

## PAS Practices- Empirical Evidences from J&K Bank of India

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### Abstract

A performance appraisal is 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. Other aspects of individual employees are considered as well, such as *organizational citizenship behavior*, accomplishments, potential for future improvement, strengths, and weaknesses. Performance management systems are employed "to manage and align" all of an organization's resources in order to achieve highest possible performance. "How performance is managed in an organization determines to a large extent the success or failure of the organization. Therefore, improving PA for everyone should be among the highest priorities of contemporary organizations. In this background the present paper aims to analyze the existing PAS practices in Jammu and Kashmir Bank Ltd (J&K Bank) which is one of the leading banks in the state of J&K.

**Keywords:** performance appraisal system, employee perceptions, 360 degree feedback

**JEL classification:** G21, J54, L25

### Introduction

Performance appraisal is an instrument, which encompasses mutually agreed objectives, set performance standards, appraisals, evaluation of performance, feedbacks, rewarding or punishment in order to achieve more resourceful outcome from the organizations, teams and individuals by motivating the individuals towards superior performance. Ivancevich (1995) and Hipolito et al (2002) defines performance appraisal as the dimensions of human resources which is used to analyze the employees performance based on their responsibilities, and aiming at goal improvement of peoples performance and productivity over time. Recent research from all over the world demonstrates that performance significantly improves when it is evaluated in an appropriate manner and the individuals when offered a genuine feedback definitely improves their performance (Maitra, 2004). In context of the of the literature review, the main objective of performance appraisal is only for promotion and placement purpose (Miner, 1990; Cumming &Schawab, 1984 ), though most of the performance appraisal system aims to serve multiple purposes. However, not much of the research exists to test the efficiency of such system in achieving the multiple objectives. Several other studies have highlighted that the main purpose of performance appraisal system is to identification of training and development

needs (Spriegal and Mumna, 1961) Mayer & et al (1965), William, 1977 and; Latham &Wenley, 1982). Mufeed (2007) in PAS, there may exist infinite number of sources of the Key Performance Areas (KPA) by which an individual might be evaluated on such factors which are usually covered as: (a) Job performance factors-Job knowledge, quality of work, target fulfillment, cost/time control, safety consciousness etc. (b) Managerial ability factors- Problem analysis and decision making-communication skills, self-motivation initiatives (Mufeed, 1998). Appraising the performance of expatriates is gaining deservedly increased research attention. Recent studies have been primarily descriptive or prescriptive in nature. They have focused on such issues as the process used for appraising expatriates (Harvey, 1997),practices used by multinationals in appraising the performance of expatriates (Gregersenetal., 1996), performance appraisal as both a strength and an area needing improvement in the world's largest multinationals (Petersen et al., 1996), the necessity for identifying top management potential early as part of the human resource planning effort of multinationals (Cascio, 1993), and the transfer of traditional performance appraisal principles across cultural boundaries (Vance et al., 1992). As Gregersen et al. (1996) have noted, much more remains to be done to acquire sufficient understanding to develop effective expatriate performance appraisal systems.

## **Review of Literature**

Research indicates "PAS, no matter how well designed, is doomed to fail, if it is not supported by the people who use it" (Burke & Wilcox, 1969) Lazer& Wilcox, 1979). Research has stressed for various sources of employee assessments, in order to minimize human error of, assessment of employee appraisal (Liden& Mitchell, 1985), Carrol&Schnier, 1982). Recent research studies have indicated that superiors possess better knowledge on the subordinate tasks and are in a better position to provide information to management on employees performance which can be used for succession plan by identifying people with potential and also gives an opportunity to the subordinate to know where he stands, (Simoes, 1974) .Carroll &Schnier, 1982 Claudia, 1988). However, there is a wide spread of dissatisfaction among the employees about individual and top-down appraisal. Recent research work in the area of Performance Appraisal has advocated the use of self appraisal to improve upon the above traditional top-down Process(Farh& Dobbins, 1989), Mayer, et al 1965). According to McGregor (1957), in the process of this appraisal the superior has no right to reject any claim of appraise, but in practice it is totally different. According to Rao (1990), "it is an opportunity for the appraise to recapitulate and list down his accomplishments and failures during the performance period and analyze the extent to which he is responsible and the extent to which other factors have contributed to his success and failure". It has been noticed that under most other circumstances, people tend to see themselves as better performers which has been further supported by the statement of Mazumdar (1978). Recent research review of performance appraisal in the United States, emphasizes that organizations use a multiple rating system inwhich a rate is being evaluated by several independent raters. Research studies have also indicated most performance appraisal are one- sided as the appraisal is downward in nature, therefore, need was felt to upward appraisals in Indian organizations (Mufeed, 1998). It gives subordinates a real stake in the appraisal interview. Organizations are increasingly implementing high performance work practices such as 360- degree feedback interventions in the hopes of improving workplace attitudes and performance (London &Smither1995), (Tornow& London, 1998; Alwater, et al 2002).

The 360-degree feedback is a performance appraisal methodology that captures input from an employee's supervisors, colleagues, subordinates, and, possibly, customers. The person being appraised also evaluates his/her own performance (self evaluation), and those ratings are added to the overall feedback mix. According to Bruce Pfau and Ira Kay (2006) of Watson Wyatt Worldwide, the overriding premise behind 360-feedback is that people who work most closely with an employee see that person's behavior in settings and circumstances that a supervisor may not. . . . The more complete the insight into an employee's performance, the more likely he will understand what needs to be

improved. According to Dyer (2001), 360-degree feedback is increasingly being used by educational and business organizations as a tool to provide leaders with an authentic read on their relational assets and liabilities. The Center for Creative Leadership (the creator of the instrument John used) is a reputable and well-known leadership resource. Moreover, according to human resources consulting firm William M. Mercer, use of 360-degree feedback is on the rise, reportedly growing from 40% of U.S. companies in 1995 to 65% in 2000 (Pfau & Kay, 2002). According to Mufeed (2000), 360-degree technique has gained tremendous importance in the present organization settings. Organizations like General Electric India (GE), Reliance Industries Ltd (RIL), Wipro, Godrej soaps and Crompton Greaves etc, are all using 360-degree feedback multi rater assessment to find out whom truths about their staff in order to take administrative and development decisions. Solopak (2004) remarked, "360-degree assessment enjoyed growing popularity. A very small percentage of people perhaps 1 in 10 makes any meaningful change after a 360-degree. People do not understand the purpose of a 360. It is a developmental tool not a report card. People are confused by the massive amount of data that 360-degree often produces, adding that Development Dimensions International (DDI) found that only 10% of participants had undertaken high quality development action. Most of the appraisal methods involve some limitation of judgmental rating of one form or the other. Some rating errors are likely to occur in the form of HALO or HORN effect, central tendency, leniency and severity errors as such raters inclination towards appraising the subordinates in their particular response style resulted in the poor accuracy and poor predictive validity of performance measurement approaches (Rao, 1992 & Bernardin, 1978). Performance appraisal can be used for human resource development purpose with a view to ensuring development climate, Rao (1982). According to Berardin & Beatly (1984) and Murphy and Cleveland (1995) "it contributes to employees development, in that it makes it possible the identification of strengths and weakness, provides performance feedback and facilitates exchange with supervisors. PAS is linked with identification of training needs, promotion, salary and reward administration. Besides, it "also provides management with information that helps in identifying employees' potentials giving suitable direction to administrative decisions", Agarwal (2001). The other goals of PAS according to Bhide and Sayeed (2003) is to bring people together within hierarchical structure, where superior subordinate interactive relationships are transcended in to team work with dual focus on goal attainment and greater employee commitment. According to Mufeed (2000), "in most of the public and private sector organizations, very little has been done with a view to examining the appraisal effectiveness in accomplishing the goals for which they are designed". Hence in opinion of Bhide and Sayeed (2003) 'a need is generally felt at the level of policy makers not to introduce an effective PAS but also to evaluate it as a system that produces results. Wanda et al. (2000), in study found that all performance appraisal discussions were likely to produce discomfort. Fandray (2000) in his survey indicated that 32% of HR professionals were unsatisfied or very satisfied with their organizations performance management system. Ghosh and Vijayaragavn (2003) conducted a study and found that majority of the extension personnel perceived existing performance appraisal as below average or poor. Mattoo and Mir (2005) in their empirical study of HRD climate in hospitals found that the satisfaction level of doctors with performance appraisal system is totally low. However some studies have found positive responses in this regard. Mount (1984), found that managers were more satisfied than employees with most aspect of their appraisal system. Mufeed (1995 and 1998), in his empirical study found that managers were generally more satisfied with respect to appraisal variables than the workers. The findings of the study made by Jain and Kamble (2002), suggests that the employees perceived the performance system to be developed oriented. Alphonsa (2000), in his empirical study on the HRD climate in a private hospital found that the 'performance appraisal reports in the organization are based on objective assessment and adequate information and not on favoritism' and therefore the status of performance system in the hospitals under study was perceived to be at reasonably good level. Agarwal (2001) found managers perceptions with the existing PAS on moderately effective. Bhardwaj and Mishra (2002) found the status of performance appraisal at a 'favorable' level and was refereed as most frequently mentioned strengths of HRD practices in the

organizations. Priyadarshini and Venkatapathy (2003-2004) found that top performing private banks have the highest extent of performance appraisal and performance counseling practiced. Bhide and Sayeed (2003) designed performance appraisal system (PAS) and subsequently conducted an empirical assessment of its effectiveness which clearly revealed acceptability of PAS design and its implementation. Empirical evidences suggests that effectiveness of appraisal practices contribute to the organizational performance.

## Objectives of the Study

In the light of the domain for research identified so far, the study will address the following objectives;

- a) to study how well the Prevalent PAS practices are taking care of in the selected organization,
- b) to critically evaluate the perceptions held by employees towards the existing PAS Practices,
- c) to formulate broad guidelines, conclusions and suggestions suitable for the improvement of PAS practices in the banking organizations.

## Sample Organization and Size

The study was carried out in the Jammu and Kashmir bank ltd. A sample of managerial and non managerial staff was randomly selected from the selected bank. The total sample size constituted 200 managers and 200 non managerial staff, thus making the total sample size for the study as 400. In order to have the desired response 250 questionnaires in each category were distributed which yielded the desired response level making it a 80% response rate.

## Questionnaire Design and Development

A structured questionnaire has been used to collect the primary data from the selected organization from the banking sector. The scale items have been measured on a 5 point likert scale. The scale ranges from 1-Not at all true to 5-Always true. The questionnaire consists of two sections "A" and "B", Section "A" seeks the information pertaining to the performance appraisal system and section "B" seeks the demographic information from the respondents. The primary information collected from the select banking organization pertains to the different components of PAS practices in vogue in the organization. The questionnaire was developed after reviewing the past literature pertaining to the performance management and items were distilled by the group of academics from the subject in an iterative manner and finally it was pre tested before the final questionnaire was administrated in the selected organization.

## Analysis of Data

**Table 1:** Manager Non Manager Mean Score

s.no	STATEMENTS	Managerial Staff		Non-Managerial Staff	
		Mean score	% Mean score	Mean score	% Mean score
1	Performance appraisal information is used for taking personnel decisions like job rotations, training and development and compensation in the organization.	3.61	65.25	3.40	60
2	Performance appraisal system (PAS) creates seriousness among employees to work with dedication and sincerity.	2.98	49.50	2.82	45.50
3	The PAS in our organization helps in identifying training needs.	2.90	47.50	2.73	43.25
4	The PAS of our organization is strictly confidential	3.00	50.00	3.40	60.00

5	Employees in our bank take pains to find out their strengths and Weaknesses from their superiors and colleagues.	2.50	37.50	3.52	63.00
6	The PAS in our organization is based on objective assessment, adequate information and not on favouritism.	3.33	58.25	3.79	69.75
7	The PAS helps in determining the promotion, reward, job enlargement of the employees based on suitability of an individual rather than on favouritism..	3.21	55.25	3.55	63.75
8	The objectives of the appraisal system are clear to me.	3.00	50.00	3.55	63.75
10	The PAS helps in generating the data for demotion, punishment and transfer without any favouritism.	3.38	59.50	3.44	61.00
11	Employees are provided performance based feedback and counselling.	3.10	52.50	3.00	50.00
12	When performance feedback is given to the employees they take it seriously and use it for development.	2.95	48.75	2.37	34.25
<b>Overall score</b>		<b>2.83</b>	<b>45.75</b>	<b>2.68</b>	<b>42.00</b>

Higher the percentage of meanscore, higher the level of satisfaction towards existing PAS

**Table 2:** Mean Difference and t value

s.no	STATEMENTS	Mean score		Mean Difference	t value
		Managerial Staff	Non-Managerial Staff		
1	Performance appraisal information is used for taking personnel decisions like job rotations, training and development and compensation in the organization.	3.61	3.40	0.21	0.96
2	Performance appraisal system (PAS) creates seriousness among employees to work with dedication and sincerity.	2.98	2.82	0.16	0.88
3	The PAS in our organization helps in identifying training needs.	2.90	2.73	0.23	1.02
4	The PAS of our organization is strictly confidential	3.00	3.40	-0.40	-0.64
5	Employees in our bank take pains to find out their strengths and Weaknesses from their superiors and colleagues.	2.50	3.52	-0.02	-0.22
6	The PAS in our organization is based on objective assessment, adequate information and not on favouritism.	3.33	3.79	-0.46	-0.65
7	The PAS helps in determining the promotion, reward, job enlargement of the employees based on suitability of an individual rather than on favouritism..	3.21	3.55	-0.34	-0.54
8	The objectives of the appraisal system are clear to me.	3.00	3.55	-0.55	-0.60
10	The PAS helps in generating the data for demotion, punishment and transfer without any favouritism.	3.38	3.44	-0.06	-0.36
11	Employees are provided performance based feedback and counselling.	3.10	3.00	0.10	0.40
12	When performance feedback is given to the employees they take it seriously and use it for development.	2.95	2.37	-0.58	-0.62
<b>Overall score</b>		<b>2.83</b>	<b>2.68</b>	<b>0.15</b>	<b>0.45</b>

\*Significant at 0.05

Tables 1 and 2 reveal that the mean score for both managers and non-managerial staff is below or close to 3 for most of the items, indicating that the PAS is not well taken by employees of the organization. It also reveals that the PAS is not even properly executed in the organization. Further the low mean difference and no significant t value suggest that managers and non-managerial staff have similar perceptions about the items in the PAS. The picture presented in the two table is not a welcome sign for the organization as managers and non-managers equally do not consider PAS of great relevance or importance.

## **Conclusions**

The study empirically studied the PAS in one of the leading banks in the state of J&K and found that the system is not properly implemented in the organization. It has been revealed that awareness and seriousness about the PAS is on the lower to moderate level. It may be either it is not taken seriously by management or is not well understood by the employees. This may be because adequate education about the PAS has not been generated by the management in the organization, or management is not taking personnel decisions on the basis of PAS information and such the employees are taking it non seriously. The findings are very crucial and significant for the organization as it must be affecting organizational culture and morale in negative manner, having negative impact on organizational performance. Further the finding of no significant difference between the two groups of respondents coupled with low to moderate scores has serious implications for managers as it indicates that managers are also taking PAS in a casual and routine manner considering that it has no significant impact on organizational performance. These strategically important findings have serious implications for management which needs to immediate devise a strategy to create organization wide awareness and seriousness about PAS. They need to take inputs from PAS seriously in employee development and management decisions.

## **Suggestions**

The research study strongly suggests that in order to make performance appraisal more effective & result-oriented, the following proactive steps should be adopted:

- The organization should adopt Systematic performance appraisal, which must decide on performance standards, a proper and well documented appraisal method its implementation and follow-up, which will serve as a mean to help the supervisors/managers to evaluate the work of their subordinates more effectively and efficiently.
- The management should educate & train appraisers towards giving specific feedback which should be relevant and address the developmental value.
- The performance feedback should serve an instrument to the management in taking some personnel decisions like validation of selection policy, identification of training needs, promotion, transfer, incentives, pay hike, extension of tenure and termination of poor performers.
- Performance should be linked with rewards to make the employee appraisal system more effective and acceptable to the employees.
- Employee participation in performance appraisal system should be increased and a reasonable opportunity should be provided to the appraisers to express their honest disagreement with the appraisers.
- Training should be provided to the supervisors to avoid the unconscious errors and gain greater objectivity while rating the subordinates.

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