



EMPLOYEE PERFORMANCE APPRAISAL, REWARDS & RECOGNITIONS- A CASE STUDY OF AXIS BANK OF ANDHRA PRADESH

Dr. Rajiv Sailaja

Assistant Professor,
Department of Business Administration,
CRIT Engineering, Anantapur,
Andhra Pradesh,
India

ABSTRACT

Few issues in management stir up more controversy than performance appraisal. There are many reputable sources researchers, management commentators and psychometricians- who have expressed doubts about the validity and reliability of the performance appraisal process. Some have even suggested that the process is so inherently flawed such that it may be impossible to perfect it. Performance appraisal whatever its practical flaws is the only process available to help achieve fair, decent and consistent reward outcomes. An attempt was made to find out what employees feel about the whole process of performance appraisal and how it is practiced as well as how it is linked to rewards and recognitions in AXIS Bank of Andhra Pradesh. They were with the views that instead of making the PD process a developmental tool to enhance performance it has been turned into a discriminatory, punitive or judgmental process, where cronyism and biased considerations dominate rather than objectivity. While management of the Bank rated the PD process as very effective, employees think otherwise and stated among other things that they are rather demoralized and demotivated by the way appraisals are carried out and fed into the PD process for rewards and recognitions.

KEY WORDS: Performance Appraisal, Banks, Motivation etc.

INTRODUCTION

The success of every organization, public or private, depends largely on the availability and quality of well-motivated human resource. Financial motivation and other forms of motivation in the form of rewards and recognitions are used by organizations such as AXIS Bank of Andhra Pradesh to achieve higher productivity. It is believed that money is a crucial factor in motivating people in organizations, of which AXIS is no exception. Most companies are able to meet set targets or even exceed because they have attractive reward and recognition systems for employees (Maund,2001).

Organizations are now more focused on the need to get more from their employees if they are to achieve organizational objectives. Accurate appraisals are crucial for the evaluation of recruitment, selection and training procedures that lead to improved performance. Appraisal can determine training needs and occasionally, counseling needs. It can also increase employee motivation through the feedback process and may provide an evaluation of working conditions, thus improving employee productivity by encouraging the strong areas and modifying the weak ones. According to Maund (2001), "Appraisal is the analysis of the successes and failures of an employee and the assessment of their suitability for training and

promotion in the future and performance appraisal was introduced in the early 1970s in an attempt to put formal and systematic framework on what was formerly a casual issue”.

PROBLEM STATEMENT

According to Maund(2001) “ employees see a poorly conducted appraisal interview as being worse than not having an interview at all”. Ideally, the record of the interview should be written on a special performance appraisal form that is signed by the manager, the employee and often a senior manager. Is is good practice to allow the employee to see the completed form and add any comment.

According to some staff off AXIS Bank, employee performance appraisal or performance development is practiced in ways which may create the impression that one can be victimized easily by a team leader/superior. AXIS BANK of Andhra Pradesh with about 2000 employees, works with targets which are given to each and every business unit. These targets are cascaded down to all branches and departments. They are then distributed among staff of the branches and used to appraise each staff on quarterly bases. At the end of each year, and end-of-year review is carried out and a consistency check performed for the year under review. Staff ability to achieve their target is taken through the consistency check for the four quarters of the year and used to determine what each individual staff gets in terms of end-of-year bonus selection for interview and subsequently promotions, such that falling short of some ratings makes one ineligible to such benefits.

RESEARCH OBJECTIVES

This research is to review the performance appraisal process of AXIS bank and also seek the opinion of staff on how performance appraisal or PD is carried out and related to reqar4ds and recognitions such as selection for interview, promotions, salary and end-of-year bonus. Specifically the study would attempt:

- ✓ To find out what employee performance appraisal means to management and staff and how it is carried out.
- ✓ To investigate how employee appraisal is linked to rewards and recognitions.
- ✓ Explore the level of employee satisfaction with the process and its link to rewards and recognitions.
- ✓ To assess how performance appraisal and its linkage to rewards and recognitions impact on the motivation of employees towards work.
- ✓ To summarize finding s and make recommendations.

SCOPE OF THE STUDY

The research work is limited to the retail function of AXIS Bank of Andhra Pradesh which is mainly the branch network across Andhra Pradesh,

made up of over 140 branches with about 118 ATMs. The study of the retail function is therefore a representation of the whole business of AXIS Bank and hence the focus.

PROBLEM AND LIMITATIONS OF THE STUDY

The researcher encountered some financial and logistic problems. Other major limitations encountered include, the difficulties associated with data collection, study design and sampl9ing techniques as well as size, as for instance, respondents failed to return completed questionnaires on time, citing time constraints and work pressure as some of their reasons.

SIGNIFICANCE OF THE STUDY

This study took a look at the whole process of performance appraisal and or development and how it is linked to rewards in AXIS. It also highlighted how employees viewed the process of performance development, in general and its impact on the organization as a whole and whether the practice had any effect on the way employees get motivated towards work. This is to help management of the Bank to realign itself, as far as the performance development process is concerned so as to get the best out of it.

LITERATURE REVIEW

Few issues in management stir up more controversy than performance appraisal. There are many reputable sources- researchers, management commentators and psychometricians- who have expressed doubts about the validity and reliability of the performance appraisal process. Some have even suggested that the process is so inherently flawed that it may be impossible to perfect it (Derven,1990). At the other extreme there are many strong advocates of performance appraisal. Some view it as potentially the most crucial aspect of organizational life. (Lawrie,1990). Between these two extremes lie various schools of belief. While all endorse the use of performance appraisal there are many different opinions on how and when to apply it. There are those for instance, who believe that performance appraisal has many important employee development uses, but scorn any attempt to link the process to reward outcomes such as pay rises and promotions. Appraisers often know their appraises well and are typically in a direct subordinate supervisor relationship. They work together on a daily basis and may at times mix socially. Suggesting that a subordinate needs to brush up on certain work skills is one thing giving an appraisal result that has the direct effect of negating a promotion is another. The result can be resentment and serious morale damage leading to workplace disruption, soured relationships and productivity declines.

Research (Bannisster & Balkin, 1990) has reported that appraises seem to have greater

acceptance of the appraisal process and feel more satisfied with it, when the process is directly linked to rewards. Such findings are a serious challenge to those who feel that appraisal results and reward outcomes must be strictly isolated from each other. There is also a group who argues that the evaluation of employees for reward purposes and frank communication with them about their performance are part of the basic responsibilities of management. The practice of not discussing reward issues while appraising performance is say critics based on inconsistent and muddled ideas of motivation.

Appraisal can determine training needs and occasionally counseling needs. It can also increase employee motivation through the feedback process and may provide an evaluation of working conditions and it can improve employee productivity, by encouraging the strong areas and modifying the weak ones. Further, employee evaluation can improve managerial effectiveness by making supervisors more interested in and observant of individual employees (Auerbach, 1996). Objectives for performance appraisal policy can thus, best be understood in terms of potential benefits.

Appraisal focuses on what has been achieved and what needs to be done to improve it. It should be used to help clarify what an organization can do to meet the training and development needs of its employees. According to Maund (2001), appraisal is to facilitate effective communication between managers, employees and should provide a clear understanding for both of them based on four main components: the work that must be done the criteria by which achievement will be judged, the objectives of the exercise, the process for giving the appraisal feedback on achievement.

Bandura(1977) stated that “self appraisal of performance set the occasion for self-produced consequences”. Favorable judgments give rise to rewarding self reactions, whereas unfavorable appraisals activate punishing self responses’.

Larson(1989) has described a social game played by poor performers. Many supervisors will recognize the game at once and may have been its victims. The game is called feedback-seeking. It occurs where a poor performing employee regularly seeks informal praise from his or her supervisor at inappropriate moments. Often the feedback-seeker will get the praise they want, since they choose the time and place to ask for it. In effect, they “ambush” the supervisor by seeking feedback at moments when the supervisor is unable or unprepared to give them a full and proper answer or in settings that are inappropriate for a frank assessment. The supervisor may feel “put on the spot”, but will often provide a few encouraging words of support. The game seems

innocent enough until appraisal time comes around. Then the supervisor will find that the employee recalls, with perfect clarity, every casual word of praise ever spoken! This places the supervisor in a difficult bind. The supervisor lied when giving the praise, or least misled the employee into thinking that their performance was acceptable (in fact, this is the argument that feedback-seekers will often make). The aim of the game is that the feedback-seeker wants to deflect responsibility for their own poor performance. They also seek to bolster their appraisal rating by bringing in all the “evidence” of casual praise. Very often the feedback seeker will succeed in making the supervisor feel at least partly responsible.

The bane of any performance appraisal system is the appraiser who wants to “play it by ear”. Such attitudes should be actively discouraged by stressing the importance and technical challenge of good performance appraisal. Perhaps drawing their attention to the contents of this web site for example, any help them to see the critical issues that must be considered.

RESEARCH METHODOLOGY

This study was a survey in the form of a cross-sectional study in which data was collected once across the population through sampling. Between seven to ten branches were randomly selected from each of the seven clusters (based on the relative number of branches in the clusters) and any six to twelve staff selected using quota sampling and purposive sampling techniques, to which questionnaires were administered in the proportion of three junior staff to one senior staff (3:1) in every quota assigned, questionnaires were sent to other sectors of the Retail function such as Micro Banking Operations and Retail Risk Departments.

Interview schedule to extract information on the subject from management was also used to get management’s stand on the performance appraisal or development system and how they are monitored. A Human Resource Department official helped to provide this needed information. Documents of the Bank on performance development as well as how it relates to salary, promotions and bonus among other rewards and recognitions were reviewed.

SAMPLING TECHNIQUES AND SAMPLING SIZE

It was impractical to collect data on the whole population, considering the size, as well as the time, available to the researcher, hence the need to select a sample that will represent the whole population. Simple random sampling was used to select the branches that questionnaires were administered to, by assigning numbers and choosing without replacement. Quota sampling and purposive sampling techniques were employed for the study, due to the nature of the

branch set up. This enabled the researcher to sample the views of a cross section of staff and management of the branches of AXIS Bank and the other department in the retail function. A cross-section of the junior and senior staff was sampled to provide the needed information.

SAMPLING METHODS USED

Simple random sampling method was used to select branches from among many in the clusters, to which questionnaires were administered. Numbers were assigned to branches in each cluster from which the required numbers were selected for the study and branches were picked without replacement using random numbers. This was to ensure that as much as possible biasness is removed or it's minimized and a fair representation is obtained.

DATA ANALYSIS AND INTERPRETATION

Period of most recent performance Appraisal

| Valid | Frequency | Percent |
|----------------------|-----------|---------|
| 1-6 months | 82 | 65.6 |
| 6-12 months | 23 | 18.4 |
| 1-3 years | 10 | 8 |
| More than four years | 5 | 4 |
| No response | 5 | 4 |
| Total | 125 | 100 |

Source: Field data

However 4% of respondents stated that their performances have never been appraised. This may be evidence that not everybody is subject to the process or those respondents did not take their time to understand the questions posed. It is noted that 18.4 of

staff respondents had their last performance appraisal between 6-12 months, 8% in 1-3 years and 4% in more than four years while 4% did not respond at all. It is therefore clear that some staff have problems with how their performances are appraised.

Frequency of Performance Appraisal

| Valid | Frequency | Percent |
|-------------|-----------|---------|
| Every month | 12 | 9.6 |
| Quarterly | 98 | 78.4 |
| Half yearly | 15 | 12 |
| Total | 125 | 100 |

Source: Field data

However some staff disagree with this assertion with 9.6% of respondents stating that their performances are appraised every month and 12% have theirs done half-

yearly. This implies that largely appraisals are conducted on quarterly basis as directed by management even though a few anomalies existed.

Training and Coaching before first Appraisal

| Valid | Frequency | Percent |
|-------|-----------|---------|
| Yes | 17 | 13.6 |
| No | 108 | 86.4 |
| Total | 125 | 100 |

Source: Field data

From above tale only 13.6% out of 125 staff that responded indicated that they were trained and or coached before their first ever appraisal sessions while 86.4% knew nothing like that and had to use

their own ideas to go through their first appraisals, contrary to management's position that all new employees are taken through PD training during inductions.

Respondents preferred method of appraisal/PD Interviews

| Valid | Frequency | Percent |
|---|-----------|---------|
| Face to face | 87 | 69.6 |
| Discussion | 23 | 18.4 |
| Objective And Unbiased face to face Meeting | 10 | 8 |
| No Response | 5 | 4 |
| Total | 125 | 100 |

Source: Field data

Moreover, just as Management made it clear that Performance Appraisal must be conducted one-on-one, face-to-face meeting between line Managers and team members, 69.6% of 125 staff said they wanted

and would always like face to face meeting, 18.4% discussion and 8% would love objective and unbiased fact to face meeting. Five staff representing 4% did not provide any answers to this question.

Conformance of Method of PA used to Expected

| Valid | Frequency | Percent |
|-------------|-----------|---------|
| Yes | 27 | 21.6 |
| No | 92 | 73.6 |
| No response | 6 | 4.8 |
| Total | 125 | 100 |

Source: Field data

However above table indicates that out of 125 staff interviewed, only 21.6% answered 'yes' when asked whether methods used by supervisors conformed to the expected methods, with 73.6% answering 'no' and 4.8% not providing answers. None however made mention of confidential appraisal, where the appraiser completes the appraisal without the appraisee's knowledge. This implies that if Line Managers present the PD forms submitted and signed by subordinates then they might have been doing something that is different from what is supposed to be done.

CONCLUSION

Performance Appraisal which forms the basis of Performance Development, is good for a large multinational organization which as AXIS Bank to adopt and practiced. It helps to a large extent to measure the performance of employees, based on setting of SMART objectives and to ensure that developmental needs are taken care of appropriately. However a number of challenges have been identified and must be dealt with if the whole process is to be objective fair and beneficial to all parties. It was discovered that Performance Appraisal or Performance review ratings are directly linked to rewards such as selection for interview, leading to promotion and bonus payments and also to salary levels. Also, once a poor performer, one does not get recognitions available. It was clear that some Line Managers did not follow due process in reviewing the

performance of their subordinated in the face-to-face discussion PD process.

REFERENCES

1. Auerbach A. (1996). *An introduction to Industrial/Organizational Psychology*. Times Mirror Higher Educational Group Inc:206-207
2. Bannister, B.D. (1986) *Performance outcome feedback and attributional feedback: interactive effects on recipient responses*, *journal of applied psychology*, vol 71: 203-210
3. Baron, R.A. (1988) *Negative effects of destructive criticism: impact on conflict, self-efficacy and task performance*, *journal of applied psychology*, vol 73:199-207
4. Derven, M.G. (1990) *The paradox of performance appraisals* *Personnel Journal*, Vol 69, February: 107-111
5. Dulewicz, V. (1989) *Performance appraisal and counseling*, in Herriot, P. *Assessment and selection in organizations: methods and practices for recruitment and appraisal*. New York: John Wiley & Sons: 645-649
6. Fedor, D.B. Eder, R.W. & Buckley, M.R. (1989) *The Contributory effects of supervisor intentions on subordinate feedback responses*, *Organizational Behavior and Human Decision Processes*, Vol 44:396
7. Gabris, G.T. & Mitchell, K. (1989) *The impact of merit raise scores on employee attitudes; the matthew effect of performance appraisal*, *public Personnel Management*, Vol 17, No 4 (special Issue)
8. Greenberg, J. (1986) *Determinants of perceived fairness of performance evaluation*, *Journal of Applied Psychology*, 71:340-342

9. www.performance-appraisal.com
10. www.targetwoman.com/article/performance-appraisal.com
11. www.filebox.vt.edu/users/dgc/staffinghandbook/perfaappraisal.htm
12. www.acpa.nche.edu/pgp/principle.htm