

## A comparative study on performance appraisal practices in select IT industries (With reference to Visakhapatnam City)

P. Sree Devi <sup>1,\*</sup>, M. Ramesh <sup>2</sup> and Appala Raju <sup>3</sup>

<sup>1</sup> Assistant Professor of Commerce, JNTU Gurajada, Vizianagaram, A.P, India.

<sup>2</sup> Assistant Professor of Commerce, Adikavi Nannayya University, Rajahmahendravaram, East Godavari, District, A.P, India.

<sup>3</sup> Assistant Professor of Management, Adikavi Nannayya University, Rajahmahendravaram, East Godavari, District, A.P, India.

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### Abstract

Information technology industry is completely based on thinking and innovative skills of the employees this industry outputs are based on creative abilities of the employees. In such prominent and highly intellectual ability-based IT industry it is needed to manage employee's performance in order to retain talented employees. Today we have been seeing IT organizations bagging their employee who are not performing well in the organization. The aim of the present study is to measure the satisfaction level of the employees regarding performance appraisal practices in select IT organizations in Visakhapatnam district, Andhra Pradesh. The study has conducted on 180 executives of two IT industries named as IBM Kenexa and Miracle Software Solutions in Visakhapatnam.

**Keywords:** Knowledge Management; It Industry; Performance Appraisal; Visakhapatnam

### 1. Introduction

Performance appraisal is the systematic evaluation of the individual with regard to his or her performance on the job and his potential for development. Thus, performance appraisal is a systematic and objective way of judging the relative worth or ability of an employee in performing his job. It emphasizes on two aspects; systematic and objective. Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee. The appraisal is systematic when it evaluates all performances in the same manner, utilizing the same approaches so that appraisal of different persons is comparable. Such an appraisal is taken periodically according to plan; it is not left to chance. Thus, both raters and rates know the system of performance appraisal and its timing. Its essential feature is that it attempts at accurate measurement by trying to eliminate human biases and prejudices. Performance appraisal plays a role in making decision about salary increase. Normally salary increase of an employee depends on how he is performing his job. There is continuous evaluation of his performance either formally or informally. In a small organization, since there is a direct contact between the employee and the one who makes decisions about salary increase, performance appraisal can be an informal process. However, in a large organization where such contact hardly exists, formal performance appraisal has to be undertaken. This may disclose how well and employee is performing and how much he should be compensated by way of enhancement of remuneration.

In 21 century performance appraisal has become an important practice in the organizational perspective. To enhance organizational performance and employee performance appraisal practices are essential. Every year at the end many organizations gratify in the performance evaluation of their employees. Performance evaluation is a system which is used by superior or managers to assess the job presentation of subordinates. It is one of the key management practices

\* Corresponding author: P. Sree Devi

employ in all organizations irrespective of its size. Performance appraisal is an organized effort to differentiate the high-performance employees from the less performance workers and to discriminate among strength and weaknesses of an individual has across many job elements. Performance appraisal is a systematic appraisal of how well an employee performs job-related tasks. Performance appraisal practices intention is to encourage and to motivate potential talent of the employees. Those who perform well information technology organization keen at them those who did not perform well IT organization sacked them from their respective organization because IT organizations are completely intellectual based industry and today due to the advancements in technology such as automation many organization marginalized their work force in this regard the present study of comparative performance appraisal practices are important. This study is an attempt to compare employee performance appraisal practices in select IT industries in Visakhapatnam City.

### 1.1. Software industry in India

The Indian software industry has been concentrated in a few major cities such as Bangalore, Chennai, Hyderabad, Visakhapatnam etc., in the past. However, in recent times, the proactive initiatives taken by various State Governments have resulted in software companies setting up their development centers across the country. New clusters in Pune, Noida, Bangalore, Visakhapatnam and Gurgaon etc., are growing at a rapid pace. The industry can be broadly segmented into the products training segment. The products and packages segment in turn can be classified based on technology/application into the application software category, the system infrastructure software category and the application development software category. This report focuses only on select product categories in the application software category including financial accounting products, Enterprise Resource Planning (ERP) software, Anti-Virus products and Multi-media Software. The software services segment can be broadly classified based on the type software majors. These include the Time & Material (T&M) based contracts and the fixed material price contracts. In case of the former kind of projects, the domestic company executes either a part or the whole project. These types of projects are invariably of lower value and don't allow the Indian company any scope for pricing power. However, the overseas company gains in terms of time and cost. In case of the latter kind of projects, the onus of project management is shifted to the contracted. Generally, overseas clients offer this kind of contract to Indian companies that have gained a reputation in terms of project management skills.

### 1.2. Statement of the problem

Performance Appraisal can be an effective tool for developing, assisting, resolving performance problems and motivating employees. This being the case, performance appraisal' effectiveness had always been questioned by a large population of employees. In spite of its effectiveness, only a small number of organizations use the performance appraisal process to its full potential. In many IT organizations, performance appraisal is conducted like a bureaucratic activity taken up merely to adhere to organizational policy. Apart from being non beneficial for the organization and to employees, handling of performance appraisal process in such a manner will end up as a demotivating factor to the employees. There is no uniform methodology for adoption of performance appraisal in IT industries. Performance appraisal is a significant task of superior IT industries are completely in the hands of private individuals, in such highly competitive private sector industries IT employees are not constantly working for an extended period of time, they are switching the organizations for better growth and benefits to measure whether an employee is valuable to the organization or not if so whether he supposed to receiving extrinsic and intrinsic rewards his performance needs to be evaluated from every periodical time. Hence, this study is conducted to explore the performance appraisal methods practiced by IT industries in Visakhapatnam challenges faced by employees due to the performance appraisal practiced in the organization. In this regard it is needed to find out how IT organizations measuring employees performance.

### 1.3. Objectives of the study

#### 1.3.1. The following objectives are carried out on my research:

To examine the perception of the employees regarding performance appraisal practices in select IT industries, Visakhapatnam

- To compare performance appraisal practices in Select IT Industries
- To measure employee performance appraisal practices significantly associated with job performance.
- To offer better suggestions to improve performance appraisal practices in select IT Industries.

## 2. Research methodology

The present research study involves both primary and secondary data. Primary data has been collected through field survey with the help of a structured questionnaire with closed end questions. The questionnaire consists of definite, concrete and pre-ordered questions. The scaling technique instilled in the questionnaire was 5-point Likert Scale (Strongly Agree, Agree, Neutral, Disagree Strongly Disagree) and the sampling methods used for this study are probability and non probability. The sampling size for the study is 180 middle level executives in select IT industries, Visakhapatnam. Both Parametric and Non Parametric tools like Mean scores, Percentage scores, Standard Deviation and Pearson Co-relation analysis were performed to find results on my research.

### 2.1. Hypotheses of the study

Ha0: There is no significant difference in the perception of select employees on Performance Appraisal Practices in select IT industries.

Ha1: There is significant difference in the perception of select employees on Performance Appraisal Practices in select IT industries.

## 3. Data analysis

Comparative analysis by frequency distribution to measure the satisfaction level of employees regarding performance appraisal practices four dimensions were analyzed. Based on Organizational Justice Theory's four factor concept models include: A) Systemic justice, B) Configurable justice, C) Informational justice and D) Interpersonal justice were used to examine the performance appraisal practices in select IT industry.

**Table 1** Performance appraisal practices in IBM Kenexa

Dimensions	Strongly Agree	Agree	Neutral	Dis Agree	Strongly Dis Agree	MS	SD	Percent
Systemic justice	22	22.33	16.67	16	13	3.27	1.39	56.76
Configurable justice	22.33	22.33	11.67	17.67	14.33	3.25	1.42	56.20
Informational justice	20.33	28	13.67	14.33	13.67	3.30	1.37	57.50
Interpersonal justice	28	24.25	14.75	11.75	11.3	3.51	1.38	62.78
Average frequencies	23.17	24.23	14.19	14.94	13.08	3.33	1.39	58.31

Source: Primary Data

The table1 appears to present data on performance appraisal practices in IBM Kenexa, broken down by different dimensions of justice. It looks like the survey results show how employees perceive fairness in various aspects of performance appraisal, with the dimensions being Systemic, Configurable, Informational, and Interpersonal justice. The table presents the survey results for each of the four dimensions of justice, including the Mean Score (MS), Standard Deviation (SD), and Percent of Respondents who agree with each justice dimension.

Interpersonal Justice has the highest mean score (3.51), followed by Informational Justice (3.30). This suggests that employees feel the most positively about the fairness in how they are treated in personal interactions (Interpersonal) and how well information is communicated to them (Informational). Systemic Justice (3.27) and Configurable Justice (3.25) are slightly lower, indicating that there may be some concerns or inconsistencies in how employees view the overall system and customizable aspects of the performance appraisal process.

Interpersonal Justice has a relatively low SD of 1.38, suggesting that employees are fairly consistent in their perceptions of fairness in interpersonal interactions. The more positive response could indicate a strong alignment among employees on how interpersonal fairness is handled. Systemic Justice and Configurable Justice, with SDs of 1.39 and 1.42, show a bit more variation in responses. This could mean that employees are less unified in their views on systemic and configurable fairness, possibly indicating mixed experiences or different expectations of how these dimensions are handled in performance appraisals. Informational Justice has an SD of 1.37, which is the lowest among the dimensions, indicating somewhat consistent responses, albeit with a slightly more varied response than Interpersonal Justice.

**Interpersonal Justice** has the highest percentage (62.78%) of respondents who either "Strongly Agree" or "Agree" with the fairness in their interpersonal treatment during appraisals. This suggests that employees view this dimension of fairness most positively. **Informational Justice** follows closely with 57.50%, indicating that clear communication and transparency about the performance appraisal process are also perceived as positive, but not as strongly as interpersonal fairness. **Systemic Justice** (56.76%) and **Configurable Justice** (56.20%) are the two lowest, which may reflect that employees feel less satisfied with how the performance appraisal system is structured or how customizable it is. These dimensions show the least agreement in terms of fairness.

**Table 2** Performance appraisal practices in Miracle Software Solutions

Dimensions	Strongly Agree	Agree	Neutral	Dis Agree	Strongly Dis Agree	MS	SD	Percent
Systemic justice	27	24.75	15.25	13	10	3.50	1.34	62.70
Configurable justice	28.67	25.33	12.67	15.00	8.33	3.57	1.34	64.17
Informational justice	26.50	28.25	14.75	11.75	8.75	3.58	1.30	64.45
Interpersonal justice	29.50	31.75	11.50	9.25	8	3.73	1.26	68.20
Average frequencies	27.92	27.52	13.54	12.25	8.77	3.60	1.31	64.88

Source: Primary Data

The standard deviation of 1.34 indicates that there is some variability in how employees perceive systemic justice. This means that not all employees have the same view on the fairness of the system. The SD of 1.34 shows a similar level of variability in perceptions, indicating that while some employees may feel the appraisal system can be tailored to their needs, others might feel it is too rigid or one-size-fits-all. The standard deviation of 1.30, though slightly lower than systemic and configurable justice, still indicates that there is variability in how employees perceive the communication of appraisal results. Some employees may feel they aren't receiving enough or clear enough information. The standard deviation of 1.26 is the lowest of all dimensions, indicating more consistency in how employees perceive interpersonal justice most employees likely feel similarly positive about how they are treated. Miracle Software Solutions may benefit from conducting follow-up surveys or focus groups to understand specific concerns in the lower-scoring areas and to find targeted solutions.

The performance appraisal practices at Miracle Software Solutions indicate that employees generally perceive the process as fair, with **interpersonal justice** receiving the highest positive response at **68.2%**, suggesting strong agreement regarding respectful treatment during appraisals. **Informational justice** follows closely at **64.45%**, showing that most employees are satisfied with the communication of appraisal results. However, **systemic justice** (62.7%) and **configurable justice** (64.17%) received lower scores, indicating some concerns about the overall structure and flexibility of the system. With an average overall agreement of **64.88%**, it's clear that while employees feel respected and informed, the appraisal system itself could benefit from improvements in transparency, fairness, and adaptability to individual roles.

**Table 3** Performance appraisal practices in select two organizations

Factors	IT Industry	N	MS	SDV	T-Value	2-tailed P	Level of Significance
Systemic justice	IBM Kenexa	90	3.27	1.39	-2.46829	0.04857	Significant
	Miracle Software Solutions	90	3.5	1.34			
Configurable justice	IBM Kenexa	90	3.25	1.42	-2.9556	0.041737	Significant
	Miracle Software Solutions	90	3.57	1.34			
Informational justice	IBM Kenexa	90	3.30	1.37	-3.4338	0.013906	Significant

	Miracle Software Solutions	90	3.58	1.30			
Interpersonal justice	IBM Kenexa	90	3.51	1.38	-2.9543	0.02547	Significant
	Miracle Software Solutions	90	3.73	1.26			

Source: Primary Data

The above table 3 compares the performance appraisal practices across two organizations in the IT industry: IBM Kenexa and Miracle Software Solutions. The factors being analyzed here are different forms of justice (systemic, configurable, informational, and interpersonal justice), and the significance of differences between the two organizations is tested using statistical values such as the T-value and the two-tailed P-value.

The 7.04% difference in systemic justice between IBM Kenexa and Miracle Software Solutions suggests that employees at Miracle Software Solutions might perceive the processes and systems involved in performance appraisals as fairer or more transparent. Systemic justice refers to the fairness of the processes used for performance evaluations, such as clear criteria, standardization, and consistency.

The larger difference of 9.85% in configurable justice suggests that Miracle Software Solutions provides more flexibility or fairness in customizing the performance evaluation system to suit the individual needs and situations of employees. This could involve adjusting evaluations based on personal goals, roles, or circumstances.

The informational justice dimension refers to how well information about performance is communicated, including the rationale behind decisions. The 8.48% difference indicates that Miracle Software Solutions might be better at communicating performance expectations, providing feedback, and explaining decisions behind appraisals.

Interpersonal justice refers to the fairness in the way employees are treated by evaluators, including respect, dignity, and how feedback is delivered. The 6.27% difference, while smaller compared to the other factors, still shows that employees at Miracle Software Solutions might perceive their managers or evaluators as more respectful, considerate, or supportive during the performance appraisal process.

Miracle Software Solutions has a more favorable approach to performance appraisal practices across all dimensions of justice, which could be driving higher employee satisfaction and potentially greater organizational success. IBM Kenexa may benefit from re-evaluating and refining its appraisal practices to enhance fairness and transparency in the eyes of its employees.

**Table 4** Performance Appraisal Practices in both the Organizations

Dimensions	Strongly Agree	Agree	Neutral	Dis Agree	Strongly Dis Agree	MS	SD	%
Systemic justice	24.50	23.54	15.96	14.50	11.50	3.39	1.37	59.73
Configurable justice	25.50	23.83	12.17	16.34	11.33	3.41	1.38	60.19
Informational justice	23.42	28.13	14.21	13.04	11.21	3.44	1.34	60.98
Interpersonal justice	28.75	28.00	13.13	10.50	9.65	3.62	1.32	65.49
Average frequencies	25.54	25.87	13.87	13.59	10.92	3.46	1.35	61.60

Source: Primary Data

The table 4 shows how employees feel about four aspects of performance appraisal practices: systemic justice, configurable justice, informational justice, and interpersonal justice. It also includes the percentage of people who strongly agree, agree, neutral, disagree, and strongly disagree with statements about each aspect, as well as the mean score and standard deviation for each.

**59.7%** of respondents agree that the appraisal process is fair and clear on systemic justice. While a majority feel positive, 14.5% disagree on systemic justice. It may conclude that some people find the system unclear or inconsistent.

60.2% agree that the appraisal system adapts to individual needs on Configurable justice. However, **16.3%** disagree, indicating that not everyone feels the process is flexible enough to reflect their unique circumstances.

61% of respondents agree on Informational justice that they receive enough information about their performance and why decisions are made. Still, 13% disagree on informational justice. It may conclude that some employees feel left out of the loop regarding feedback and decisions.

This aspect has the highest agreement, with 65.5% of respondents feeling respected and treated fairly during appraisals on Interpersonal justice. Only 10.5% disagree, showing that employees generally feel good about how they are treated during evaluations.

Overall, the average agreement across all dimensions is 61.6%, which is positive but leaves room for improvement. The responses show that while most employees feel that appraisals are fair, clear, and respectful, a significant number still feel dissatisfied, especially when it comes to the appraisal systems being flexible and transparent.

**Table 5** Employee job performance

Elements	Strongly Agree	Agree	Neutral	Dis Agree	Strongly Agree	Dis	MS	Percent
Full hard work giving to perform job	45	50	60	20	15		3.47	61.84
Feeling of accountability while performing job	40	59	47	26	18		3.41	60.13
Organization targets are achieving	62	41	39	30	18		3.52	63.03
timekeeping in the work	62	42	40	34	12		3.57	64.21
respectful towards work	75	57	42	14	2		3.99	74.87
doing work with an intent to complete	65	57	42	14	12		3.78	69.5
Having chance to do many things	58	46	28	32	26		3.41	60.26
Average frequency	61.50	51.50	35	23	19		3.60	64.88

The table 5 presents data on employee job performance across several key elements, such as hard work, accountability, achievement of targets, timekeeping, respect towards work, intent to complete tasks, **and** having opportunities to do various tasks. **The** table includes the number of respondents who strongly agree, agree, are neutral, disagree, or strongly disagree, along with the mean score (MS) **and** percentage (%) of respondents who agree or strongly agree with each statement.

Over 61% of respondents agree or strongly agree that they give full hard work to perform their job. While this is a positive result, it indicates that some employees may not be fully engaged or committed. Around 60% of respondents feel accountable for their job. This suggests a solid sense of responsibility but also points to some room for improvement, as some employees may not feel fully accountable. About 63% of employees believe the organization is achieving its targets. This is a strong result, but there's still a notable percentage of respondents who feel less confident about the organization's performance. A high percentage of employees (64%) agree or strongly agree that they are punctual. This suggests that time management is a strength, but further improvement could be beneficial. This is the highest agreement rate, with nearly 75% of employees stating that they are respectful towards their work. This indicates strong commitment to professionalism and a positive work ethic. About 70% of employees are motivated to complete their work, showing strong intent and focus, though there's room for some to become more goal-oriented. About 60% of employees feel they have the chance to take on a variety of tasks. This suggests moderate opportunity for growth, but more variety in tasks could increase engagement. On average, employees tend to feel positively about their job performance across the various elements, with about 64.88% agreeing or strongly agreeing with the statements. However, there are still areas for improvement, especially in enhancing accountability, task variety, and ensuring all employees feel they are giving their best effort.

**Table 6** Correlation matrix of performance appraisal practices with job performance

Dimensions	sys	con	info	inter	jpfm
Systemic justice	1				
Configurable justice	0.948904	1			
Informational justice	0.934361	0.909151	1		
Interpersonal justice	0.966439	0.936993	0.987342	1	
Job Performance	0.985184	0.888538	0.891481	0.937702	1

The table 6 displays the correlation matrix showing the relationship between various performance appraisal practices (systemic justice, configurable justice, informational justice, and interpersonal justice) and job performance. The correlation values range from **0** to **1**, where **1** indicates a perfect positive correlation, and 0 means no correlation.

### 3.1. Systemic justice has strong positive correlations with all other dimensions of performance appraisal practices:

- **Configurable justice:** 0.9489 (very strong correlation)
- **Informational justice:** 0.9344 (strong correlation)
- **Interpersonal justice:** 0.9664 (very strong correlation)

This suggests that improvements in systemic justice are likely associated with improvements in the other areas of performance appraisal practices.

**Configurable justice** is highly correlated with the other appraisal practices, with values ranging from **0.9092** (informational justice) to **0.9489** (systemic justice). This shows that the fairness and flexibility of the appraisal system are strongly tied to other fairness dimensions.

**Informational justice** shows strong positive correlations with all dimensions, especially with **interpersonal justice** (0.9873) and **systemic justice** (0.9344). This suggests that clear and transparent information about performance is highly related to other aspects of fairness in the appraisal process. **Interpersonal justice** has strong correlations with all other dimensions, particularly **informational justice** (0.9873) and **systemic justice** (0.9664). This indicates that employees' perceptions of respectful and fair treatment are strongly connected to other justice factors.

### 3.2. Job performance shows very strong correlations with all the dimensions of performance appraisal:

- **Systemic justice:** 0.9852 (very strong correlation)
- **Configurable justice:** 0.8885 (strong correlation)
- **Informational justice:** 0.8915 (strong correlation)
- **Interpersonal justice:** 0.9377 (very strong correlation)

The high correlation between job performance and all aspects of performance appraisal practices suggests that the more employees perceive fairness and justice in the appraisal process, the better their job performance tends to be. Notably, **systemic justice** has the highest correlation with job performance (0.9852), highlighting the importance of fair and consistent systems for performance evaluations.

### 3.3. Suggestions

Different researchers have different concepts on performance appraisal in regard to employee performance and different employees from various organizations perceive performance appraisal differently. There is conclusive evidence that performance appraisal is significant on employee performance. However, inadequacies in performance appraisals are related to organization structure context while others are associated with the processes. The following suggestions are given for better development of performance appraisal practices.

- Organizations should develop a mechanism for employee-participated feedback. Because of staff attrition in IT firms, the company should adopt continuous
- feedback.

- Employees should receive both formal and informal feedback from their employers in order to build trust.
- Both technological enterprises should adopt and apply an enhanced performance appraisal system, and management should always support the procedures they have created.
- To provide free and frequent feedback using an open, transparent system that is simple to set up through online.
- Organizations should establish a culture that fosters employee development and make performance reviews more motivational than punitive.

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#### 4. Conclusion

The employee satisfaction towards the studied dimension of performance management system by the sample respondents, performance planning, feedback, employee's participation, perceived system knowledge, procedural justice, distributive justice and interactional justice were positively and significantly associated with employee satisfaction. The positive values indicate that there is a direct relation between the performance management system and satisfaction of employees also explained through the analytical model of performance management system and employee's satisfaction. The aim of the study was to compare performance appraisal practices in the selected two IT organizations in Visakhapatnam. Numerous researches were examined and measured in an attempt to identify key factors influence performance appraisal usefulness, and its impact on organization. From the survey it has been identified that standards of performance Appraisal systems has been practicing at IBM Kenexa, but there are still required to manipulate certain practices. Whereas in miracle software solutions practicing old techniques of performance appraisal practices which does not completely satisfying the employee. Hence, it requires some modifications to be implemented for employee development as well as organizational development. It can be concluded from the study that performance appraisal practices have significantly affect the level of employee performance among IT employees. The organization should consider all the practices have a significant impact on the job performance of employees. By the results, it is suggested that in order to enhance the employee job performance in the Information Technology Industry, the organization should focus on all facets of performance appraisal practices and not only on any one of these factors of performance appraisal.

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#### Compliance with ethical standards

##### *Disclosure of conflict of interest*

No conflict of interest to be disclosed.

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