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**PERFORMANCE APPRAISAL IN PUBLIC AND PRIVATE SECTOR ORGANISATIONS: A STUDY**

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**ABSTRACT**

*Performance appraisal system plays pivotal role in evaluating job performance and setting job standards in any organisation. It not only motivates the employee but also improves the productivity level of any organization. Performance appraisal is permanently practiced in public and private sector organisations but with some differences. Arrival of new private sector organisations has given a cause to public sector organisations to be more competitive, effective and innovative in their approach. In an effort to change the behaviours and attitudes of public and private sector employees, performance appraisal systems have incorporated the new values and desired behaviours. In the present-day situation, the organisations are becoming eager to enhance the performance of their employees. For this purpose, performance appraisal system is considered to be the key instrument. As private sector is becoming more popular, there seems to be needed to compare the performance appraisal system of public and private sectors organisations. The present study therefore, aims at comparing the performance appraisal system being implemented in public and private sector organisations.*

**KEYWORDS**

performance appraisal, private sector, public sector.

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**INTRODUCTION**

Performance appraisal is the most critical human resource practice and an indispensable part of every organization; however, the practice continues to generate dissatisfaction among employees and is often viewed as unfair and ineffective. According to Peter Drucker 'an organization is like a tune; it is not constituted by individual sounds but by their synthesis. The success of an organization will therefore depend on its ability to measure accurately the performance of its members and use its objectivity to optimize them as a vital resource. The performance appraisal plays a very important role in success of any organization. It not only motivates the employee but also improves the productivity level of any organization. Eichel and Bender (1984) stated that performance appraisal can also be called as the 'A Chilles heel of management'. Although leaders of many public organizations strive to be employee focused or employee centered, a lack of emphasis is given to a process intended to assist the employee in achieving both personal and organizational goals. Cascio (1998) defined performance appraisal as a process to improve employee's work performance by helping them realize and use their full potential in carrying out the organization's missions and to provide information to employees and managers for use in making work related decisions.

The organizations are run and steered by people. It is through people that goals are set and objectives realized. The performance of an organization is thus dependent upon the sum total of the performance of its members. The performance of an employee is his resultant behavior on task which can be observed and evaluated. Performance can be measured by some combination of quantity, quality time and cost. Performance Appraisal system Provides management an opportunity to recall as well as feedback to people as to how they are doing so that they can correct their mistake and acquire new skill. Assessment of human potential is difficult, no matter how well designed and appropriates the performance planning and appraisal system. Though the need of Performance appraisal is generated in every organization but there is a difference in mechanism in public and private sector. To date, most critical studies of performance appraisal have concentrated on the both the private and public sector.

"Performance Appraisal is a process of evaluating an employee's performance in terms of its requirements." Performance Appraisal can also be defined as "the process of evaluating the performance and qualifications of the employees in terms of the 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." In the past many researchers have compared public and private sector organisations and have indicated that new private sector organisations are outscoring public sector organisations in terms of technical and economic efficiency parameters. However, no study could be found that compared public and private organisations on fairness perceptions of performance appraisal system. Therefore, this research studied the differences between public and private sector organisations with respect to perception of fairness of the performance appraisal system and performance appraisal satisfaction.

**OBJECTIVES OF THE STUDY**

The performance appraisal system that is currently in use in both the public and private sector organisations as well as contemporary studies on performance appraisal systems both from a managerial perspective and from a critical viewpoint. The objective of this study is:

1. To ascertain the effectiveness of Performance Appraisal system used in Public Sector and Private Sector organisations.
2. To critically review the literature related to the performance appraisal system in public and private sectors.
3. To study the performance appraisal system implemented in both public and private sector organisations.

**LITERATURE REVIEW**

The brief literature related to the performance appraisal has been reviewed in the present study. According to Basu (1978) Performance Appraisal may be defined as a structured formal interaction between a subordinate and supervisor, that usually take the form of periodic interview, in which the work performance of the subordinate is examined and discussed, with a view of identifying weakness and strengths as well as opportunities for improvement and skills development. In the words of Roberts (1998) Performance appraisal is a contentious issue for many researchers, theorists and practitioners. Implementation and operational problems and the perceived subjectivity as well as validity and usability of the outcomes have been addressed in a range of studies. Despite controversy surrounding performance appraisal, this human resource technique is widely practiced in organisations in public and private sectors.

Youngcourt, Leiva and Jones (2007) suggest that the common purpose of performance appraisal tends to be aimed at the measurement of individuals, again this focus is insufficient. From the organization perspective, successful performance management is the key to achievement of corporate goals. It is argued above that performance appraisal is the central component of performance management, and so it must be that for an organization. Caruth and Humphreys (2008) add to this viewpoint by suggesting it is a business imperative that the performance appraisal system includes characteristics to meet the organizational needs and all of its stakeholders (including management and staff). The most common to almost all purposes of performance appraisal is the concept of improving performance and developing people.

Performance appraisal is the process of assessing worker's performance against their job requirements. It is a definite instrument in setting job standards, appraising worker's genuine performance comparative to those standards, and providing feedback to the workers with the drive of inspiring the workers to eradicate the insufficiencies in the performance. It also helps workers to completely comprehend the wants or criterions of a certain job which are being demanded from its workers (Varkkey, Koshy, & Oburoi, 2008). As, Fryer, Antony and Ogden, (2009) stated that performance measurement and performance evaluation are two substitutable terms. The writers like Vanci-Osam and Askit, (2000); and Lam, (2001) stated that an operative appraisal system delivers huge potential advantages to both individual and organization, because regular feedback on performance improves the ideas, expectations and quality of work.

Shrivastava & Purang (2011) studied the differences between public and private sector banks with respect to perception of fairness of the performance appraisal system and performance appraisal satisfaction. Perception of fairness of the performance appraisal system has been studied through nine factors. The study used independent samples t-test and qualitative analysis to study the mean differences between the two banks. Results indicated that private sector bank employees perceive greater fairness and satisfaction with their performance appraisal system as compared to public sector bank employees.

## RESEARCH METHODOLOGY

Research Methodology is the way to solve the problem systematically; it may be understood as a science of studying how research is done scientifically. The present study mainly focuses on the performance appraisal system implemented in both the public and private sector organisations. A simple random sampling technique was adopted for the study. The research has been carried out using a combination of primary and secondary data. The primary data was collected by issuing the questionnaires to the employees of both public and private sector employees personally, through emails, by personal discussions and through telephonic interactions to know their views regarding the performance appraisal.

A sample size of 50 respondents from each sector has been collected. The statistical technique used for analyzing the data collected from the tabulated data would be analyzed with tables & charts wherever necessary, so as to draw inferences based on findings, suggestions and conclusions regarding the performance appraisal system. For this study, the secondary data was collected from the various organization's websites, project reports, past records, libraries, magazines, journals and newspaper publications.

## ANALYSIS AND FINDINGS

The analysis and advice presented in this research is based on research on the performance appraisal practices by the top management in both public and private sectors. The data analysis of the research result showed that Performance Appraisal is more effective in private sector than in public sector. The employees of both the public and private sector organisations were asked whether they are satisfied with the various performance appraisal system practiced in their organisations.

The employees of public and private sector organisations were asked how frequently the performance appraisal is done in their organisations. It is observed that in public sector company's appraisal is done once in a year, where as in private sector companies it is done every 6 months. The opinion of employees on the performance appraisal system practiced by public and private sector organisations are shown in Table-1.

TABLE 1: OPINION OF EMPLOYEES ON PERFORMANCE APPRAISAL SYSTEM

Sl. No.	Factors	Public Sector		Private Sector	
		Satisfied	Not satisfied	Satisfied	Not satisfied
1	Information related Performance Appraisal system	20%	80%	95%	05%
2	Recognition of individual performance	44%	56%	80%	20%
3	Criteria of validating the performance	35%	65%	68%	32%
4	Information about goal achievement	24%	76%	72%	28%
5	Identification of individual strengths and development needs	22%	88%	82%	18%
6	Performance feedback from superiors	31%	69%	75%	25%
7	Expectations on performance appraisal system	48%	52%	51%	49%

The above analysis shows that:

1. In public sector only 20% of employees know about the performance appraisal system used in their organization when they were hired, whereas about 95% of employees in private sector were known about the performance appraisal system used in their organization when they were hired.
2. In private sector the satisfaction level for recognition of individual performance is 80% whereas in public sector it is 44%.
3. It is observed that the satisfaction level for criteria of validating the performance is public sector is 35% where as in private sector is 68%.
4. In public sector the satisfaction level is only 24% and 76% in private sector for information about goal achievement.
5. The satisfaction level for identification of individual strengths and development needs in public sector is 22% and private sector is 82%.
6. In private sector the performance feedback provided by the superiors is 75% whereas in public sector it is 31%.
7. In public sector the expectations from the performance appraisal system is 48% and in private sector is 51%.

Based on the personal interviews it is found that the:

1. Employees of public sector feels that performance appraisal model used in their organizations is complicated, whereas employees of private sector feels that performance appraisal model used in their organizations is simple.
2. Employees of public sector feels that performance appraisal model in their organization somewhat gives proper assessment of their contribution to their organization, whereas employees of private sector feels that performance appraisal model in their organization gives proper assessment of their contribution to their organization.
3. Employees of both the sectors feel that their expectations meet some times.
4. Employees of public sector somewhat feel comfortable in discussing any difference of opinion about their performance rating, whereas employees of private sector feel very comfortable in discussing their performance rating.
5. Performance appraisal in the public sector includes the systematic description of strengths and weaknesses within and between employees. On the contrary, the private sectors' organizations have already HR professionals who are responsible of monitoring how the process of appraisal and evaluating employees is applied upon the approved methods and rules.

## RECOMMENDATIONS

1. Appraisals need to be directly linked to job analysis. This may be accomplished by using job dimensions as the critical behaviors on which to base the appraisal. Success is premised on the job analysis being current and an accurate reflection of the individual's job.
2. Numerical ratings may be utilized if anchored to specific job behaviors. They are speedier than narrative or MBO evaluations.
3. Performance appraisal needs to be linked to individual development and training. This can be facilitated by including space on the form to prioritize training needs.
4. Training is essential for appraiser biases to be reduced.
5. Appraisals need to be reviewed at more than one level. If an individual report to several different superiors, it is advisable to have each appraise the individual.
6. Instruments should include comment and summary sections for rater and ratee.
7. Appraisal should be done objectively, the performance appraisal should be based on yearly targets, the criterion should be measurable, there must be continuous discussion /consulting sessions between the appraiser and appraisee.

8. Performance appraisal should not be used as a yard stick to determine salary movement; rather it is used as a tool for the development of employees.
9. Appraisal system should use objective and transparent measures of assessment and should reduce bias and favoritism; every employee must fully understand the system, criteria used and how marks are given.
10. Finally, and most importantly, the appraisal process must be part of a total management system which considers the needs of the agency as well as the public employee.

## CONCLUSION

The nature of the appraisal problems faced by both public sector and private sector were different from each other and as a result it was very difficult to make a comparison between these organizations. It was equally difficult to measure the intensity of performance appraisal and organizational effectiveness in these enterprises. Many specialists consider that public management is somehow "different" that is the same rules that are applied to the private sector could not apply to the public, or at least not in the same way. Public sector does not have a bottom line or profit margin. Public sector build linkage between qualification and compensation and not between compensation and efforts as in private sector.

Private sector measures both tangible and intangible fields of activity. The main indicators usually are level of customer satisfaction, level of efficiency, quality, quantity such as completion characteristics, time lessens and costs. In other words, the aim of performance management system in private organization is to cover an organization total span of activity and expenditure. In public sector organization main indicators are level of collected experience which is usually substituted by seniority and accumulated skill and knowledge. In private sector, the principal measure of successful performance is profit. Public agencies, on the other hand, have no such universal and widely accepted performance measure of success. However, performance is judged against the goals of their programs and whether the desired results and outcomes have been achieved.

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