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# **A Study on Effect of Performance Appraisal System on Employees with special reference to ACZEL INFO SERVICES LLP**

## **Prof. Vasudha Srivatsa**

Associate professor,RNSFGC,  
Channasandra,Bangalore.  
(Affiliated to Bangalore University)

## **Prof. Poojitha Acharya**

Associate professor,RNSFGC,  
Channasandra, Bangalore  
(Affiliated to Bangalore University)

### **Abstract**

*Performance appraisal is a method by which the job performance of an employee is documented and evaluated. It is an indispensable, systematic and continuous process that helps both employer and employee to increase the productivity of their work individually as well as collectively and contributes to achieve predetermined objective of the business firm. The study is focussed on performance appraisal methods adopted and its effects on the employees of ACZEL INFO SERVICES LLP. The study is based on primary data in the form of questionnaires and interview conducted. This paper depicts changes in the level of efficiency of the employee's performance after the appraisal and also reveals how appraisal methods adopted by the firm is directing and motivating the employees to enhance their quality of work.*

**Keywords:** *Evaluated, Productivity, Job performance, Pre determined objective and efficiency.*

### **Introduction:**

A performance appraisal also referred to as a performance review, performance evaluation, and development discussion or employee appraisal.

Performance Appraisal is the systematic process that assesses an individual employee's job performance in relation to pre-determined criteria and organisation's objectives.

Effectiveness of the organization depends on the effective performance of its employees. In order to have right people at right place, assessing employee's calibre in terms of their work performance becomes the major function of HRD in an organization. Performance appraisal deals with the qualitative and quantitative aspects of job performance. Performance Appraisal must be seen as an intrinsic part of a Manager's responsibility and not an annoying and time-consuming addition to them. Performance appraisal is mainly used for three purposes - To have accurate reward, as a tool for identification of deficiencies and to conduct further selection and development program.

Performance appraisal can be conducted in various ways. In spite of some tested tool to measure the employees, every organisation formulates its own method to appraise the employees depending on the immediate internal and external environment. In this study, there is an attempt to find out appraisal method being followed and its impact on employees at ACZEL INFO SERVICES, Mysore, India.

### **Statement of the problem:**

The problem of this research is to recognise the increase in the effectiveness of employee's performance after introduction of performance appraisal system and further how it influenced on promotion, enhancing the job skills and qualities, fixing of salary, and increment at ACZEL INFO SERVICES.

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### **Objective of the study:**

#### **Primary Objective:**

To study the employee's performance appraisal system in the ACZEL INFO SERVICE.

#### **Secondary Objectives:**

To analyse the effectiveness of present Performance Appraisal method and rating scale being followed in Organization.

To collect feedback of Appraiser & about the existing Performance Appraisal method.

To provide suggestions, based on employee feedback and other information collected with a view to improve the appraisal system in the organization.

### **Scope of the study:**

) The research is confined to all the present employees of ACZEL INFO SERVICES.

) To study the attitudes of employee toward the performance appraisal we have selected few numbers of employees who can represent the whole employees of the company

### **Hypothesis:**

#### **Null hypothesis:**

H0: There is no effect of performance appraisal system adopted by ACZEL INFO SERVICES on employee's performance.

#### **Alternative hypothesis:**

H1: There is a positive effect of performance appraisal system adopted by ACZEL INFO SERVICES on employee's performance.

### **Research Methodology**

**Sources of data:** Sample method is used for data collection.

The types of data collected were- Primary Data

Secondary Data

➤ **Primary data:** It is the data which is collected for once own research purpose.

The primary data was collected through questionnaire and informal discussion and it is interpreted. The questions were framed so as to gain maximum first-hand knowledge from workers, which were analysed in order to arrive at suitable conclusion.

The primary data was collected through:

) **Questionnaires:** 100 questionnaires were distributed covering various departments such as, IT, Admin, HR, Quality and Operations.

) **Informal discussions:** Informal discussions were held with various employees in the organization, especially in the HR Department.

The Secondary data was collected through:

➤ Past records and manual of the company, books and internet etc. It is the data already collected, which is made available for reference purposes. In this research the secondary sources used are, various files and records maintained by organization, HR manual.

Both primary and secondary data were collected for the purpose of the research. Primary data was more useful in analysing and finding out the drawbacks of industrial relation & disciplinary action system in the

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organization. Secondary data was useful in gathering information about the history & growth of the company, the revised systems that is being followed today, financial position in recent years etc.

**Sample size:** Around 100 [Appraiser (Officer) +Appraise (workers)] for questionnaire Random Sampling Method for our research work.

**Data Instrument:**

Questionnaire: Data was collected from workers who were working In IT, Admin, HR, Operations and Quality Department of ACZEL INFO SERVICES.

**About the firm:**

Aczel Info Services is an established business process outsourcing solutions provider with headquarters in Mysore, Karnataka. They provide comprehensive Business Process Outsourcing (BPO) services to clients. They deliver quality and cost effective contact centre services. It has team specializes in providing voice and non-voice BPO services connecting with customers 24/7 meeting end to end process metrics and SLAs. Their focus is to delight clients through operational excellence delivering measurable results.

Mass Minds, as it was earlier known, came into inception in 2011 as a Software development, Web design & IT solutions company as a brain child of a few young entrepreneurs. In 2013, Mass Minds stretched its wings by entering the BPO sector with addition of Sulekha into its clientele.

**Performance Review Procedure at Aczel info services:**

) Performance Appraisal is conducted **bi-annually**, one in June and one in December. The salary revision and promotions are linked to performance appraisal and that is done annually in the June cycle. The firm had 246 employees during last PA conducted in June 2017.

) **Self-appraisal and Management by objective (MBO)** model of appraisal is being adopted at Aczel: It is a management model that aims to improve performance of an organization by defining objectives that are agreed to by both management and employees. There is a goal setting done by the supervisor in discussion with the employee at the beginning of the cycle for the upcoming appraisal cycle. The employee does a self-appraisal and provides a rating for their performance for each KPI which is evaluated by the supervisor in the appraisal discussion with the employee in comparison to the team performance and both agree on an appraisal rating.

) **Promotions and salary** revision is done annually based on the June PA. However, they did have some progressions done in the last December cycle for about 17 employees from the role of a Trainee to Executive. Promotions done in the last June cycle for 12 employees.

) **PIP (Performance Improvement Plan)** is a plan for weak performers. Refresher trainings are provided as and when there is a need identified during the regular quality audits and feedback. However, after the performance appraisal, specific trainings and mentoring was carried out for a set of employees who were identified as potential leads.

) **Employee's response to PA at Aczel:** The goal setting that was done as a part of performance appraisal helped in providing clear indicators to employees on their area of performance through the goal setting process. It brought about a culture where employees were keen on taking initiatives and also work towards personal development rather than concentrating just on their productivity. The appraisal exercise made the supervisors identify strengths and weaknesses of each team member and provide feedback on improvement areas as well as assign responsibilities on the basis of the individual's strengths.

) The firm has **Document management system (DMS)** tool to have a systematic Personal information system (PIS) of its employees.

### Performance Review Procedure

- ) The performance review is conducted twice a year at an interval of six months.
- ) The performance review cycle is July to December reviewed in December and January to June reviewed in June.
- ) The HR initiates the Performance Review process by sending a communication to the employees through an email with a brief on the process, instructions on filling the Self-Appraisal Forms, Timelines for completion of each stage.
- ) The self-appraisal process is initiated in April for the June review and in October for the December review.
- ) The employees complete the self-appraisal forms by assessing their own performance against the expectation and rate themselves and submit the same to HR as per the timelines.
- ) The employees' completed self-appraisal forms are handed over to the respective leads for completion of Review & Feedback discussion.
- ) The leads measure the employees' individual performance versus the expectations and also in comparison with the peers' performance in the team and rate the employee's performance.

The overall performance of an employee is rated as per the following performance ratings:

Rating Guideline		
Rating Scale	Indicator	Description
5	Significantly above expectations	Consistently demonstrating enhanced performance in relation to the expectation
4	Above expectations	Consistently demonstrates performance above expectations
3	Meets expectation	Fulfils the expectations of the position assessed for
2	Below expectations	Partially meets the expectations
1	Significantly below expectations	Considerable need for improvement in relation to the expectation

- ) The leads have a one-on-one discussion with the employee reviewing performance for the cycle, providing feedback on areas of improvement and setting goals for the next cycle.
- ) The leads record the review rating and discussion in the individual employee appraisal template and hands over the same to HR.
- ) The leads provide a consolidated report of performance review rating for all the team members to HR which is the input for salary increments and promotions.
- ) The leads also provide recommendations for promotions and progression for their team members.
- ) The HR collates the performance ratings and promotion recommendations for all employees at the team level.
- ) The employee is given the opportunity to understand, question and acknowledge the review in the Review & Feedback discussion.
- ) If an employee is not satisfied with the overall assessment in the review they should initially discuss these concerns with the respective lead.

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- ) If the lead and the employee are unable to resolve the concerns, the employee can request that the matter be referred to the Manager for a review of the overall assessment.
  - ) The Manager may seek further information from the lead and the employee. The Manager will consider all documentation and make a final decision.
  - ) All documentation will be provided to HR for further action.
  - ) Once the review process is completed the documents related to the review are stored confidentially and managed by HR.

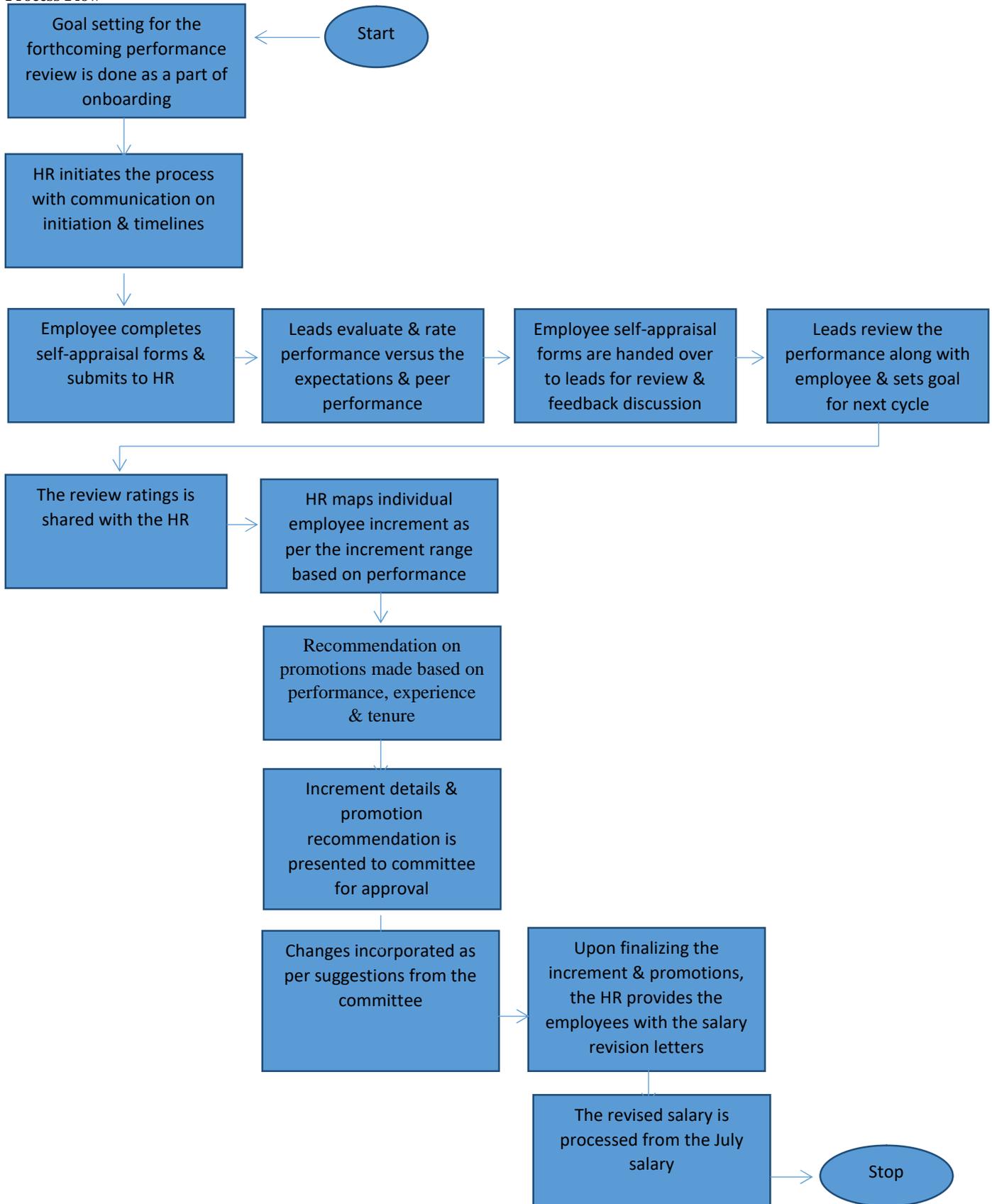
### **Salary Increment**

- ) The organization follows an annual salary revision cycle.
- ) A particular percentage of increment on the overall salaries paid is fixed based on the organization's performance and market range by PMO.
- ) Individual employee salary increment percentage is based on the employees' performance.
- ) Employees who have completed 6 months at the time of annual salary revision cycle i.e, as on 31<sup>st</sup> June, are eligible for a salary increment based on their performance.
- ) An increment percentage range is fixed for each job level for every performance review rating at that level as per recommendation from PMO.
- ) An employee at a particular job level with a 5 rating gets the maximum increment percentage fixed at that level.
- ) An employee with a 2 rating gets the minimum increment percentage fixed at that level considering that the employee has the potential to improve with guidance.
- ) An employee at a 1 rating is not eligible for a salary increment as the person may not have a potential scope of improvement.
- ) Employees with a 4 & 5 rating are considered for a Promotion based on their experience and tenure.
- ) Employees with a strong substantial recommendation from the lead may also be considered for a promotion irrespective of the experience and tenure.
- ) The HR maps the individual employee salary increment to the increment range fixed based on the performance review rating.
- ) This along with the proposal for Promotions is presented to Performance Review Committee which comprises the PMO, Operations leads, QA lead & HR Head for review and approval.
- ) Upon finalizing the increments and promotions and receiving the approval, HR provides the employees with salary revision and promotion letters as applicable.
- ) The effective date for revised salaries and revised designations would be July.

### **Managing Poor Performance at Aczel:**

- ) In instances where there are persistent concerns regarding an employee's performance, the lead must discuss and provide appropriate guidance to enhance employee's performance.
- ) If employee's performance continues to be unsatisfactory, the lead may recommend putting the employee through a Process Improvement Plan (PIP) for a specific period of time.
- ) The lead in consultation with the employee develops and documents the Process Improvement Plan that defines the measures that would be taken to address the performance concerns.
- ) Throughout the PIP, the employee's performance would be monitored, constructive feedback and guidance would be provided.

**Process Flow**

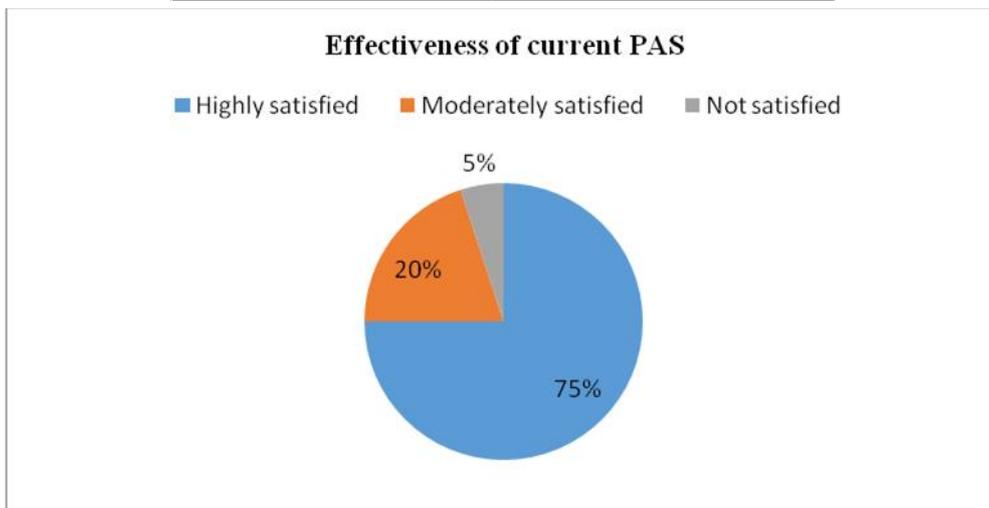


**Data analysis:**

1. Respondent’s opinion about effectiveness of current performance appraisal method adopted by the firm.

Table 1

No of respondents	Satisfaction level
75%	Highly satisfied
20%	Moderately satisfied
05%	Not satisfied

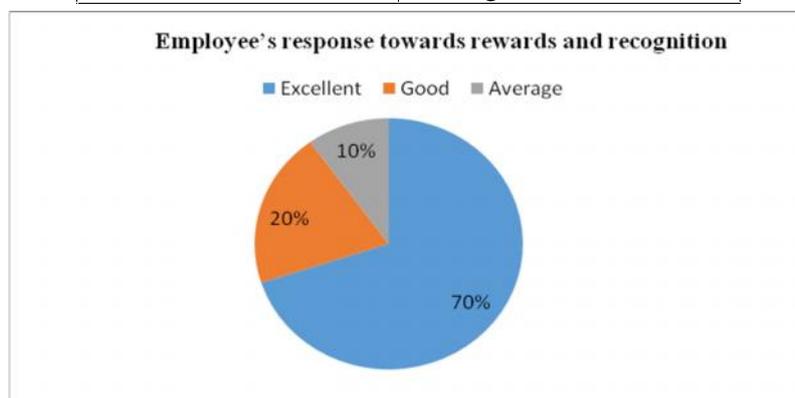


**Analysis and interpretation:**The above chart depicts that 75% of the employees are highly satisfied with the current method of PMSi.e, Self-appraisal and MBO method and remaining 25% are moderately or not very much satisfied with the procedure. However, Majority of the employees are very much contented with current PAS.

2. Employee’s response towards rewards/ recognition and developmental plans of the firm

Table 2:

No of respondents	Employee’s response
70%	Excellent
20%	Good
10%	Average

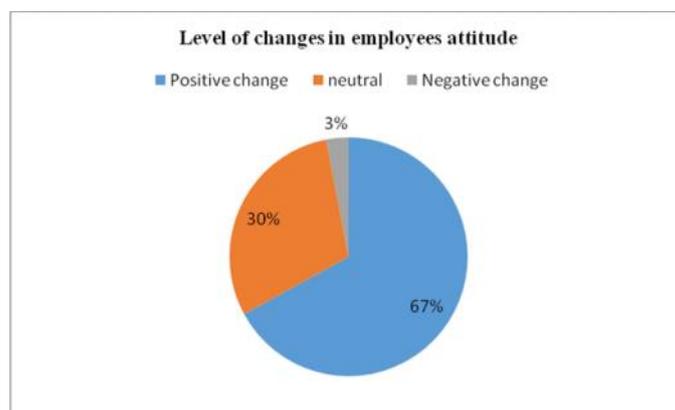


**Analysis and interpretation:** As per the chart above, it clears that 70% of the employees have liked the reward/ recognition and developmental plans and 20% employees say it is good and rest are not very happy with it.

3. Level of changes in the employee’s attitude towards work after conducting performance appraisal:

Table 3:

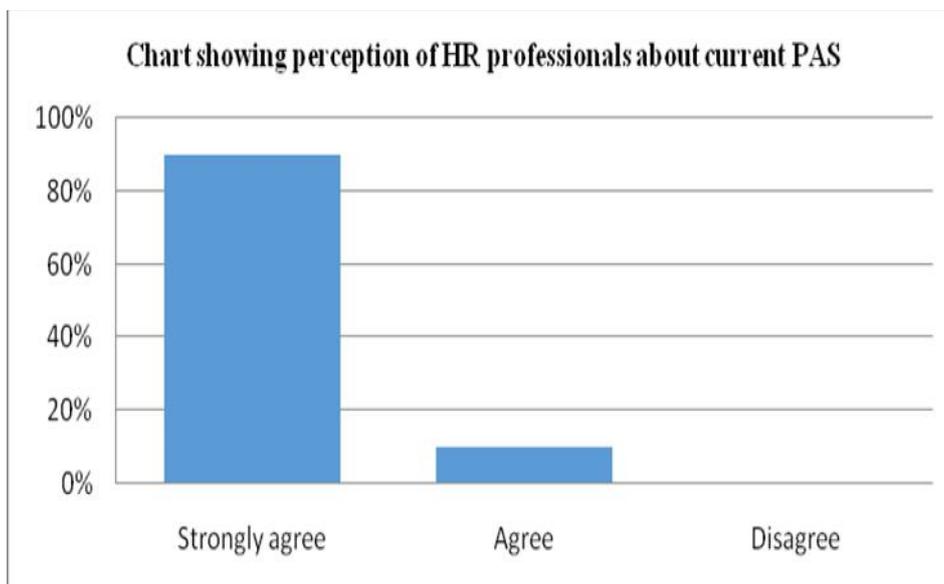
No of respondents	Employee’s response
63%	Positive change
24 %	neutral
03%	Negative change



3. Perception of HR professionals about motivation factor in their current performance appraisal system

Table 4:

No of respondents	Response from HR
90 %	Strongly agree
10%	Agree
0%	Disagree

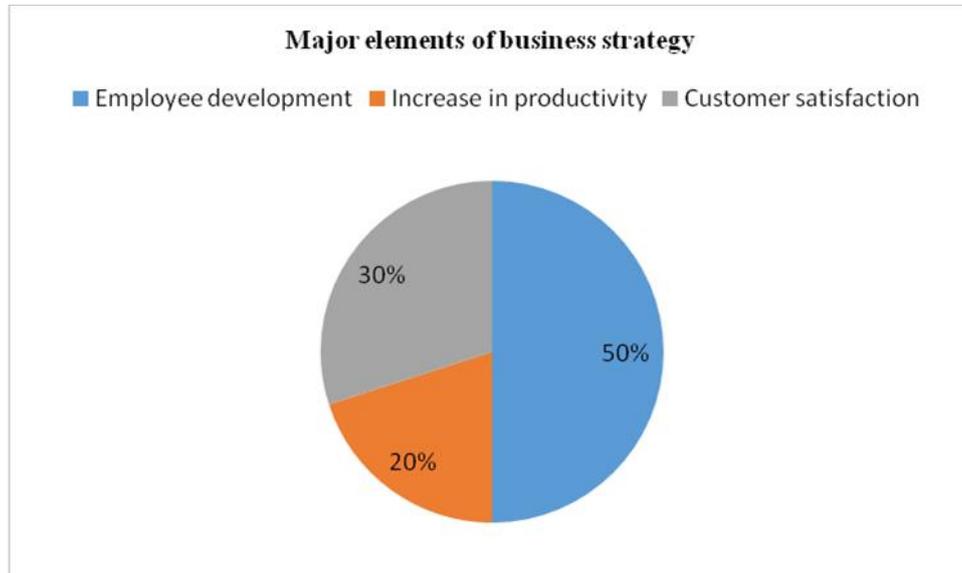


**Analysis and interpretation:** As per the chart above, 100% of the HR team believes that their current performance appraisal method is motivating their employees and has positive influence to increase the performance of the employees.

4. Management’s response about their major elements of business strategy at present.

Table 5:

Factors	Percentage
Employee development	50%
Increase in productivity	20%
Customer satisfaction	30%

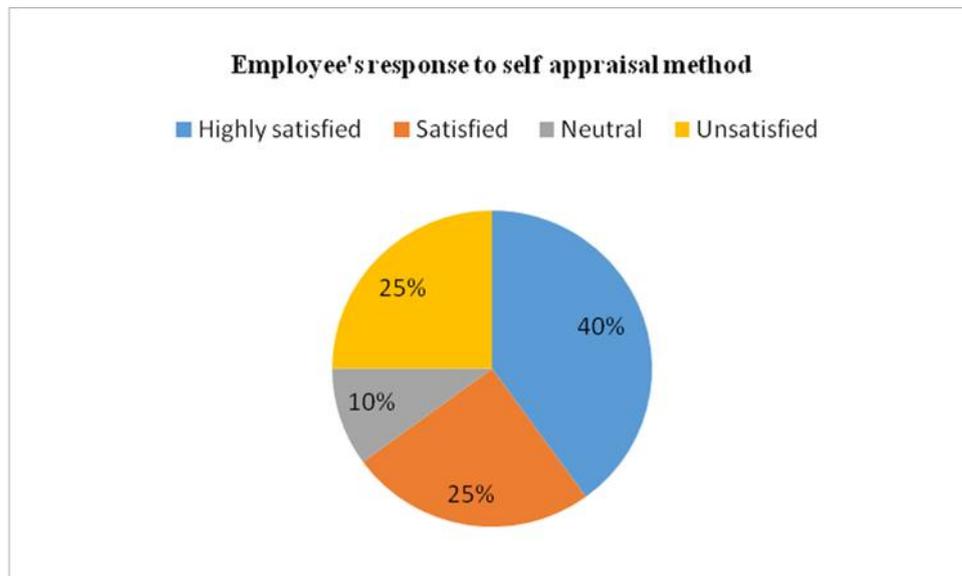


**Analysis and interpretation:** The above chart depicts management’s view about its business strategy. This shows that employee development has higher priority amongst all other elements of business strategy of the firm.

6. Employee’s response towards the self-appraisal method being conducted in the firm.

Table 6:

Employee’s response	Percentage
Highly satisfied	40%
Satisfied	25%
Neutral	10%
Unsatisfied	25%



#### **Findings and suggestions:**

- A very well defined MBO and also self-appraisal method are being adopted in the firm to conduct performance appraisal of its employees.
- All employees are aware about the current performance appraisal system and majority of Employees were satisfied with it.
- HR professionals and management believe that the current performance appraisal system is improving their performance by motivating their employees.
- Some employees opined that MBO method of appraisal system highlights only quantitative factors in the development of the firm and also quite complicated to understand by new employees.
- The firm has a systematic Performance improvement plan (PIP) to improve performance of the weak employees.
- A very well developed DMS has complete document of employee's personal information in the firm.
- From the survey it is evident that both the Appraiser's and Appraise's expectation from Performance Appraisal system are the same i.e. "Determination of Promotion or Transfer" and "Salary Administration and Benefits".
- Majority of the employees are very much satisfied with the rewards and recognition in the form of salary increment, promotion and other developmental plans.
- According to the survey, we found out that the current method of performance appraisal has positive impact on employees.
- The major observation of the study is, management has given high priority to employee development and their satisfaction which is helping them to have growth and success.

#### **Recommendations and suggestions:**

- MBO method is quite comprehensive and time consuming hence the HR professionals should provide a fair clarity about this method to all its employees.
- The firm should adopt 360° performance appraisal method in the firm.
- The employees should be educated well in advance regarding the implication of self-appraisal forms.
- Performance improvement plan should have more clarity and the same should be communicated to employees to avoid confusions.
- As MBO being the method of performance appraisal, some intangible goals/factors like honesty, integrity and discipline etc. are missed out and it should be taken into consideration by the firm.
- The firm should put in more efforts to make their performance appraisal process 100% effective.
- The appraisal report(Feedback) should be properly communicated to the concerned employee.

**Conclusion:**

As per the survey, we sum up that the firm has an effective PAS. However, it can be improved by making few changes in the method of PA and communication channels. The study has shown that performance appraisal is a comprehensive approach to planning and sustaining improvement in the performance of employees to meet the pre-determined objectives of the firm.

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