CHAPTER - I
INTRODUCTION
1.1 Performance Appraisal

Today we breathe in the era of rapid changes and palmy progress where the estimation of merits and demerits is utmost crucial. It needs the timely application of certain measurements. In view of Zippy globalization and liberalization of business, nothing can escape from such measurements of performance. This evaluation of performance is based on various substantial elements which help to improve the individual as well as the organizational efficiency. It is a vital aspect of the appraisal of performance. It is an essential and inescapable managerial exercise or pursuit to enhance excellence of not only the individual but also of the organization.

Performance appraisal substantiates various aspects of performance and the capabilities of an employee. It is useful for many different purposes, such as all administrative needs, training, developmental decisions and also for the keen motivation of the employees. However, despite many healthy developments and innovations, palpable uneasiness about appraisals continues to persist. As a matter of fact, the validity, objectivity and the usefulness are often questioned, resembling with the Ten Commandments, worded by Mr. Marison S. Kellong¹.
The term 'Performance Appraisal' comprises many core elements or principles, which measure the utter accomplishment of the concerned performer. Any sort of analysis, different forms reviews, various types of evaluation encompassing formal or informal, oral or documented, confidential or public, according to the purpose or situation always constitutes an appraisal. From an average individual's point of view the above interpretation does serve a purpose but for the person of business or management arena, it needs to be capsulated. Performance appraisal is a "formal exercise in which an organization makes an evaluation, in documented form of its employees, in terms of their contributions made towards achieving organizational objectives."

1.1.1 Meaning of Performance Appraisal

The term 'Performance Appraisal' is composed of many basic elements. These elements assess the whole accomplishment of the performer. An appraisal includes a sort of analysis, different forms of reviews, and various kinds of evaluation. An appraisal may involve formal or informal, oral or documented, confidential or public opinions relying on the use or state of affairs. This kind of explanation of performance appraisal can be suitable for a common person, where as for a person of business or management it can be stated as:

"Performance appraisal is a formal exercise in which an organization makes an evaluation, in documented form of its employees, in terms of their contributions made towards achieving organizational objectives."
1.1.2 History of Performance Appraisal

Performance appraisal is not a completely new term and there is almost not any need of making it attractive, as its roots are more or less extremely endless.

In relation to the historical report, formal Performance Appraisal goes back to the third century. In the third century the rulers of the Wei Empire (A.D. 221-265) employed an Imperial Rater to assess the performance of official family members. While the first Performance Appraisal in the industry, was perhaps employed and reported in Robert Owens’s Cotton Mills in Scotland in 1800's.

The armed forces and government organizations in the western world used official performance appraisal for organizational reasons in the concluding part of the 19th century.

Performance appraisal systems in the industry for the use of administrative staff were mostly brought in 1930's and 1940's. Yet as stated by Mihir K. Basu's review, the appraisal system for administrative staff in Indian Industries began as per the following particulars:

a) Union Carbide: 1940
b) Bata: 1950
c) The Tata Iron and Steel Company (TISCO) 1953
d) Voltas: 1954
Public sector units (PSU) in India had its confidential report system. There had been self-appraisal systems in Military and the Civil Services in India. All these systems are normally based on discriminating features and human relation-oriented qualities such as a 'getting along with people'. Although the interest in use of performance appraisal has increased over the last thirty years, the practice of formally evaluating employees has existed for centers. The PAS has undergone a lot of changes over the years as shown below:

a) 1900- Subjective appraisal
b) 1940 - Increased Psychometric Sophistication
c) 1950 - Management by Objectives (MBO)
d) 1960-BARS

1.1.3 Objectives of Performance Appraisal

In the age of forceful modernization, evaluation plays a very important role. Performance Appraisal as a system brings forward merits and demerits by assessing the performance and abilities of any employee or any organization. Assessment is one of the most important objectives of performance appraisal system. In addition to this, it also serves several other objectives as follows:

a) It helps to know the correct nature of job and the primary necessities for job performance.

b) It supports to know the strengths and acute weaknesses about the role and functions in particular organization.
c) It assists in recognizing the developmental needs of every employee about his role and functions.
d) It improves fellow feeling among employees and their supervising officer so that each employee feels happy to work with his supervisor and thus adds his most to the organization.
e) It can be a device of increasing contact between the employee and the executive. The employee comes to know the expectations of his executive and every executive also comes to know the difficulties of his subordinates and tries to solve them, and thus they together carry out the tasks.
f) It can be a factor in serving each employee internalise the cultural, rules and principles of the organization, so that an organizational distinctiveness and obligation is developed all over the organization.
g) It can be a tool to give a chance for the employee for self-reflection and individual goal setting.
h) It facilitates in preparing employees for performing advanced jobs by constantly strengthening the development of behaviours and qualities necessary for advanced positions in the organization.
1.1.4 Performance Appraisal Practices in Some Asian Countries

Performance Appraisal System presently is being in used the entire world. In Asia too this practice is prevalent especially in Japan where this technique is used most judiciously and it has benefited their industries. Some other countries are also turning to this technique. The experience of these countries is discussed below.

➤ Singapore

The companies in Singapore have taken performance appraisal in the form of completing only confidential forms by the supervisor up till now. The year-end is used by appraises to fill and submit the confidential report in the form of assessment. The National Productivity Board Of Singapore supported open appraisal system in the course of a series of seminars, when it realized the importance of open appraisal systems. According to the open appraisal, half-yearly or quarterly discussion with the appraisee is likely. During discussion, he is informed about the report and a chance is given to state his opinions about the supervisor's report. There is perfect understanding of strengths and weaknesses. Each side has an agreement on the final assessment and there is a chance of joint action plans for the improvement of work competence.
In the last couple of years, The National Productivity Board of Singapore with the support of other companies has been applying the open appraisal systems. Yet, it seems that a number of organizations have a closed system of appraisal for promotion of the staff centered management but some companies are still in the confusion of problems linked with such systems.

Actually, a few companies did not have appraisal systems in Singapore before the suggestions of National Wage Council for the use of appraisals in 1980. But after that there was a quickness to put up some appraisal forms and use it.

**Malaysia**

In view of the performance appraisal practices, the Malaysian condition is similar to that of India. There is difference in the system of appraisal right from annual confidential forms to completely open systems of appraisal used by the international companies. The process and concept of appraisal are being considered in various seminars and workshops in the last few years.

There is grand appearance of private consulting organizations like CREDO, Malaysia and Professional Training Institutions like, the Malaysian Institute of Management, the Government enterprises like The Institute of Public Administration, The Institute of Bank and The National Productivity Centre.
> Philippines

Philippines, similar to several other countries is in the process of receipt and beginning of a number of management systems and practices such as management by objectives, management information systems, performance appraisal systems, and budgeting financial control. There is significant awareness for the beginning of conventional management in the government system. Because of it, separate people are appointed to handle the personnel Management development functions.

The government of Philippines gives value to performances in civil services by giving promotions and increment in salary. This has deep influence on the workers to offer themselves to the achievement of the goals of the Unit or the organizations.

> Pakistan

In Pakistan the performance appraisal practices still appears to be very traditional in the form of confidential report format. Yet the process of change is in progress as some innovations is being used in some public as well as government organizations.
Japan

Zen Philosophy and the Japanese management styles need to be properly considered while studying the performance appraisal in Japanese organizations. Performance appraisal has merged into the organizational life to the extent that it is almost difficult to isolate it. The organizational identity of the Japanese organizations has been provided by the appraisal, of the industrial performance. Numerous practices like lifelong employment prove that human needs have been thoroughly understood. Due to such practices, employees don't have any kind of psychological, social and economic necessity or personal botheration and they focus their entire attention on the efficient performance only. While describing Zen philosophy, Pascal and Athos (1982) remark,

"The Japanese see each individual as having economic, social, psychological and spiritual needs, much as we do when we step back and think about it."

Performance feedback is smooth and indirect in Japan. According to Japanese ambiguity, uncertainty and imperfection are not less than the giving up the dedication in organizational life. Their dealing with each other is completely different from others.
1.1.5 Performance Appraisal Practices in India

The nature of performance appraisal practices in the Indian organizations is quite varied due to the present methods and their practice. The variation in practices is right from 'no appraisal' to a sophisticated, multi-purpose and multi-component based appraisal system. It is very complicated that some small and medium-sized organizations don't even have a formal mechanism for appraisal of the performance in such organizations appraisal reports are prepared and submitted by the senior officers. The reports are without any formal set pattern and considered by the authorities for decisions of promotion only.

1.2 Performance Appraisal in Large Scale Industries of Private Sector

1.2.1 Introduction

In the present period of liberalization of business and modernization of technology, performance appraisal becomes an essential entity for the rapid progress of an organization. Everything needs to be inspected or scrutinized periodically to ensure the good working conditions as well as the prudential performance for the desired goals. In this concern, the human factor is now viewed as the most important element in the field of business and industries, of different sectors. Even though comparison between man and machine is unnatural, both need a periodical and criteria based systematic assessment for the survival and growth of the concern enterprise. The need for such
assessment becomes necessary even if the due care has been exercised while recruiting the employee, which is almost human in nature for its results and it requires a requisite evaluation of performance.

Performance Appraisal may be defined as

"A process and a system to know the efficiency and the achievement in the light of set goals and an assigned work to identify for the betterment and for higher responsibility in an organization."

1.2.2 Uses of Performance Appraisal

Performance appraisal can be used for the extensive range of uses:

i. Performance Improvement

The performance opinion permits the employees, managers and HRD persons to identify how fine a worker is performing and what he cannot perform to develop his routine and promotion in the management class structure.

ii. Increments and Promotions

Several of the groups take their decisions, because of increments and promotions of the employees' worth, find out mostly out of the performance appraisal.
iii. Training and Development Needs

Performance appraisal pinpoint strengths and weaknesses of the employees. Poor performance may perhaps show the need for training. Similarly, good performance can point out the unused potentials, which can be developed.

iv. Deficiencies of Recruitment and Selection Process

Workers’ functioning opinion gives information to the management to study the efficiency of employment and selection method.

v. Confirmation of Employees

The regular opinion on routine of a new employee helps to make a decision, at the end of the trial period, whether or not his appointment is confirmed and or his trial period be extended.

vi. Employees’ Performance Outside the Work

Weak performance of some employees may be marked out to the reasons outer the job: physical condition of family members, too little funding, bad living conditions etc. Human resource department perhaps capable to offer help in this view.
vii. Errors in Job Descriptions

The weak performance may help to see the lack in the job images (e.g. workers’ lack of knowledge regarding his job responsibilities) and in that way, it offers a possibility to develop it.

viii. Supervisors’ Knowledge of Employees

Performance appraisal makes supervisors more alert towards their juniors as the workers know that it is obligatory for them to complete appraisal forms and they will be required to defend their appraisal / ranking.

ix. Counseling of Employees

The opinion on workers' potency and weak points can supply a base for the personal counselling.

x. Equal Opportunities For all Employees

As all workers get the same reflection of their routine evaluation in get-togethers, from their seniors, the system reduces the benefits generally seized by the forceful persons on calm types who are possibly equivalent or more worthy.
xi. Demonstration of Management’s Interest in Employees

Evaluation of the workers’ routine at periodic gaps in the system offers workers the sense that the organization is paying attention in their benefit and development. The workers understand that not only their routine is constantly observed but also they are not disregarded.

xii. Reliable Records on Employees’ Performance

The routine assessment of employees offers the reports on workers’ routine to the administration, which can be, intended for numerous purposes i.e. corrective actions, counseling etc.

xiii. Effectiveness of HRD Function

Superior or inferior performance all through the group can serve as a cursor to the efficiency or the futility of the HRD sector / function.

1.2.3 Growth of the Large Industrial Houses

The large-scale industry sector emerged in the middle of the 19th century. The private foreign investment and the protection policy of the government supported the large-scale enterprises. The capital and the managerial expertise for the development of industry were provided by the British managing agencies.
In the initial years, the Indian capital was little bit reluctant and more conscious, but in the latter stage with the tutor prospective it did not remain in the same undermined state and started increasing.

A business house comprises of all concerns, which are subject to the ultimate and final decision-making power of the controlling interest in the group.

According to the Industrial Licensing Policy Enquiry Committee

Large industrial houses - "should include those business concerns over which a common authority holds control. It is possible that those business concerns act as separate units for the legal and taxation purposes, but the functions under the overall guidance direction of a close-knit group of persons"\textsuperscript{11}.

1.3 Organization's Philosophy on Human Resources

The ideal objectives in any organization are openly linked with the accurate and attentive contact of the concept of 'performance appraisal'. It's form and real success, in the light of the setup of the organizational system and its working condition, really reflects how the Human Resources are viewed and looked after in a particular organization.\textsuperscript{12}
In this regard, the following observations concentrate on the same:

i) If the organization considers that, people do not work except they are strictly supervised and restricted; it is likely to have a confidential report form of appraisal.

ii) If the organization thinks that every person has potential, strength, and human capabilities. These can be sharpened, developed and used better by giving a fit surrounding then the organization may desire to have an appraisal system that tries to identify, sharpen, develop and use the potential and capabilities of its employees.

Every worker uses a major part of his working life for the organization. The following are some of the insights presented by behavioural science studies in the past. These should be viewed in for planning any appraisal system:

i) Workers have a desire for hard work when they believe that they are ‘wanted’ in the organization

ii) Workers would work better when they are ‘clear’ about what they are likely to do when they get opportunity.

iii) Workers would work better when they start ‘understanding’ success in the tasks they are performing.

iv) Workers would work better when they are aware of that the organization gives chances for their work to be special and rewarded,
v) Workers would work better when they believe that their organization is giving them a chance to develop and use their abilities largely.

vi) Workers will have a high level of loyalty when they see the organization spending time and funds for the development of its people.

vii) Workers would work better when they are being trusted and treated with self-respect.

Performance appraisals can be used for a number of purposes. It has been verified that performance appraisal becomes an important tool, if it is used in view of the above stated findings, for the apt identification and achievement of purposes and inventive processes.

1.4 Privatisation in India

1.4.1 Introduction of Privatisation

It is almost impossible to keep away from the thought of privatization as it has gone beyond the field of economy in the days of revolution of technology and globalization of business. The world of enterprises has highest exposure because of privatization.

Privatisation means the transfer of ownership of state owned enterprises to the private sector by the degree full or partial of increasing concerns or by the degree of assets next to insolvency.\(^{13}\)

In different countries, different sorts of policy initiatives are supposed to be described by privatization. In developed countries privatization simply means the transfer of ownership of an enterprise or
a part of the enterprise from public to private sector. The developing countries or the Third World countries where the government policies were affected by socialistic points of view, or by communism, are switching over to liberalization, deregulation, and are the private enterprises are entering into activities, which were previously restricted to public enterprises.

In privatisation the provision of goods or services is supposed to be transferred from public to private sector. The ultimate responsibility for supplying services is retained by the government. The examples of this form of privatization are contracting or franchising out of the public services and the sale of public assets to the private sector to private curse.

1.4.2 Meaning and Scope of Privatization

The term ‘privatisation’ covers a wide range of ideas. Therefore, it is almost necessary to understand the exact meaning of ‘privatisation’. In a very simple sense, privatization means initiation of private ownership in publicly owned enterprises. If we consider it in a broader sense it not only deals with the private ownership or change of ownership but also the initiation of private management and control in the public sector enterprises.

According to Barbara Lee and John Nellis

"Privatization is the general process of involving the private sector in the ownership or operation of state-owned enterprise."14
In short, Privatization covers three sets of measures:

(a) Ownership measures
(b) Organizational measures
(c) Operational measures

(a) Ownership Measures

The sets of measures, which shift ownership of public enterprises fully or to some extent, initiate privatization. The quantity of shift of ownership decides the degree of privatization. The higher quantity points out the greater degree of privatization in case of individuals, cooperative a corporate sector.

(b) Organizational Measures

Organizational measures for limiting state control through – a holding company structure, leasing and restructuring.

(c) Operational Measures

Operational measures are intended to improve the efficiency of the organisation; even the full denationalisation has not been undertaken. They in fact insert the spirit of commercialization in public enterprises. The measures include grant of autonomy to PEs in decision making provisions of incentives to working as well as administrative employees constant with increase in efficiency or productivity, freedom to get certain inputs from
the market by a system of ‘contracting’ instead of producing
them within the enterprise, the development of proper
investment criteria, permitting PEs to go to the capital
markets to raise the funds.

The main aim of these measures of operational
privatization is to bring about a radical reform to lessen
government control over the enterprise.

1.4.3 Significance of Privatization

Between 1990 to 2000 more than US $ 700 billion in
assets have been privatized around the world. About 40% of this
privatization occurred at in emerging Economics. In 1996, only 10% of
public enterprises (PEs) assets were privatized in the developing world
and 30 to 40% of the assets in these enterprises have been privatized
in the transitional Economics. This shows that the developing countries
possess a significant scope for privatisation.

1.4.4 Private Sector Industries In India

As a vast country, India has a diversity of uplifting
features. The inspiring features put together, many elements, which
helps to understand the real Indian culture together with the
intermingled economy of India.

In this mixed economy of India, the private sector is
dominant in the most of the consumer goods industries. It plays an
important role in a number of capital goods industries too. In a
number of important industries, it functions side-by-side with public
sector.
Private sector turns to all kinds of individual or corporate enterprises, domestic and foreign in any field of productive activity. Ownership and management in private hands, personal initiative, and profit motive purpose characterize private-sector enterprises.

T. Thomas, former Chairman, Hindustan Lever limited, says about private sector as follows:

"-- We should place more faith in our private sector and also allow it to collaborate more freely with the private-sector throughout the world. Let us not shut out the world, lest the world shuts us out. We have enough skills commercial, technical and managerial in our country that we can confidently let our private-sector collaborate more freely."

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