

# *Employees Attitude Towards Performance Appraisal*

## *A Case study on Life Insurance Corporation (LIC)*

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### **<<< Abstract**

*The purpose of this research paper was to analyze the overall attitude of employees working in LIC (Life Insurance Corporation) India towards the performance appraisal system used by the organization. The study involves using some key questions to gauge satisfaction of Class I, Class II and Class III employees towards existing appraisal process and also to determine the relevance of this process in making decisions regarding job confirmation, transfer and promotion of LIC employees. In this paper we have determined how much satisfied are employees with the current method for appraising the performance and what are the limitations of using the existing method for performance evaluation. Results showed that though employees fairly consider appraisal as a vital tool towards their development, but there is significant difference in their views about effectiveness of current performance appraisal process in LIC. Interview results showed that only less than a quarter of respondents are of the view that the present performance system is effective and serves its purpose and majority of 80 per cent of the respondents feel that the system is just meeting the paper requirement and needs to be changed. Research data also shows that more than 70 per cent of employees are of the view that adequate training is must for appraisers to make the performance appraisal process work effectively.*

### **1. EVALUATING**

The criterion for an effective performance system is that it should be job related performance based, uniform and equitable. The performance requirements of the organization must be fully reflected in appraisal criteria. All appraisers must be trained and should lead to problem solving rather than fact finding. The performance appraisal must result in clearly defining recommendations regarding reorganizations, reward improvements, trainings, promotions etc and it should be periodically reviewed in terms of relevance, reliability, usefulness, effectiveness and acceptability. Some time if not properly done Performance Appraisal has been seen as a painful annual event for employees.

### **2. PROCESS OF PERFORMANCE APPRAISAL**

The performance appraisal process follows a set pattern and it consists of some steps which starts with the Establishing Performance Standards, after which these standards need to be communicated properly leading towards measuring Performance.

After measuring actual Performance we need to compare it with set standards. The important step in Performance appraisal is discussing the feedback with subordinates and last but not the least, taking corrective actions.

### **3. LIFE INSURANCE CORPORATION (LIC) OF INDIA**

The Corporation was established by an Act of Parliament which received the assent of then President of India on 18<sup>th</sup> June, 1956. The Act came into force on 1<sup>st</sup> July, 1956 and the Corporation began to function with effect from 1<sup>st</sup> September, 1956. The nationalization of life insurance aims at widening the channels of public savings and is an important step towards mobilizing these savings more effectively to finance the national plans.

The Corporation's Central office is located at Mumbai and there are Seven Zonal Offices. At present the Corporation is having 100 Divisional Offices spread all over the country and 2048 Branch Offices in India to serve the public from close distance. Central Office of the Corporation confines itself mainly to give broad policy directions and decisions and co-ordinates the activities of the various divisions which are 100 in number.

LIC is having SEVEN Zonal offices which assist the Central Office in the matter of development, planning and review of the business and supervision of the Divisional Offices within their respective jurisdiction. Development Officers of the Corporation create their independent agency organization for the procurement of new business.

The important functions rendered by the Development Officer are to develop and increase the production of new life insurance business in a planned way as far as possible in the area allotted or in which he is allowed to work through agents placed under his supervision by the corporation.

The life insurance agent would be required to solicit and procure new life insurance business in a manner that is consistent with the interests of the policyholders and of the Corporation, contact prospects for life insurance, study their life insurance needs and persuade them to buy policies. After having sold a life insurance policy, the agent has to ensure that the policy continues without a lapse, till it becomes a claim, for which purpose he has to keep in touch with the policyholders to make sure that the renewal premiums are paid in time.

### **4. RESEARCH METHODOLOGY**

The Research paper is based on the research objectives which were enumerated to study the attitude

of Class I, Class II and Class III employees of LIC towards the existing performance appraisal, to find out the areas where Class I, Class II and Class III employees of LIC are not satisfied with the existing appraisal system, to find out the relevance of performance appraisal for the confirmation, transfer and promotion of the employees of LIC.

To get answers to the above objectives, a descriptive research has been carried out with the help of two questionnaires (I and II) which have been filled by the three categories of the employees of LIC viz. Class I, Class II and Class III.

### **5. COLLECTION OF PRIMARY DATA**

The data regarding this project has been collected with the help of well structured questionnaire and personal interviews with the employees of LIC. The primary data was collected on the basis of the structured questionnaire which was personally delivered to different class of employees of LIC. While personally delivering the questionnaire, the employees were communicated to give their opinion as the information so collected would be used for academic purpose only. It was found that many of the employees were reluctant to fill the questionnaire as they were little afraid of the fact that they may be questioned by others for giving their opinion to an outsider about the Corporation's policies. The questionnaires were also mailed to the respondents so that with personal visit, the employees can be reminded of the mailed questionnaires to get positive responses from the LIC employees.

### **6. SELECTION OF THE SAMPLE**

In the sampling method, instead of every unit of population, only a part of population is studied and conclusions are drawn on that basis for the entire population.

### **7. SAMPLE SIZE**

The size of sample refers to the number of units that must be interviewed /surveyed in the study. Keeping in view, the nature of study, time & resources, I being the researcher selected sample size 50 in which 20 respondents for Class III, 20 for Class II and 10 for Class I category. I am sure with this sample size, I will be able to extract the exact picture of the attitude of LIC employees towards performance appraisal methods adopted by the Corporation.

## 8. FINDINGS

On the basis of the primary data collected from the structured questionnaires used for Class I, Class II and Class III, the following inferences are drawn:

When asked to rate effectiveness of existing appraisal system, majority of the Class I officers (89%) agreed that it is a significant tool of Human Resource directed towards the development of employees. Similarly 76% of Class II and III employees shared the same view.

89% of Class I officers and 88% of Class II and III employees believe that performance appraisal system is an effective tool to be used for promotion. There seems

to be a clear agreement across the board on this question.

Similarly majority of both Class I officers (89%) and Class II and III (89%) look at LIC performance appraisal system as a significant tool to identify relevant training needs of employees. As clearly seen above, there is very less difference of opinion on this aspect of performance appraisal system.

When checked about the efficacy of performance appraisal system in LIC, majority of the Class I officers (89%) believe that appraisal system is effective w.r.t solving its purpose whereas Class II and III employees don't seem to agree with this view. It is clear that Class II and III employees of LIC are not happy and are dissatisfied with the existing performance appraisal methods.

**Table-1**

**Perf Appraisal System as effective tool towards development of employees**

Emp Category	Strongly Disagree	Disagree	Can't Say	Agree	Strongly Agree
Class I	3	8	0	58	31
Class II and III	0	21	3	50	26

**Table-2**

**Perf Appraisal System as effective tool to be used for promotion of employees**

Emp Category	Strongly Disagree	Disagree	Can't Say	Agree	Strongly Agree
Class I	3	8	0	58	31
Class II and III	4	7	1	56	32

**Table-3**

**Perf Appraisal System as important tool to identify training needs**

Emp Category	Strongly Disagree	Disagree	Can't Say	Agree	Strongly Agree
Class I	3	8	0	58	31
Class II and III	4	7	0	57	32

**Table-4**

**Perception of Employees w.r.t. efficacy of Perf Appraisal System**

Emp Category	Strongly Disagree	Disagree	Can't Say	Agree	Strongly Agree
Class I	3	8	0	58	31
Class II and III	38	42	14	3	3

**Table-5**

**Employee's clarity in regards to their roles and responsibilities in LIC**

Emp Category	Strongly Disagree	Disagree	Can't Say	Agree	Strongly Agree
Class I	3	8	0	58	31
Class II and III	7	4	0	50	39

**Table-6**

**Training requirement of appraiser to effectively use Perf Appraisal System**

Emp Category	Strongly Disagree	Disagree	Can't Say	Agree	Strongly Agree
Class I	58	28	0	8	6
Class II and III	0	20	8	51	21

Around 90% of Class I respondents and almost the same % of Class II and III employees (89%) believe they are clear on their roles and responsibilities in the organization. This is very interesting as a lot of companies suffer from the problem of their employees not sure about their job roles and defined responsibilities.

Only 14% of Class I officers are of the opinion that they need proper training to use performance appraisal system more effectively whereas a whopping 86% believe that they are already devoting adequate time and effort while appraising the performance of their subordinates, so feeling that they don't need any further training. Whereas other respondents don't seem to agree with them. According to Class II and Class III employees of LIC about 72 per cent are of the view that more training is needed and hence should be made mandatory for the appraiser (Class I officers), otherwise the whole exercise is futile.

89% of LIC Class I officers believe that good performers are duly rewarded for their outstanding performance whereas only 67% of Class II and III respondents supported this view. Hence 25% of Class II and III employees believe that more can be done to improve effectiveness of existing system to recognize and reward top performers.

From above data, it can be derived that the system is good and effective enough to find the people with potential and help to direct the employees of the organizations for their career planning. There is a strong agreement on this area from all classes of employees.

In any organization it's very important that performance appraisal system works as effective tool to gauge performance and not just mere paperwork to fulfill basic requirement of system. It's equally important that this system is perceived as important and effective from all classes of employees (which is not the case with LIC). Approx 90% of Class I officers feel that this system is an important performance measuring tool whereas a 6% of Class II and III employees share this opinion. 80% of employees of these classes feel that system in current form is just paperwork and nothing else.

There seems to be a clear difference of opinion on this question of need to change existing performance appraisal system. While only 11% of Class I officers feel that this needs to be changed, majority of Class II and III employees (89%) believe that this system is not efficient and hence should be replaced with some other more effective appraisal system.

**Table-7**

**Effectiveness of existing system to ensure timely recognition & reward of good performers**

Emp Category	Strongly Disagree	Disagree	Can't Say	Agree	Strongly Agree
Class I	3	8	0	58	31
Class II and III	0	25	8	61	6

**Table-8**

**Appraisal system as effective tool to support potential of employees**

Emp Category	Strongly Disagree	Disagree	Can't Say	Agree	Strongly Agree
Class I	3	8	0	58	31
Class II and III	2	7	1	33	57

**Table-9**

**Perf Appraisal System being important tool and not just paperwork**

Emp Category	Strongly Disagree	Disagree	Can't Say	Agree	Strongly Agree
Class I	3	8	0	58	31
Class II and III	38	42	14	3	3

**Table-10**

**Strong need to change current Perf Appraisal System**

Emp Category	Strongly Disagree	Disagree	Can't Say	Agree	Strongly Agree
Class I	58	31	0	8	3
Class II and III	7	4	0	56	33

## 9. CONCLUSION

Keeping into account the observations, analysis and the inferences drawn, it may be stated, although the overall attitude of the employees towards the system is quite promising but still there are certain drawbacks prevailing in the system, which need to be corrected in order to make the system more acceptable and beneficial for all employees of the organization. Effective performance management is the driving force of a successful organization which ensures that the individual and team work together contributes in the overall improvement. Performance appraisal is not just a tool for deciding the promotion but it has multifold functions. Performance appraisal is an indicator for taking decisions related to training and development, transfer and assignment of duties and responsibilities.

On the basis of the interpretation of the data, it is clear that the existing performance appraisal is not fully acceptable to Class II and class III employees of LIC. In all the three categories, the employees are of the opinion that the appraisal method need to be transparent and the appraisee should know as on what yardsticks his superior is evaluating his performance and which area he needs to make improvement so that he can be more productive to Life Insurance Corporation of India. If we see the responses of the Class II and Class III employees of LIC, 80 percent of the respondent were of the opinion that Performance Appraisal at LIC is just on paper and whole exercise of performance appraisal is nothing but farce. It is the need of the hour that trust of Class II and III employees is regained and performance appraisal be executed in true spirit. If the employees realize that performance appraisal is practiced in true spirit, it will go a long way in recognizing the performers and motivating the human resource and will lead Life Insurance Corporation of India to greater heights amidst the cut throat competition. It is coming in the news that LIC is going to offer 10,000 new jobs by March, 2011. Creating more job positions shows that the Corporation is looking for expansion and has positive attitude towards future growth. This is possible because of the good and effective manpower working under the banner of Life Insurance Corporation of India.

### Following suggestions are recommended:

1. Employee should be given a chance to participate in their own appraisal so that they are able to know the details of all traits on which they are evaluated, rather they should be given fair chance to fill their own A.C.R (Annual Confidential Report). This report should also be filled by the appraiser and reviewing authority and after that these two filled A.C.Rs should be properly matched because self appraisal makes an attempt by the employee to have a fair idea as how he has performed and also whether he is capable of taking next higher managerial position.
2. To have an effective Performance Appraisal System in an organization, quarterly appraisal of employees is suggested. If the system of quarterly review of performance of employee is not possible (considering the complexities of an organization), review can be done by maintaining a separate record book and communicating the employee through mutual discussion. This regular appraisal is essential to have more objective feedback, minimizing the December effect to a great extent and to foster better appraisal relationship.
3. As it has already been stated that the existing appraisal in LIC is primarily used for promotions only, however, it is also suggested that the system incorporates reward mechanism more effectively so as to motivate the employees' performance level. Attempt should also be made to make a gradual shift in linking the promotion as a reward from the appraisal to other reward.
4. In today's functioning, completion of task within a time frame is a measurement of the professional efficiency as well as effectiveness of a job, keeping this in view, I put forward the suggestion for:-
  - Turnaround time (promptness) of completing the given job and
  - The ability of problem solving through Creativity or "Out of box thinking" parameters should be included in performance appraisal system
5. Keeping in mind the complexity of the organization, key performance areas for all the employees at all levels must be determined and properly communicated to employees. The standard of goals

- should be fixed by mutual discussion of superior and subordinates. Subordinates should be given opportunity to participate and present their views regarding their objectives as well as their performance.
6. For effectiveness of Performance Appraisal System in an organization, A.C.R. should be given maximum weightage for promotions. A.C.R. should be filled up keeping in mind the trades like versatility, readiness to perform, active co-operation in case of an opportunity offered, sincerity and devotion be evaluated. Also employees should be evaluated on the basis of their qualification, experience, contribution and their dedication towards achievements of organizations goals. Organization can reap rich dividend by utilizing potential of an employee by enabling her to maximize contribution towards the organization.
  7. Performance Appraisal System should be modified according to changing business environment. It should be altered gradually by mutual discussion of employees, keeping in mind flexible structure of organization.
  8. Employees also view that Performance Appraisal System is an important tool for their development but they are not aware of the importance of the same on longer and widened view for a positive acceptance and importance is put forward for clarifying the various doubts about this appraisal process.
  9. After evaluating the employees' positive as well as adverse feedback, same should be properly communicated to employees.
  10. Last but not the least, Performance Appraisal System is a human resource tool oriented towards the development of employees and hence the role of Personnel Department becomes very important in effective implementation of the same.

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