

## **An Empirical Study on the Efficiency of Performance Appraisal System in Oil and Natural Gas Commission (ONGC), India**

*Performans Değerlendirme Sisteminin Etkinliği Üzerine Ampirik Bir Çalışma: Hindistan Petrol ve Doğalgaz Kurulu Örneği*

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### **Abstract**

The study provides a crisp and comprehensive picture of the objectives with which the Indian organizations apply systems to appraise their employees, the basis the companies use to appraise their employees and the reasons for which the companies have attempted to adopt new systems of performance appraisal. Further the study works upon empirical data pertaining to the above system with special reference to Oil and Natural Gas Commission (ONGC), India. Also, certain suggestive schemes which this state statutory body has come up to overcome the limitations of the existing system and survive in the dynamic environment, have been mentioned.

**Keywords:** Human Resource Management, Performance Appraisal, ONGC.

### **Özet**

Bu çalışma, temelde işletmelerin çalışanlarını değerlendirmek için kullandıkları ve bazılarının yeni bir performans değerlendirme sistemi arayış sebeplerinden yola çıkarak; performans değerlendirme sistemi uygulayan Hindistan kamu iktisadi teşekküllerinin hedeflerine yeni ve kapsamlı bir bakış açısı sağlamaktadır. Bu kapsamda performans değerlendirme sistemi Hindistan Petrol ve Doğalgaz Kurulu (ONGC) özelinde ampirik bir çalışma ile test edilmiştir. Bulgulardan yola çıkılarak mevcut sistemin sınırlılıklarının üstesinden gelmeye çalışan ve dinamik bir çevrede hayatta kalma mücadelesi veren, yasalarla korunan bu kurum için geleceğe yönelik önerilerde bulunmaktadır. Sonuç ve öneriler dünya genelindeki kamu iktisadi teşekküllerinin ortak veya benzer zayıflıkları göz önüne alındığında önemli kıyaslama imkânları sağlayabilecektir.

**Anahtar Kelimeler:** İnsan Kaynakları Yönetimi, Performans Değerlendirme, ONGC.

**Evaluate what you want -- because what gets measured; gets produced. - James A. Belasco**

*Sun Tzu, a Chinese author of the Art of War was one of the earliest realists in international relations theory and wrote a book on military strategy. He claimed that in order to win a war, one should have complete knowledge of one's own and the enemy's strengths and weaknesses which depends upon performances. Lack in either of these domains leads to defeat. Analogous to this, in an organization, that shares the same features as that of war, like collecting, understanding and acting on the feedback, performance management systems work.*

*The degree of success that individual employees have in achieving their goals is important in determining organizational efficiency and effectiveness. The assessment of how successful employees have been in meeting their individual and the organizational goals therefore is seminal aspect of Human Resource management.*

*Once the employee has been selected, trained and motivated, he has to be appraised for his performance. As actions speak louder than words, similarly performance speaks for an individual. Thomas 'Wayne' Brazell once rightly remarked, "When your work speaks for itself, get out of the way." But what speaks for the performance of an individual? It is a process known as the performance appraisal where the management gets to know how successful and effective it has been in hiring and placing its employees.*

### **1. Introduction**

Performance appraisal (*hereafter PA*) is the single most powerful instrument for mobilizing employees in sophisticated and well managed organizations in order to achieve the strategic goals. No other management process has as much influence over individuals' careers and work lives as the performance appraisal system. In the words of Heyel, (1968) "It is the process of evaluating the performance and qualifications of the employee's in terms of the requirements of the job for which he is employed, for the purpose of administration including placement, selection for promotions, providing financial rewards and other actions". Further, Scott & Spriegel (1962) opine "Performance appraisal is a step where the management finds out how effective it has been at hiring and placing employees"

Performance appraisal System typically has the following objectives:

- Identify the level of performance expected and set a standard for all members of the organization.
- Creation of forms related to performance appraisal
- Design the system
- Communicate to the organizational members to gather support and wide acceptance of the new system.
- The new system is integrated with the HR systems existing.
- Prepare material needed for training and conduct programs for all members.
- Develop a plan to the effectiveness of the new performance appraisal system.

### 1.1. Theoretical Background

Before proceeding to the main theme of the present study, a theoretical underpinning of the various researches made in this area has been highlighted. In its initial stages of development, research on performance appraisal was always treated as “Psychometric problem”, where the overriding goals were to improve the quality of ratings to rate the performance of an individual. Dulewicz (1989) stated appraisal to be “the basic human tendency to make judgments about those one is working with, as well as about oneself.” Performance appraisal is an organizational system comprising deliberate processes for determining staff accomplishments to improve staff effectiveness (Winston and Creamer, 1997).

Research (Bannister & Balkin, 1990) has reported that appraisees seem to have greater acceptance of the appraisal process, and feel more satisfied with it, when the process is directly linked to rewards and reasons for punishments. Soltani E, Gennard J (2002) stated that performance appraisal is the value that can result from using a combination of system and personal factors when measuring employee performance in quality-focused organizations. This exploration of the content of appraisal begins with a brief overview of the 'hard' aspect i.e. statistical approach, and 'soft' aspect i.e. people-based approach of quality management.

While practitioner controversy has often centered on the “fit” or “alignment” between the Human Resource Management (*hereafter HRM*) policies proposed and the projects’ various organizational implications, researchers have sometimes focused on excavating the managerial assumptions suspected to be behind the human resources (*hereafter HR*) reforms themselves (Wilkinson et al, 1998).

Modern Performance appraisal is a structured formal interaction or a periodic interview between the two subsequent levels, superior (interviewer) and subordinate (interviewee), that usually takes the form of a periodic interview. The extensive conversation deals with the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of the employee based on the annual or semi-annual performance. Modern performance appraisals systems tend to define the criterion concept of ‘performance’ and what actually ‘measurement of the performance of an individual’ implies in true sense in organizational practices such as ‘high performance work systems’ (Ichniowski et al, 1996; Mueller, 1999; Murray et al, 2002)). Further, Davis (2001) proposed a model of performance appraisal for use in student affairs that includes three phases: Getting started/renewal, achievement and evaluation and also detailed suggestions for conducting an appraisal interview

In contemporary context, where employee participation, transparent systems and application of the concept of housekeeping to keep key employees intact is gaining popularity, innovative and self automated systems of performance appraisal are encouraged (Nankervis, 1990).

Creamer and Janosik (2000) outline that contemporary systems are designed on the following basis which is practically applicable in any company: a) Behavior based approach that tends to use specific performance factors including organization citizenship behavior (*hereafter OCB*) - both quantitative and qualitative to appraise their staff. The approaches are conventional rating scale, behavior frequency scale, behaviorally anchored rating scale and the weighted checklist. b). Result based approach such as Management by Objectives (*hereafter MBO*) and Accountabilities and

Measures (*hereafter A&M*) (Grote, 1996) tend to rely on results produced on the level of participation by subordinates and superiors and their commitment to the organization. Mero&Motowidlo (1995) stated that being held accountable (sometimes) increases accuracy.

Where MBO involves setting of goals and plans, periodically reviewing of performance and appraising overall performance; in A&M, staff members and managers jointly agree on accountability and performance factors. c) Appraisals of team performance - "Individualization" has often ended up dividing work forces into new groups along quite unexpected lines, with large populations becoming clearly demotivated by the shift in performance and reward expectations (Eustache, 1996). PA activities themselves can gradually impact on those patterns of interaction and processes in their own way by shaping and modifying the behaviour, attitudes and expectations of the parties involved – shifts in the criteria for acceptable performance in work, and in the way controls are used to reward or sanction the (un)acceptable can have considerable influence on individuals and groups (Giacalone and Rosenfeld, 1991).

Whether an individual, team, group or organization, the performance of either or all of them depends on three elements namely: Critical element, non-critical element and additional performance element. Critical elements are critical to the performance and without which the performance of a team is unacceptable. Non critical elements affect the performance at basic level but cannot be used in programs which are designed to dictate whether the team has “passed” or “failed”. An additional performance element is the dimension that checks the performance standard, provides appropriate feedback and recognizes team performance. The aftermaths of the performance are checked by additional team performance.

### 1.2. Performance Appraisal in Indian Industries

The systematic assessment of employees' performance covering 32 firms in 5 major industrial towns in India assessed that only 21 units used a formal and a systematic personal appraisal program in respect of white-collar employees. The remaining, as such had no formal system of appraisal. All organizations relied on the impression of superiors and top management for giving rewards and punishments to their employees.

**Table 1 Purpose of Appraisal Programs**

| <b>Purpose</b>       | <b>White Collar Employees</b> | <b>Blue Collar Employees</b> |
|----------------------|-------------------------------|------------------------------|
| Wage increases       | 100%                          | 100%                         |
| Promotions           | 80%                           | 83%                          |
| Training Needs       | 25%                           | 25%                          |
| Controlling employee | 60%                           | 51%                          |
| Employee Needs       | 25%                           | 22%                          |

## **2. The Performance Appraisal Study in ONGC**

### **2.1. Performance Appraisal System in ONGC**

#### **2.1.1. Grading System**

The two PAR formats belonging to junior (E-1 to E-3) and middle (E-4 to E-6), reflect both performance and managerial competency components. These have been assigned numerical scores that are notional and merely act as a guide. The grades of performance are purely dependent on the judgment of the first appraisers and the total job situation. However, the final grade maybe at variance with the total score. The 2<sup>nd</sup> Appraiser takes an over all view, both of the performance and the personality of the Appraisee, while determining the '*FINAL GRADING*'. A prudent approach by the **Accepting Authority** is required to judge the assessment of the Reviewing Authority, who may belong to functional discipline of the Appraisee along with the detailed assessment of the **Reporting Authority**.

The over all rating in grades in respect of Appraisals is as under:

- A+** - Exceptional
- A** -Top performer
- B** -Very good
- C** -Adequate
- D** -Inadequate

The Accepting Authority gives the final grade after the judgment of 1<sup>st</sup> and 2<sup>nd</sup> Appraisers, and is the *DESCISIVE GRADE* of the Appraisee executive. In case of any discrepancy, Accepting Authority and 1<sup>st</sup> and 2<sup>nd</sup> Appraisers **MUST** mention adequate justification. In the absence of adequate explanation the report is considered incomplete and returned to the Appraisers for confirming to the instructions.

The employees are deputed to different places after a span of specified time period and requirement. Job Rotation is a feature that is prevalent in the corporation. In case the tenure of an employee is extended after the completion of a specified one, a separate form is designed.

#### **2.1.2. Job Parameters in Performance Appraisal System of ONGC**

ONGC conducts an annual exercise of Memorandum Of Understanding as directed by the Ministry Petroleum in respect of Technical, Non Technical, Financial and Personnel matters for executives at different level.

For Executive Appraisal parameters are situation- specific and refer to a *benchmark* to comprehend job responsibilities. The nature of Appraisee's contribution to the organization is well demarcated in Key Result Areas (KRAs) which are predetermined between superior and subordinate. Mutually agreed KRAs have subjective aspects and make it difficult to assess a group of executives realistically. That is why predetermined job parameters allow the appraiser to appraise the appraisee with known and standardized benchmark.

A set of 4-5 items of parameter are ascribed to an individual's job. An executive and his appraiser pick up few items, out of the list, as relevant to the position and these are considered for assessment of performance. Additional blank space has been provided in the appraisal format.

The appraiser assesses the performance of an Executive in totality and grades him A+(Excellent), A(Very Good), B(Good), C (Adequate), D (Not adequate) after assigning one of the numerical blocks and personality traits. ONGC doesn't believe in detail relative ranking and hence running numbers like 40-45 are not suggested. Furthermore, the Appraiser would always ascertain an executive's *effort* while determining *results*. Job parameter is not the sole criteria for assessing contribution of a senior executive, particularly because he achieves results through others. Due weight age is to be given to executive's personality trait also.

### **2.1.3. Assessment Development Center in ONGC**

*"To identify in house talent"*

Assessment Development Center (*hereafter ADC*) inaugurated by Dr. A.K. Balyan, Director (HR) in Mumbai in the new millennium said "the top management has reposed trust and confidence in this team and I am confident that you will live up to the expectations". The center primarily develops the behavioral and managerial skills and competencies to man the top positions of the corporation such as Asset Manager, Basin Manager and Chief of Services efficiently and effectively. These managers i.e. assesses are about 12 in number; are taken in isolation and are given a few work related tasks. Workgroups can be with leaders or without leaders. It is seen for a period of two to three days as to how do they perform. Their performances are measured by conducting various exercises such as in-basket exercises, simulation exercises and psychometric analysis. They are monitored constantly (by HR Specialists and psychologists, i.e. assessors are about four in number) for nine to ten hours daily. Subsequently, they are interviewed for hours together and are thereafter a feedback is given. The frequency of ADCs is three courses conducted for twelve participants each, once a year. The forthcoming ADC is in May 2007. The traits on which they are assessed are kept highly confidential but to mention a few are sensitivity, decision making ability, interpersonal skills, mental alertness etc exist.

### **2.2. Methodology of the Study**

The objective of the present study was to analyze the significance of existing system of performance appraisal and the causes for its ineffectiveness if any. Initially a pilot survey was conducted in order to find out the relevance of the problem statement and depending on the results of the pilot survey, an extensive survey comprising of a questionnaire of sixteen (16) questions relating to the objective identified was carried out.

**Table 2 Level Structure of the Organization**

| LEVEL            | DESIGNATION |
|------------------|-------------|
| <b>CLASS I</b>   |             |
|                  | E9          |
|                  | E8          |
|                  | E7          |
|                  | E6          |
|                  | E5          |
|                  | E4          |
|                  | E3          |
|                  | E2          |
|                  | E1          |
| <b>CLASS II</b>  |             |
|                  | E0          |
| <b>CLASS III</b> |             |
|                  | 3-4         |
|                  | 3-3         |
|                  | 3-2         |
|                  |             |
| <b>CLASS IV</b>  |             |
|                  | 4-3         |
|                  | 4-2         |
|                  | 4-1         |

### 2.2.1. Selection of the Study Area

The area for the present study was selected to be ONGC. Oil and Natural Gas Commission (ONGC), being India's largest petroleum exploration and production entity, it is a state statutory body (1981) and not a public company, and runs on profit making ideology. The HR activities revolve around the concept of housekeeping by encouraging transparency. Mr. R.S. Sharma, the C&MD (Chairman and Managing Director) at ONGC in 2006, claims to have maintained the transparency in HR system. Subir Raha, the former C&MD at ONGC after two years of his rein, in 2003, launched an internal website and CMD's forum asking for workers' suggestions, grievances listing. Till date when an employee faces a problem on a daily basis he or she is immediately attended to. The company maintains a vision and mission of being a world class Oil and Gas Company integrated in energy business with dominant leadership and global presence. The achievements and success of the corporation is proudly accredited to a committed workforce of 41,000 of which 23,000 are officers and HR parameters such as Enterprise Resource Planning (ERP) for HR project, training and development practices, performance incentive practices, identification of organizational development intervention areas and so on. "Based on the key values of respect and dignity it enhances its relationship with its human assets by providing services of education, health and family welfare, community development and many other services to them" says, Dr A.K. Balyan, Director (HR, business development and joint venture). On the basis of the above ground, ONGC was considered to be the noble ground for the selection of the study area.

### 2.2.2. Selection of Sample

The selection of a representative sample was a must since; ONGC has a large number of personnel. For this purpose stratified sampling on the basis of level of executives was adopted. A sample size of 100 from a total of 1539 executives (E1 to

E9) was taken. The data was primarily collected from the people responsible for maintaining the reports and a sample which is affected by it. The sample chosen was focused on the PAR department and executives (P&A Officer and Sr.P&A Officer) from the exploration department. The sample unit was ONGC, Tel Bhawan and the sample area as Dehradun.

### 2.2.3. Collection of Data

The present study is exploratory in nature where the original data that is, the primary data was collected by means of structured questionnaire, interview method and discussions with the respondents.

Some data were also collected through secondary sources comprising of the analysis of existing documents such as:

- Annual Reports of ONGC
- PAR Rules
- Documents related to PAR
- Books on performance appraisal and 360 degree performance appraisal
- Internet
- Journal

Depending on the results derived from the pilot survey the method for the final survey was decided and accordingly the final survey was carried out.

### 2.2.4. Analysis of Data

After collecting the data from the primary sources, the data was analyzed with the help of multiple regression analysis. It was considered appropriate and the discussion of the results is highlighted below.

Multiple Regression – a statistical tool used to analyze the data asked in the questionnaire regarding the efficiency of the current performance appraisal system in ONGC was used. It comprised of fifteen (15) statements and hence fifteen (15) variables excluding the one concerned with efficiency.

**Table 3 Statistical Analysis of ESSEENCE**

| <b>Variable</b>        | <b>Mean</b>  |
|------------------------|--------------|
| Promotion              | 4.250        |
| Potential              | 3.900        |
| Workshop               | 3.900        |
| Trueneeds              | 1.850        |
| <b>Overall Average</b> | <b>3.475</b> |

These fifteen variables define the overall efficiency of the system which is grouped under three (3) predictor variables, *essence* ( $X_1$ ), *information* ( $X_2$ ) and *clarity* ( $X_3$ ) each comprising of four (4), six (6) and five (5) variables respectively. The first being *essence* ( $X_1$ ) comprises of four (4) variables namely promotion, potential,



workshop, *trueneeds* (Table 1). These four variables are grouped under one predictor variable *essence* because these four define the essence and the aim of performance appraisal being currently used in ONGC. People in ONGC take the essence of the current performance appraisal as seeking information to promote the employees. It mainly focuses on the past performance but does not take the potential of the employees in which they have the ability to develop in the future. Similarly, the workshops and training programs intend to improve the performance and hence the appraisal. Finally, the system focuses on the actual needs of the employees thereby aiming at the improvement on their overall performance and ultimately the appraisal. The overall average of *essence* is 3.475. The average of the variable *promotion* (4.250) which is more than the overall average 3.475 indicates that in majority the employees are of the opinion that the performance appraisal system currently in use aims at promoting the employees. The average of the variable *potential* (3.900) which again is more than the overall average indicates that the current system doesn't support the potential of the employees which is hidden and can be developed for future use. The current system focuses on past performance and is regardless of their potential in the areas in which the employees can develop in the future. The average of the variable *workshops* (3.900) specifies that the workshops and training programs to improve the performance and hence appraisal. However, the variable *trueneeds* (1.850) which are less than the overall average indicate that the true needs of the employees are not looked into while appraising them.

**Table 4 Statistical Analysis of INFORMATION**

| <b>Variable</b>        | <b>Mean</b>  |
|------------------------|--------------|
| Annual                 | 4.300        |
| Electronic             | 4.250        |
| Solicit                | 4.050        |
| Bias                   | 4.150        |
| PA360                  | 4.300        |
| Confidential           | 4.150        |
| <b>Overall Average</b> | <b>4.200</b> |

$X_2$  (*information*) comprises of six variables, namely, annual, electronic, solicit, bias, PA360 and confidential. There is relationship between these six variables regarding information. Questions concerned with the frequency and consistency of information extracted from the appraisal conducted annually at present can be increased if an electronic system is introduced were asked. Other related statements whether the information is solicited from various sources or biases exist were asked. 360 degree feedback would involve information from various sources and improve the system. Question regarding the confidentiality of the information maintained from the employees while conducting appraisal was asked. The overall average of  $X_2$  is 4.200. The average of the variable *annual* (4.300) which is more than the overall average 4.200 indicates that employees believe that appraisal done once in a year currently being followed in ONGC does not give consistent information about the performance thereby indicating

the lacuna in the system. Frequent appraisals may give a true picture of the performance of employees. Likewise, the average of the variable *electronic* (4.250) indicates that the electronic system if introduced will increase the frequency and help to gain the consistency of the information required for appraisal. However, the variable *solicit* (4.050) does not explain the variance caused. This implies that the employees do not strongly agree of the information about performance solicited from sources but they believe that personal biases exist while appraising the performance – *bias* (4.150). The variable *PA360* (4.300) which too is more than the overall average indicates that the employees are receptive of 360 degree performance appraisal system introduced in order to get a holistic overview of performance and reduce over rating or under rating of the performance. The variable *confidentiality* (4.150) indicates that employees disagree that information is kept secret to the executives by the managers and the sources if any, are easily detected.

**Table 5 Statistical Analysis of Clarity**

| <b>Variable</b>        | <b>Mean</b>  |
|------------------------|--------------|
| Equalstatus            | 3.800        |
| Efforts                | 1.800        |
| Intangible             | 4.000        |
| Parameter              | 4.000        |
| Gradesystem            | 4.000        |
| <b>Overall Average</b> | <b>3.520</b> |

$X_3$  (*clarity*) comprises of five inter related variables, namely, equal status, efforts, intangible, parameter and gradesystem. On the same lines as the previous two predictor variables, the efficiency of the system depends upon the clarity about the system such as whether equal status is given to the joint appraiser and the reporting authority or not and whether the employees are clear about the inter relationship of the efforts made and results made. Also, the questions mentioned in the questionnaire aim at asking whether intangible efforts are effectively being incorporated in the grading system or not, also whether the performance parameters like personality traits need to be given due recognition and inclusion in the appraisal forms. And lastly, as to whether the technical and subjective judgments are incorporated efficiently or not. The variable *equal status* (3.800) indicates that the statement quoted is supported by the employees who too are of the opinion that joint appraiser enjoys an equal status with the reporting authority to evaluate the performance when the appraisee is posted to field activities. The variable *efforts* (1.800) of all the variables under this factor are less than the overall average. Employees therefore do not agree that efforts and results are equally important for being appraised. The variable *intangible* (4.000) indicates that the grading system used to measure the performance of employees does not imbibe the means to measure the cognitive abilities that go in the performance. Similarly, the variable *parameter* (4.000) that performance parameters such as exhibiting understanding, detection of defects and mastery in core areas, should be specifically introduced in the performance appraisal forms. Also how much value should be given to performance vs. personality?

Lastly, the variable *gradesystem* (4.000) indicates that a new way of judging performance should be devised. The current grade system in use is not efficient enough to support both the functions in a fine manner.

**Table 6 Output of Analysis**

| <b>Regression Statistics</b> |                     |                     |               |                 |                  |                 |
|------------------------------|---------------------|---------------------|---------------|-----------------|------------------|-----------------|
| Multiple R                   | 0.86881134          |                     |               |                 |                  |                 |
| R Square                     | 0.75483314          |                     |               |                 |                  |                 |
| Adjusted R Square            | <b>0.74717168</b>   |                     |               |                 |                  |                 |
| Standard Error               | 0.44845673          |                     |               |                 |                  |                 |
| Observations                 | 100                 |                     |               |                 |                  |                 |
|                              |                     |                     | <b>ANOVA</b>  |                 |                  |                 |
| Regression                   | <i>Df</i>           | <i>SS</i>           | <i>MS</i>     | <i>F</i>        | <i>Sign. F</i>   |                 |
| Residual                     | 3                   | 59.44311003         | 19.81437      | <b>98.52335</b> | <b>3.396E-29</b> |                 |
| Total                        | 96                  | 19.30688997         | 0.201113      |                 |                  |                 |
|                              | 99                  | 78.75               |               |                 |                  |                 |
|                              | <b>Coefficients</b> | <b>Stand. Error</b> | <b>t Stat</b> | <b>P-value</b>  | <b>Lower 95%</b> | <b>Upper95%</b> |
| Intercept                    | <b>3.52623103</b>   | 0.594122768         | 5.935189      | 4.65E-08        | 2.346906688      | 4.7055554       |
| <b>X Variable 1</b>          | <b>-0.71903016</b>  | 0.117245473         | -6.13269      | 1.92E-08        | -0.951760581     | -0.4863         |
| <b>X Variable 2</b>          | <b>0.59528856</b>   | 0.060054513         | 9.91247       | 2.29E-16        | 0.476081296      | 0.7144958       |
| <b>X Variable 3</b>          | <b>0.20516671</b>   | 0.061330431         | 3.345268      | 0.001174        | 0.083426774      | 0.3269067       |

$X_1$ =Essence,  $X_2$ =Information,  $X_3$ =Clarity

The independent variable **Y= EFFICIENCY** is explained by the multiple regression equation,  $Y= a+b_1X_1+b_2X_2+b_3X_3$ . 16 questions that were asked to the executives comprised of 15 variables excluding efficiency which is the dependent variable. The summary output gives the value of  $R^2_{adjusted} = 0.708864$  indicating that 75% of the variance in the dependent variable Efficiency (Y) is being explained by the independent variables  $X_1, X_2, X_3$  .i.e. Essence, Information and Clarity respectively. From the ANOVA output given in the table, it is observed that  $F_{calculated} (98.52335) > F_{critical} (3.396 \times 10^{-29})$ , it reinforces that there is strong relationship between the dependent variable and the independent variable since the null hypothesis is getting rejected.

Null Hypothesis,  $H_0: \beta = 0$  (no relationship)

Alternative Hypothesis,  $H_0: \beta \neq 0$  (strong relationship)

The coefficients of predictor variables (Essence ( $X_1$ ), Information( $X_2$ ) and Clarity ( $X_3$ )) are  $\beta_1= -0.71903$ ,  $\beta_2= 0.595289$ ,  $\beta_3= 0.205167$  which reveal that the second and the third variable which are information and causes are of due significance in explaining the variance in the value about the system used in the company while the first variable status which carries a negative value carries no weight age.

### 3. Conclusion and Recommendations

Performance appraisal is one of the best methods of motivating the employees and their all round development as professionals. It also includes development and achievement of the organization's objectives in a perfect manner if implemented properly. The system should be very transparent in its true sense. The management part in designing and the executive part in implementing the PA system are the most important.

During the pilot survey done, the employees opined that in spite of the right to appeal against the appraiser which is granted to the appraisee, the employees fear that they do not because of the fear that their Annual Confidential Report might get affected in future as well. There is not much confidentiality of the Performance Appraisal Report (PAR) system which leads to the inefficiency of the system. It leads to a demoralizing effect on the low performers. The appraisee is however, not given any feedback about the grades given to him or the area where he needs to improve; and therefore he hardly gets to know what his superior expects from him. Ultimately, lack of proper feedback and miscommunication de-motivates the employees and hampers the essence of the system. Therefore an arduous attempt has to be made to educate the employees by maintaining confidentiality and also to give them a proper feedback.

As per the results of the analysis done, the executives were oblivious and unclear of the nature of the sources from where the information is extracted to judge their performance. Some admitted that information could be extracted easily from various sources and the confidentiality was low while others denied that high secrecy is maintained. They claim to have known others' performance reports clearly and vice-versa. Employees admit that the existence of workshops and orientation programs is to improve the performance of the employees so that they can be promoted during their appraisal. Over a period of time, the Assessment development centers will be able to evaluate their worth and success. Till date no such initiative is taken to calculate its success. An area which requires clarity is performance in terms of what, who and why is performance appraisal done. One of the main reasons for the dissatisfaction is that the present PA system doesn't add strong, realizable incentives or punishments with it. Currently, in ONGC every year one salary increment (i.e. 4% of basic) is given to each employee regardless of one's performance and promotion in case of acceptable performance on parameters such as value addition after every 4 years. This also implies that if the employee is consistently not performing well, he or she will be deprived of getting promoted to the next level and the miniscule increase in the basic salary will help him reach the highest level on that salary slab. In order to motivate the exceptionally good employees and excellent performers, some other method in the job design instead of job rotation could be introduced.

The inefficiency inherent in the system can be solved by introducing a modern approach. Contemporary era is competency based which relies on knowledge; skills, attitude and other characteristics such as traits, values and self concept which are strongly reflected in the culture of ONGC and an approach based on this can prove to be successful. Many organizations like Aditya Birla Group, Tata Finance, Hindustan Lever Limited too have adopted performance evaluation processes based on competency called as *competency mapping* suitable for uncertain environments. An electronic performance monitoring system to ensure quickness and effective method of

performance can be adopted. Most of the employees especially the 'Baby Boomers' are computer friendly by now.

Employees tend to work hard during the end phase of appraisal period only, i.e. around Jan-March. This Achilles' heel can be mended if appraisal is done annually on a continuous and frequent basis. Employees believe that personal biases such as 'rating errors', recency effect, judgment and information processing that affect assessment results exist. For judging the performance of employees producing both technical (quantifiable) results as well as those producing intangible results based on cognitive and academic qualification on the same platter of the grading system is dissatisfactory for the employees. It has to be ensured that MBO approach has to be thoroughly objective in nature. Experimented successfully in Indian Oil Corporation, the flaws in the current performance appraisal such as subjective judgments can be eradicated by introducing 360 degree feedback. Some employees don't support the 360 degree feedback as an effective mechanism. They opine that system does not necessarily support the implementation of 360 degree appraisal and because transfer and deputation is a regular feature in ONGC it will be difficult to keep a track of their performances objectively. The counter argument is that if the staff is educated about the new system and the designing and implementation is done carefully the appraisal by peers, subordinates, superiors and customers; the new system can be a success. Most of the employees of ONGC are receptive to the idea of 360 degree feedback process and continual appraisal as a measure to improve performance. Furthermore, they opine that 360 degree feedback will evaluate the performance of the top management officials whose evaluation can not be done otherwise and this approach will overcome the leniency effect.

There were certain limitations while conducting the research work. Since the study was carried out only of the employees posted in Dehradun with a limited sample size of 100 employees and hence, the findings are not conclusive for the organization. It was a time consuming exercise due to difficulty in extracting information from them. And again due to lack of time, with the senior executives especially, I was entertained at their convenience. Moreover, some employees were reluctant to reveal the complete information.

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