoted. The trained evaluators observe and evaluate employees as they perform the assigned jobs and are evaluated on job related characteristics. In this the author states that the Performance appraisal is connected with Job Behaviour.

Behaviorally anchored rating scales (BARS):

This method replaces traditional numerical Anchors tools with behavioral prototypes of real work behaviors. BARS lets evaluator to rank employee based on observable behavioral dimension. The elements of this method are result of combination of major elements of critical incident and rating scale appraisal methods (Wiese,1998)

After taking a look at the various types of performance appraisal systems, it is interesting to note as to which system is used and suitable to appraise employees in the IT sector. The importance of IT sector in the Indian economy cannot be undermined. Studies reveal that the share of IT (mainly software) in total exports increased from 1 percent to 18 percent in 2001. IT-enabled services such as back office operations, remote maintenance, accounting, public call centers, medical transcription, insurance claims, and other bulk processing are rapidly expanding. Indian companies such as HCL, TCS, Wipro, and Infosys are household names around the world. Today, Bangalore is known as the Silicon Valley of India and contributes 33% of Indian IT Exports. India's second and third largest software companies are head-quartered in Bangalore.

IT sector is unique as the production process happens in the mind of employees and products are made not in the assembly work shops. Employee's retention and enhancement can alone cause growth and wealth to the company, and to achieve continued loyalty to the company a strong performance appraisal system is absolutely necessary. Not only good appraisal system but also the work, environment, work nature changes frequently and too many changes impact the attrition of the employees. The level of comforts gets affected with respect to the changes that happen in the company. Employees prefer a change of company when he is not comfortable with the appraisal method or hike which might disturb his comfort zone.

Considering the importance of IT Sector to the Indian Economy, understanding the importance of Performance Appraisal in the growth, revenue generation, retention Strategy of employees in IT Sector, this study has set the following Objectives:

1. To understand the performance appraisal system followed by IT companies.
2. To match the system followed in companies to the conceptual models enumerated in HR Literature.
3. To understand the tools those are used for reviewing the employees in the performance appraisal system.

4. To understand the employees Feedback on Appraisal process.

Literature Review:

Performance appraisal has been defined in many ways. The simplest way to understand the meaning of performance appraisal is as follows: "A regular and continuous evaluation of the quality, quantity and style of the performance along with the assessment of the factors influencing the performance and behaviour of an individual called performance appraisal".

Cleveland, Murphy, and Williams (1989) argued that there is a relationship between organizational characteristics and the uses of a performance appraisal system.

Stonich(1984) also argued that performance measurement in an organization should be in tune with its structure and culture. Since the nature of the enterprises in which each industry is engaged varies, its organizational type, business policy, internal and external environment are also usually different. The purpose of this study is to conduct a direct comparative analysis of performance appraisal system in the service and manufacturing industries.

Eichel and Bender (1984) argue that performance evaluation is primarily designed as a tool that organizations use to control its employees. He adds that past performance is used as a guide for the appraisal exercise. His method of appraisal is subjective and surprisingly, is still popular with many agencies today **(Vroom, 1990).**

Edwards and Ewin (1996) argue that the feedback received from multiple sources, such as superiors, peers, subordinates and others has a more powerful impact on people than the feedback received from a single source, such as the immediate supervisor of the employee concerned. Employees regard performance information from multiple sources as fair, accurate, credible and motivating. They are more likely to be motivated to change their work habits to earn the esteem of their co-workers than the respect of their supervisors.

Importance of IT sector to Indian economy

The Information technology industry in India has gained a brand identity as a knowledge economy due to its IT and ITES sector. The growth in the service sector in India has been led by the IT–ITES sector, contributing substantially to increase in GDP, employment, and exports. The sector has increased its contribution to India's GDP from 1.2% in FY1998 to 7.1% in FY2011. According to

NASSCOM, the IT–BPO sector in India aggregated revenues of US$88.1 billion in FY2011, where export and domestic revenue stood at US$59 billion and US$29 billion respectively. The industry's share of total Indian exports (merchandise plus services) increased from less than 4% in FY1998 to about 25% in FY2012. According to Gartner, the "Top Five Indian IT Services Providers" are Tata Consultancy Services, Infosys, Cognizant, Wipro and HCL Technologies.

Research Methodology

This study is Based on Exploratory Research method. An Exploratory research is a type of research conducted for a problem that has not been clearly defined. Exploratory research is the first phase for a researcher, which further helps to determine the best research design, data collection method and selection of subjects for further and in-depth studies. Generally exploratory research is not conducted to arrive at definite conclusions. It is conducted as a prelude to understand more of the subject being dealt with. Under very rare circumstances conclusions are drawn and it is done with extreme caution.

Exploratory research often relies on Secondary Research Data such as reviewing available literature and/or data, or qualitative approaches such as informal discussions with consumers, employees, management or competitors, and more formal approaches through in-depth interviews, focus groups, projective methods, case studies or pilot studies.

Further Study extensive exploratory research is done by reviewing company websites of relavant companies and accessing information about the concept of performance appraisal from various text books and published Literature.

For the Current Study Four IT companies namely Tata Consultancy services(TCS), International Business Machine(IBM), Cognizant Technologies Systems(CTS), Citrix R & D India Pvt ltd are Chosen to achieve the objectives set for the study.

The four IT companies for the study were chosen based on Convenience. The researcher's contact with the HR Department, easy access to employees, the researchers accessibility to the respondents based on referrals where some of the criterion based on which the above companies were chosen.

10 members were chosen from the four IT companies. The first member was contacted based on prior acquaintance and others were referred consequently. In a way a snowball method was used in contacting the respondents from the companies.

Personal interview was conducted in person and through telephones with the respondents. An interview schedule was prepared by the researcher, which was used to elicit answers from respondents. Questions were asked to find out the periodicity, method, and feedback on the performance appraisal followed by the company.

A General Survey from the employees working in IT Companies:

A general Survey being made by speaking to the employees of IT companies. As each method has its own advantages and disadvantages .Also the researcher had made a study about the appraisal process in companies like TCS, IBM, CTS, Citrix etc..

The Appraisal method followed in TCS:

Tata Consultancy Services Limited (TCS) is the world-leading information technology consulting, services, and business process outsourcing organization that envisioned and pioneered the adoption of the flexible global business practices that today enable companies to operate more efficiently and produce more value.

TCS conducts two appraisals:

1. At the end of the year
2. At the end of the Project.

Appraisals are based on Balanced Scorecard, which tracks the achievement of employees on the basis of targets at four levels:

A) Financial
B) Customer
C) Internal
D) Learning and growth.

The financial perspective quantifies the employee's contribution in terms of revenue growth, cost reduction, improved asset utilization and so on.

The customer perspective looks at the differentiating value proposition offered by the employee; The internal perspective refers to the employee's contribution in creating and sustaining value; the learning and growth are self-explanatory. The weightage given to each attribute is based on the function the employee performs.

General Interview with few of TCS Employees:

When the researcher spoke to few employees of TCS the outcome is the method used in their organisation they are satisfied. Latest method used in the last two quarters is Ranking system method where most of the employees are satisfied in this method

Under this method all the associates in TCS are rated on a scale of0-5, 5 being the highest. Your rating generally comes up to 3 decimal places which are rounded off to nearest integer e.g. if your rating is 3.499, it would be considered as 3 and if its 3.500 or 3.501,it would be considered as 4.

Appraisal Method Followed in IBM:

IBM is a global technology and innovation company that stands for progress. With operations in over 170 countries, IBMers around the world invent and integrate hardware, software and services to help forward-thinking enterprises, institutions and people everywhere succeed in building a smarter planet.

IBM Conducts Two Appraisal each quarter. The appraisal process in IBM involves setting work standards, assessing the employee's actual performance relative to these standards, providing feedback to the employee with the aim   to eliminate performance deficiencies or continue performance above par. One sometimes wonders why a performance appraisal is done at all when it is such a terrible experience for the supervisor as well as for the employees. A logical explanation would be   that always IBM leads to performance related pay awards, identifies potential, gets a glimpse into wider organizational development prospects, identifies occupation-person match and mismatch and looks into the actual and potential problem areas.

At Present IBM also follows Ranking System in this method All the associates in IBM are rated on a scale of 0-5, 1 being the highest. Your rating generally comes up to 3 decimal places which are rounded off to nearest integer e.g. if your rating is 3.499, it would be considered as 3 and if its 3.500 or 3.501, it would be considered as 4.

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Appraisal Method Followed in CTS:

Cognizant is a leader in bringing solutions to clients that not only drive effectiveness and efficiency, but that also leverage the four forces driving the future of work: globalization, virtualization, cloud technologies and the millennial generation.

The goals that they have achieved and will also discuss with the employees the goals that they need to achieve at the end of the year. It is to evaluate the employees where they are in order to achieve

the year end goal. In the Second Quarter Based on the goal set and the goals achieved by the employees CTS follows the following Rating:

1. EA – Exceeding all Expectations
2. EM –Exceeding Most of the Expectations
3. MA – Meet All Expectations
4. MS – Meet Some Expectations
5. NS – Not Suitable.

According to the above rating the employees will be plotted in the Bell Curve.

Appraisal Method followed in Citrix R & D India Pvt Ltd:

Citrix Systems, Inc. is a multinational corporation founded in 1989, that provides server and desktop virtualization, networking, software-as-a-service (SaaS), and cloud computing technologies.

As Citrix is a Product based Company Employees enjoys a good Salary Package and also researcher feels that they also having a Decent hike at the end of the Yearly Appraisal. Citrix Performance appraisal is thrice a year i.e. Each Quarter. In the first Quarter the manager set a Goal for the Employees it is the Goal Setting for the first Quarter. In the Second Quarter the Manager and the Team Members will have discussions about the Goals that the members have attained and goals that they need to achieve at the end of the Third Quarter. The Manager also helps them to focus on the further goals that they need to attain. In the Third Quarter is the performance Appraisal will be done by the Managers to their Team Members after reviewing the Goal set and Goal Achieved by the Team Members. According the Established Target and target Achieved by the employees the manager will review each employees potential, tools, Ability used to achieve the Target Appraisal will be Initiated by the Manager. Here, the company is adopting Modern method called Management By Objectives(MBO) were goals are set and measured together by the Manager and the employee.

When the researcher spoke to the Managers and Employees they were happy about the Software that were installed they call it as a Online Survey Software Application which is installed in-house or used on hosting system to create online surveys that gather feedback from your employees, customers, subscribers, etc. This is also one of the method of Appraising the Employees. This method is called as Data Collection method. It has been analysed form the survey of the employees Data collection is not only the method they use the method of Rating the Employees.

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Under this method All the Employees in Citrix are rated on a scale of0-5, 5 being the highest. Your rating generally comes up to 3 decimal places which are rounded off to nearest integer e.g. if your rating is 3.499, it would be considered as 3 and if its 3.500 or 3.501,it would be considered as 4.

CONCLUSION:

It has been understood from the Survey that most of the Corporate follow "Ranking" method where in that best gets the top rating. Only 5 % of the employees get top rating. 15-20 % gets the second best rating and rest is assured with the average rating. This highly creates a competition within the employees to work for their rating. The unsatisfactory results make an employee think to change the company, as the rating has impact on pay hikes.

Having Niche skills, employees nowadays are hot cakes in the markets in growing and emerging market. On an average, employees get 8-10 % pay hike every year. Who would not want to change the company if they are offered with more than 30- 50% hike with better roles. The monetary benefits of switching company in every two year are considerably higher than staying in the company for 4-5 years. He gets up the ladder in the career growth perspective also. We may argue on the point of his longevity in a company. Even the employers are interested in fresh recruits with newer skill sets. In other words, they would like to higher new resources with niche skill set rather going for training investment on existing employees. Employees with improved skill set, feels they are the hot cake in the emerging and demanding market. This is the predominant factor in almost all companies, where they see a big attrition level every year after they announce the performance appraisal and annual pay hike. I conclude that "Change of Company" has been the new mantra of today's corporate employment! This is also one of the major factor influence the attrition.

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