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A Study of Performance Appraisal System at IBM, Bangalore

Sruchita Maheswari Rath

NIST

sruchitarath@gmail.com

Abstract: *In this study, the operative function in the human resource department is analyzed with respect to performance evaluation system of the company. Performance appraisal system is considered as a significant tool in all organizations for achieving goals effectively and efficiently.*

The study recommends the need to ensure fairness so that it does not demotivate an employee or have a negative impact on goal accomplishment. The findings revealed that the company has a very well designed Performance appraisal system, which involves feedback as well as a reward system and the employees, are satisfied with the existing Performance appraisal system. But, more efforts are to be made to make the approach more effective to ensure increased productivity and high morale among the employees, which would lead to further growth of the company in all respects.

INTRODUCTION

Performance appraisal is an activity conducted by every organization at regular intervals to recognize and examine work pertinent qualities and shortcomings of people or a workgroup.

It is a technique for assessing the conduct of employees at work typically including both quantitative and qualitative aspects of job performance. The performance here eludes the degree or level of task achievement .it demonstrates how well an individual is satisfying the job requirement.

Often the term is mistaken with efforts, but performance is measured in terms of results and not efforts.

Definition of Performance Appraisal:

According to **Beach**, “performance appraisal is the systematic evaluation of the individual with regard to his or her performance on the job and their potential for development.”

In the words of **Dale Yodger**, “Performance appraisal to all formal procedure aimed working organizations to evaluate personalities and contribution of one potential group members”.

Edwin B.Fillipo defined performance appraisal as, “a systematic, periodic, and so far as humanly possible, an impartial rating of an employee’s excellence in matters pertaining to his present job and his potentialities for a better job”.

In the words of **John A.Shubin**, “ merit rating is a systematic appraisal of the employee’s personality and performance on the job and is designed to determine his contribution and relate worth to the firm”.

According to **L.A. Larkin**, “performance appraisal is the systematic assessment of merit factors of the behavior and/or ability of workers in their work and a means whereby each worker may be rewarded a percentage in addition to his wage, according to his assessed merit value

Features of performance appraisal system:

The important features of performance appraisal system may be captured as:

- It is the systematic depiction of an employee’s work pertinent strengths and weaknesses.
- The basic purpose is to find out how the employee is performing on the job and to what extent is he/she establishing a plan for further improvement.
- Performance appraisal does not refer to job evaluation.it alludes how well the employee is getting the doled out job.
- Performance appraisal is a continuous process performed by all organizations at regular interval of time.

PURPOSE OF PERFORMANCE APPRAISAL SYSTEM

1. Setting standards and comparing standards of performance.
2. Take corrective action against discrepancies and provide inputs for improvement
1. Offers motivation to the future level of effort and task direction.
2. Setting objectives for training and development needs.
3. Controlling behavior.
4. For taking compensation and staffing decisions.
5. Diagnosing problems or shortfalls.
6. Getting employee feedback and performance feedback.

PROCESS OF PERFORMANCE APPRAISAL



METHODS OF PERFORMANCE APPRAISAL

Traditional methods	Modern methods
Graphics rating scale	Assessment center
Ranking method	Behaviorally anchored rating scales (BARS)
Paired comparison method	Management by objectives (MBO)
Forced distribution method	Human resources accounting (HRA)
Checklist method	Balance scorecard
<ul style="list-style-type: none"> • Simple checklist • Weighted checklist • Critical incident method 	
Essay or free-form method	
Group appraisal	

PERFORMANCE APPRAISAL AT IBM BANGALORE

IBM has replaced its annual appraisal system with a new one, Checkpoint, which will be more regular —around four in a year — in terms of feedback so that employees can change their goals as the year progresses. In the old system, which was called personal business commitment, IBMers were judged by a single number, based individual performance, mostly in one-quarter, which is the best. CheckPoint has been co-created by employees through an internal social media campaign. It has received 75,000 views and 2,000 comments from its 3.8-lakh employees across 170 countries.

The new system will evaluate employees on five parameters — business results, impact on client success, innovation, personal responsibility to others and skills. The managers will get to evaluate their team members on just three criteria — whether they have exceeded their target, achieved it or require improvement.

The employees were also asked to vote on topics, such as work priorities, teamwork, skills, value, and innovation via online mini polls.

At a town hall meeting in Bengaluru, IBM CEO Virginia Rometty stressed on the need to reinvent and transform at a time when the global technology industry is undergoing tectonic shifts, with the emergence of cloud computing, Internet of Things and cognitive computing.

The new appraisal system basically seeks to maximize the output and productivity of each employee and ensure that all of them keep meeting their targets through the course of the year.

LITERATURE REVIEW

According to **Jacobs and colleagues (1980)**, cited in, the effectiveness of performance appraisal is measured by categorizing its evaluation into three criteria. First is “utilization criteria”, which addresses the administrative and developmental purposes of performance appraisal. Second is “Qualitative Criteria”, it relates to job performance, data availability, equivalence, interpretability, and practicality. Final is “Quantitative Criteria”; it focuses on elimination of rating errors.

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.

Prince and Lawler (1986) found that the constructs “work planning and goals setting: and “discuss performance attributes” exerted a positive influence on employees’ satisfaction with and perceived utility of the performance appraisal. In contrast, the construct “career development” showed little influence on performance appraisal satisfaction.

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

Cherry (1993) describes; however sees the appraisal process as fundamental to the success of organizational change initiatives citing the work of the “powerful formative effects on the organizational power structure, on the workforce skill profiles and on corporate culture.”

Apart from organizational control, **Igen, Barnes-Farrell, and McKellin (1993)** concluded, from their extensive review of the literature since the 1980s about performance appraisal, that there are four aspects that need to be considered. In practice, performance appraisal systems cover a wide range of these aspects and seldom have exactly the same nature and functions.

Will Artley (2001) discussed that all high-performance organizations are interested in developing effective performance measurement and performance management systems since it is only through such system that they can remain high performing. So to attain and maintain the needed level of performance, the performance management systems are needed in the organizations. In order to integrate findings in the area, **Chu (2002)** proposed a comprehensive framework including six categories, namely, appraisal purposes, appraises personnel, appraisal criteria, appraisal methods, appraisal timings, and appraisal feedback

Cook and Crossman (2004) found appraisal dissatisfaction as a major cause of the discrepancy between “expectations” and “outcomes”. According to them, fairness can only be based on an individual’s expectations and outcomes in comparison with another reference employee in the organization. Such employees perceive appraisal as ineffective due to equitable outcomes of the performance appraisal system.

Nurse (2005) also discussed the impact of appraisal on employees and organizations. He specifically suggested that results of appraisal provide information to managers to take further steps about promotions and development of employees.

Malaysia Civil Service Guide, 2006 laid that the establishment of clear links between organizational developments, the delivery of quality services and the development of employees at work are important.

According to **Bonadio (2009)**, HR leaders are constantly seeking to improve insight into workers effectiveness. The challenges have been enablement and empowerment. It is believed that performance management is two-fold,

Firstly; organizations need to evaluate the performance of managers in achieving strategic goals and;

Secondly; evaluate how employees through guidance from management help in achieving both organizational and individual needs.

Sharma (2012) describe; these methods are less structured than the traditional method that is less focused on the ranking and rating and more emphasis on arranging a meeting between employees and supervisor.

NEEDLE AND Santosh .C (2015); studied that employees have good knowledge of performance appraisal and have a positive attitude towards it as their promotion is purely based on performance appraisal and the ratings help to fix increments. During the course of study, suggestions came from the employees for the need of counseling. Performance appraisal should be more transparent and rationale.

RESEARCH METHODOLOGY

OBJECTIVES OF THE STUDY

1. To study the impact of performance appraisal on employees behavior.
2. To study the association between performance appraisal and increment of salary.
3. To study the impact of performance appraisal system on employees performance.
4. To study the satisfaction level of employees towards the existing performance appraisal system.

HYPOTHESIS TAKEN FOR THE STUDY

1. The behavior of employees does not change after performance appraisal.
2. There is no association between performance system and increment in salary.
3. Performance of employees does not improve after performance appraisal.
4. There is no association between performance appraisal and satisfaction level of employees.

RESEARCH PLAN

Data source	Primary and secondary data
Research approach	Survey
Research instrument	Questionnaire
Method of contact	Personal interview, email, and telephonic interview.
Sampling technique	Stratified random sampling.
Sample size	100
Sample characteristics	Employees of IBM, Bangalore
Study period:	1 month

DATA ANALYSIS AND INTERPRETATION

. Objective 1:

Performance appraisal is responsible for the change in behavior.

Opinion	No of respondents (in percentage)
Rarely	20
Occasionally	10
Sometimes	32
Frequently	12
Always	26
Total	100

Majority i.e. 32% of the employees perceive that Performance appraisal is responsible for the change in behavior whereas 26% perceive that it is always responsible for a change in behavior.

Hypothesis 1:

Null hypothesis: Behavior of employees does not change after performance appraisal.

Alternate hypothesis: behavior of employees change after performance appraisal.

CHI-SQUARE TEST

χ^2	Table value	df	Assymp.sig	Result significant	Accepted hypothesis
17.6	9.487	4	0.000	@5	Alternate hypothesis

The results of Pearson chi-square test shows that the p-value of $0.000 < 0.05$ which indicates that the **behavior of employees changes significantly after performance appraisal**.

Objective 2: SALARY IS BASED ON PERFORMANCE APPRAISAL

Opinion	No of respondents (in percentage)
Rarely	20
Occasionally	20
Sometimes	24
Frequently	16
Always	20
Total	100

Majority of respondents feel that salary is sometimes based on performance appraisal.

HYPOTHESIS 2:

Null hypothesis: There is no association between performance appraisal system and increment in salary.

Alternate hypothesis: There is an association between performance appraisal system and increment in salary.

CHI-SQUARE TEST

χ^2	Table value	Df	Assymp.sig	Result significant	Accepted hypothesis
1.6	9.48	4	0.808	Not significant	Null hypothesis

The results of Pearson chi-square test shows that the p-value of $0.808 > 0.05$ which indicates that the behavior of employees changes significantly after performance appraisal. Thus null hypothesis is accepted that **there is no association between performance system and increment in salary**.

HYPOTHESIS 3:

Null hypothesis: Performance of employees does not improve after performance appraisal.

Alternate hypothesis: Performance of employees improves after performance appraisal.

CHI-SQUARE TEST

χ^2	Table value	Df	Assymp.sig	Result significant	Accepted hypothesis
2.36	7.814	3	0.339	Not significant	Null hypothesis

The results of Pearson chi-square test shows that the p-value of $0.339 > 0.05$ which indicates **that there is no improvement in performance after performance appraisal.**

Objective 4:

Level of satisfaction employees has towards the existing performance appraisal system.

Opinion	No of respondents (in percentage)
Least satisfied	20
Somewhat satisfied	18
Occasionally satisfied	30
Frequently satisfied	16
Always satisfied	16
Total	100

Majority of the respondents are occasionally satisfied with the existing performance appraisal system.

Hypothesis 4:

Null hypothesis: There is no association between performance appraisal and satisfaction level of employees.

Alternate hypothesis: There is an association between performance appraisal and satisfaction level of employees.

χ^2	Table value	Df	Assymp.sig	Result significant	Accepted hypothesis
8.44	9.487	4	0.33	Not significant	Null hypothesis

The results of Pearson chi-square test shows that the p-value of $0.033 > 0.05$ which indicates that there **is no association between performance appraisal and employee satisfaction level.**

FINDINGS AND CONCLUSION

FINDINGS

1. From objective 1: Majority of the employees perceive that Performance appraisal is responsible for change in behavior
2. From hypothesis 1: Behavior of employees change significantly after performance appraisal
3. From objective 2: Majority of respondents feel that salary is sometimes based on performance appraisal.
4. From hypothesis 2: There is no association between performance system and increment in salary.
5. From hypothesis 3: That there is no improvement in performance after performance appraisal.
6. From objective 4: Majority of the respondents is occasionally satisfied with the existing performance appraisal system.
7. From hypothesis 4: There is no association between performance appraisal and employee satisfaction level.

CONCLUSION

In many organizations, performance appraisal is considered as a standard activity but its' importance should be recognized and communicated down the line to all the employees. There should be a review of job analysis, job design and work environment based on the performance appraisal. It should bring more clarity to the goal and vision of the organization. It should provide more empowerment to the employees. New methods of appraisal should be adopted so that both appraiser and the appraisee take interest in the appraisal process. Employees should be given feedback regarding their appraisal. This will help them to improve on their weak areas. Financial and non-financial rewards should be linked to the annual appraisal system so that employees would be motivated to perform better in future. New mechanisms should be evolved to reduce the time factor involved in the procedure of appraisal. Introducing online-appraisal can do this. The outcome of the performance appraisal system in the organization is to maintain and develop employees' quality of work. Performance appraisal can also be used to 'help in identifying the efficient performers'. This reduces controversy and grievances that they may take place in the organization and it will also help the evaluator in guiding the employees to improve their performance

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