PERFORMANCE APPRAISAL SYSTEM IN SOFTWARE INDUSTRIES IN BANGALORE
Kiran Kumar Thoti

ABSTRACT: HRM is a function of managing the manpower in the organization and involved in all the functions like recruitment, selection, training and development, appraisal functions for an organization. Performance appraisal is the assessment of an individual employee performance being measured with various factors like skills on knowledge, quality of the output, quantity of outcomes, supervisions, leadership, judgments, and commitment towards work. The performance appraisal system has to be very transparent towards the organization and the employees. Top management has to collect the feedback from the appraisers and appraises, working in the organization about the evaluation of the performance appraisal system in the current year. The type of the research chosen in survey method which is in quantitative in nature undertaken to accessing or collecting the opinions of the employees working with the software company and suggest appropriate modification with the existing performance system in the organization. The structured questionnaire has been prepared and collect data from 100 samples those who are working with software employees. The already adopted performance appraisal methods were 360 degree appraisal, check list, rating scale, management by objective methods were commonly found among the information technology companies in Bangalore reason.

KEYWORDS: Human resource management, Software industries, Performance appraisal system.

INTRODUCTION: An organization’s goals can be achieved only when people put in their best efforts. How to ascertain whether an employee has shown his or her best Performance on a given job? The answer is Performance appraisal. Employee assessment is one of the fundamental jobs of HRM, but not an easy one though. Appraising the performance of individuals, groups and organizations is a common practice of all societies. While in some instances these appraisal processes are structured and formally sanctioned, in other instances they are an informal and integral part of daily activities. In social interactions, performance is conducted in a systematic and planned manner to achieve widespread popularity in recent years.\(^{(1)}\)

In simple terms, performance appraisal may be understood as the assessment of an individual’s performance being measured against such factors as job knowledge, quality and quantity of output, initiative, leadership abilities, Supervision, dependability, cooperation, judgment, versatility, health and the like. Assessment should not be confined to past performance alone. Potentials of the employee for future performance must also be assessed.

Meaning of Performance Appraisal: Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. Its aim is to measure what an employee does.

Definition of Performance Appraisal \(^{(2)}\): According to Edwin. B. Flippo (1980)” performance appraisal is the systematic, periodic and an impartial rating of an employee’s excellence in the matter.
pertaining to his present job and his potential for a better job.” Performance appraisal is the systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future.

The other Terms used for Performance Appraisal are:
- Performance rating
- Employee assessment
- Employee performance review
- Personnel appraisal
- Performance evaluation
- Employee evaluation
- Merit rating.

In a formal sense, employee assessment is as old as mankind.

Features of Performance Appraisal:
1. Performance appraisal is the systematic description of an employee’s job relevant strengths and weaknesses.
2. The basic purpose is to find out how well the employees are performing the job and establish a plan of improvement.
3. Appraisals are arranged periodically according to a definite plan.
4. Performance appraisal is not job evaluation. It refers to how well someone is doing the assigned job. Job evaluation determined how much a job is worth to the organization and therefore, what range of pay should be assigned to the job.
5. Performance appraisal is a continuous process in every large scale organization.

Objectives of Performance Appraisal:\(^3\):
- To review the performance of the employees over a given period of time.
- To judge the gap between the desired and the actual performance.
- To help the management in exercising organizational control.
- Help to strengthen the relationship and communication between superiors, subordinate and management –employees.
- To diagnose the strengths and weakness of the individuals so as to identify the training and development needs of the future.
- To provide feedback to the employees regarding their past performance.
- Provide information to assist in the other personal decisions in the organization.
- Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
- To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
- To reduce the grievances of the employees.
- Provide information to assist in the HR decisions like promotions, transfers etc.
- Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
Need for Performance Appraisal (4):
- Provide information about the performance ranks basing on which decision regarding salary fixation, confirmation, promotion, transfer and demotion are taken based on performance in India Rayon.
- Provide feedback information about the level of achievement and behavior of subordinates. This information helps about the level of achievement and behavior of subordinates. This information helps to review the performance of the subordinate, rectifying performance deficiencies and to set new standards of work, if necessary. (5)
- Provide information which helps to counsel the subordinate.
- Provide information to diagnose deficiency in employees regarding skill, knowledge. Performance appraisals determine training and developmental needs.
- To prevent grievances and in disciplinary activities.

PROCESS OF PERFORMANCE APPRAISAL:

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
</tr>
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<tbody>
<tr>
<td>• Establishing Performance Standards</td>
<td></td>
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<tr>
<td>• Communicating standards and expectations</td>
<td></td>
<td></td>
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<tr>
<td>• Measuring the actual performance</td>
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<tr>
<td>• Comparing with standards</td>
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<tr>
<td>• Discussing results (providing feedback)</td>
<td></td>
<td></td>
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<tr>
<td>• Decision making- taking corrective actions</td>
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</table>

Problems of Performance Appraisal (5): The problem with subjective measure is the rating which is not verifiable by others and has the opportunity for bias. The rate biases include (a) Halo effect (b) The error of central tendency (c) The leniency or strictness (d) Personal prejudice (e) The recent performance effect.

Halo Effect: It is the tendency of raters to depend excessively on the rating of one trait or behavioral consideration in rating all others traits or behavioral consideration. One way of minimizing the halo effect is appraising all the employees by one rate before going to rate on the basis of another trait.

The Error of Central Tendency: Some raters follow play safe policy in rating by rating all the employees around the middle point of rating scale and they avoid rating the people at both the extremes of the scale. They follow play safe policy because of answerability to management or lack of knowledge about the job and person he is rating or least interest in his job. (6)

The Leniency or Strictness: The leniency bias crops when some raters have a tendency to be liberal in their rating by assigning higher rates consistently. Such ratings do not serve any purpose. Equally damaging one is assigning consistently low rates.
Personal Prejudice: If the rater dislikes any employee or any group, he may rate them at the lower end, which may distort the rating purpose and affect the career of these employees.

The Recent Performance Effect: The raters generally remember the recent actions of the employees at the time of rating and rate on the basis of these recent actions favorable or unfavorable than on the whole activities. (7)

The Other Factors are Considered as Problems are (8):
- Failure of the superiors in conducting performance appraisal and post performance appraisal interview.
- Most part of the appraisal is based on subjectivity.
- Negative ratings effects interpersonal relations and industrial relations system.
- Influence of external factors and uncontrollable internal factors.
- Feedback and post-performance interview must have a setback on production.
- Management emphasis on punishment rather than development of an employee performance appraisal.
- Some ratings particularly about the potential appraisal are purely based on guess work.
- Absence of inter-rater reliability.
- The situation was unpleasant in feedback interview.

Review of Literature: According to the Clevelan, Murphy, and Williams (1989) explained that every employee has to be reviewed according the time intervals and he explain about various organizational characteristics which support and develops the organizations towards profits. The relationship between the organizational characteristics and the performance appraisal systems are inter link with the employee in the organization.

According to the Stonich (2009), stated that performance measurement in an organization should be in tune with its culture and values and structure according to the organizational strategy. The nature of the enterprises of an industry is engages with the organizational type, business policy, internal and external environment in the corporate organizations.

According to the Edwards and Ewin (1996), Explain that feedback methods has to collected once the performa\nce appraisal system completed in the organization. In the feedback system, multiple sources, like superiors, peers, subordinates and top management has to include for the accurate judgment for motivating employees in the organization.

About Tata Consultancy Services Limited (TCS): Tata consultancy Services Limited is known as TCS and it is an Indian Multinational Software company which is providing the services, consulting and business solutions in India. The head office of TCS is located in Mumbai, Maharashtra, India. TCS operating in 46 countries like India, Africa, Asia, Australia, Europe, North America, South America with 230 offices across 46 countries and 147 delivery centers in 21 countries across global. TCS is one of the largest private sector employers in India and second largest employer among listed Indian companies after coal India limited in India. TCS has a total of over 3, 00,000 employees as on March’2015, of which 31% were women employee in organization. The number of non-Indian nationals was 21,282 as at March 31, 2014 (7.7%).
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TCS is a subsidiary of the Tata Group and is listed on the Bombay Stock Exchange and the National Stock Exchange of India. TCS is one of the largest India Companies by Market Capitalization ($80 billion) and is the largest India-based IT services company by 2013 revenues. TCS is now placed among the Big Four most valuable IT services brands worldwide. In 2013, TCS is ranked 57th overall in the Forbes World’s most innovative companies ranking, making it both the highest-ranked IT services company and the first Indian company. It is the world’s 10th largest IT services provider, measured by the revenues.

Methods and Techniques used for Performance Appraisal: The various methods and techniques used for performance appraisal can be categorized as the following traditional and modern methods. (9)

<table>
<thead>
<tr>
<th>Performance Appraisal</th>
<th>Traditional Method</th>
<th>Modern Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. Essay Method</td>
<td>1. Management by objective</td>
</tr>
<tr>
<td></td>
<td>2. Straight ranking method</td>
<td>2. 360 degree Appraisal</td>
</tr>
<tr>
<td></td>
<td>3. Paired Comparison</td>
<td>3. Assessment Center</td>
</tr>
<tr>
<td></td>
<td>5. Field review method</td>
<td>5. Human resource accounting</td>
</tr>
<tr>
<td></td>
<td>6. Checklist Method</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7. Graphic rating method</td>
<td></td>
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<tr>
<td></td>
<td>8. Force Distribution method</td>
<td></td>
</tr>
</tbody>
</table>

The Performance Appraisal Method followed in Tata Consultancy Service in Bangalore: Tata consultancy service is the world top software companies and providing the services in developing and outsourcing and business process outsourcing that envisioned and pioneered the global business practices. Tata consultancy service are conducts the appraisals in two ways.

<table>
<thead>
<tr>
<th>Performance Appraisal Methods Practices</th>
<th>At the end of the Year</th>
<th>At the end of the Project</th>
</tr>
</thead>
</table>

In Tata consultancy service are adopted a Balanced Scorecard method which is tracks the performance of the employees in the organization and balance scorecard are targeted in to four levels.

<table>
<thead>
<tr>
<th>Levels for evaluation of Performance Appraisal Methods practices (Balance Score Card)</th>
<th>Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Customer</td>
</tr>
<tr>
<td></td>
<td>Internal</td>
</tr>
<tr>
<td></td>
<td>Learning and Growth</td>
</tr>
</tbody>
</table>
The financial perspective explains the employee’s contributions in terms of revenue growth and cost reduction and improves the companies’ strategies in Tata Consultancy Service in Bangalore. The customer perspective looks at the value proposition that offered by the employee according to the internal perspective and employee contribution in creating and sustaining values in the organization, the learning process by the employees in the organization and growth for the self explanatory by the employee. The maximum weight age given to individual attributed based on the functions of the employees performance in the organization.

**Statement of the Problem:** This project aims to study the performance appraisal system (by considering certain important dimensions) followed in organizations today. The study aims to highlight the significance of such performance appraisal system in the corporate context.

**Objectives of the Study:**
- To study performance appraisal system in the corporate context.
- To highlight the significance of performance appraisal system in the corporate context and establish the link between performance appraisal system and organizational effectiveness.

**Need of the Study:**
- Provide information about the performance ranks based on which decision regarding salary fixation, confirmation, promotion, transfer and demotion are taken based on performance appraisal in the corporate context.\(^{(10)}\)
- Provide feedback information about the level of achievement and behavior of subordinates in the corporate context.
- To provide information which helps to counsel the subordinate.
- To prevent grievances and in disciplinary activities in the corporate context.

**Scope of the Study:**
- To provide employees with a better understanding of their role and responsibilities in the corporate context.
- To increase confidence through recognizing strengths and also identifying training needs to minimize weaknesses in the corporate context.
- To improve working relationships and communication between supervisors and subordinates.
- To increase commitment to organizational goals and to develop employees into future supervisors in the corporate context.
- To assist in personnel decisions such as promotions or allocating rewards.

**Limitations of the Study:**
- The study is constrained only to performance appraisal system in TCS.
- The study is limited to the Bangalore city only.
- Analysis of primary data is done on the assumption that the answers given by the respondents are true and correct.
- Time and Resource constraints.
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**Descriptive Research:** This research is the most commonly used and the basic reason for carrying out descriptive research is to identify the cause of something that is happening. The research is primarily quantitative in nature. The study is based on data collected through structured questionnaire from the respondents and interviews conducted with the respondents.(11)

**Sampling Technique/Method:** The research technique used is Random Sampling method:
- **Data Collection:** Data is the fact of an event. Data is the base for every research work. The data is mainly classified into two groups.
- **Primary Data:** These data are gathered for our research purpose. This is first hand information, for this purpose a structured type of questionnaire was designed and administered.
- **Secondary Data:** Books, journals, websites etc., have been consulted for obtaining related information, and also for crosschecking of primary data.

**Tools and Techniques of Data Collection:**
- a. To get the response, the questionnaire method was used.
- b. The questionnaire used in this study was a structured one.
- c. Here the questions were arranged in a specific order and were logically interconnected for the research study
- d. The advantage of the structured questionnaire lies in the reduction of bias.
- e. Questionnaire containing of both open-ended questions and close-ended questions.

**Contact Method: Personnel Interview:** The respondents were contacted personally interviewed them and collected their views, opinions and suggestions given by them.

**Sample Size:** we used 100 respondents who are working in TCS.

**Sample Procedure:** The study required probability method since the sample was chosen at random. Hence the study was dealt with simple random tool.

**TABLE: AGES OF THE RESPONDENTS:**

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-25 yrs</td>
<td>9</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>26-30 yrs</td>
<td>34</td>
<td>34.0</td>
<td>34.0</td>
<td>43.0</td>
</tr>
<tr>
<td>31-35 yrs</td>
<td>29</td>
<td>29.0</td>
<td>29.0</td>
<td>72.0</td>
</tr>
<tr>
<td>36-40 yrs</td>
<td>19</td>
<td>19.0</td>
<td>19.0</td>
<td>91.0</td>
</tr>
<tr>
<td>above 40</td>
<td>9</td>
<td>9.0</td>
<td>9.0</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Interpretation:** According to the above table, maximum number of the respondents was in the age of 26-35 years working in the software industries.
According to the above figure; maximum number of respondents select graphic rating scale method is more effective tool in Performance appraisal system in cooperate context.

According to the above table, Salary is the motivation tool for the employee in the software context in an organization.
Hypothesis Testing: Chi-Square Testing:

H₀: Performance Appraisal System won't help the employees identify the performance.
H₁: Performance Appraisal System helps the employees identify the performance.

<table>
<thead>
<tr>
<th>Rates</th>
<th>O</th>
<th>E</th>
<th>O-E</th>
<th>(O-E)²</th>
<th>(O-E)²/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification of Poor Performance</td>
<td>17</td>
<td>20</td>
<td>-3</td>
<td>9</td>
<td>0.45</td>
</tr>
<tr>
<td>Recognition of Individual Performance</td>
<td>17</td>
<td>20</td>
<td>-3</td>
<td>9</td>
<td>0.45</td>
</tr>
<tr>
<td>Retention</td>
<td>19</td>
<td>20</td>
<td>-1</td>
<td>1</td>
<td>0.05</td>
</tr>
<tr>
<td>Salary</td>
<td>29</td>
<td>20</td>
<td>9</td>
<td>81</td>
<td>16.2</td>
</tr>
<tr>
<td>Promotion</td>
<td>18</td>
<td>20</td>
<td>-2</td>
<td>4</td>
<td>0.2</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td></td>
<td>17.35</td>
<td></td>
</tr>
</tbody>
</table>

**CHISQUARE TEST:**
- $\chi^2$ Calculated Value = 17.35.
- Degree of freedom = 5-1=4.
- $\chi^2$ Table value = 9.49.
- Significant level = Significant at 5% level.

Chi Square table value is more than chi square calculated value; null hypothesis has rejected. i.e., Performance Appraisal System helps the employees identify the performance.

**RECOMMENDATIONS:**
1. The performance appraisal should begin by concentrating on what employees have done well.
2. The Reporting officer must focus on employee’s key effectiveness areas where he should show results.
3. The Reporting/Reviewing officer must establish objectives in terms of an employee’s performance (Both short-term and Long-term), which in a way will affect the total organizational plan.\(^{(12)}\)
4. The reporting officer and the reviewing officers can hold discussions with the employees and help the employee set up objectives and goals relating to employees’ performance.
5. The HR manager should give continuous feedback reviews to the employees about their performance. These feedbacks can be in the form of discussion of the performance, performance counseling etc.
6. It is desirable to link the performance appraisal systems with employees reward and recognition programs and the impact of PAS should be gauged on these programs.

**CONCLUSIONS:** From the study, it can be concluded that if, the organization implements performance appraisal system enhance employees effectiveness. It help to identifying his or her strength and weakness and information the employees as to what performance is expected from them, would go a long way in making one stand his/her role clearly, and is expected to be more effective on his job. Performance appraisal system in the corporate context today seems to be highly satisfactory. Most of the employees is satisfied with the existing system. Performance appraisal system is found to be highly significant in the corporate context.
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