

INTRODUCTION OF PERFORMANCE APPRAISAL

Performance appraisal is also known as employee evaluation, merit rating, employee assessment, etc. It is a systematic process of appraising an employee's current and past performance relative to his/her performance parameters. The employee's performance should be based on organizational expectations and employee's actual performance. The idea that performance evaluation improves employee's performance is not a new one but it is seen in the roots of development of mankind. Each person is motivated when he is told about his actual performance and accepts what were his/her previous mistakes. Performance appraisal process may be held annually or monthly as per needed.

CONCEPT OF PERFORMANCE APPRAISAL

Virtually all organizations have some sorts of means of appraising their employees. Performance Appraisal is one of the oldest, natural and most universal practices of Management. The basic purpose of Performance Appraisal is to ascertain the behaviour of an employee anchored to performance and integrate with the organizational performance. It helps both the employers and employees to understand the responsibility in the organization. Performance appraisal system is focused to integrate the expectations i.e., performance, which gives a total clarity between the appraiser and appraisee. It is an instrument to create a conducive atmosphere in the organization. The purpose of any management is to build a very competitive and congenial work culture, which builds healthy competition, gives a sense of achievement to the employees and the stakeholders.

Performance appraisal system is the right instrument that plays a vital role directly or indirectly in achieving the above. It improves the interpersonal relationship among the employees and employers in the organization. It reflects an evaluative judgment of the traits, characteristics and the work performance of the employees on jobs. It is a continuous process to reach the desirous goal of not only the organization but also the employees.

Flippo (1976) defines performance appraisal as, "performance appraisal is the systematic, periodic and an impartial rating of an employee's excellence in the matters pertaining to his present job and his potential for a better job." Performance appraisal is a systematic way of

reviewing and assessing the performance of an employee during a given period of time and planning for his future.

Performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.

According to Levinson (1976), Performance Appraisal has three functions:

- a) It seeks to provide an adequate feedback to each individual for his or her performance.
- b) It purports to serve as a basis for improving or changing behaviour toward some more effective working habits.
- c) It aims at providing data to managers with which they may judge future job assignments and compensation.

In the light of the above definitions, we understand that a performance appraisal system is used to evaluate the traits or qualities of an employee systematically at regular intervals. Adequate and ample opportunities are provided to the employees to enable them to the maximum utilization of their strong qualities. Thus performance appraisal plays a vital role such as “unity in Diversity” in the utilization of organisation. It contributes indirectly to the growth of GDP and per capita income through the development of employee as well as organisation. It is the powerful instrument of the Human Resource personnel’s to take right decisions with respect to labour turnover and other related aspects. It helps the organisation in the 3 ‘**R**’ process like Recruitment, Retention and Retirement.

Performance Management is a new HR management model that takes away the management from command and control approach to a facilitation model of leadership. This shift in style has emerged from the realization that it is very critical for the employees and the business to relate to the work performance of employees to the long term goals and mission or the organization as a whole. The process of PM provides an opportunity for the managers to discuss the developmental goals of the organization with the employees and jointly draw a path to achieve those goals. Such a collaborative approach fosters ownership among the employees at

the level where the work is done for the chosen path and to that extent it makes achievement of goals simple.

Objectives of Performance Appraisal

In the words of **Cummings**, “the overall objective of performance appraisal is to improve the efficiency of an enterprise by attempting to mobilise the best possible efforts from individuals employed in it. Such appraisals achieve four objectives including the salary reviews, the development and training of individuals, planning job rotation and assistance promotions.”

Major objectives of performance appraisal are summarised below:

- (i) To assist in promotions, transfers and lay off decisions.
- (ii) To make aware the employee about his actual performance.
- (iii) To meet organizational expectations with employees objectives.
- (iv) To assess the training and development needs of the employees.
- (v) To plan job rotation.
- (vi) To improve communication between managers and subordinates.
- (vii) To assist in decisions regarding salary increases.
- (viii) To provide feedback and guidelines for employees for better performance.
- (ix) To instill activeness and inspiration or higher goals in employees.
- (x) To determine HR programmes for selection, training and development and to evaluate their effectiveness.

POTENTIAL RATING SCALE APPRAISAL PROBLEMS

Potential rating scale appraisal problems are discussed as follows:

- (1) The Halo Effect
- (2) Contrast Error
- (3) Rater Bias
- (4) Central Tendency Error
- (5) Leniency or Severity
- (6) Sampling Error
- (7) Primary and Recency

CRITERIA FOR ASSESSING PERFORMANCE

John H. Bernardian and **Joyce E.A. Russell** have observed following seven criteria for assessing performance:

1. Quality
2. Quantity
3. Timeliness
4. Interpersonal Impact
5. Cost Effectiveness
6. Need for Supervision
7. Community Service

POSITIVE RESULT OF PERFORMANCE

Followings are the main positive results of performance appraisal:

1. The person whose performance is appraised may develop an increased motivation to perform effectively.
2. The self-esteem of the person being appraised may increase.
3. The job of the person being appraised may be clarified and better defined.
4. Valuable communication can take place among the individuals taking part (that also include communication between the subordinate and the superior).
5. Rewards such as pay and promotion can be distributed on a fair and credible basis.
6. Organizational goals can be made clearer, and they can be more readily accepted.
7. Valuable appraisal information can allow the organization to do better manpower planning, test validation, and development of training programmes.
8. Better and timely service provision, thus greater citizen satisfaction.
9. Makes bureaucrats more accountable for their actions. So it is a change of attitude from the old notions of public administration.

NEGATIVE RESULTS OF PERFORMANCE APPRAISAL

Followings are the main negative results of performance appraisal:

1. The self-esteem of the person being appraised and the person doing the appraisal may be damaged.
2. Large amount of time may be wasted.
3. The relationship among the individuals involved may be permanently worsened thereby creating organizational conflicts.
4. Performance motivation may be lowered for many reasons, including the feeling that poor performance measurement means no rewards for performance (i.e. biased evaluation including favoritism towards some employees).
5. Money may be wasted on forms, training, and a host of support services.

CONSITUENTS OF PERFORMANCE APPRAISAL

Followings are the main constituents of performance appraisal:

- 1. Job Description:** It involves listing of essential functions and the tasks to be done under each job. It is a process of systematically collecting, analyzing, and documenting the important facts about a job. It also provides a basis for job related selection procedures and performance standards. It specifies:
 - The specific job functions and tasks.
 - The functions and tasks which are essential.
 - The percentage of time typically spent performing each function.
 - The skills, knowledge and abilities required to perform the job successfully.
 - The physical and mental requirements of the position.
- 2. Performance Standards:** It describes standard of performance or describes how well a job should be performed. The defined performance standards offer a benchmark to evaluate the actual work performance. When standards are developed in collaboration with the employees for whose positions they are being developed. It is more likely that the standards will:
 - Be appropriate to the requirements of the job.
 - Reflect the realities of the work context and conditions.

- Be understood by the employee and performance manager.
- Be accepted by the employee and the performance manager.

In order to achieve these objectives, managers must ensure that the written down performance standards are:

- Realistic and job specific
- Based on measurable data, observation, or verifiable information
- Consistent with organizational goals
- Challenging
- Clear and understandable; and they are dynamic.

Observing Employee Performance

As part of PM, managers must constantly observe the work performance and provide appropriate feedback to an employee. Feedback should be based on the observed work related behaviour and results vis-à-vis prescribed standards. Such observation of employee behavior and the results of performance enable the management to identify the shortcomings and facilitate an employee to be successful at the job by continuously developing his or her skills, knowledge and competency. Wherever a manager cannot directly observe an employee's performance it is desirable to put in place a process that enables the management to know how they are functioning from time to time. In this context, the following options can be exercised:

- Evaluating the output and products of the employer's work;
- Periodically reviewing and discussing with employee's their standards of performance of the job vis-à-vis management expectations.
- Obtaining feedback from customers.
- Doing brief stand up check- ins or phone calls.
- Performing routine spot checks of the employee at work.
- Asking for confidential evaluations of employee performance by peers.

The most critical part of PM is assessing, summarizing and developing the work performance of an employee. It is essential that every employee enjoys the benefit of looking at his performance appraisal at least once in a year. A manager should analyses the performance of the employee objectively against the set standards. It is desirable for the manager to meet and discuss with the employee about the appraisal process before writing as it fosters mutual understanding of the process extent it enhances the employees acceptance of the outcome.

The manager has to review the draft of the performance appraised form and supporting comments with the concerned employee. Here it makes sense to discuss the employee's strengths first; covering each point in detail, for it sets a positive tone to start the discussion. Identifying the functional areas requiring improvement and establishing agreement with the employee about how improvement is to be accomplished. Performance manager and the concerned employee must mutually identify areas in which education, training, or their development opportunities are needed and design a strategy for developing skills and knowledge of the employee. Discussion with the employees, the steps to be taken by them to accomplish self development goals, as well as how the department will help them to arrive at an agreement to be done. It always makes sense for managers to meet employees for such discussions in private.

Process of performance appraisal

The process of performance appraisal involves several steps and they are delineated as follows:

- 1. Preparation** – Preparation of all materials, noting down agreed tasks and recording of performance, achievements, incidents, reports etc - anything pertaining to performance and achievement - obviously include the previous performance appraisal documents and a current job description. A good appraisal form will provide a good natural order for proceedings. If the organization doesn't have a standard appraisal form then one has to locate standard appraisal form, or has to download and/or adapt the appraisal forms from standard websites. Whatever has been used, one has to ensure the necessary approval from his/her organization, and understand how it works. The paperwork to reflect the order of the appraisal and write down the sequence of items to be covered has to be organized.
- 2. Intimation** – One has to inform the appraisee and ensure that appraisee is informed of a suitable time and place (change it if necessary), and clarify purpose and type of appraisal – he has to be given and give a chance to the appraisee to assemble data and relevant performance and achievement records and materials. If the appraisal form does not imply a natural order for the discussion then an agenda of items to be covered should be provided.
- 3. Venue** – One has to ensure a suitable venue, which is planned and available - private and free from interruptions - as with recruitment interviewing the same rules should be

observed – One has to avoid hotel lobbies, public lounges, canteens - privacy is absolutely essential.

- 4. Layout** - room layout and seating are important elements to preparation also - One should not simply accept whatever layout happens to exist in a borrowed or hired room - layout has a huge influence on atmosphere and mood - irrespective of content, the atmosphere and mood must be relaxed and informal - remove barriers – One should not sit in the boss's chair with the other person positioned humbly on the other side of the desk; one must create a relaxed situation, preferably at a meeting table or in easy chairs - sit at an angle to each other, 90 degrees ideally - avoid face to face, it's confrontational.
- 5. Introduction** – One has to relax the appraisee - open with a positive statement, smile, be warm and friendly - the appraisee may well be terrified; it's one's responsibility to create a calm and non-threatening atmosphere. One has to set the scene - simply explain what will happen - encourage a discussion and as much input as possible from the appraisee - tell them it's their meeting. The timings have to be confirmed, especially finishing time. If helpful and appropriate, one should begin with some general discussion about how things have been going, but one should avoid getting into specifics.
- 6. Reviewing and measurement** – One has to review the activities, tasks, objectives and achievements one by one, keeping to distinct separate items one by one - avoid going off on tangents or vague unspecific views. If the person has done your preparation correctly he will have an order to follow. If something off-subject comes up then it should be noted down. He has to concentrate on hard facts and figures, solid evidence - avoid conjecture, anecdotal or non-specific opinions, especially about the appraisee. Being objective is one of the greatest challenges for the appraiser - as with interviewing, and he has to resist judging the appraisee in his own image, according to his own style and approach - facts and figures are the acid test and provide a good neutral basis for the discussion, free of bias and personal views. For each item a measure of competence should be agreed, and according to whatever measure or scoring system is built into the appraisal system.
- 7. Agreeing an action plan** - An overall plan should be agreed with the appraisee, which should take an account of the job responsibilities, the appraisee's career aspirations, the departmental and whole organization's priorities, and the reviewed

strengths and weaknesses. The plan can be staged if necessary with short, medium and long term aspects, but importantly it must be agreed and realistic.

- 8. Agreeing on specific objectives** - These are the specific actions and targets that together form the action plan. As with any delegated task or agreed objective these must adhere to the SMARTER rules - specific, measurable, agreed, realistic, time-bound, enjoyable, recorded. If not, one should not bother. The objectives can be anything that will benefit the individual, and that the person is happy to commit to. When helping people to develop, one should not be restricted to job-related objectives, although typically most objectives will be.
- 9. Agreeing on necessary support** - This is the support required for the appraisee to achieve the objectives, and can include training of various sorts such as external courses and seminars, internal courses, coaching, mentoring, shadowing, distance-learning, reading, watching videos, attending meetings and workshops, workbooks, manuals and guides; anything relevant and helpful that will help the person develop towards the standard and agreed task. Also one should consider training and development that relates to 'whole-person development' outside of job skills. This might be a hobby or a talent that the person wants to develop. Developing the whole person in this way will bring benefits to their role, and will increase motivation and loyalty.
- 10. Inviting any other points or questions** – One must make sure to capture any other concerns.
- 11. Becoming close** - Thanking the appraisee for their contribution to the meeting and their effort through the year, and commit to helping in any way one can.
- 12. Recording main points, agreed actions and follow-up** – One must swiftly follow-up the meeting with all necessary copies and confirmations, and ensure documents are filed and copied to relevant departments, (HR and one's own line manager typically).

Methods of Performance Appraisal System

One can classify the methods of performance appraisal under two categories-vis-à-vis, traditional and modern methods. Each method has been described briefly in the following paragraphs.

1. Traditional method

Followings are the main traditional methods:

- (i) Essay appraisal method
 - (ii) Straight ranking method
 - (iii) Paired comparison
 - (iv) Critical incidents method
 - (v) Field review
 - (vi) Checklist method
 - (vii) Graphic rating scale
 - (viii) Forced distribution
- 2. Modern Methods (New concepts)**
- (i) Assessment centers
 - (ii) Behaviorally anchored rating scales
 - (iii) Human resource accounting method
 - (iv) 360 Degree performance appraisal
 - a. Self appraisal
 - b. Superior's appraisal
 - c. Subordinate's appraisal
 - d. Peer appraisal.

BENEFITS OF PERFORMANCE APPRAISAL

The benefits typically claimed by those who defend or advocate performance appraisal systems include the following:

- 1. Feedback:** Performance appraisals provide employees with feedback regarding their performance, usually at least once a year and often on an interim basis during the year. This leads to reduced errors and waste, increased productivity, improved quality and service for customers, as well as enhanced employee motivation, commitment, and a sense of ownership.
- 2. Goal setting:** Performance appraisal sessions provide an opportunity for discussions that include setting work related goals and objectives for the individual as well as aligning individual and organizational goals.

3. **Career management:** Performance appraisal sessions also provide opportunity for identifying training and development needs and discussing career progression opportunities.
4. **Objective assessment:** Performance appraisals are made objective through uniform processes and criteria. This also results in a fair, valid, and legally defensible basis for rewarding and recognizing individual performance.
5. **Legal protection:** Performance appraisals afford the corporation legal protection against employee lawsuits for discrimination and wrongful termination. A candid and perhaps blunt observer might add a final benefit: The formal performance appraisal system buttresses the organization's hierarchical authority system. It gives the supervising manager control over some of the carrots and sticks in what is essentially a carrot-and-stick management system.

The list of benefits above must be balanced against the costs of performance appraisals. Some of these are "hard" costs that can be measured and expressed in dollars and cents. Others are "soft" costs, best gauged in terms of their drawdown on human and political capital.

IMPORTANCE OF BANKING INDUSTRY

Banking in India in the modern sense originated in the last decades of the 18th century. The first banks were Bank of Hindustan (1770-1829) and The General Bank of India, established 1786 and since defunct. The largest bank, and the oldest still in existence, is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. The three banks merged in 1921 to form the Imperial Bank of India, which, upon India's independence, became the State Bank of India in 1955. For many years the presidency banks acted as quasi-central banks, as did their successors, until the Reserve Bank of India was established in 1935.

In 1969 the Indian government nationalized all the major banks that it did not already own and these have remained under government ownership. They are run under a structure known as 'profit-making public sector undertaking' (PSU) and are allowed to compete and operate as commercial banks. The Indian banking sector is made up of four types of banks, as well as the PSUs and the state banks; they have been joined since the 1990s by new private commercial banks and a number of foreign banks.

Banking in India was generally fairly mature in terms of supply, product range and reach—even though reach in rural India and to the poor still remains a challenge. The government has developed initiatives to address this through the State Bank of India expanding its branch network and through the National Bank for Agriculture and Rural Development with things like microfinance.

Indian Banking Industry currently employs 1,175,149 employees and has a total of 109,811 branches in India and 171 branches abroad and manages an aggregate deposit of **RS. 67504.54** billion (US\$1.1 trillion or €790 billion) and bank credit of **Rs. 52604.59** billion (US\$860 billion or €620 billion). The net profit of the banks operating in India was **Rs. 1027.51** billion (US\$17 billion or €12 billion) against a turnover of **Rs. 9148.59** billion (US\$150 billion or €110 billion) for the fiscal year 2012-13.

REVIEW OF LITURETURE

For this research, following review of literature will be used:

Showkat, Shagufta (2013), “Performance Appraisal in Banking Organisation’s” has explained the term performance appraisal system (PAS) from the management point of view, where he given all the advantages that the organizations can exploit and all the disadvantages that the organization should be vary of. Sufficient examples have been sighted from previous studies and primary data is also been collect to further prove the hypothesis.

Mishra, Lalita(2013), “A Research Study on Employee Appraisal System Case of Hong Kong and Shanghai Banking Corporation” has explained the major factor of growth of the company is the employee satisfaction and therefore, this research study is being conducted for the similar reason of employee appraisal system. The aspect of human resources is the most important and vital part of banking and service sector. The well efficient work force is needed in the industry so as to grow in the competitive world.

Ochoti, George Ndemo, et.al.(2012), “Factors Influencing Employee Performance Appraisal System: A Case of the Ministry of State for Provincial Administration & Internal Security, Kenya” the authors focused the regression analysis model for performance appraisal. The study concludes that all the five variables investigated that include the implementation process, rater and ratee interpersonal relationship, psychometric rater accuracy, informational factors and employee attitudes all influence the PAS(Performance Appraisal System). The factors under these variables have shown the influence of the implementation process of the PAS (Performance Appraisal System) and the quality of treatment that the ratee receives in the hands of the rater. It has also been shown that elimination of rating errors increases system efficiency. Communication between the rater and ratee is crucial as understands the employee attitudes towards the PAS (Performance Appraisal System).

Pradhan, Sunil Kumar and Chaudhary, Suman(2012), “A Survey on Employee Performance Management and Its Implication to Their Retention in OCL Limited” the study aimed at examining the employee performance management and its implication to their retention in OCL India ltd1. As the required data is not available from the secondary sources, we made a small sample survey in the concerned industry to elicit the requisite information. The data collected from 170 employees of OCL India with questionnaires approach having 50 close ended semantic questions. As a part of the study, it is known that in

OCL India Balance Scorecard² is implemented as a performance evaluation³ tool. Using summary measures, percentage tables and various graphs we have assessed the importance of various independent factors that drive away the dependent factor (employee satisfaction).

Kaur, Avneet (2012), “ An Empirical Study of the Performance Evaluation of Public Sector Banks In India” has explained the financial aspect for evaluation performance evaluation. It also emphasizes on the yearly study of the financial position of public sector banks.

Hossain, Maksuda, Abdullah, Abu Md. and Farhana Shila (2012), “Performance Appraisal & Promotion Practices on Private Commercial Bank in Bangladesh: A Case Study from Pubali Bank Ltd.” have explained the performance appraisal & promotion practice of Pubali Bank Ltd., Bangladesh. Performance appraisal being a critical part of human resource management carries huge significance to run an organization smoothly. As the name implies management does not have to face obstacles regarding employees if such appraisal is done appropriately with proper implication on promotion.

Shrivastava, Pallavee and Rai, Usha Kiran (2012), “Performance Appraisal Practices in Indian Banks”, have explained the various methods for evaluating the performance of the employees. They observed that the past behaviour affects the performance of the organisation and motivate them to do work hard for the development of it.

Zhang, Yansheng and Li, Longyi (2009), “Study on Balanced Scorecard of Commercial Bank in Performance Management System” have given the outcomes of the balanced score technique in all the organizations. He has given examples of various models of balance score techniques which were studied in past to build the hypothesis. He has also given empirical evidence to support the extend of these techniques in the modern era.

Liza ,Rebeka Sultana, Ferdous, Tahmina and Jahan, Ishrat (2009), “Individual and Job-Based Determinants of Performance Appraisal: A Study on Banking Sector and Manufacturing Industries in Bangladesh” have explained the use of performance appraisal (PA) in some manufacturing enterprises and private banks in Bangladesh. Some hypotheses were developed on individual and job based determinants of PA usage. Based on the data set on individual employees, these hypotheses were tested in order to explore the impact of PA on pay and career prospects. The result indicates that PA is positively linked to an individual’s willingness to take risks. PA constitutes one of the key responsibilities of the managers who like to improve efficiency of employees at work.

SIGNIFICANCE OF THE STUDY

The purpose of the present research is to evaluate the qualitative and quantitative functioning of the Performance Appraisal System adopted in selected banks in Rajasthan. This study is chosen for an in depth analysis and understanding of performance appraisal system. It is the most universally accepted system for sustained performance and for enhances performance in the organization which is essential not only for growth but even for survival. It is planned because performance appraisal is only the tool which guides management to provide training in the area of needs of employees and extend facilities for the optimum utilization of resources in the organization. The lack of information on performance appraisal system would increase the negative influence on understanding the objectives of the organization.

Before the advent of Liberalization, Privatization and Globalization (1990) virtually all research on performance appraisal system focused on the traditional method or conventional method of evaluating the subordinates by superiors in the organization. However, that changed in the early 1990's and now, performance appraisal system aims to mesh the industrial needs aspirations and goals to the organization's objectives, demands and requirements. It develops the capabilities of each employee as an individual in relation to his / her present role and expected further roles. It aims to foster team spirit and functioning in every group or organizational unit.

OBJECTIVES OF THE STUDY

In accordance with the study of Performance Appraisal System, followings are the main objectives of the study:

1. To identify the performance appraisal system in the selected banks in Rajasthan.
2. To assess the performance appraisal system in selected banks in Rajasthan.
3. To compare the performance appraisal system between supervisors and managers.
4. To analysis the influence of secondary variables-gender, age, marital status, working department, experience, qualification on performance appraisal system.
5. To suggest various means to improve performance appraisal systems in the selected banks.

HYPOTHESES OF THE STUDY

The present study will be based on the following hypotheses:

- H0_a: There is no significant difference between performance appraisal systems in the public and private sector banks.
- H0_b: There is a significant influence of secondary variables on performance appraisal system.
- H0_c: There is a significant relationship between performance appraisal and career advancement.

RESEARCH METHODOLOGY

- **Universe**
Rajasthan
- **Sampling Technique**
Simple Random Technique
- **Sample**
State Bank of India
HDFC Bank

- **Sample Size**

The sample size for the study will be 300 using simple random sampling technique which will be collected as follows:

150 respondents from State Bank of India

150 respondents from HDFC Bank

DATA COLLECTION

The study is mainly based on primary as well as secondary data which is collected from questionnaire, companies database and related websites of the selected banks.

TOOLS FOR DATA ANALYSIS

Some statistical tools will be used:

1. Chi square test
2. ANNOVA
3. Correlation
4. Index Numbers

SCOPE OF THE STUDY

A performance appraisal system plays a significant role in the development of an organization together with the employee's growth. The appraisal of the employee must be used as a means to achieve organizational development. The performance appraisal system must be conceived as a means to develop and implement strategies that will enable the employee to acquire higher competencies, develop a creative attitude and achieve growth by contributing to the organizational growth. Having all these and also to gain more knowledge about the performance appraisal system, its utility and importance for organizational development, the present topic **“Performance Appraisal System of Public and Private Sector Banks: A Comparative Study (With Special reference to State Bank of India and HDFC Bank)** is formulated.

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