

A Research Paper on “Employee’s Performance Appraisal System and its Implication for Individual and Organizational Growth”

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ABSTRACT

Performance appraisal is used for measuring and evaluating the performance of the employees in an organization over a period of time as against a set of standards. 360 degree feedback approach is a feedback taken from various sources. Confidentiality encourages employees to give feedback objectively and constructively. Generate an overall report by clustering the employees based on their performance. Performance appraisal is a vital tool to measure the frameworks set by any organization to its employees. It is utilized to track individual contribution and performance against organizational goals and to identify individual strengths and opportunities for future improvements and assessed whether organizational goals are achieved or serves as basis for the company’s future planning and development. This study examined the status of the performance appraisal system and its implication for individual and organizational growth. Organizational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. It is an invaluable tool but in the hands of human resource management officers to continuously evaluates and audits the performance of its employees in other to help organizations win competitive advantage. It is recommended that the company should revisit and redesign its appraisal system that is align to its vision and mission towards the attainment of its organizational goals.

Keywords: *Company Performance, Employee Efficiency, Employee Motivation, Employee Reward System, Employee Performance appraisal, Organizational growth, Management by Objective, 360 Appraisal system.*

INTRODUCTION

In almost every organization, every employee is subjected to periodic appraisal of his/her performance. This is highly important if the organization’s human resource development objectives are to be realized, if the organization wants to make best use of its human resource available and if the organization wants to have a scientific and retinal **compensation system**. An effective **performance appraisal system** brings rationality in management. If an organization wants to maximize its effectiveness then the organization must have tool by which it can discriminate between an effective employee and not so effective employee. Today, appraisal is not something of a choice left to the wishes of the corporate bosses, nor it is a privilege to be enjoyed by few businesses conglomerates.

Therefore, it is a must for every organization for its survival and growth. The appraisal practices are in somewhere structured and formally sanctioned and in other instances they are an informal and integral part of daily activities. Thus, across the human activities someway or other **performance appraisal** is conducted in different ways and all of us, consciously or unconsciously evaluate our own actions from time to time. In social situation, performance is conducted in a systematic and planned manner to achieve various organizational goals in social system.

Organizations usually have annual performance reviews with the supervisor providing comments on employee's performance. However, leading Indian companies are adopting a very progressive approach to performance management by adopting a 360-degree approach or Management by Objectives (MBO). Wise (2005) also said that performance appraisal system helps an employee discover his strengths and weaknesses and would help him in decision making about his career choices.

OBJECTIVES OF THE STUDY

The objectives of this paper are to show:

- That individual training need could be identified through careful and result oriented performance appraisal.
- That performance appraisal would not serve its purpose of improving performance if the appraise performance is not communicated to him or her.
- The impact of the performance appraisal system towards the performance of the respondents in terms of commitment, skills and responsibilities.
- Gaps in the implementation of the appraisal system of the company.
- Recommendations proposed by the respondents to improve the appraisal system of the company.

WHAT IS A PERFORMANCE APPRAISAL?

A performance appraisal is a regular review of an employee's job performance and overall contribution to a company. Also known as an "annual review," "performance review or evaluation," or "employee appraisal," a performance appraisal evaluates an employee's skills, achievements and growth, or lack thereof. Companies use performance appraisals to give employees big-picture feedback on their work and to justify pay increases and bonuses, as well as termination decisions. They can be conducted at any given time but tend to be annual, semi-annual or quarterly.

Atiomo (2000) agrees with Fajana (1997) that performance appraisal is a system which provides organizations with a means of identifying not only what people's performance levels are but which areas those levels need to be improved if maximum use is to be made of human resource. According to Atiomo, every organization should ensure that the individual is clearly aware of what his functions and responsibilities are to make performance appraisal effective. Rao writes that performance appraisal is the process through which organization takes stock of its manpower in terms of its present performance, the aptitude and interest of each person, his

strengths and weaknesses and his potential for growth. The data emerging from such an exercise constitutes the primary database for individual development and should be communicated to the subordinate.

WHY COMPANIES GIVE PERFORMANCE APPRAISAL?

Because companies have a limited pool of funds from which to award raises and bonuses, performance appraisals help determine how to allocate those funds. They provide a way for companies to determine which employees have contributed the most to the company's growth so companies can reward their top-performing employees accordingly.

Performance appraisals also help employees and their managers create a plan for employee development through additional training and increased responsibilities, as well as to identify shortcomings the employee could work to resolve.

Ideally, the performance appraisal is not the only time during the year that managers and employees communicate about the employee's contributions. More frequent conversations help keep everyone on the same page, develop stronger relationships between employees and managers, and make annual reviews less stressful.

PERFORMANCE APPRAISAL TYPES

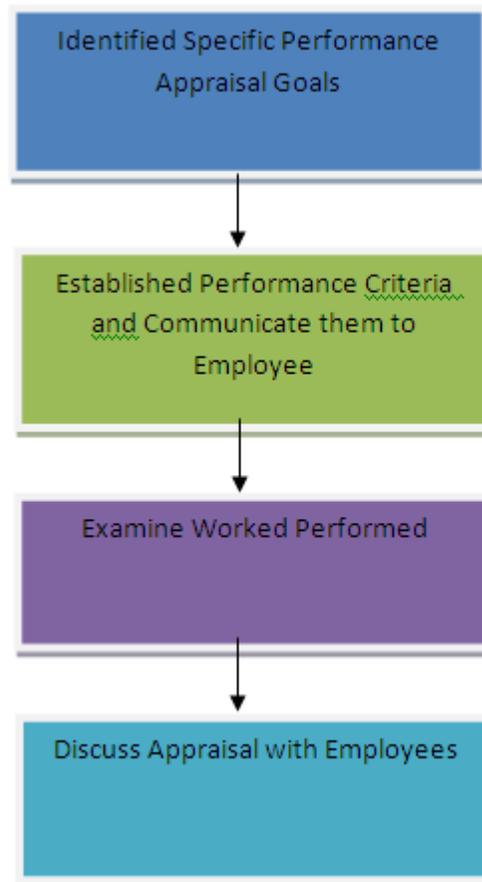
Most performance appraisals are top-down, meaning supervisors evaluate their staff with no input from the subject. But there are other types:

- Self assessment: Individuals rate their job performance and behavior.
- Peer assessment: An individual's work group rates his performance.
- 360-degree feedback assessment: Includes input from an individual, her supervisor and her peers.
- Negotiated appraisal: A newer trend, utilizes a mediator and attempts to moderate the adversarial nature of performance evaluations by allowing the subject to present first. Also focuses on what the individual is doing right before any criticism is given. This structure tends to be useful during conflicts between subordinates and supervisors.

PERFORMANCE APPRAISAL PROCESS

The starting point for the PA process is identifying specific performance goals. An appraisal system probably cannot effectively serve every desired purpose, so management should select the specific goals it believes to be most important and realistically achievable. For example, some firms may want to stress employee development, whereas other organizations may want to focus on pay adjustments. Too many PA systems fail because management expects too much from one method and does not determine specifically what it wants the system to accomplish. The next step in this ongoing cycle continues with establishing performance criteria (standards) and communicating these performance expectations to those concerned. Then the work is performed and the supervisor appraises the performance. At the end of the appraisal period, the appraiser and the employee together review work performance and evaluate it against established performance standards. This review helps determine how well employees have met

these standards, determines reasons for deficiencies, and develops a plan to correct the problems. At this meeting, goals are set for the next evaluation period, and the cycle repeat.



SCOPE OF THE STUDY

- It provides systematic judgment to the organization to back up salary increases.
- It is a means of telling a subordinate how he is doing and suggesting needed changes in his behavior, attitude and skill or job knowledge. It lets him know where he stands with the boss.
- It is being used as a base for coaching and counseling the individual by the superior.

RESEARCH METHODOLOGY

The term research is composed of two words "re" & "search" which mean to search again, Research for new fact or to modify the existing fact. Research methodology is one of the important chapters which helps the researcher to do the research work in a systematic way. Research is the systematic way of solving the problem. Research is an original contribution to the existing stock of knowledge making for its achievement. Research is the pursuit of truth with the help of study, interpretation & comparison & experimenting. In research the various steps

are generally adopted by a researcher in studying research problems along with the logic behind them. In short the research is the search for knowledge through objective and systematic methods of finding solution of the problem.

Research is the process which includes defining and refining problem, formulating hypothesis or suggested solutions collecting, organizing & evaluating data; making deduction & reaching conclusion and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis. According to Redman & Mar - "Research as a systematic effort to gain new knowledge" and according to P.V. Young - "Research is nothing but an investigation of new facts or verifying old facts with help of scientific knowledge is called research".

Methods Used: Since it is not possible to collect feedback from all the employees working in the organization, a sample of 65 employees was selected for conducting the survey. An effort has been made to cover as many departments as possible. All major departments such as Personnel, Marketing, Export, Manufacturing, Finance, Training, Materials etc have been covered under the survey.

Sources of Data: Sample method is used for data collection. The types of data collected were-

- Primary Data
- Secondary Data

Primary data: It is the data which is collected for once own research purpose. The primary data was collected through questionnaire & informal discussion & it is interpreted. The questions were framed so as to gain maximum firsthand knowledge from workers, which were analyzed in order to arrive at suitable conclusion. The primary data was collected through:

(a) **Questionnaires:** 65 questionnaires were distributed covering various departments such as Personnel, Marketing, Export, Manufacturing, Finance, Training, Materials etc.

(b) **Informal discussions:** Informal discussions were held with various employees in the organization, especially in the Personnel department & the Training department. This helped me to gain additional information, not only relating to the subject of my research but also other functions and activities.

Secondary data: Secondary data were collected from past records and manual of the company, books, internet etc. It is the data already collected, which is made available for reference purposes. In my research the secondary sources used are, various files and records maintained by organization, HR manual, Journals, Booklets etc.

RESULT AND DISCUSSION:

(a) Reliability and validity of the appraisal system

It is noted that performance appraisal system should bring a positive experience and contribute to the overall welfare of the organization. If done properly, it is a very effective tool to improve performance and productivity and for developing employees. As gleaned from the table, the respondents affirmed that the performance appraisal system is aligned with the vision and

mission of the institution, and the appraisal system is accurate in terms of content and purpose. However, the respondents moderately agreed that the performance appraisal system is relevant and reliable, the result of the evaluation are not openly explained and discussed to the employee concerned and conducts of evaluation are not honestly and fairly done. Results of the study imply that the performance appraisal system of the company needs further review and revision so as to serve the main purpose of the evaluation. This is evidenced by the respondents claimed that the appraisal system is not reliable and valid and not honestly and fairly done. Armstrong (2006) stressed that appraisal system should clearly defined performance standards and regular discussion of performance and development of action plans as consequence of the appraisal should be done.

(b) Quality of the Performance Appraisal

No evaluation system will achieve its objectives unless there is some consequences to the evaluation. It is of no value, just a waste of effort, time and money. It should serve as a standard to plan promotions, empowerment, salary revisions and training and development. The success of every appraisal system depends on the key results of such tool. Good result is impossible without giving importance to employee value. Evaluation without appropriate action and results is useless it will only create more problems in the organization. Employee will always look forward to finishing a job with enthusiasm if they are given appropriate recognition or reward for doing a good job. People will be more creative and willing to extend a mile of their time and will always work at their best. The findings of the study reflects that the objective of the appraisal tool is appropriate to the needs of the staffs and faculty and the appraisal system is effective in encouraging to work hard . However, the respondents disclosed that the appraisal of the organization/company is not designed to motivate them as reflected in their responses . This indicates that the quality of the performance appraisal system of the company needs to be redesign that is appropriate and align to the vision and mission of the organization.

(c) Effectiveness of the Appraisal System

The effectiveness of any endeavor depends on how it is correctly done and implemented to serve the highest value of the organization as a whole. Perhaps the most crucial element of an effective performance appraisal system is employee development. While it is a fact that the appraisal system identifies the weakness of an employee, the employee development part of the overall performance appraisal system is utilized to identify the best way to bring improvement to success. As reflected in the table, the respondent moderately agree that the appraisal system of the company is motivating to the employees and is effective in encouraging employees to work hard . Results showed that the employees who got the highest rank are not given any rewards that is why the employees are not satisfied with the way they are being evaluated and ranked that is why employees don't take part in the formulation of the appraisal system. The results imply that the employees are not convinced and happy about the implementation of the appraisal system of the company. It was clear that the appraisal system is not motivating hence not effective. It is indicative that the company should revisit and redesign its performance appraisal policies and strategies in order to bring positive change in the organization. The company should realize that employee input is a vital element of an effective performance appraisal system. It is imperative to include the employees in the performance management process to ensure that the employees feel a sense of engagement in the process.

COLLECTION OF DATA

Both primary and secondary data were collected for the purpose of the research. Primary data was more useful in analyzing and finding out the drawbacks of industrial relation & disciplinary action system in the organization. Secondary data was useful in gathering information about the history & growth of the organization, the industrial relation & disciplinary action system used in the former years in the organization & the revised system that is being followed today, financial position in recent years etc. **Sample size:** The best way is to selected 65 Appraiser (Officer) +Appraisee (workers)] for questionnaire Random Sampling Method for my research work.

LIMITATIONS

There are some limitations faced while conducting this research as limited time frame was a great limitation. Secondly sample size was small and only employees at middle managerial level are studied while organizational performance is determined by all employees. To examine the true effect and impact of performance appraisal pre and post behaviors of employee reactions towards performance appraisal should be studied and for this longitudinal type of research study is necessary while due to shortage of time this empirical study is cross-sectional type. Small sample size and small time frame are limitation of the study.. Only primary data collection method is used while secondary data is not availed. Besides questionnaire other data collection tools as interview and case study can be used for more sound results. The most important limitations were observed during my research in an organization are as follows:-

- **Employee Opinion;** Employee feedback may not be 100% reliable and accurate. Sometimes, they may keep back information that may be detrimental to the image of the organization. Also some employees may fear their superiors and refrain from furnishing any negative data.
- **Language Barrier :** Since most of the lower cadre employees working in the organization are not well-versed in English, hence questions were discussed in local language with such persons and data was collected.
- **Time Factor :** Since the time was limited, not all employees could be included in the survey. A sample of 65 employees was selected for the purpose of conducting the survey and collecting relevant data. All in all, the employees were very co-operative and helpful. In spite of their busy schedules they took time out to fill the questionnaires and provide me with additional inputs and information.

CONCLUSION

In conclusion a performance appraisal is one of the most important factors in any organization and also a great tool used to record productivity. Every organization have goals and objectives established and every employee has to be involved in the process. Also conducting a

performance appraisal will improve productivity and also the morale of the employees. Appraisals are a positive way for a manager to let the employees know how well they are performing the duties that are assigned to them. Sometimes we get caught up in our job and do not realize what all the company strives to do for employees. Whether the reward is a lousy employee dinner and or a simple thank you card, your work is being recognized. Also, employees should be thankful for any job they may have, because the company did not have to hire on any means.

Performance appraisal is a systematic and objective way of judging the relative worth of ability of an employee in performing his/her task. It helps to identify those who are performing their assigned tasks well and those who are not and the reasons for such performance. Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:

- The supervisors measure the pay of employees and compare it with targets and plans.
- The supervisor analyses the factors behind work performances of employees.
- The employers are in position to guide the employees for a better performance.
- An annual review of an employee's overall contributions to the company by his/her manager.

SUGGESTIONS / RECOMMENDATIONS

(a) Company must Adopt the 360 Degree Feedback system for Performance Appraisal - 360 degree feedback system is a method of appraisal which is a full -circle, multi-source and multi- rated system of obtaining information from peers, subordinates and internal and external customers, about the employee's performance.

(b) Company should reduce the Parameters of appraisals - The parameters, especially for appraising the higher-level personnel, (senior officers, deputy managers, managers etc.) are many, and need to be reduced in number. Otherwise, it becomes a long and cumbersome process for the appraiser.

(c) Lengthy forms be done away with- Performance appraisal forms for senior officers and above is very lengthy and should be modified and made shorter and simpler.

(d) Self-Appraisal - Self-appraisal could be introduced for employees at all levels. At presents the system of self-appraisal is applicable only to supervisory personnel and junior officer-to-officer level.

(e) Proper communication of Appraisal report (Feedback) - The appraisal report should be properly communicated to the concerned employee. Good performance should be appreciated so that the employee is sufficiently motivated and happy. Also shortfalls and weaknesses must be made known to the employees so that they can work on their weaknesses and perform better the next time around.

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