



**AN ANALYSIS OF PERFORMANCE APPRAISAL SYSTEM ADOPTED BY SMALL TO
MEDIUM SCALE INDIAN COMPANIES**

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Abstract:- The analysis on performance appraisal system has studied procedures and problems of small and medium scale Indian Companies. The aim of this paper is to study present performance appraisal system for which sufficient data was collected to enable some extrapolation and draw further inferences which could serve as guidelines for designing appraisal system in public undertaking in India. It is concluded, on the basis of study, that there exists some shortcoming in the structure, implementation and follow up of the system. Appraisal is a critical activity and sensitive as well. Therefore sophisticated personal departments and professional behavioral scientists have been engaged in developing new concepts, modifying old ones, and designing new procedures and systems. The whole thrust in the area of Managerial Appraisal has now shifted from being 'judgmental' and 'control-oriented' and being 'enabling' and 'development-oriented'. There are two parties involved in improvement of managerial performance: **the individual**, who is the actual performer; **the organization**, which has to provide a friendly and supportive climate, necessary resources and adequate information and guidance to the performer. The system, in order to be practicable, must be acceptable to the people who are affected by them. The appraisal system can't be viewed in isolation from other organizational system related to human resources. The unique needs and priorities of organization may change; the appraisal system must be periodically reviewed to align it with latest realities within the organization. There can be a "Model Appraisal System" that would be applicable to any organization. It is in this frame of reference that some guidelines are being provided, in the end, for a review of existing performance appraisal system in the enterprises considered for research analysis.

1. THEORETICAL BACKGROUND

Performance appraisal system is the step where the management finds out how effective it has been at hiring and placing employees. An effective use of materials, machines, money and human resources is essential to achieve higher level of productivity in an industry. While other resources have limitations; the most vibrant and active human resource has unlimited potential. Hence, for optimization of human resources, measuring its performance continuously is of paramount importance.

1.1 Performance appraisal may be defined as:-

"Performance appraisal system is the process of evaluating the performance and qualification of employees in terms of requirements of the job for which he is employed, for purposes of administration including placement, selection for promotions, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally." There are two parties to the appraisal process: **the organization**, **the individual** who is being appraised. The appraisal system must generate adequate, relevant, timely and clear information, and result in an action program that would be helpful to both the parties.

The appraisal should lead up to improved organizational health, viability and growth through optimal utilization of human resources in service of organization. It should also be instrumental in motivating the appraisee towards giving his best to the organization. It is evident that if we wish to install an effective appraisal system in an organization, we must first set our house in order. Organization should decide its targets as whole and as department wise and individual employees as well. It should decide upon its resources and information and sufficient guidance to employees to use them efficiently. It should provide effective supervision and objective appraisal.

Thus, following are the prerequisites of a model performance appraisal system:-

1. A clear definition of organizational purposes, targets and priorities;