



**Proceedings of GLOGIFT 12**  
July 30 – August 1, 2012  
University of Vienna, Austria  
pp. 291-297

## Strategic Approach to Performance Appraisal System of Infosys

R. C. Pathak<sup>1</sup> and Shreya Virani<sup>2</sup>

### Abstract

*Performance is important to us as individuals and organisations. People are organisation's greatest assets as well as liabilities and organisations have to learn about the significance of the role of people in an organisation. The role of human resources is absolutely critical in improving performance in an organisation. Ultimately, it is the performance of many individuals which culminates in synergetic performance of an organisation, or the achievement of goals and objectives in an organisational context. As people create competitive advantage, therefore, improving organisational performance is only possible with active support and participative contributions of the human resources.*

*Performance appraisal has increasingly become part of a more strategic approach to integrating HR activities and business policies and may now be seen as a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards<sup>1</sup>. In recent years, performance management has become more important because managers are under constant pressure to improve the performance of their organisations. It is now realised that the performance of organisations influence the organisation's continued existence and success. Performance appraisal is a systematic and objective way of judging the relative worth or ability of an employee in performing his job.*

*The present paper attempts to examine the performance appraisal system in the leading Information Technology (IT) firm, Infosys with respect to the criterias considered for appraisal, frequency of appraisal, satisfaction level of the employees towards the appraisal system etc.*

**Keywords:** Infosys, Performance appraisal, Performance management, etc.

---

### Introduction

With rapid globalisation of world economy, the context and paradigm of performance in the organisational perspective has undergone sea change. Organisations now have to face competitive pressures, uncertainty, discontinuity, dynamic environment and above all rising expectations of the customers that includes the external as well as internal customers. These factors have compelled organisations to manage performance of employees for achieving and sustaining their competitiveness.

- 
1. Professor Emeritus, JSPM Group of Institutes, Pune
  2. Assistant Professor, JSPM's Jayawantrao Sawant College of Engineering (MBA), Pune

Performance appraisal form the central part of performance management (Bernardin *et al.*, 1998). Performance appraisal is an important organisational exercise. Since the beginning of the twentieth century, organisations have attempted to measure several aspects of their work activities through various means and indicators including employee performance.

For many organisations, the term “performance management” is synonymous with performance appraisal (Fletcher, 1993). Indeed, performance appraisal has a central role in performance management systems. Management is essentially concerned with the search for superior organisational or business performance. To achieve this, management will always be interested in getting the job done, and will also be looking for ways to get the right things done well. But management cannot ignore the most valuable asset of the company: people.

A company may have the most advanced and sophisticated machines in place but without the people to operate the machines, the machine is useless and unproductive. Because of this, it is essential that they are treated well in the organisation in accordance with the terms of the employment contract by giving good and reasonable pay package, attractive reward and incentive scheme, appropriate training and development programme for performer and non-performer alike, and other incentives and benefits like housing and education allowance for their children. It is fair to say that good and satisfied employee will perform better, work harder, work smarter, highly motivated, remain loyal, fully committed and productive to the company.

To most employers, the performance of employees is a very important cornerstone in developing the effectiveness and success of any organisation (Suliman, 2001). In order to get the desired outcome and good performance from the employees management must understand, manage and improve those aspects of its performance that best enable it to achieve its aims, goals and objectives.

Infosys is one of the lead IT company like TCS and WIPRO. Here in the CEO, Mr.Narayan Murthy (2010) gives much more emphasis to the welfare, wellbeing as well as imparting training/development to their employees. Nandan Nilekani (2009) also stresses for employee's retention as well as developing their talent plus personality.

The purpose of this paper is to examine one of the most important aspects of performance measurement: performance appraisal. The aim of the paper is to provide the reader an understanding of performance appraisal system and to give support to the author's propositions that organisations should adopt performance appraisal system to systematically assess, evaluate, appraise employees' performance and at the same time reward, promote and provide training and development opportunity for its employees.

## Literature Review

### Performance Appraisal

Employees want to know how well they perform on their jobs. A simple statement, almost axiomatic in any organization, yet it has probably caused more controversy, applied research and practical advice than any other assertion in the history of management writing and thinking (Kavanagh, 1997).

Performance appraisal has many definitions. “Performance appraisal” is a process within the overall performance management process (Dowling *et al.*, 1999), and is defined as “the evaluation of an individual's work performance in order to arrive at objective personnel decisions” (Robbins *et al.*, 2000).

McEvoy and Cascio (1990) defined performance as an ‘accomplishment of assigned task’.

Appraisal can be used to develop staff and maximise their potential and can become useful to the organisation to determine how individual are operating within the requirements of the organisation's terms and conditions of employment (Bratton and Gold, 2003).

According to Angelo S. DeNisi and Robert D. Pritchard (2006) 'Performance appraisal' is a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process. Furthermore, it is an evaluation process, in that quantitative scores are often assigned based on the judged level of the employee's job performance on the dimensions or criteria used, and the scores are shared with the employee being evaluated."

Strategic flexibility (Pathak *et al.*, 2009) has substantial impact on the performance of an individual. Flexibility in mindset, and multidimensional (multi-skill) experiences help in leveraging the individual performs as well as organizational productivity.

The appraisal techniques used, vary depending on the size and the objectives of the organisation. Research suggests that the best option is to identify appraisal in terms of development and motivation. This satisfies the need to be acceptable to appraiser and appraisees, fits in with organisational strategy of improving performance and appraisal becomes a device for assessing individuals relative to their peers (Fletcher, 1993).

A survey in 2004 conducted by Conference Board of Canada of more than 48,000 employees, managers and CEOs from 126 organisations in the USA found that just 13% of employees and managers – and only six percent of CEOs say their organisation's performance appraisal system is useful (Brown, 2005).

### **Objectives**

1. To study the performance appraisal system of Infosys with respect to various aspects such as criterias considered, frequency of appraisal, appraiser etc.
2. To find out co-relation between the tenure of employee and promotion received.
3. To recommend any corrective measures to the company based upon the above findings and outcome of the study.

### **Hypothesis**

1. ***H0 — Employees generally disagree with the appraisal system.***  
H1—Employees generally are satisfied with the appraisal system.
2. H0 - Promotion is independent of the tenure of an employee in the organization  
H1: Promotion depends on the tenure of an employee in the organization

### **Method of Study and Scope**

In order to fulfil the above mentioned objectives and prove the hypotheses to meet the requirement of the research the data has been collected through comprehensive structured questionnaire which was designed for the employees working at the middle and lower level of management at Infosys.

The qualitative data has been collected by conducting interview of the lead personalities from the various companies. More stress has been lead by taking the interviews of top and middle level of the companies.

Method of analysis and statistical tools have been used for the analysis of the empirical study as well as qualitative data. The filled – up questionnaires were examined for their correctness

and observed gaps were mitigated through follow – up with respondents. In the current research paper, data related to research topic was fed to the SPSS (Statistical Package for Social Sciences), and then various operations were performed. The data analysis was done with the help of frequency, multiple responses, cross tabs etc.

Due to paucity of space of the technical paper the questionnaires have not been attached to this paper. However, the questionnaires generally included appraisal questions, promotion policies, work – culture, organizational matrix, flexibility norms, leadership styles etc.

### Data Analysis and Interpretation

In the light of above objectives, the data analysis is being presented in tabular format (Table no.1 to Table no. 6) in succeeding paragraphs.

Table No. 1 to 6 are listed below:

**Table 1: Table Showing the Frequency of Performance Appraisals at Infosys**

Frequency of Performance Appraisal	Number of Employees
Annually	3
once in a six months	6

**Table 2: Table Showing Evaluation Criteria Considered for Performance Appraisal at Infosys**

Evaluation criteria	IT Employees Preference
Subject knowledge & Skills	9
Competency	9
Ability to complete given task within time	9
Output/ Result	7

**Table No. 3: Table Showing the Appraiser Category that gives Highest Rating**

Appraiser	Number of Employees	Appraisal Experience
Project Manager	5	Good
Team Leader	1	Good
Immediate Boss	1	Good

**Table 4: Table Showing Review Complaints / Issues Solved with Respect to Various Performance Appraisal Systems.**

Resolved/ Not resolved	Any other method	360 degree appraisal method	Ranking method	Self appraisal method
Issues solved fully	0	0	1	1
Issues solved partially	0	0	0	2
No Issues	1	2	0	2
All	1	2	1	5

*Strategic Approach to Performance Appraisal System of Infosys*

Crosstabs were performed on the above data to know resolvement of the employee review (appraisal) complaint / issue.

As the Pearson's correlation coefficient -0.436436, satisfaction levels have a weak negative relationship with the appraisal systems.

It was found that employee's issues pertaining to performance reviews were resolved by the organization to a large extent and they were very satisfied with their evaluation criteria issues.

**Table 5: Table Showing the Correlation between Tenure and Promotions Received**  
**H0: Promotion depends on the tenure of an employee in the organization**  
**H1: Promotion is independent of the tenure of an employee in the organization**

Tenure	Promotions received	Rank Tenure	Rank Promotions
2	0	3.5	3.5
3	1	7.5	8.0
2	0	3.5	3.5
2	0	3.5	3.5
3	1	7.5	8.0
3	0	7.5	3.5
2	0	3.5	3.5
1	0	1.0	3.5
3	1	7.5	8.0

**Anderson darlings test** was conducted to check the normality of promotions received and tenure.

As the p value was less than 0.1, it was proved that data was non- normal.

To determine correlation between non- normal data points, we ranked them and further Spearman's Correlation was run between the tenure for which employees are working in one organization against the number of promotions received.

***Spearman's correlation of Promotions and Tenure = 0.750***

Since the Pearson correlation is 0.750, positive correlation exists between tenure and promotions. This indicates that as the tenure in the organization increases, promotions also increase. Thus employees who stay with the organization for a longer time tend to receive more promotions.

Strong correlations and associations however do not necessarily imply causation i.e. this analysis does not prove that higher tenure *causes* promotion

**Synthesis and Data Interpretation**

From table 1 to 6, a rigorous analysis has been done using the statistical tools of multiple responses, frequency and cross tabs techniques. Also, further validation has been done from the lead respondents. The following logical deductions emerge.

- The majority of the respondents are of the opinion that their performance is appraised at the intervals of six months (twice in a year).
- The present research revealed that multiple criteria are considered while evaluating an

employee's performance such as Subject knowledge & Skills, Ability to complete given task within time, output / result and competency.

- At Infosys employees are appraised by Project Managers, Immediate boss, Team leaders and the employee experience about their performance appraisal appears to be good.
- Employee's issues pertaining to performance reviews were resolved by the organization to a large extent.
- The majority of the respondents had expressed their satisfaction regarding the existing performance appraisal system.
- There is no co-relation between promotion received and tenure of the employee. . It further suggests that employees are promoted on the basis of their performance at Infosys.

### Discussion of the Results

In the present paper there are two hypotheses as below:

1. ***H0 — Employees generally disagree with the appraisal system.***

*H1—Employees generally are satisfied with the appraisal system.*

2. ***H0 - Promotion depends on the tenure of an employee in the organization***

*H1- Promotion is independent of the tenure of an employee in the organization*

*From the synthesis and interpretation as above in case of first hypothesis, H0 is a null hypothesis and H1 is the alternative hypothesis that **Employees generally are satisfied with the appraisal system.** .Whereas in case of second hypothesis H0 is null and H1 is validated that **Promotion is independent of the tenure of an employee in the organization. And promotion is given purely on the basis of their improved performance / capabilities.***

In the light of synthesis the following suggestions would be given to Infosys

As it is being found that Infosys conducts performance evaluation twice in a year. Thus performance evaluation done in the first half of the year gives a chance of improvement for weak performers. The appraisal process must be viewed as a continuous activity rather than a half or a yearly event. Performance expectations and actual performance must be discussed often and regularly. In a healthy fashion for improvement.

Infosys is also may be suggested to ensure clarity and transparency in performance appraisal system and make the review process more employee's friendly.

### Conclusion

The main purpose of an appraisal system should be to improve the employee's and the organizational performance. The system must be based on a deep regard for people and recognize that employees are the most important resource. Successful institutionalisation of the appraisal system requires clarity and transparency. Performance appraisal system at Infosys gives due importance to the 'performance' of the employee. Employees are appraised on the basis of multiple criterias such as subject knowledge, skills, competency, and ability to complete a given task within time and output / result etc.

Employees at Infosys have shown their agreement towards their existing performance appraisal system which is encouraging. Employees (respondents) expect to have clarity and transparency in their existing performance appraisal system this is where company has scope to improve its performance appraisal system. A well-defined performance appraisal system supports an integrated human resource strategy which enables the attainment of organisational excellence and business goals.

### *Strategic Approach to Performance Appraisal System of Infosys*

Finally, the main aim and objectives of CEO, Mr.Narayan Murthy, is achieved as the employees enhance their potential, skills, attitude and eventually talent plus personality.

#### References

- Angelo S. DeNisi and Robert D. Pritchard ( 2006) *Management and Organization Review* 2:2 253–277, 1740-8776
- Bernardin, J.H., Hagan C.M., Kane J.S. and Villanova P. (1998) Effective Performance Management: A Focus on Precision, Customers and Situational Constraints, In J.W. Smither (edition), performance Appraisal: State of the Art in Practice, Jossey-Bass, San Fransisco.
- Bratton, J and Gold, J. (2003) *Human Resource Management, Theory and Practise* (3rd ed)
- Brown, D. (2005) *Performance management systems need fixing*, Survey Toronto: Apr 11, 2005. 18(7), Pg. 1, 2 pgs.
- Dowling, P.J. and Welch, D.E. and Schuler, R.S. (1999) *International Human Resource Management*. South-Western, Cincinnati, OH.
- Fletcher, C. (1993) *Appraisal: Routes to Improved Performance*, London: Institute of Personnel Management.
- *Human Resource Management* 12:6 September 2001 1049-1061.
- Kavanagh, M. (1997) I Simply want to know how well I am doing! *Group and Organization Management*, 22(2), 147-148.
- Mc Evoy, G.M. and Cascio, W.F. (1990) *The United States and Taiwan: Two Different Cultures Look at Performance Appraisal*, Research in Personnel and Human Resource Management, Suppl. 2: 201-9.
- Multidimensionality of Performance in a Middle Eastern context: *Int. Journal of*
- Pathak, R.C., Sumati Sidharth (2009) Strategic Flexibility: An Architectural Framework for Business Competition Advantage, *9th Global Conference on Flexible Systems Management*, NITIE, Mumbai, India, November 12-14, 2009.
- Robbins, S., Bergman, R., Stagg, I. and Coulter, M. (2000) *Management*, 2nd ed., Australia, Sydney: Prentice-Hall.
- Virani Shreya (2012) An Analytical Study of Performance Appraisal System and Promotion Policy of ITES Companies, unpublished thesis, TMV, Pune, India.