

A Case Study on the Perception of Employees in Leading MNC's (IT/ITES Sector) in India Regarding Performance Appraisal System and Proposing a Sustainable Performance Appraisal Framework for Indian Organizations to Lower Attrition Rate

P. Ramlal^{1*}, Garimidi Siva Sree², Ankush Gupta³

¹Assistant Professor, ²Research Scholar, ³School of Management, National Institute of Technology Warangal, Telangana-506004, India.

Abstract

Performance Appraisal is a systematic and periodic process of assessing the performance of employees in an organization with respect to certain organizational goals and objectives. Employees form a valuable asset to any organization and play a significant role in boosting its economic growth. So organizations are increasingly focusing on innovative appraisal techniques that not only help in employee retention but also align its strategy to performance management of its employees. A well constructed performance appraisal system motivates the employees and improves their productivity and retention. Reinventing the performance appraisal

system is the need of the hour as the conventional devices suffer from many limitations and have become obsolete to the demands of today's workforce. TCS's scrapping of Bell curve model, GE's new PD@GE, IBM's Checkpoint and Adobe's 'give and receive' feedback system are few among the many notable examples that hint the need for revamping the conventional appraisal techniques. This case study highlights on the appraisal techniques being used in most of the Indian organizations. A satisfaction online survey is being carried out on 36 employees working in leading MNC's (IT/ITES) of India related to performance appraisal methods. From the findings, a

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Correspondence to: Ramlal P, Assistant Professor, School of Management, National Institute of Technology Warangal (NIT-W), Telangana- 506004, India.

Email: ramlal@nitw.ac.in, pramlal@gmail.com

Phone: +91-8332969512

sustainable appraisal framework is suggested for Indian organizations that will lead to increased employee satisfaction and retention thereby contributing to organizational growth.

1. Introduction

Performance Appraisal is a systematic and periodic process of assessing the performance of employees in an organization with respect to certain organizational goals and objectives. Employees form a valuable asset to any organization and play a significant role in boosting its economic growth [1]. Performance appraisal if not conducted properly leads to employee attrition in the organization. In the study it is found that employees strongly relate biased nature of appraisal with its inefficiency in identifying the net worth of employees. This implies that employees' perception of performance appraisal greatly affects their motivation on the job. This is the driving reason why many organizations are designing new appraisal systems scrapping the old ones. Few organizations that have adopted new methods of performance appraisal are TCS, Infosys, IBM, Cisco, Adobe, Zensar Technologies, Wipro and Microsoft [2-3].

TCS has scrapped its bell curve model and came up with continuous feedback to reduce attrition, improve retention and reduce the employee's bench period. As a result in 2017, it was able to cut down its attrition to 11.3% [4]. In the same lines Cisco has changed its bell curve appraisal to quarterly 'sync up' conversations. This new appraisal system is designed to improve effective use of feedback from employees and encourage conversations between appraiser and appraisee thereby reducing attrition significantly [5]. Zensar

Key words: Performance appraisal technique, Attrition rate, Continuous feedback, Employee satisfaction.

technologies, the global information and digital services company has gone a step further by implementing a transparent model through mobile app aimed for a real time feedback and digital time tracking [6].

The study also revealed that employee's satisfaction with an appraisal system strongly impacts his/her behavior on the job. Microsoft, the leading technology giant had to revamp its appraisal system from bell curve stack ranking to continuous feedback to promote innovation and teamwork on the job leaving little room for political culture. Wipro has adopted a quarterly based appraisal to promote work – life balance by reducing employee stress levels on the job. Its undeniable that rewards as a motivator plays a key role in employee retention. It is also found that an appraisal followed by an increment in salary is likely to reduce the attrition of the employees in the organization [7].

Infosys has implemented icount rewards to reward the top performers of the organization and to improve employee retention. IBM and Adobe systems have scrapped annual review and introduced quarterly systems to enhance productivity, to meet the business needs, and stay up to date in the market. This new method has decreased employee attrition by 30% in Adobe systems [8].

From the study, it is found that nearly 81% of the employees are inclined towards individual based evaluation on continuous feedback. 58% of the

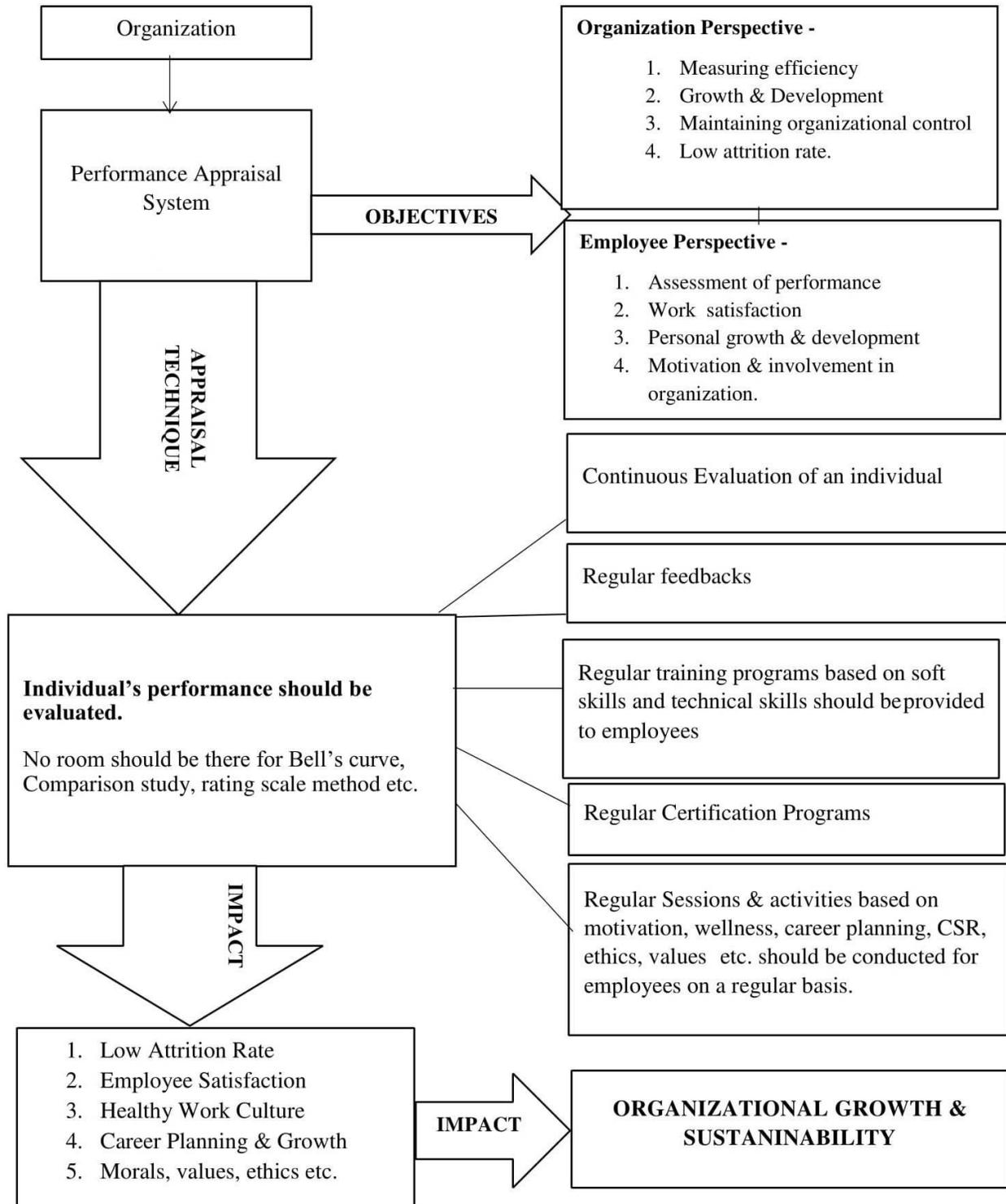
employees are happy with their organization's appraisal system whereas 42% are not satisfied with their current appraisal. Nearly 95% of the employees feel that current appraisal is biased in nature. Supporting the same 68.4% of the employees feel that performance appraisal doesn't help in identifying the real worth of an employee. It is not surprising to note that 96% of the employees feel that a behavior change can be expected with an effective performance appraisal. The major factor of growth of the company is the employee satisfaction. 92.3 % of the employees feel that performance appraisal reduces attrition rate. The study also revealed that performance appraisal acts a strong motivator in improving the employee performance. An employee is highly satisfied with performance appraisal when the appraisal identifies the real worth of an employee. It is found that performance appraisal followed by an increment in salary is likely to reduce the attrition of the employees in the organization [9].

Continuous feedback from managers and stakeholders helps employees develop required skills thereby promoting career growth [10]. A review of job analysis, job design and work environment based on the performance appraisal makes the appraisal more effective [11]. Profit on human capital investment gets maximized when the organization retains employees for longer period [12]. Supervisors should put an extra effort in developing trust and confidence among employees in their evaluation. Employees perceive the transparency of the system through the trust

they have in superiors rather than through system's compliance on rules and regulations [13]. Addressing the challenges posed by current appraisal system, an attempt is made to propose an appraisal frame work that goes well with any Indian organization irrespective of its size, mode of operation, culture and structure.

In the framework below (Figure 1), it is understood that appraisal techniques like bell curve, force ranking, curve fitting and comparison study should be replaced with continuous evaluation, feedback and training to keep in regular touch with employee. This not only impacts the employees' behavior on the job but also improves their productivity. Training as a part of appraisal helps in delivering what is required on the job and meeting the business and customer needs efficiently. Training significantly impacts the employee productivity [14]. Training needs can only be identified through performance appraisal. Continuous evaluation not only improves productivity but also helps in identifying the strengths of employees and placing him/her in more meaningful assignments. This not only increases the job satisfaction of the employee and promotes career growth with a healthy work environment but also contributes to the bigger picture of the organization by increasing overall organization efficiency, growth and lowering attrition rate. Organization efficiency and performance can be achieved only when its employees are evaluated on a regular basis [15].

Figure 1. A Common Performance Appraisal Framework for the Indian Organizations.



2. Case questions

1. "A continuous evaluation and feedback means increasing the stress levels of employees on a regular basis." Comment
2. Do you think a change in technology should be accompanied with change in performance appraisal model? Comment
3. "Abolishing conventional appraisal methods like bell curve increases the space for internal politics in appraising the employees." comment

3. Survey questions

- Q1 - Are you satisfied with the Performance Appraisal System of your organization?
- Q2 - Do you think Performance Appraisal Method increase employee's motivation?
- Q3 - Do you feel attrition rate of an organization is linked with the appraisal system?
- Q4- Do you receive any increment in your salary after Performance Appraisal?
- Q5 - Do you feel Appraisal System is sometimes biased in nature?
- Q6 - Do you think Performance Appraisal helps to change behavior of Employees?
- Q7 - Do you feel Performance Appraisal System identifies the real worth of an employee?
- Q8 - Do you feel Performance Appraisal System is related to job satisfaction of an employee?
- Q9 - You are in favor of which appraisal technique?

4. Conclusion

It could be concluded from the findings, a sustainable appraisal framework is suggested for Indian organizations that will lead to increased employee satisfaction and retention thereby contributing to organizational growth.

5. Conflict of Interest

The author(s) report(s) no conflict(s) of interest(s). The author along are responsible for content and writing of the paper.

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