# Optimal Methods of performance appraisal in IT Sectors

**Swapna Reddy ,MBA.,\*1,**
**A Mary Madhavi, MBA., \*2,**
**T.Naga Srivalli, M.Com., \*3**
**1. Faculty in Management Siva Sivani Degree College Kompally, Sec'bad-100.**
**2. Faculty in Management Siva Sivani Degree College Kompally, Sec'bad-100.**
**3. Faculty in Commerce Siva Sivani Degree College Kompally, Sec'bad-100.**

## Abstract:

An employee's performance is important determinant in the productivity of an organization. There are various performance appraisal typically provides a concise summary or overview of an individual's or a group's performance assessment within an organization. It outlines key aspects of performance, including strengths, weaknesses, achievements, and areas for improvement. This summary helps in evaluating an individual's contributions to the organization, setting future goals, and making decisions regarding career development or rewards based on their performance. Appraisal system have been greatly varied from a simple method where only a HR Manager reviews the performance of the employees to a 360-degree feedback system where not only the manager, but also peers, colleagues and clients are given an opportunity to review the performance of one another. Performance Appraisals have seen a great evolution in them. this paper focuses on the best practice in Performance appraisal and for finding out what are those best practices are, I have selected the practices followed in some of the Fortune 500 companies. This paper also focuses on the result that these companies are gaining due to adopting new methods ofperformance appraisals.

**Keywords:** Performance Appraisal, 360-degree feedback, methods.

## Introduction:

Performance appraisal is a systematic evaluation process that assesses an employee's job performance and productivity within an organization. It involves managers or supervisors assessing an employee's strengths, weaknesses. Performance appraisal is an integral part of HRM. It deals with personnel, Personnels are the important and valuable resource that every organization. Performance appraisals are a key component of compensation management, as they provide the basis for determining, achievements, and areas needing improvement against predefined goals, job responsibilities, and set criteria. The process aims to provide feedback,

identify training needs, determine promotions or salary raises, and facilitate better employee-manager communication. Effective performance appraisals are conducted regularly, focusing on clear and objective criteria to fairly evaluate an individual's contributions to the organization.

Almost all 90% of the fortune 500 companies use the process of 360-degree performance to evaluate its employees. Employers are also finally acknowledging that both supervisors and subordinates despise the appraisal process a continuing problem that feels more urgent now that the labor market is picking up and concerns about retention have returned. (https://brainmass.com/business/360-degree-feedback/performance-appraisals-at-fortune-  500-companies-514819, n.d.)

## Review of literature:

(**Delpo, Amy. The Performance Appraisal Legal & Practice Rules for Managers).** an overview of performance appraisal Performance objects, observations and documentation.

(**Iqbal, Naveed Ahmad, Zeeshan Haider , Yumna Batool , & Qurat-ul-ain , August 2013**) There is a significant relationship between the performance of the employees and performance appraisal. Motivation factor acts as the moderator between performance of the employees and performance appraisal. Motivation strengthens the relationship between the two.

(**Thomas J.Bergamann,vida Gulbinas Scaepelli 2001**) Compensation Decision Making it includes understanding of the theories, concepts, and principles behind compensation decision making. The detailed procedures used in implementation of compensation practices.

(**Robert D. Bretz, George Milkovich,, & Walter Read, 1992**) Organizations are similar; organizations vary in size, nature of product, technology used, competition and markets; all such factors have an influence on the practices of performance appraisals.

(**Jindal, Laveena, & Navneet, December 2015**) In the 21$^{st}$ century performance appraisal systems are designed in such manner that employees should and must be capable of meeting

their. Managers are helping their employees to meet up to their goals by identifying their inefficiencies and conduct training methods to help them remove their inefficiencies.

**(Ghutke, November 2016)** Organizations conduct performance appraisal for effective communication, decision making and motivating. Performance appraisal methods can be broadly classified under objective measures and subjective measures. The important methods can again be classified traditional and modern methods.

**(Ishaq, Muhammad Zahid Iqbal, & Arshad Zaheer, 2009)** Both the public and private sector believe inthe role of outcomes and demerits in the effectiveness of performance appraisal. In regard to the study conducted it was found that managers have a different view from employees. It was also found that gender of the managers has produced different views.

## Objectives:

To find out and analyze the best practices in Performance Appraisal by taking the performance appraisal practices followed in some of the Fortune 500 Companies.
To analyze the effect of these practices on the employees and the organization.

## Research methodology:

This paper uses the source of information as secondary sources. In Secondary source of information is obtained from various research articles, blogs, journals, magazines, newspapers, websites, etc.
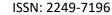
## Best practices in performance appraisal:

- **Goal of performance reviews:**

The performance reviews are adjusted to a company's values and intentions, as well as each employee's strengths, goals, and needs. That way, you can ensure everyone is working towards a greater company mission while also developing employee skills.

**employee performance review discussion involves:**

Communicates and assesses expectations for each position, identifies employee strengths and

areas for improvement, identifying training gaps, Rewards and encourage for achievements of employees, aligns employees behind the company mission, helps organizations allocate their training budget, gives companies more clarity on hiring needs.

- **Feedback:**

Continuous feedback system refers to that type of Performance appraisal, where an employee's performance is reviewed and checked on regular basis. It basically means that Performance Appraisal is not conducted on a yearly basis, but it is done either on a monthly or a quarterly basis, half yearly.

Tata consultancy services uses two kinds of appraisal at the end of the year and at the end of the project ,appraisal is completely based on Balance score card ,which tracks the achievement of employees on the basis of targets at four levels -Financial ,customer, internal learning and growth.

Infosys believes in meritocracy and has built a high-performance work culture among its workforce. To align the employee's performance with Infosys's business goals, regular performance-driven appraisals are conducted. Infosys has three tracks for its performance appraisal system (Rao and Rao, 2004; Fernando, 2010).
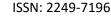
**Track 1**

The first track deals with a review of performance relying on feedback and tasks on technical/ personality competencies. Infosys is moving to a role-based structure and competencies for each of the roles with standard expected levels of behaviors. Training needs are derived based on task evaluations and competency feedback.

**Track 2**

The second track is the senior management appraisal. People in managerial roles undergo this annually. Here the employee fills up a self-appraisal form and carries it forward to a panel of discussion. The panel includes: The head of the department. The immediate supervisor of the appraisal. Senior management personnel from another department. Promotions are decided on the basis of their review (Khan and Jain, 2004).

**Track 3**

360-degree appraisal constitutes the third track. This has been happening over the last 3 years for all departments and practice units. Levels covered include the head of delivery, heads of departments/practice units, all the people who report to the heads and all others holding

leadership positions in the organization.

IBM has recently moved away from the traditional performance review on to a new Performance Appraisal Process called Checkpoint, comprising of more frequent employee feedback and shifting of employee goals throughout the year. Employees are now given short term goals (instead of one year), and they are reviewed at least once in a quarter. Also, there is no single measure of performance like before, instead there are five scores, because of which the review discussions are more balanced.

You may like to see this link http://fortune.com/2016/02/01/ibm-employee-performance-reviews/

Accenture too incorporated frequent feedback and conversations as the heart of their new performance review process. The focus has now shifted from performance rating to performance development. (performance-management-trends-2016, 2016)

Amazon currently uses its internal tool for making feedback available between employees. Called Anytime Feedback Tool, employees can directly send praise or criticism about their coworkers with the system. The feedback is sent directly to the manager of the person receiving the feedback and the identity of the feedback provider is only revealed to the manager. (the-amazon-controversy-what-is- missing-in-its-performance-management-360-feedback)

- **360 Degree Feedback System**

A 360-degree feedback system is a performance evaluation method that gathers input from various sources involved with an individual's work, including managers, peers, subordinates, and even external stakeholders like clients or customers. It provides a comprehensive view of an individual's strengths, weaknesses, and areas for development, aiming to offer a well-rounded assessment for personal and professional growth.

**360 reviews**

The first step of the Facebook performance process starts with 360-degree reviews. With a slight change, Facebook prefers including reviews from only 5 peers because there is a similarity in the answers afterwards. The review process focuses on two key questions:

What was this person's impact this year?

How can they increase this impact?

The two-week period includes peer feedback, a self-assessment, and a manager assessment. After this step, the Manager reads all the peer reviews and the assessments to determine a "Performance Assessment" or rate the employee performance for the last 6 months to decide whether it is the right time for promotion.

Facebook's performance review process is designed to help employees grow and develop in their roles, and to ensure that they are contributing to the company's overall success. Here are the main components of the process:

Goal Setting: At the beginning of each year, employees set goals in collaboration with their managers. These goals should be challenging but achievable, and should align with the employee's role and the company's strategic priorities.

**Continuous Feedback:** Facebook encourages regular feedback and coaching throughout the year, rather than waiting for an annual review. Managers are expected to provide feedback on a regular basis, both in one-on-one meetings and through tools like the "Check-in" feature in Facebook's internal platform.

**Mid-Year Review:** Halfway through the year, employees have a formal check-in with their manager to discuss their progress towards their goals and any areas where they need additional support.

**Performance Review:** At the end of the year, employees complete a self-evaluation and receive feedback from their manager and peers. This feedback is used to assess the employee's performance against their goals and the company's expectations, and to identify areas for improvement.

**Career Development:** Facebook places a strong emphasis on career development, and encourages employees to have open and honest conversations with their managers about their career aspirations. Managers are expected to provide opportunities for growth and development, such as stretch assignments, training, and mentorship.

Overall, Facebook's performance review process is designed to be transparent, collaborative, and focused on employee growth and development.
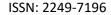
- **Performance Review App:**

With a drastic and continuous change in technology, apps have become the most common source of technology for any activity. Performance review app refers to a personalized app of a company where the performance of an employee will be put up and even the employee will be given an access to it so that he or she could check the basis on which he or she is being evaluated and he or she would also be able to see how his or her peers have evaluated him or her. The employee can also check his or her progress on the basis of the set goals and could have a mental analysis whether he or she is able to achieve the goals set or no.

 Deloitte conducted, more than half the executives questioned (58%) believe that their current performance management approach drives neither employee engagement nor high performance. They needed something quick, accurate, real time, and more individualized—something that focused on improving. Future performance. In 2015, Deloitte redesigning their performance management and listed the changes that their performance management would embrace. They used 360 performance appraisals as a tool. At Deloitte, their new performance management System has three ways of addressing performance: Recognizing performance-Recognizing the contribution of individual employees in each team seeing performance-Getting an accurate picture of performance without any bias ,Fueling Performance- Helping employees improve their performance potential.

**Setting Goals:**

Employee goal setting is the  methods of performance appraisal where the employees when they join the companies are asked make a note of their aim and goal that they wish to achieve in that particular organization and the performance manager of the employee will be having this with him or her and it is the performance manager's duty to monitor his or her employees' performance and if at any point of time it is felt that the employee is deviating from the set goal, the performance manager is expected to have a one on one session with the employee, find out the reasons for Deviations and help  the employee to get back and achieve the set goal. SMART goals are allowing employees to develop a deep and precise understanding of the goal, its

purpose, how success will be measured, and its connection to broader company priorities. Goals that meet the SMART criteria are: Specific -Clearly defines the outcome and owners. Measurable: Specifies milestones, key results and measure of success.

Ambitious: Balances difficulty and achievability. Relevant: Aligns with broader priorities. Time bound: Set a clear deadline and milestone dates.

Every year IBM asks its employees to set goals in January and the performance managers check their performance and their achievement towards their goal in the mid of the year and if any deviations are found out, the performance managers help them to get back to the way towards achieving their goals and in December they get a report on whether they have achieved the goal set in the beginning and how well they have achieved is also analyzed.(ibm-employee-performance-reviews, 2016)

**Performance Planning:**

Performance planning is the system where the company sets some standards according to the needs of the company, and expects its employees to work according to such set standards. This system of performance appraisal is opposite to that of Employee Goal Setting, but research shows that even this system is highly effective.

Wal-Mart's performance planning is based on three main dimensions that relate with the needs of its retail business: Customer service orientation, Decision-making and results orientation, Analysis and problem-solving

Wal-Mart uses the customer service orientation to directly address its human resource management concerns in the context of reta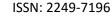il. Retail is a service business. Thus, Wal-Mart emphasizes the customer service orientation in performance planning, to ensure that its services satisfy customers. On the other hand, the decision-making and results orientation is applied for all positions, although it is emphasized

in planning for managerial and supervisory positions. Wal-Mart's human resource  management objective in using this orientation is to optimize organizational resilience through effective

decision- making. In addition, analysis and problem solving is also used for performance planning, but more so for managerial positions. Wal-Mart expects managers to effectively analyze and solve problems in the workplace. These dimensions are included in the performance appraisals conducted at the company. Wal-Mart's human resource management considers these dimensions as essential for planning foradequate workforce performance. (Thompson, 2017)

**Benefits of performance Appraisal**

**Assist in Enhance Employee Performance**

The evaluation process needs supervisors to note insufficiencies in employees' performances and communicate to the respective employees accordingly. The manager or supervisor can give suggestions to overcome their deficits.

The logical appraisal system helps the line managers and HR people to design policies and programs for the progress of employees and businesses. It supports planning daily work agreeably to assign the right people to an accurate job. The evaluation process should actively ensure unbiased and equal views to stimulate every employee's career development.
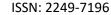
**Promotions and Transfers**

The merit evaluation system helps to recognize talented employees to groom them as competent. The organization admits employees' hard work and accomplishments by giving promotions, deputation, and transfers. The evaluation system certifies that promotion and transfer offers are based on performance, not seniority and nepotism.

**Hike in Salary and Compensation**

The rating system gives a clear view of an employee's performance level, which is compensated by an enhancement in salary and offering other fringe benefits. A good point rating can be achieved only through the appraisal system, which offers handsome compensation packages like a bonus, extra reimbursement, various allowances, and requisites. Almost in all organizations, different categories of employees are paid good compensation packages for their high level of performance, which reveals in the evaluation system.

**Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:

Swapna Reddy / International Journal of Management Research & Review

Through performance appraisal, the employers can understand and accept skills of subordinates.

The subordinates can also understand and create a trust and confidence in superiors.

It also helps in maintaining cordial and congenial labour management relationship.

It develops the spirit of work and boosts the morale of employees.

**Providing Feedback to employees about their performance:**

The main aim of HR person is that he or she should give regular feedback to the employees about how they can perform better and what are the major targets and how to achieve them. The employees should be provided with the feedback on regular basis so that employees can work on their shortcomings.

**Conclusion:**

Performance appraisals serve as valuable tools for evaluating employee contributions, fostering growth, and enhancing organizational success. They provide a structured framework for acknowledging achievements, identifying areas for improvement, and aligning individual goals with organizational objectives. Through regular feedback and constructive dialogue, performance appraisals contribute to a culture of continuous improvement and development within the workplace. By offering specific, timely, and balanced feedback, organizations can empower their employees to reach their full potential, thereby driving overall productivity and success.

However, it's essential to recognize that performance appraisals are just one part of the broader process of managing and nurturing talent. They should be complemented by ongoing communication, coaching, and support to ensure that employees feel valued, motivated, and equipped to thrive within the organization. Ultimately, when conducted effectively, performance appraisals not only assess past performance but also pave the way for future growth, learning, and success for both individuals and the organization as a whole.
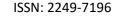
**References:**

Employers are also finally acknowledging that both supervisors and subordinates despise the appraisal process—a perennial problem that feels more urgent now that the labor market is picking up and concerns about retention have returned. (n.d.). Retrieved from https://brainmass.com/business/360-degree-feedback/performance-appraisals-at-fortune-500-

companies-514819

- Faulty-Performance-Review-Processeses-Cost-Companies-as-Much-as-35M-Annually. (2015, August).Retrieved from news.cebglobal.com: https://news.cebglobal.com/2015-08-26-Faulty-Performance-Review-Processeses-Cost-Companies-as-Much-as-35M-Annually

- IBM-employee-performance-reviews. (2016, February). Retrieved from fortune.com: http://fortune.com/2016/02/01/ibm-employee-performance-reviews/

- performance-management-trends-2016. Retrieved from http://www.thecareermuse.co.in: http://www.thecareermuse.co.in/performance-management-trends-2016/

- 6-reasons-fortune-500-companies-replacing-traditional-performance-review.(2017, May). Retrieved from hrdailyadvisor.blr.com: http://hrdailyadvisor.blr.com/2017/06/05/6-reasons-fortune-500- companies-replacing-traditional-performance-review/

- Abbas, M. Z. (June 2014). Effectiveness of performance appraisal on performance of employees. IOSR Journal of Business and Management.

- Abraham, S. E., Lanny A.Karns, Kenneth Shaw, & Manuel A. Mena. (2001). Managerial Competencies and the managerial performance apprasial process. The Journal of Management Development, 11.

- ARO-GORDON, S. (2014). An IT-Based Appraisal Model for Effective Performance Management Systemin Nigeria . 24.

- Ghutke, S. (November 2016). Study Of Traditional Methods Of Performance Appraisal. Abhinav International Monthly Refereed Journal of Research in Management & Technology, 7.

- https://brainmass.com/business/360-degree-feedback/performance-appraisals-at-fortune-500- companies-514819. (n.d.). Retrieved from Brain Mass: https://brainmass.com/business/360- degree-feedback/performance-appraisals-at-fortune-500-companies-514819

- Iqbal, N., Naveed Ahmad, Zeeshan Haider , Yumna Batool , & Qurat-ul-ain . (August 2013). Impact of performance appraisal on employee's performance . Arabian Journal of Business and Management Review, 21.

- Ishaq, H. M., Muhammad Zahid Iqbal, & Arshad Zaheer. (2009). Effectiveness of

Performance Appraisal: Its Outcomes and Detriments in Pakistani Organizations. European Journal of Social Sciences , 8.

- Jindal, S., Laveena, & Navneet. (December 2015). STUDY OF EFFECTIVENESS OF PERFORMANCE APPRAISAL SYSTEM IN SELECTED INDIAN COMPANIES. 7.

- Mishra, D. (2013). A Research Study on Employee Appraisal System Case of Hong Kong and Shanghai Banking Corporation (Hsbc Bank) . International Journal of Business and Management Invention ISSN , 8.

  .International Journal of Science and Research (IJSR), India Online ISSN: 2319-7064 .

- N1, R. (2103). A Study on the Effectiveness of Performance Appraisal in G. B. Engineering Enterprises [P] Ltd. Thuvakudi, Trichy, Tamil Nadu, India . International Journal of Science and Research (IJSR).

- Prasad, D. P. (April 2015). An Empirical Study to understand Job Satisfaction and Motivation of personnel through the system. International Journal of Engineering and Applied Sciences, 8.

- R.D, B., Kc Read W, & Milovich G.T. (1992). The current state of performance research and practice: Concerns, directions, and implications. Journal of Management.

- Robert D. Bretz, J., George Milkovich,, & Walter Read. (1992). The Current State Of Performance Appraisal Research And Practice: Concerns, Directions, And Implications. 60.

- Selvarajan R., a. C. (2008). The Importance of Accurate Performance Appraisals for Creating Ethical Organizations. Journal of Applied Business Research, 3rd quarter, Vol. 24.

- Thompson, A. (2017, January). walmart-human-resource-management-training-performance- management. Retrieved from panmore.com: http://panmore.com/walmart-human-resource-management-training-performance-management