

Performance Appraisal of O&M Staff as A Base for the Fixation of Salary, Increments and Implementation of the Reward System for O&M Staff in Andhra Pradesh Southern Power Distribution Company Limited

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ABSTRACT: *This research study highlights the importance of performance appraisal as a base for the fixation of salary increments and implementation of the reward system for O&M staff in Andhra Pradesh Southern Power Distribution Company Limited. The triumph of any organization either public or private depends largely on the availability and excellence of well-motivated human resource. Financial motivation and other forms of motivation in the nature of awards and recognitions are employed by organizations such as Andhra Pradesh Southern Power Distribution Company Limited to achieve higher productivity. It is assumed that, money is a key motivating factor for the personnel in organizations, of which APSPDCL is no exception. Performance appraisal is a base for the human relations in an organization are initially strengthened or detached. Development of performance is happened at the juncture where the role of individual and requirements of business meet. The improved communication and the consensus between superiors and subordinates will also helpful in performance development. For an organization, the plan for performance development is to be designed in the manner that, the good performance is always recognized and rewarded. A well-defined appraisal system focuses on both standards and results along with the organizational values and promotes dialogue between superiors and their subordinates.*

KEY WORDS: *Performance Appraisal, O&M staff, APSPDCL, Salary, Increments, Reward System.*

INTRODUCTION

Performance appraisal is a process by which a superior evaluates and judges the work performance of a subordinate. Performance appraisal systems include the processes and procedures involved in implementing, managing, and communicating the events involved in performance appraisal. In many cases it is a formal process and is a part of the personnel management policy. Organizations are now very much focused on the need to get more from their employees if they are to achieve organizational objectives. Assessment of employees' performance is one of the common practices in almost every organization and is a necessary event for the better performance of employees and the organization. To measure the potential of employees, to reward the best performers, to take action against low performers and to make the employees more responsible towards their job, an appropriate and a formal appraisal methodology is very much needed for any organization. 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. Performance appraisal is a continuous process through which performance of employees is identified, measured and improved in the organization. This process includes various practices like recognition of employees' achievements, providing them regular feedback and offering career development. A well-designed appraisal plan facilitates job satisfaction among employees and it can be used as a tool to stop the employees to leave the organization. So, the more employees are satisfied from their jobs less will be the chances to leave the organization. Salary is one of the key factors that determine the satisfaction of an employee in an organization. Sound compensation motivates and by that improves the morale among them. The productivity of any

organization mostly depends upon its wage and incentive system. Apart from salary there will be many other key contributors that cause employees' dissatisfaction. A compensation philosophy is an organization's commitment to how it values employees. The goal of a compensation philosophy is to attract, retain and foster an environment that motivates employees in that particular organization. Performance appraisal of employees helps to fix the compensation, increments, and award and reward system and further a base for promotions / transfers / reversions / suspensions / and dismissals etc. Thus, performance appraisal plays a very important role in determination of salary, increments and rewards and awards in an organization.

LITERATURE REVIEW

Performance appraisal is a process by which a superior evaluates and judges the work performance of a subordinate. Performance appraisal systems include the processes and procedures involved in implementing, managing, and communicating the events involved in performance appraisal. In many cases it is a formal process and is a part of the personnel management policy. Numerous organizations employ a formal or informal assessment system that measures employee performance and contribution (Carroll and Schneier, 1982)¹.

Research (Bannister & Balkin, 1990)² 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. 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.

A poorly conducted appraisal interview can be seen by the employee as being worse than not having an interview at all (Maund, 2001)³.

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. It is good practice to allow the employee to see the completed form and add any comment (s). Reward such as end-of-year bonus payment and recognition such as selection for interview and promotion are determined by the performance of the employee throughout the four quarters in the year, in Barclays Bank (Sterlington Kofi Horsoo Jnr., 2009)⁴.

The Human Relations School (1930-mid 1950s) made the assumption that if employees were happy and satisfied, they would naturally work harder and thus increase their productivity (Maund, 2001)⁵. Because of this premise, the movement encouraged a wider appreciation of the importance of worker participation within the organization- not least with their own Employee Development and Career Progression.

Longenecker (1999)⁶ found that there are many reasons, why an organization needs a formal performance appraisal system; it is needed to take smart decisions regarding salary increases, promotions, demotions, terminations and transfers. When performance and potential are good, when superior and subordinate have an open relationship, when promotions or salary increases are abundant, and when there is plenty of time for preparation and discussion, performance appraisal is easy to do.

Managers may conduct appraisals to affect employee behavior through the feedback process or to justify some sort of human resource management action (termination, transfer, promotion, etc.). However, many other benefits may also accrue from the information yielded by the appraisal (Cocanougher and Ivancevich, 1978⁷; Dubinsky et al., 1989⁸; Thomas and Bretz, 1994⁹; Wanguri, 1995)¹⁰.

According to Muczyk and Gable (1987)¹¹ the high degree of success or failure of any organization depends on how performance is managed within it. It would be impossible for an organization to achieve its goals, for instance, giving best employees a sizable pay increase, spot individuals ready for promotion, justifiable grounds for termination of poor performer, and undertaking successful human resource planning, if managers do not give prime concern to make better the performance appraisal of the organization.

RESEARCH METHODOLOGY

Research Type: Empirical Study

Objectives:

1. To gather opinion of O&M staff regarding Performance Appraisal System in APSPDCL as a base for fixation of salary increments and implementation of reward system of O&M staff.
2. To study the Performance Appraisal System of O&M staff as a base for promotions, transfers, reversions, suspensions and dismissals of O&M staff in APSPDCL.

Sources of Data:

Primary Data: Collected through primary sources.

Structured Questionnaire: Structured questions are used to extract the information from respondents in a manner that did not give them room to express their feelings in their own words. Structured questionnaire (both English and Telugu versions) with closed-end multiple-choice questions was helped in derivation of the research problem, programme designing and execution.

Personal Interview: One to One interview method was adopted in the present research study so as to collect data regarding Performance Appraisal System of O&M Staff in APSPDCL. Questionnaires were directly taken to the staff of O&M branches of Substation, Distribution, HT< transmission and MRT. No questionnaires were posted to respondents through any mailing system and there were no telephonic interviews as well, all the respondents were personally interviewed by me, to ensure maximum reliable data for this research.

Secondary Data: Gathered from various secondary sources.

Journals, Books, Reports and internet Sources: Secondary data is drawn from relevant Reports, Records, Files and Forms, Policy Statements that were available in various departments of APSPDCL. The records maintained by the Human Resources Department served as valuable source of secondary information required. Annual Journals, Reports of APSPDCL and AP Transco; APERC reports were formed the basis for the information. Power and electrical magazines, annual reports published by various state electrical boards and companies, national and international publications, research papers published in journals, text books and different internet sources were also considered for the secondary data.

Sampling Technique:

The present research work comes under purposive sampling with a definite purpose of significance of Performance Appraisal System of O&M Staff in APSPDCL. To overcome the drawbacks of purposive sampling such as favoritism or subjective element etc., stratified random sampling was used to choose the staff without replacement where every unit of population has an equal chance of being included in it.

Population and Sample Size:

The total 6135 O&M staff strength in APSPDCL revealed that the maximum staff are in the cadre of Junior Line Man whose absolute number was (2973) followed by Line Man (2327) Line Inspector (747), Senior Line Inspector (51) and Fore Man (37).

Each O&M cadre was taken as a stratum irrespective of the districts they concerned. The sample size covered 10% of the target population of the study in proportionate to the staff strength of the respective O&M cadre (614 out of 6135). Thus 614 questionnaires were given out to help sample views of O&M staff of the company. The sample was drawn from the each of the above said stratum by using proportional allocation.

Analysis Technique:

The results obtained in the current research study are presented as absolute figures and percentages in Tables apart from depicting in the form of Pie diagram, Statistical tools viz., ANOVA and Percentages are positioned to test the research validity.

Limitations:

1. Convenient sampling was used as the study of entire population is not possible for mode of conducting the research. The sample consisted only of employees in the day shift, employees of the night shift were not considered for the purpose of study
2. The questionnaire contained only multiple-choice questions; therefore, many respondents may not have given a proper thought before answering the questions

DATA ANALYSIS & INTERPRETATION

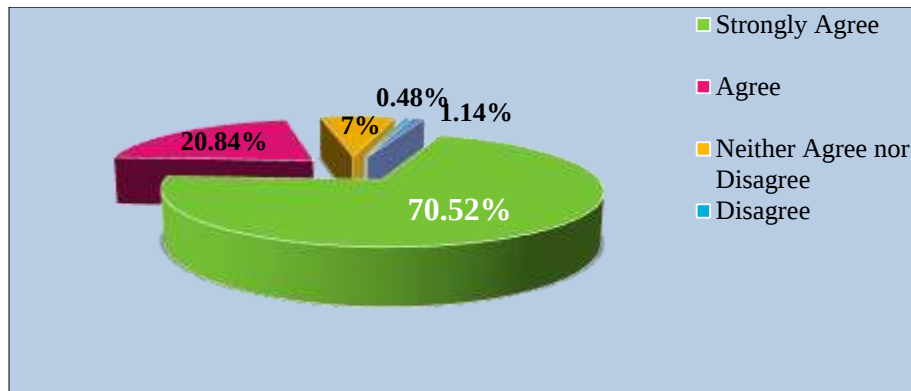
1. Opinion of O&M staff regarding Performance Appraisal as a base for fixation of salary and increments

There will be no use if the management of a particular organization pays the same salary scales to all the employees of a particular designation, even though the payment policy is good. There should be a definite mark of difference among their salaries since the performance of employees is obviously not like the same in maximum number of cases.

Table: 1. Table shows the responses of O&M staff regarding Performance Appraisal System as a base for salary and increments of O&M staff.

Response	No. of Respondents	Percentage
Strongly Agree	433	70.5211
Agree	128	20.8469
Neither Agree nor Disagree	43	7.0032
Disagree	3	0.4885
Strongly Disagree	7	1.1400
Total	614	100

Figure: 1. Pie chart shows the percentage wise distribution of the opinion of O&M staff regarding Performance Appraisal System as a base for salary and increments.



When a question was asked to know whether the respondents want to get salaries and increments basing on their performance appraisals, a maximum of 70.52% of the respondents (433/614) have said that they strongly support it followed by 20.84% who differed positively. Respondents accounting to 7% (73/614) were not sure whether the wage policy should be based on performance appraisals. Two groups of respondents (7/614) and (3/614) amounting to 0.48% and 1.14% are responded negatively (Table 1 and Fig. 1).

Opinion of O&M staff regarding Performance Appraisal as a base for fixation of salary and increments

Designation	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	TOTAL
Jr. Lineman	219	59	13	0	6	297
Lineman	157	43	30	2	1	233
Line Inspector	52	22	0	1	0	75
Senior Line Inspector	3	2	0	0	0	5
Foreman	2	2	0	0	0	4
TOTAL	433	128	43	3	7	614

Testing of Hypothesis

H₀: There are no significant differences in the opinion among the selected designations regarding Performance Appraisal as a base for fixation of salary and increments.

H₁: There are significant differences in the opinion among the selected designations regarding Performance Appraisal as a base for fixation of salary and increments.

SUMMARY

Groups	Count	Sum	Average	Variance
Row 1	5	297	59.4	8501.3
Row 2	5	233	46.6	4136.3
Row 3	5	75	15	516

Row 4	5	5	1	2
Row 5	5	4	0.8	1.2

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	14552.96	4	3638.24	1.382646	0.275574	2.866081
Within Groups	52627.2	20	2631.36			
Total	67180.16	24				

Interpretation:

Since the calculated value of F is 1.382 which are less than the critical value hence the null hypothesis will be accepted and alternative hypothesis will be rejected.

There are no significant differences in opinion among the selected designations regarding Performance Appraisal as a base for fixation of salary and increments.

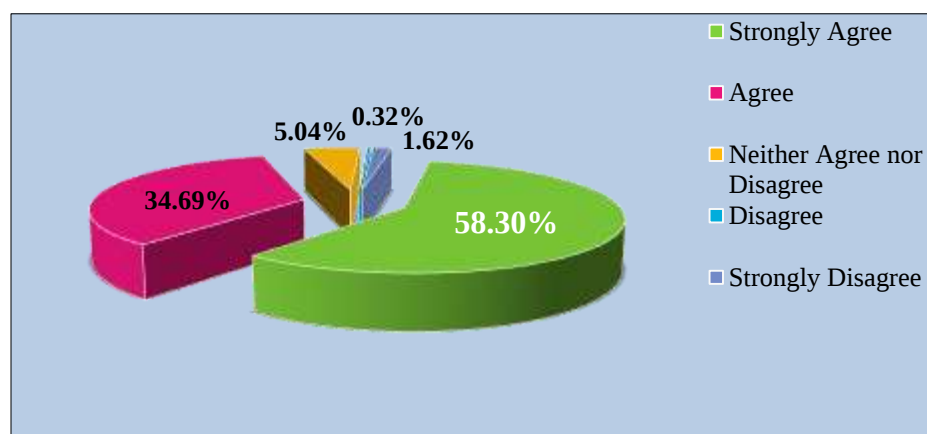
2. Opinion of O&M staff regarding Performance Appraisal as a basis for implementing reward system

Decision making is one of the crucial tasks of the management. The appraisal results help the management to take decisions relating to human resource planning, training and development, budgeting and implementation of reward system etc. Firms engage in the performance-evaluation process for numerous reasons.

Table: 2. Table shows the responses of O&M staff regarding the role of Performance Appraisal System in forming basis for decision making for a reward system

Response	No. of Respondents	Percentage
Strongly Agree	358	58.3061
Agree	213	34.6905
Neither Agree nor Disagree	31	5.0488
Disagree	2	0.3257
Strongly Disagree	10	1.6286
Total	614	100

Figure: 2. Pie chart shows the percentage wise distribution of the opinion of O&M staff regarding Performance Appraisal System forming basis for decision making for a reward system.



Performance appraisal concentrates on the future strategies based on the performance of the employees in the past and helps in developing the skills of the employees conforming to organizational goals. In the present study, when an attempt was made to know the opinion of the O&M employees whether Performance Appraisal System of O&M Staff forms basis for decision making in APSDCL, it was observed that 358/614 employees have strongly agreed that decision making in various aspects could be a product of performance evaluation that is carried out in the immediate past. It was also recorded that respondents (213/614) decided that performance appraisal could lead to decision making in the future programmes basing on the immediate past evaluation (Table 2). Such employees who agreed to the fact to the question amounted to total of 30.13% of the respondents. However, very small number of employees accounting to (2/614) and (10/614) had deferred and strongly differed with the suggestion that performance appraisal could be an efficient tool in delivering decision making in the organization whereas 5.04% of respondents are neutral and could not say anything (Fig. 2).

Opinion of O&M staff regarding Performance Appraisal as a basis for implementing reward system

Designation	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	TOTAL
Jr. Lineman	169	114	12	0	2	297
Lineman	136	71	19	0	7	233
Line Inspector	49	24	0	1	1	75
Senior Line Inspector	1	3	0	1	0	5
Foreman	3	1	0	0	0	4
TOTAL	358	213	31	2	10	614

Testing of Hypothesis

H₀: There are no significant differences in the opinion among the selected designations regarding Performance Appraisal as a basis for implementing reward system.

H₁: There are significant differences in the opinion among the selected designations regarding Performance Appraisal as a basis for implementing reward system.

SUMMARY

Groups	Count	Sum	Average	Variance
Row 1	5	297	59.4	6015.8
Row 2	5	233	46.6	3272.3
Row 3	5	75	15	463.5
Row 4	5	5	1	1.5
Row 5	5	4	0.8	1.7

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	14552.96	4	3638.24	1.864846	0.156145	2.866081
Within Groups	39019.2	20	1950.96			

Total	53572.16	24				
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Interpretation:

Since the calculated value of F is 1.864 which are less than the critical value hence the null hypothesis will be accepted and alternative hypothesis will be rejected.

There are no significant differences in opinion among the selected designations regarding Performance Appraisal as a basis for implementing reward system.

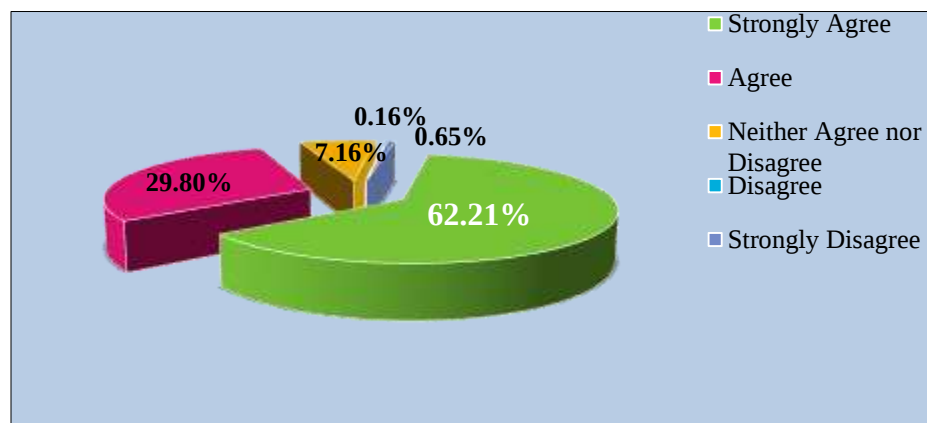
3. Opinion of O&M staff regarding the Performance Appraisal as a base for promotions / transfers / reversions / suspensions / and dismissals

A good performance appraisal system is like a path to the sound human resource planning for an organization. A considerable level of human resource development in the organization is possible only through a transparent appraisal system. The appraisal system shows the management the supporting grounds to take the action in the issues like promotions, transfers, reversions, suspensions and terminations of employees.

Table: 3. Table shows the responses of O&M staff regarding Performance Appraisal System as a basis for promotions / transfers / reversions / suspensions and dismissals of O&M staff.

Response	No. of Respondents	Percentage
Strongly Agree	382	62.2149
Agree	183	29.8045
Neither Agree nor Disagree	44	7.1661
Disagree	1	0.1628
Strongly Disagree	4	0.6514
Total	614	100

Figure: 3. Pie chart shows the percentage wise distribution of the opinion of O&M staff regarding Performance Appraisal System as a basis for promotions/ transfers / reversions / suspensions and dismissals.



In the present research study, it was attempted to get the opinion of O&M staff whether the promotions / transfers / reversions / suspensions and dismissals of O&M staff should be based on performance appraisal. It was recorded that 62.21% of the employees (382/614) were strongly agreed that the promotions / transfers / reversions / suspensions and dismissals of O&M staff should be based on performance appraisal followed by (183/614) accounted to 29.80% who were agreed on it. There were only five respondents denied that promotions / transfers / reversions / suspensions and dismissals etc., are need not be based on the appraisal report. However, a sample group (44/614) of employees amounting to a percentage of 7.16 stood neutral and could not say anything (Table 3; Fig. 3).

Opinion of O&M staff regarding the Performance Appraisal as a base for promotions / transfers / reversions / suspensions / and dismissals

Designation	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	TOTAL
Jr. Lineman	156	106	30	1	4	297
Lineman	154	66	13	0	0	233
Line Inspector	66	9	0	0	0	75
Senior Line Inspector	3	2	0	0	0	5
Foreman	3	0	1	0	0	4
TOTAL	382	183	44	1	4	614

Testing of Hypothesis

H₀: There are no significant differences in the opinion among the selected designations regarding the Performance Appraisal as a base for promotions / transfers / reversions / suspensions / and dismissals.

H₁: There are significant differences in the opinion among the selected designations regarding the Performance Appraisal as a base for promotions / transfers / reversions / suspensions / and dismissals.

SUMMARY

Groups	Count	Sum	Average	Variance
Row 1	5	297	59.4	4711.8
Row 2	5	233	46.6	4345.8
Row 3	5	75	15	828
Row 4	5	5	1	2
Row 5	5	4	0.8	1.7

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	14552.96	4	3638.24	1.839483	0.160855	2.866081
Within Groups	39557.2	20	1977.86			
Total	54110.16	24				

Interpretation:

Since the calculated value of F is 1.864 which are less than the critical value hence the null hypothesis will be accepted and alternative hypothesis will be rejected.

There are no significant differences in opinion among the selected designations regarding the Performance Appraisal as a base for promotions / transfers / reversions / suspensions / and dismissals.

FINDINGS

1. Opinion of O&M staff regarding Performance Appraisal as a base for fixation of salary and increments

There are no significant differences in the opinion among the selected designations of O&M staff regarding Performance Appraisal as a base for fixation of salary and increments.

It was found noteworthy that over 91% of the respondents are very positive to fix their salaries and her monetary benefits basing only on performance appraisal.

2. Opinion of O&M staff regarding Performance Appraisal as a basis for implementing reward system

There are no significant differences in the opinion among the selected designations of O&M staff regarding Performance Appraisal as a basis for implementing reward system.

In the present study, when an attempt was made to know the opinion of the O&M staff whether Performance Appraisal System forms basis for decision making in APSPDCL, it was observed that 571/614 employees (92.99%) have agreed that decision making in various aspects could be a product of performance evaluation.

3. Opinion of O&M staff regarding the Performance Appraisal as a base for promotions / transfers / reversions / suspensions / and dismissals

There are no significant differences in the opinion among the selected designations of O&M staff regarding the Performance Appraisal as a base for promotions / transfers / reversions / suspensions / and dismissals

It was found clear that majority of the respondents want to give priority to performance appraisal results for their promotions, transfers, reversions, suspensions and dismissals. It was recorded that 62.21% of the employees (382/614) were strongly agreed followed by (183/614) accounted to 29.80% who were agreed to that.

SUGGESTIONS

1. Since APSPDCL is a government undertaking many legal and procedural issues are taken in to consideration to fix the salaries of staff. It may not possible to fix the salaries and increments of O&M staff basing only on their levels of performance. Any way by giving priority to the opinion of majority of the respondents of the present research study it is suggested to consider performance appraisal results also for the fixation of salaries, monetary benefits like, allowances, bonus etc., it is strongly suggested to consider the best performers for the recognitions, special incentives, and salary hikes etc.
2. It is suggested to put a permanent and common policy to encourage the best performers of O&M staff in their duties with awards and rewards.
3. Since APSPDCL is an undertaking of Andhra Pradesh State government, many legal and procedural issues are taken in to consideration for O&M staff promotions, transfers, reversions, suspensions and dismissals etc. It may not be possible to take the levels of performance as the only criteria for promotions, transfers, reversions, suspensions and dismissals of O&M staff. Any way by giving priority to the opinion of majority of the respondents of the present research study it is suggested to consider the appraisal results as a criterion for promotions, transfers, dismissals, and suspension related issues.

CONCLUSION

Performance appraisal enhances the responsibility of O&M staff, encourages the teamwork, and provides the growth and opportunities for the skill development among the O&M staff. At this juncture the study on Performance Appraisal System of O&M Staff in APSPDCL as the basis for fixation of salaries, increments; and for promotions / transfers / reversions / suspensions / and dismissals etc., and also a criterion for implementing reward system have an importance in making the system more effective.

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