# CHAPTER 2

REVIEW OF LITERATURE

Performance appraisal has always been a field of interest for the researchers, as it forms an integral part of any organisation, and as much depends on the results of appraisal for the employer, as well as, the employee. The changing scenario of performance appraisal has increased the interest in the field. Its purpose has been greatly enhanced; formerly used for salary fixation and promotions, and but it now extends itself to identifying training needs and guiding the individuals to develop to their utmost capacity.

The researches in the field of performance appraisal have undergone dramatic change. Originally, the researches focused on identifying the biases, and ways to eliminate or reduce them. Robert Drazin and Ellen (1987) tried to see the wage differences between men and women with the help of performance appraisal ratings. Analysis showed that performance appraisal ratings, on an average, do not differ between men and women at the same level. However, the relationship between performance appraisal ratings and salary was stronger for men and women, particularly at higher levels. Saclatt, Dubois and Wiggins (1991) found differences in performance ratings across a wide variety of jobs and organisations. Although the proportion of women in the group was small, they received lower ratings, perhaps because of sex stereotyping. Other biases involved in the appraisal system are of leniency in performance judgements (Hauenstein, 1992). The stereotype fit, according to which raters possess stereotype of the ideal occupant of a job and their evaluations reflect their perceptions of the goodness of fit of the ratee to

the job. (Dipboye, 1985). Accuracy and effectiveness of performance appraisal system may adversely influence the accuracy of performance ratings (Cardi and Dobbins 1986). Three methods were compared to improve the accuracy of performance evaluations (Hedge and Kavanagh, 1988). Also, it was observed that the Halo error is not only caused by rater or ratees, but that it is highly unstable in the laboratory experiments, and is partly a characteristic of the unique rating situation (Murphy and Anhatt, 1992). It has also been found that the appraiser appraised a satisfied ratee more favourably than he appraised a dissatisfied ratee (Mitter, Collins, Buda, 1989).

In a study, an individual's reactions to his performance appraisal interview were examined, and found that appraiser's satisfaction was predicted by supervisor satisfaction and by that those receiving higher appraisal ratings. However, it's value in improving the performance of the individual was untrue (Schoorman, 1988; Russell and Goode, 1988; Pearce and Porter ,1986) or inversely related. Similarly, in a study it was demonstrated that the influence tactics of employees contributed to being liked by the supervisor which led the supervisor to rate the employee's job performance more favourably. However, this did not work for all types of influence tactics and the appraisee received rather lower performance ratings leading to distortion error and inaccuracy (Ferris and King, 1991).

Self—appraisal methods have been recommended for both development and administrative evaluations (Kogovsky and Cropanjzno, 1992). Using self— appraisal, employees are asked to systematically evaluate their own performance before entering into an appraisal discussion with their managers. Several variations of self—appraisal have been discussed in the literature. In the employee-rate method used by Basett and Meyer (1968),

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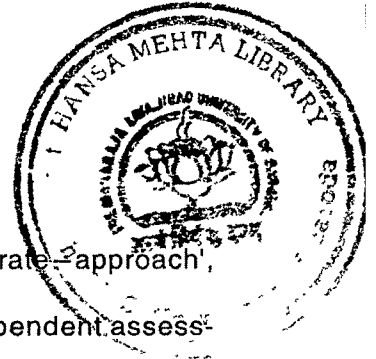
the subordinate alone completes the appraisal form. An alternative 'both–rate approach', presented by Teel (1978) and Bernardin and Beatty (1984) involves independent assessments of performance by both managers and subordinates. In both these methods, the self-assessment provides a focus for the subsequent appraisal discussion, and managers may consider the employees provided information in marking their final evaluations. Self appraisal based performance evaluations have been widely advocated by academicians and practitioners because of their potential for increasing the effectiveness of the performance appraisal interview (Bernardin and Beatty, 1984; Carroll and Schneier, 1982; Wexley, 1981). Several studies have shown that self appraisal enhances the positive outcomes e.g. satisfaction with appraisal motivation of appraised discussions for both managers and their subordinates (Bassett and Meyer, 1968; Farh, Werbel and Bederian, 1988). Self appraisal is argued to be useful because it changes the nature of the appraisal discussion between rater and ratee. However, as noted by Campbell and Lee (1988), the potential benefits of self appraisal are regarded as intuitively plausible and there have been no experimental investigations of these effects of self appraisal on the process of appraisal discussion. Yet, the empirical study of such effects is especially important, given the reservations of some researchers about the usefulness of self appraisal. It has been argued that because of the lack of agreement between supervisory appraisal and self–appraisals, often, noted in field settings (William & Hubert 1982), self appraisal should not be used for evaluative purposes, and is not automatically effective for development either (Campbell and Lee, 1988). In a study on individuals' and managers' reaction to their performance appraisal interview, the results indicated that appraisals improvement value was associated with supervisors satisfaction and inversely related with performance ratings (Vccaro, 1988). Employee responses to formal perform-

ance appraisal feedback had mixed results for attitudes toward the appraisal system, suggesting that potentially negative consequences of implicitly comparative formal performance appraisal can occur for those performing at a satisfactory level, but not at an outstanding level (Pearce and Porter, 1986).

With the inclination towards Human Resource Development, a career oriented human resource system can be formed. Kellog (1955) carried out a study as to how a new and scientific performance appraisal system was introduced replacing the old and inefficient system of evaluation at the General Electric Company in U.S.A. The new system envisaged periodic supervision of effective measures of employees' performance in relation to his assigned responsibilities, with full scope for discussion and feedback to facilitate improvement, growth, training needs and decisions on promotions, transfer, discharge, salary rise etc. Edward, Allan and Susan (1985) did a follow up study at General Electric to compare the result of performance appraisal system done in the 1960s. The results indicated positive culture.

Various important aspects of performance appraisal are user participation, appraisal setting, appraisal style and feedback processes. User participation has been found to be an essential element in every stage of the appraisal process, from developing an instrument to setting up the objectives of the system, if one wants the entire process to be accepted and implemented with commitment by both the appraisers and appraisees. Involvement of the appraisee in setting objectives, criteria, performance measures and processes contributes to better understanding of the system, greater acceptance and commitment (Carroll and Schneier, 1982; Dobbins, Cardy and Platz-Vieno, 1990; Sashkin,

1981). Greenberg (1986), in his study of 217 managers in different industrial groups, has found that procedural factors like soliciting inputs to evaluation and using them, two-way communication during the interview process, ability to challenge or rebuild evaluation were instrumental in the perception of fairness of evaluations. In another study, participation in goal development and goal flexibility were found to contribute uniquely to variance in perceived objectively of appraisals (Goodson and McGee, 1991). Landy, Barnes and Murphy (1978) have found that perception of fairness and accuracy were significantly related to process variables like frequency of evaluation, mutual agreement of supervisors and subordinates on job duties and help rendered by supervisors in forming plans for eliminating performance weakness.

The place or environment in which appraisal takes place also influences user perceptions and reactions about the appraisal process. A non-threatening and facilitative atmosphere is essential for meaningful appraisal interviews (Finn and Fontaine, 1984). Supervisor's sincerity in obtaining appropriate information and using it to come evolve constructive, relevant action plans for improving performance was found to be a factor influencing perceived fairness and accuracy (Fulk, Brief and Barr, 1985). Openness in the process where in free exchange of communication occurs is essential for developmental appraisals as otherwise, appraisees would be guarded in revealing their problems (Brinkerhott and Kanter, 1980; Lawler, Mohraran and Resnick 1984). Giles and Mossholder (1990), based on their survey of 510 employees in a textile company, observe that goal setting, encouragement of employee participation and supervisory support or criticism were found to be strongly related to the employee's satisfaction with appraisal interview session. Too much of criticism has been found to develop negative

attitudes in the subordinates towards the appraisal session, as also with an authoritarian approach, by the supervisor during interviews (Beer, 1981; Meyer, Kay and French, 1965). The superior's interest exhibited during the appraisal discussion about improvement of the subordinate was another factor found to affect the subordinate's efforts towards taking constructive action based on appraisal interview (Meyer and Walker, 1961).

Feedback has become a crucial process of performance appraisal in many organisations, as it is essential to make employees aware about their performance assessment in order to take constructive measures towards improvement. Many issues are involved in feedback: when, with what frequency, what and how of feedback are some of them. Meyer, Kay and French (1965), from their study at the General Electric, have found that a one-time feedback on performance, based on an annual performance appraisal, was ineffective, and appraisers also found it difficult to save details in their memory that could be used for annual appraisals as a result of which the feedback process was found to be retarded. Hence, more frequent discussion on performance and reviews of goals vis-a-vis progress were suggested which were also viewed to be less threatening by the appraisee.

Research on feedback issues indicate that feedback must be provided frequently; must be immediate rather than delayed; and must be directed towards behaviour on which employees have control and which can be changed (Orth, Wilkinson and Benfari, 1987; Lathan and Wexley, 1982). Participative feedback, than top-to-down feedback was found to lead to positive subordinate perceptions about feedback accuracy (De Gregoria and Fisher, 1988). In another study, Russel and Goode (1988) have found that supervisor

satisfaction variables, represented by his role in feedback, guidance and support through-out the appraisal process, were seen to significantly affect subordinate's satisfaction with appraisal feedback. Such findings are in line with other studies reported earlier which indicate that the superior's attitude and behaviour during the entire process of appraisal is an important determinant of appraisee satisfaction in the appraisal process. Also, based on the above, it can be construed that the feedback process cannot be viewed in isola-tion but perceptions from other appraisal processes affect satisfaction with feedback and hence must be considered along with other components.

Various methods of assessment have been employed by many organisations, though some common methods have evolved in recent time. The traditional method of assess-ment was the confidential reports and descriptive assessments by superiors which, though still followed in some organisations, has become largely outdated. Although, ratings in many organisations are treated as confidential several others have attempted to evolve some openness in terms of discussing the ratings or communicating adverse reports with provision for appeals. This is more true in many private organisations (Basu, 1988). Other methods of assessment are rating scales, ranking methods, checklists and man-agement by objectives (MBO). Rating scales and some forms of MBO are more em-ployed these days.

Ranking methods attempt to place the employees in a rank order of their worth. There may not be any attempt to compartmentalize performance into various dimensions, and ranks are arrived at on a summary basis which means that the emphasis is on the overall judgemental ability of the superiors. This naturally gives room for judgemental errors,

which is a major criticism about such methods. Also, when comparison involves many people, it becomes humanly impossible to rationally arrive at a ranking order (Flippo, 1980). There are some improvised ranking methods like paired comparison methods, which attempt to minimize such problems.

A more analytical method of assessment involves using rating scales. Here, the perform-ance or behaviour are broken into a number of factors and each factor is measured on a graphic scale. The issue here is about selecting the appropriate factors. Personality traits, job behaviour, outcomes, vis-a-vis objectives, are the commonly used factors. Amongst these, the trend is more towards using job behaviour and outcomes as they are more objective than personality traits (Fletcher and Williams, 1985). Lack of objective meas-ures based on results achieved is seen to be a major area that provides scope for sub-jective bias and political manipulations, especially in ambiguous job situations. (Ferris and Kind, 1991). Many organisations in India use rating scales which assess both job performance and traits (Basu, 1988). Subjectivity, leniency in ratings, incompatibility of performance factors used for different jobs are some of the other issues concerning rat-ing scale methods. Improvised methods like Behaviourally anchored rating scales (BARS), Behavioural observation scales and mixed scales are attempts aimed at minimising er-rors arising out of the above issues.

Management by objectives involves evaluating people based, on predetermined objec-tives and results achieved, as against such objectives. The process involves mutually agreed upon targets between the superior and subordinate and, hence, participation by ratees is part of the entire process which is seen to evince more interest and commit-

ment (Sashkin, 1981). Research also has indicated that predetermined, objective goal-setting has positive effects on employee performance (Landy, Barness and Murphy, 1978; Latham, Cummings and Mitchel, 1981). However, it also involves a laborious process initially, and periodical reviews, which the managers might find difficult to implement (Latham, Cummings, and Mitchell, 1981). The process also is likely to make comparison across employees difficulties.

Checklists involve evaluating employees based on a list of expected behavioural dimensions or characteristics which the rater checks to indicate ratee behaviour. The relative degree of the dimensions may or may not be assessed depending upon the checklist format. Some require ratings to be made while others might just require assignment of points without weights being attached. Checklists depend more on ratees' job behaviour and require ratees' participation during development. Thus the development process could be elaborate and time consuming. Raters' difficulties in using them also have been reported (Caroll and Schneier, 1982).

While several methods of assessment are available, the real issue which is the focus of many studies is the content of the various appraisal forms. Three major classes of appraisals can be identified as mentioned already, viz. -

(i)   behaviour-based procedures which define performance in terms of observable, physical action;

(ii)   objective-based procedures which define performance in terms of end results; and

(iii)   judgement-based procedures which define performance in terms of the opinions of knowledgeable observers (Keeley, 1978).

Keeley advocates a contingency framework of performance evaluation. According to him

(a) behaviour-based procedures would be more appropriate in situations with a high degree of certainty in tasks and when workers desire low autonomy. As in such cases, specific job behaviour can be specified with certainty;

(b) objective-based evaluation procedures are more appropriate for moderately uncertain tasks with workers desiring moderate autonomy; and

(c) Judgement-based evaluation procedures which are least specific about performance expectations are more suitable for highly organic structure and hence uncertain tasks, wherein workers desire high autonomy.

Such an approach, may appear sensible conceptually, but would be difficult to operationalize as distinction between various degrees of autonomy and task nature could be tough to arrive at. Such difficulties are reflected probably by the lack of research, which supports such an approach. Decotlis and Petit (1978) suggest that the content issue should be addressed in the context of the purpose of appraisal and its relevance to the job content. The correspondence between the content of the appraisal and job content is seen to influence raters' perceptions about the content validity, and hence affect the rating accuracy. Such propositions are yet to be backed up by research evidence.

Recent research studies provide mixed results with respect to format and content of the appraisals. Lawler, Mohrman and Resnick (1984), based on their research and experience with General Electric, found that appraisal form content had little or no effect on the appraisal event. Finn and Fontaine (1984) have found that task and result oriented appraisals resulted in a stressful atmosphere which failed to promote discussions toward

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job related matters during appraisal event. The managerial and professional employees included in their study of a government department stressed on more attention to process content of work behaviour than mere results or outcomes.

Heneman, Wexley and Moore (1987), in a review of empirical studies, observe that there was evidence to show that formats with specific and behavioural statements were rated more accurately than traits. Such a view is also supported by many others (Beer, 1981; Latham, Cummings and Mitchell 1981). However, Harris and Schaubroeck (1988) have found that neither rating scale nor rating format were significant moderators of ratings by various groups. Based on the above, one can conclude that rating format or content of appraisals become important in affecting user perceptions about rating accuracy or the rating process when one evaluates their correspondence to the job content and their propensity to be subjected to judgemental errors. When their correspondence to job content is high and propensity to judgemental errors is low, which is the case with formats using specific job behavioural data, then the user perceptions about the objectivity and validity of the appraisals tend to become positive.

Information processing issues dominated P. A. research for sometime. Cognitive processing research concentrated around two issues mainly -

(1)   how prior expectations or knowledge of prior information and the way information is processed affects the performance level, and

(2)   the role of memory in the rating process.

The role of memory has also been important in recent cognitive processing research. But personality issues were not taken up in relation to P. A. System. A meta-analytic

review assessed the overall validity of personality measures as predictors of job performance. In investigating the moderating effects of several characteristics on personality scale validity, and appraise the predictability of job performance as a function of eight distinct categories of personality content including personality factors (Jelt, Jackson and Rolhstein, 1991). A study of the influence of rater confidence on combined evaluation was examined. Confidence was related to evaluation extremity novice for rater when no other rater information was available. Results indicated, evaluation information supplied by a highly confident, extreme rater, significantly influenced evaluation from non-interacting novice raters but only minimally influenced evaluation from interacting novice raters. Among experts, raters seen as raising the greatest number of and most persuasive arguments were most influential (Zalesny, 1990).

Applicability of the information gathered from appraisal can be used as the basis for remuneration, promotions, transfers, job rotation, training and development or corrective actions. Depending upon the purpose and objective for which it is being used, the way appraisal process is viewed by appraisers and appraisees would differ. As mentioned, the objectives can be evaluative where assessment of performance for purposes of administrative decisions like salary fixation, promotion, demotion and termination is done. Such objectives can be classified as administrative objectives. In this sense, appraisals serve as "a way of rationalizing and clarifying the employment relationship and protecting the individual from arbitrary disciplinary actions or the effects of non-performance based favouritism" (Brinkerhoff and Kanter, 1980). There can be other objectives aimed at individual development and motivation which require assessment of the individual's strengths, weaknesses and performance, with a view, to help him / her identify actions

that would develop his / her competencies. Other objectives of performance appraisals include communicating to the employees their performance as against the expectations; using appraisal as a process through which the dyadic relationship between superiors and subordinates is aimed to be improved, and provide inputs to other HRM systems. In order to achieve the above objectives, appraisal needs to be a periodic, continual process with linkages between the various components than a one time, yearly affair (Meyer Kay and French, 1965; Latham and Wexley, 1982; Cummings 1973).

Many organisations use a single appraisal format with multiple objectives, which are seen to be at conflict within themselves (Rao and Abraham, 1986; Clevelanct, Murphy and Williams, 1989). Using the same format and assessment process for the developmental and administrative objectives has been found to be incompatible (Meyer, Kay and French, 1965; Cleveland, Murphy and Williams, 1989) whereas controversial to that, integrated HRM system, states, linkages between the various components like training, rewards and development. And if not so, the credibility of the process would be at stake and both appraisers and appraisees would view it as a mechanical, routine process to be completed. In a field experimental study by Cummings (1973), it was found that knowledge of appraisees regarding evaluation and salary recommendations had positive impact on appraisee perceptions about the system. However, many authors suggest separate appraisal processes for evaluation and developmental purposes (Meyer, Kay and French, 1965; Beer, 1981; Rao, 1992). In the Indian context, while many organisations use a single process for both objectives, some have attempted to implement separate processes aimed at meeting such objectives separately (Rao and Abraham, 1986; Basu, 1988). Recent studies, however, indicate that salary discussions tend to make appraisees

view appraisal process with seriousness. Lawler, Mohrman and Resnick (1984) found that pay discussions helped to create positive perceptions about appraisal process. However, they also suggest separate processes for evaluation and developmental purposes. Clarity about linkages with various HRM components was found to affect the perceptions about appraisal system. Greenberg (1986) found that recommendations for salary or promotion based on performance rating was a factor explaining significant variance in perception of fairness in performance evaluation. Prince and Lawler (1986) found that salary discussion had a positive impact on performance appraisals' outcome variables such as perceived utility, satisfaction and improvement value expressed by appraisees. Need for clarity about the issue was suggested to be one of the major cause for the positive relationship. Barlow (1989), on the other hand, found that managers considered salary as part of basic employment rather than a motivational factor associated with appraisal while promotion and the status attributes associated with it were considered to be more important in the appraisal context. Giles and Mossholder (1990), from their survey, found that linkage with salary was related to satisfaction with appraisal system along with other variables. There needs to be more research investigating the effects of linking various HRM components with appraisal. While the linkage of pay and promotion vis-a-vis and other non-remunerative rewards could constitute one issue, pay and promotion vis-a-vis other developmental outcomes in the appraisal context could be considered as another avenue for research.

Performance appraisal system in India :

The performance appraisal picture in India is quite varied. There are 'no appraisals' at some places whereas 'sophisticated' appraisal systems exist in others. In small organization, no such evaluation takes place. Appraisal reports are given informally to the top

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management. There are organisations who have semi-confidential report system. At the other extreme, there are organisations that have performance appraisals that aim simultaneously at different objectives, like data generation for personnel decisions, viz., rewards, promotions, job rotation, transfers etc., and generating data for enabling capabilities and employee development on the job, etc.

Rao, (1992) conducted a survey of appraisal practices in forty five different organisations out of which thirty four were from private sector and eleven from public sector. The results indicated the following observations -

1. About 50 per-cent of the organisations seem to profess the purpose of their appraisal as regulating employee behaviour and developing employee capabilities.

2. 30 per-cent of them still use appraisals only for controlling and regulating employee behaviour.

3. Only 10 per-cent of them use appraisals mainly for developmental purposes.

There are some experiments done in Indian organisations in the area of performance appraisal. Voltas Limited, for example, had an open appraisal system based on the criteria that the strength of an organisation ultimately depends on its capacity to develop people. Then again it was revised in 1990, and the assessment period was shifted to "March-April" from January to coincide with the financial year.

In L & T, a development oriented performance appraisal system was introduced in the year 1976. Later, it underwent some changes in the light of the experience gained during its operation. The main purpose was to help an employee improve his performance and

develop himself. There have been six revisions of the appraisal system between 1976 and 1982 (Mehta, 1996).

CGL evolved and designed an appraisal system after a good deal of debate, discussion and research. The system was designed by the HRD department. The emphasis of this system is on team building and use of peer ratings or internal customer.

NDDB changed its appraisal system in 1988 and introduced a performance planning review (PPR) system (Daniel, 1996). It has developmental objectives. The appraisals at Vishakhapatnam Steel Plant of Rashtriya Ispat Nigam Limited (Kameshwari, 1996) were similar. Though development of the employee is basic for all appraisals, it also includes the development of certain other competencies, like developing creativity (Jain, 1996) and entrepreneurship in ICI (Vaidya, 1996).

ABB has been world renowned for its professional management. It was taken up by experiments initially and later, the Indian organisations followed the footsteps of the parent company in its experimentations. The developed appraisal system treats every employee as a competent individual and focuses on furthering the development of individual competencies through the use of group of teams. It is **not** linked to rewards, thus taking out competition from ratings (Fernandes, 1996).

Eicher is one organisation which periodically reviews its appraisal system in response to the changing needs and environment. The changes in the system also reflect the maturing of the human resources function. Recently, the emphasis has been on quality, team

work, and the process of development (Raghuraman, 1996). Similarly, Grasim is also trying to keep in pace with the environmental changes through introduction of more participative appraisals (Subramaniam, 1996). ITI Limited is changing its ethos through the use of an open work planning and review system (Shrivastava, 1996). ILFS is another example of a professional approach to performance appraisal. The system is performance linked (Badhwar, 1996).

HINDALCO is part of the Aditya Birla Group. Before 1992, it carried a monthly appraisal which was done on a prescribed format, fed into the computer and disclosed once a year, to the concerned departments. The focus of P.A. system in this was on rewards. And that the organisation is finding it difficult to delink rewards from appraisal (Jha, 1996).

The appraisal system of ICICI highlights a practical development approach. The peer appraisal component is a noteworthy feature of the ICICI (Vaidya, 1996). In the same way UTI emphasizes on the development of boss–subordinate relationship (Surendra, 1996). On the other hand the appraisals in Modi Xerox are linked to career development, succession planning, and management of motivation through rewards (Parker and Dutta, 1996).

Ahmed, 1996 reports that TELCO's executive performance appraisal system is MBO based. It introduced this new appraisal system for executives in 1975 with the help of Dr. Bhardwaj of ASC, Hyderabad. It has five parts viz. personnel data, personnel review, present performance review, appraisal potential, appraisal recommendations and follow–up. SAIL changed its appraisal system after some experimentation on the prevailing per-

formance appraisal system. Analysis showed that ratings were skewed. 68 per-cent of the executives were being assessed in the top two ranks and no one in the bottom rank. It did not reflect the value system of the organisation, and at the same time, failed to communicate to the employee the set of activities or qualities considered desirable by the organisation. Officers did not fully participate in the system, as they did not see the output of the system being linked to any tangible decision making. Arising out of these results, an exercise was initiated to revise the system and a new appraisal system was adopted (Mishra, 1996).

Talking of banks, SBI has been having a confidential reporting system as their appraisal. Recognising the need to develop human resources, SBI saw performance appraisal as a potential instrument for the development of its human resources and adopted it in the year 1979. The review of the experiment done in one of the regions showed positive attitudes towards the new system. 70 per-cent of the Branch Managers felt that the system will have less subjectivity, than the existing system. Whereas 17 per-cent felt that it would only partially lead to self-development. 30 per-cent felt that the system would work equally well if the rating system is introduced. Seeing the utility of this system, it was introduced in stages.

Another experiment carried out in a large Engineering Company for introducing an open appraisal system turned out to be a failure, for intensive efforts are required to monitor the implementation and stabilization of the new system. Therefore, the top management had to decide to further modify the system and reintroduce confidential forms of ratings although counselling was retained (Gangotra, 1983). These were some of the cases

quoted on the research on performance appraisal system in India.

Besides the above, there were few other studies also conducted. Chakraborty and Chatterjee (1975), on the basis of a study aimed at examining the emphasis of performance appraisal in organisations, observed that the percentage of managers with result-oriented efforts were more in private organisations than in public sector organisations. However the managers stressing efforts irrespective of results were about 70 per-cent in both types of organisations. Sayadain (1988), suggested that the transparent feature of MBO resolves the problems of subjective errors, evaluation criteria and confidentiality, and suggested that self-appraisal and supervisor's appraisal be discussed mutually before arriving at the final constructive and positive appraisal by the supervisor. In a survey of 580 managers in six industrial units, the system was found to be one of the factors leading to dissatisfaction because of unclear objectives of performance appraisal (Singh, Maggu and Warrier, 1981). Rao and Abraham (1986), based on a survey of 53 organisations, report that performance appraisals in most of the organisations studied, intended to serve multiple objectives. In another survey of 60 organisations, Basu (1988) found that while performance appraisals were linked to decisions on remuneration, promotion, training, and development, in many cases the linkage was not direct as there were other criteria apart from inputs from appraisals. While many organisations use a single process for both objectives; some have attempted to implement separate processes aimed at meeting such objectives separately (Rao and Abraham 1986; Basu, 1988). Thus, there is enough evidence to establish the fact that performance appraisal systems in many organisations, as probably the case with many other systems, are intended to achieve a multitude of purposes. In general, the use of performance appraisal is applied for promo-

tion and transfer, training and development, feedback to work force, discovering supervisory personnel, determining wage increase and follow-up interviews (Pareek and Rao; 1981; Rudrabasavaraj, 1969; Shetty, 1970, Singh, 1985).

Performance appraisal has a long and interesting history of development. It has evolved over a period of time, step by step, from no appraisal, to formal appraisal, self-appraisal, potential appraisal and appraisal by objectives setting (MBO), which is practised by large organisations. During this evolution process, efforts were made to refine the appraisal system and to reduce its shortcoming or limitations i.e. to reduce subjectivity and to make it more useful, development oriented, and widely acceptable. Thomas and Shirley (1953) conducted a study to analyse and evaluate performance appraisal systems of the efforts put in, its effectiveness and acceptance related to all concerned in eight organisations. The summary of the general observations and suggestions for improvement are as follows. Though the performance appraisal plan is designed to serve several needs related to employees, the rating is generally used only for limited purposes. Most employees feel that PAS made periodically are filed and forgotten and often not used effectively for discriminating between employees in terms of promotion or increments in salary. Cleveland, Murphy and Williams (1989), in a survey of 106 personnel professionals, found that "information from performance appraisal had the greatest impact on salary administration, performance feedback, and the identification of employee strengths and weaknesses." They found that appraisal were used for multiple purposes in many organisations and had moderate impact on between - and within - individuals, when compared.

An efficient Performance Appraisal system is a boon to any organisation but its inept

handling may give rise to controversy. Important points for enhancing the effectiveness of performance appraisal and concluded that formal performance appraisal systems are neither worthless nor an end as some critics have implied; nor are they universal remedies as managers might wish. However, there is little research which has evaluated the efficacy of a prevailing system in achieving the set objectives, especially from the appraisers' and appraisees' point of view. Hence, one of the objectives of the present study is to evaluate a system, based on the reactions of appraisers and appraisees and related with their (appraisers' / appraisees') personality type..