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A STUDY OF EFFECTIVENESS OF PERFORMANCE APPRAISAL SYSTEM IN INDUSTRIES

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A Study of Effectiveness of Performance Appraisal System in Industries

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Abstract – A performance appraisal (PA) is a structured and periodic process that measures the performance and efficiency of individual employees in relation to clearly specified organizational requirements and objectives. Many aspects of each employee such as attitude, achievements, future growth potential, strengths and weaknesses, etc. are also considered. The main reason why performance appraisals (PAs) are used is to improve results ("initially in the workforce and eventually in the organization"). Many fundamental reasons include, "as a basis for employment decisions (e.g. promotion, termination, transfers), as testing criteria (e.g. validating tests), to facilitate interactions (e.g. encouraging employees to know how and organizational expectations); to develop personal training goals" programmes. Furthermore, PAs can help in developing work requirements and in selecting people "who are ideally qualified to carry out the organizational tasks needed." A PA will help guide and track the growth of employee careers. The CA can also be used as part of the performance management plan to empower the workforce through incentive schemes career growth. One of the key reasons for an successful performance management plan is also one of the most overlooked. Far too often, the boss wrongly focuses far his or her attention on evaluating and classifying the workers, dolling promotions or laying off the employees as appropriate. Although these steps are an integral part of performance improvement, they are not long-term. Second, the workers feel abandoned as if their individual job needs have been ignored. This eventually leads to higher employee compensation and makes retaining top quality talent challenging for a company.

Keywords: Effectiveness, Performance, Appraisal System, Industries, Performance Improvement.

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INTRODUCTION

Performance appraisal was described as "the process of identification, observation, measurement and development of human organizational performance." This definition is very important as it includes all the key components required for a smooth assessment process. Criteria for recognition direct the evaluation process in appraisal what needs to be studied-results and not so much insignificant characteristics of success. The component for observation means that the supervisors must frequently follow the characteristics identified. The measuring component indicates that the higher the observations have to be judged. They must be relevant, but also comparable across organizational raters. By growth, the definition indicates that the evaluation of success should not only be an evaluation of the past. The supervisor who performs this evaluation will reflect on the future and the outcome. The definition also suggests that effective appraisal can improve the organization's human performance, meaning increased employee motivation. Performance appraisal can be linked to improving performance and can also be used for identifying training needs and ability, for agreeing future goals, for encouraging career development, and

for addressing existing issues. The process of assessing performance is part of the system of efficiency management. First employed in the 1970s, the term "performance management" became known until the latter half of the 1980s. Throughout the research environment, performance management reflects a pragmatic and comprehensive approach to achieving organizational success by improving individuals and teams' performance capabilities.

Good management of performance requires with the business needs of the employees. The successful manager must work to bring an employee's base into line with the objectives of individualized career paths to maintain a high level of employee loyalty and long-term efficiency. A large and increasing number of employees whose careers have reached the half-way marker are particularly important for performance management. This is an important time for many workers to reach the corporate level a few more levels. The lack of a motivational organizational structure in many business environments unfortunately ruins these people's career momentum. This adversely affects workers' contribution to overall organizational output and productivity. The loss of traction in the half-way crowd is due to a number of

reasons. The lack of organization, as described before, is a big fault. This is really the product of little or no leadership. These important reasons for the slowdown, sadly, are rarely known and the fault is that of the workers rather than their defective system. To overcome this dilemma, coordinated goals are one strategy that has had widespread success. If an employee is able to see steps towards a promotion, they take on the challenge of improving their standing proactively. The problem can be further solved by shifting an employee into another area of work. It gives workers the opportunity to learn new credentials and to reinvigorate themselves in change. The employee can even be knocked down by a performance manager before making a move. The supervisor should do this by demonstrating the employee's long-term advantage and not package the transfer as a demo, resulting in a reduction in morale and productivity. Employees want to work hard and develop work, but the right incentive must be given. In making the business a mutual target between the employer and the employee for improved efficiency, good results are achieved on both sides.

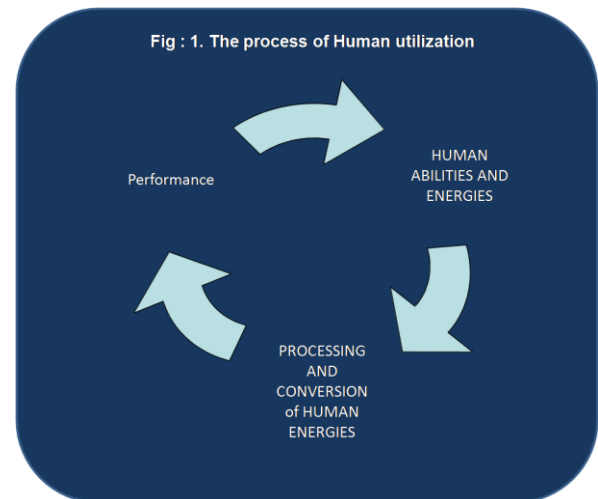
PERFORMANCE APPRAISAL IN ORGANIZATIONS

This is based on whether performance Appraisal gives the workers a positive or negative impact. It shows whether the employees are motivated to improve their performance if they receive good feedback or are discouraged and interested in their job. To date, we have become aware of the intent and uses of PA in the company. In most situations, however, the assumption that PA is important for the employee as well as the company is not taken into consideration. Unless the workers don't realize it, they will suffer unnecessarily from the organization because when an employee enters his company, he expects some form of growth from it, and the company expects a lot from him as well. Nevertheless, a negative performance feedback could ultimately mentally inhibit him and make him lose his interest in his work. His attitude would change which for him as well as for the organization would be problematic. Many workers assume that their promotion or pay raises rely largely on their success. Employees therefore have a challenge in which to see this circumstance as 'the fittest survival.' They are conscious that their success is taken into account only at the end of the day and they have to be attentive about their work if they want about rise in the business. The feedback from your superior can describe just how well the employee performs. It is therefore important for managers to properly conduct the Appraisal process. Critics may be accepted by employees only if they have value and relevance. Managers should know how to provide information about performance improvements and how to criticize them. Managers believe that workers are more likely to be frustrated and demotivated if they have to receive a critical feedback. In the extent that the staff will consider input, it is vital that workers and managers will take on these variations in a considerable degree. This is, they need to 'learn' their employees as people, and that should also represent the growth of managers

themselves. The common lack of satisfaction with the performance appraisal within the company may be because the programs used by organizations do not help either the company or its workers achieve the desired goals.

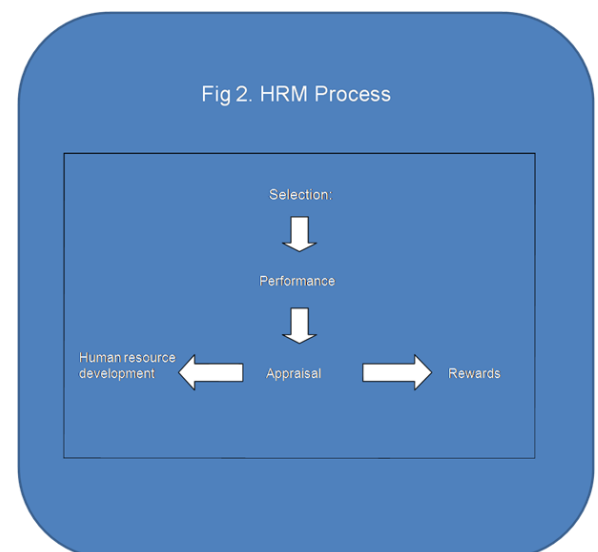
HUMAN RESOURCE MANAGEMENT AND PERFORMANCE APPRAISAL:

An important component of the company is human resources. The role of appraisal in the efficient and effective use of that resource is therefore very important to examine.



Human Resources Management (HRM) is a strategic strategy for managing ties with employers that emphasizes the importance of the use of the skills of people in order to gain competitive advantage, chief among which is a distinctive collection of coordinated employment strategies, programmes and practices.

A clear picture from the HRM process is provided by the Fombrun, Tichy and Devanna (1984) model.



In this model-

Selection: Selecting the right candidate who would fulfill the organisational goals and objectives

Performance: The output of employee's abilities which add value to the organization **Human resource development:** This will allow workers with the appropriate skills and knowledge to work better in the company by having the requisite training session. This would improve employee skills and improve the organization's progress.

Appraisal: Appraisal which depends largely upon the employee's capability to perform would then show the employee's competencies and talent.

Modern systems for the acquisition and recruitment of human resources, training and development, motivation and compensation can be compared into four parts. Evaluation of the performance in all four components is used to link them by providing feedback information for all the other components.

Therefore, performance appraisal is known as the strong human resources management method. An HRM cycle therefore constitutes an essential element for the structure of the organization. HRM knows the organization's aims and roles well. It knows, therefore, what type of people the company needs and hires. This gives employees an adequate training to learn their duties well in advance and act accordingly, it helps inspire and encourage employees to do their job well. Of course, if workers know their job well, they'd do well. Nonetheless, HRM still has another important task to do, which is to test whether employees perform according to the expectations or not. A formal evaluation system is presented in this context. Huber (1980) therefore correctly states that formal appraisals serve three purposes: 1. In relation to the management of human resources. Appraisal, 2. Production and 3, respectively. Protection of the workforce.

ADVANTAGES AND DISADVANTAGES OF PERFORMANCE APPRAISAL

1. Purpose and benefits of the performance appraisal

According to Malcolm and Jackson (2002) there are three main groups of purposes:

- **Performance reviews** –managers discuss with employees the progress in their current positions, their strengths and areas requiring further development;
- **Potential reviews** – the discussion is about employees' opportunities for progression, and the type of work they will be fitted for in the future and how this can be achieved,
- **Reward reviews** – usually separate discussion but linked to the appraisal system. The manager communicates decisions on rewards such as pay, benefits or promotion and provides feedback.

2. Concerns and challenges of the performance appraisal

Performance appraisal is popular throughout the company throughout the world. Despite light of this, a large number of managers, personnel, staff advisors and analysts urge organizations to abolish the performance evaluation systems.

The first point that is perhaps strongest is that the theory and practical application vary from each other. A large gap between theories and practice is reported in authors like Bernardin & Klatt (1985); Hall, Postner & Hardner (1989); Maroney & Buckley (1992), and human resources specialists do not make full use of the available psychometric resources. Line managers maintain that the process needs to be straightforward and easy to operate; otherwise it takes time and is cost-effective. The fact that performance appraisal increases employees' dependence on their superiors is also part of the criticism. Where managers who are often not trained to evaluate are conducting the process, genuine feedback is obstructed because it includes a subjective approach to the evaluation system that results in incorrect and unreliable information about the employee's performance.

Efficiency appraisal can also be a bitter mechanism which can lead to emotional stresses, tension, and sometimes to moral distortion. Performance appraisal also consume time and use inaccurate performance measurement methods. The conclusions are misleading and decision-making can be affected politically.

A Call Center employee would be an example to support the above points. The appraisal of an employee at a call center is based on the work he does, the number of calls he gets, the amount of income he earns and the average time he spends for each call. And if all these factors are evaluated, they depend on other factors such as the caller response, the quality of the data obtained, the complexity of calls etc., which are often not included in the evaluation. The situation can cause pressures and fulfillment if an employee is aware of all these secondary factors which were not taken into account when assessing them.

The key challenges of the performance appraisal process are outlined in Walters (1995):

- Determining the evaluation criteria. Identification of the appraisal criteria is one of the biggest problems faced by the top management. For the purpose of evaluation, the criteria selected should be in quantifiable or measurable terms.
- Lack of competence. Evaluators should have the required expertise and the knowledge to decide the criteria accurately. They should have the experience and the training

necessary to carry out the appraisal process objectively.

- Errors in rating and evaluation. Many errors based on the personal bias like stereotyping, halo effect (i.e. one trait influencing the evaluator's rating for all other traits) etc. may creep in the appraisal process. Therefore the rater should exercise objectivity and fairness in evaluating and rating the performance of the employees.
- Resistance. The appraisal process may face resistance from the employees because of the fear of negative ratings. Therefore, the employees should be communicated and clearly explained the purpose as well the process of appraisal. The standards should be clearly communicated and every employee should be made aware of what exactly is expected from them.

3. Performance appraisal and employee engagement

Wellins, Bernthal, Phelps (2006) Define commitment as to how people enjoy, think and feel valued for doing what they do. What they do? Employee participation is evaluated by way of attitudes or organizational climate surveys. Typically, surveys are conducted by managers and staff. The results of the survey relate to different business methods such as turnover of employees, absentee ship, productivity, sales, etc.

According to Wellins, Bernthal and Phelps (2006) the key drivers for employee engagement are right workers in appropriate positions, outstanding leadership, corporate processes and strategies. An organization facilitates participation through the use of three channels of power for change staff, leaders and organizational processes and strategies. For instance hiring, promotion, performance management, recognition, compensation, training and career development are systems that promote commitments.

Organizational systems and the importance of practices were studied by Huselid (1995). He found significant support for the hypothesis that investment in high performance work is linked to lower employee sales and higher productivity and financial performance in business. His findings are based on a national survey of almost 1,000 businesses and found that HR activities that encourage high performance have a substantial economic and statistical effect on both intermediated (turnover and productivity) and corporate financial performance assessment metrics in the short and long term.

Wright, Gardner and Moynihan (2003) ran a research whose results support the notion that businesses which manage employees by using more progressive HR practices can expect to see higher operational performance as a result.

Herzberg (1959) describes several job motivation theories. Herzberg says that achievement, appreciation, accountability, development and personal growth are main motivators. There are also components of workers engagement.

This appears that workers are more loyal to their company, when handled with innovative HR practices. This involvement would lead to a proper position (and thus reduced costs of salaries for workers, increased efficiency and higher productivity) at least partly. Both findings lead to lower overall operating costs and higher productivity.

The company's results are closely related to another significant dimension of employee engagement capacity. If the workplace climate is constructive, workers will do their best and the organization's efficiency and competitiveness are improved. Satisfied workers are good and customer-friendly, which typically produce greater profits. Engaged organizations have more satisfied customers since other factors, such as customer satisfaction, responsiveness, product quality, innovation, improve employees. Eventually, greater participation contributes to higher and faster growth in sales. The relationship between double-digit growth firms and interaction is demonstrated by Treacy (2004). In double digit versus single-digit growth firms, employee participation values were about 20 percent higher.

TYPES OF PERFORMANCE APPRAISAL

The following considerations should be taken into account when choosing the best method of assessment: precision, authentication of the criteria, suitability for the specified criteria, adequacy for the given group of employees and process costs (how much time and funding are necessary for the implementation of the process).

Armstrong (1996) discusses Appraisal methods. The method should also be simple and easy for all organizational employees to understand. The characteristic characteristics of the work, staff and type of company influence the way the best procedure is determined. In cases where work is more routine, the working environment is more predictable and the worker has little room for imagination and freedom, the best approaches are focused on comparisons with labor standards and scales. When the situation is vice versa – unstable, there is space for individual choices and work is not just routine – methods for achieving goals or methods should be chosen by goal. Assessment reports are favored when rather self-reliant people are evaluated. The supervisors assess their creativity, flexibility and uniqueness.

Performance Appraisal is also based on aggregate rates of scores. When there is a pay scheme for performance, these ratings determine the extent of the wage increase. The scales may be of two kinds: behavioral, meaning good, medium or insufficient performance, or graphic, representing numerous scale

points. For example the scale points in the following order could be: excellent (A), fairly acceptable (B,) acceptable (C), not entirely acceptable (D) and unacceptable (E). The scale points may be in alphabetical order or digital numeric (1, 2, 3 etc.) Scales are also different: fantastic, very fine, fine, average and bad (E). For performance assessment, there are several different approaches. Comparative Appraisal approaches are used where the comparative assessment of two or more staff members is required.

There are classification approaches involving comparative evaluation by two or more workers. The main tendency problem has been eliminated by these methods and information used for allocating awards decisions is provided. Lazear and Rosen (1981) suggest in their paper that compensation systems are a chosen and natural outcome of a competitive economy and are based on an individual's role in the market rather than on the absolute basis of its efficiency. Employees may be related to compensation pay structure to determine on the basis of their relative position. The rating and forced allocation approaches are examples of comparative evaluation.

Performance Appraisal

Traditional Methods	Modern Methods
• Unstructured appraisal	• Management by Objectives
• Employee ranking	• Behaviorally Anchored Rating Scales
• Forced distribution	
• Graphic-rating scales	
• Check-lists	
• Critical incidents	
• Field review	

CONCLUSION

The basic purpose of the performance assessment is to educate workers about their job and their anticipated commitment and behaviour. Performance appraisal (PA) programs are structured for the encouragement, growth and advancement of individuals and organizational outcomes and the building of a framework for strategic planning. Create a common vision of the goals of the company, sometimes through a mission statement to all employees. A systematic evaluation and/or recognition of training needs and progress against these goals. The PA system evaluated its efficacy on the overall performance of the organization regularly. Employees should be told what is required of them plus effective feedback on successful results. Their responsibilities. They should then be told what. The aim is to give employees an effective understanding of their jobs and to enable employees to work towards their organizational objectives. It is easier for them to achieve the desired task if the objectives are defined for the employees. Performance can be achieved if a

desired objective is achieved. Conscious goal rates are critical as determinants of staff efficiency.

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