

## **Performance Appraisal of Public Sector Service Organization**

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### **Abstract**

Service sector organizations can compete by innovating and developing the core competencies of their human resources. The human resource system can be made effective by having a valid appraisal system that also acts as a true motivator. This is especially relevant for public sector organizations in the developing countries, like India, which are challenged about improving their services in backdrop of the need for downsizing employees. Staff reductions undoubtedly reduce the short term costs but create the need for enhanced efficiency of the existing workforce. There is no such thing as an “ideal” appraisal format and system so every public sector unit must design an appraisal instrument and process that supports the organizational goals of optimizing the efforts of the workers. The paper presented will address the issue before the public sector service organizations, where measurement of the intangible output is subjective and difficult to quantify. It will consider the case of the Indian railways, a state owned and managed organization engaged in the service sector, and suggests an effective performance appraisal system that must satisfy the needs of the parties involved in the process. The primary requirement is that the managers and subordinates should have a shared perception of the purposes and functions of the process. Since the contribution of each employee of the Indian railway is not verifiable or traceable in the final passenger satisfaction level, performance appraisal is often rater’s perception based. Such organizations place special emphasis on appraisal errors (halo effect, leniency effect) that can harm perceptions about the fairness of appraisal system. In order to be effective the organization needs to recognize intangible productivity and relate it to tangible rewards; and be cognizant of appraiser leadership qualities.

### **Keywords**

Performance appraisal system, public sector service organization, performance related incentive.