

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 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. The inability of organization to install an effective performance appraisal strategy has hindered them from achieving competitive advantage which they require more now than ever before. Appraisal processes are not systematic and regular and often characterized by personal influences occasioned by organizations preoccupation to use confidential appraisal system which hinders objectivity and fairness. Often organizations ignore management by objectives, critical incidents to personal prejudices. This is retrogressive as it affects the overall performance of the individual. 360 degrees appraisal method whereby superiors and the appraisee appraise their subordinates, subordinates appraise their superior and the appraisee appraise himself or herself and the average of all the appraisal taken to arrive at the final appraisal outcome should be now be considered by organizations. Also post appraisal counseling whereby the appraisal outcomes are analyzed to explain strengths and weaknesses and set agenda for better future performance. Organizations should stop giving less attention to the evaluation of their employees and recognize that organizational training needs can only be identified from performance appraisal outcomes. 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

The success of any organization depends on the quality and characteristics of its employees. The employees become a significant factor in any organization since they are the heart of the company. Organizations simply cannot achieve their goals and objectives without them. However, it is a fact that any employee for that matter needs something to induce him or to look forward to so that he is motivated to work at the best interest of the company.. This indeed was indicative of the more strategic approach to Human Resource Management (HRM) policies which sought to connect the aims of the organization to the performance of the individual. The organization’s key aims, goals and objectives become an embedded part of the process in the performance management and communicated through the performance appraisal process. In business as well as in government, effective results are crucial to survival since improved performance is a basic criterion for individual and organization growth.

Banjoko (1982) explains that in many Nigerian organizations, performance appraisal is viewed and conducted solely in terms of its evaluative aspect thereby overlooking its use for facilitating growth and development in employees through training, coaching, counseling and feedback of appraisal information. According to Banjoko, performance appraisal is accorded a lesser role in Nigerian organization as more emphasis is given to selection, training, development and salary administration. This means that organizations are putting the cart before the horse and are in turn stifling genuine individual and organizational growth. It would be foolish for organizations to emphasize more on training without paying special attention to performance appraisal as Rao (1990) writes that it is the outcome of performance appraisal that would reveal training needs. There should be a change-over on the part of organizations to start paying special attention to their performance appraisal practices and approaches.

Armstrong (2006) describe the role of the performance appraisal as a tool for looking forward to what need to be done by people in the organization in order to achieve the purpose of the job to meet new challenges. Better use of technology skills and attributes (Szilagyi & Wallace 1990) in addition will develop both organizational and individual capabilities and reach agreement on areas where performance needs on the effectiveness of its employee generating information which influences many of the organizations decision. 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.

PERFORMANCE APPRAISAL

To understand the definition of performance appraisal would enable us lay a solid foundation to capture what the concept of performance appraisal is all about. Alo (1999) defines performance appraisal as a process involving deliberate stock taking of the success, which an individual or organization has achieved in performing assigned tasks or meeting set goals over a period of time. It therefore shows that performance appraisal practices should be deliberate and not by accident. It calls for serious approach to knowing how the individual is doing in performing his or her tasks.

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.

The above comment of Rao is revealing because one of the major issues in performance appraisal is communication. If one's performance is not communicated to him or her, there would be no way the person's performance would improve in the subsequent future, which would definitely defeat the purpose of performance appraisal. In an industrial organization, if a supervisor fails to communicate to his subordinate in terms of strengths and weaknesses, the subordinate's future performance would be in jeopardy. In a university system, the heads of departments, should communicate the performance of their subordinates to them at the end of every appraisal exercise and discuss the outcome of the appraisal exercise with the subordinates during performance counseling exercise in order to improve their performance in the future.

PERFORMANCE APPRAISAL PROCESS

As shown in Figure 1.1 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 repeats.

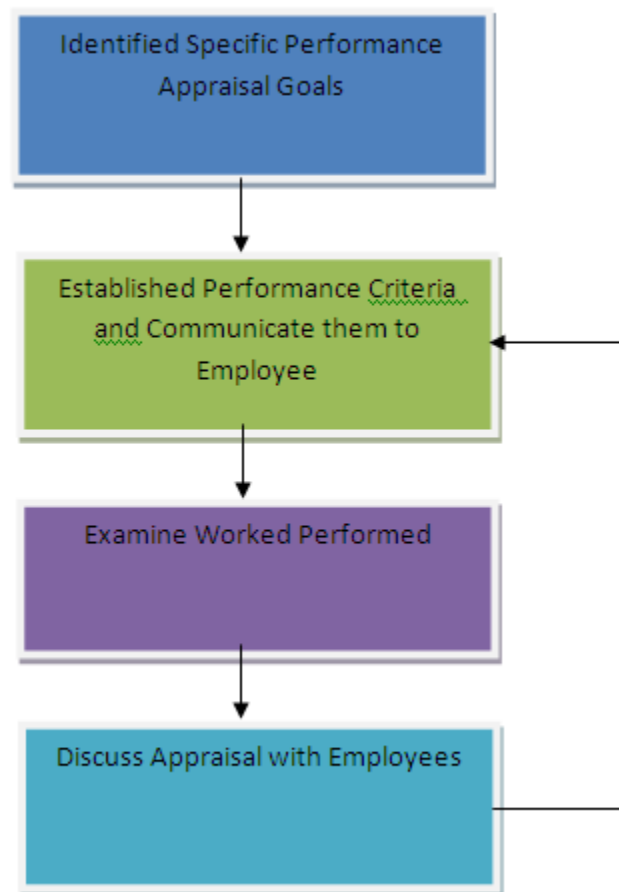


Figure 1.

SCOPE OF THE STUDY

Cumming (1972) writes that the overall scopes of objective of performance appraisal is to improve the efficiency of an enterprise by attempting to mobilize the best possible efforts from individuals employed in it. Such appraisals achieve four objectives including salary reviews, development and training of individuals, planning job rotation and assisting in promotions. Mamoria (1995) and Atiomo (2000) agree that although performance appraisal is usually thought of in relation to one specific purpose, which is pay. It can in fact serve for a wider range of objectives which are; identifying training needs, improving present performance of employees, improving potentials, improving communication, improving motivation and aids in pay determination.

Performance appraisal has been considered as a most significant and indispensable tool for an organization, for the information it provides is highly useful in making decisions regarding various personnel aspects such as promotions and

merit increases. Performance measures also link information gathering and decision-making processes, which provide a basis for judging the effectiveness of personnel sub-divisions such as recruiting, selection, training and compensation. If valid performance data are available, timely, accurate, objective, standardized and relevant management can maintain consistent promotion and compensation policies throughout the total system, Burack, Elmer and Smith (1977). Performance appraisal also has other objectives, which McGregor (1957) says includes:

- 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 organisation.

(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 organisation, 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.

FINDINGS AND OBSERVATION

(a) Most of the organizations are not followed the 360 degree feedback method in company and the parameters of appraisals for higher-level employees are too many in which 3.38 % employees say's that the Performance Appraisal System is complicated. Maximum number of employees considered the Performance Appraisal System are held on only for organizations development not for them.

(b) The Appraiser also expect that their Comments and Suggestions should be taken in to account while conducting the appraisal. From the survey it is evident that both the Appraiser's and Appraisee's expectation from Performance Appraisal system are the same i.e. "Determination of Promotion or Transfer" and "Salary Administration and Benefits". Also a majority of Employees were satisfied with the current Appraisal system although they requested for few changes. Maximum number of employees says that the review of Performance Appraisal System is taken only once in a year.

CONCLUSION

Organizations should face realities that performance appraisal is incomplete unless the appraisee is told what his strengths are and weaknesses, his performance cannot improve in the subsequent future, which obviously defeats the very objective of periodic appraisals. Such a process of discussion with the subordinates focusing on the entire performance (tasks and behaviour) during the particular period is called performance appraisal counseling. For the counseling process to bear any fruit, it need to be immediate and continuous and the more attention a manager or supervisor pays to counseling his subordinates, the more time he is likely to gain in the long run as a result of improved capabilities of the subordinates Obisi (1996). Banjoko (1982) lamented that in spite of the importance of performance appraisal in the total human resource management context, the way it is designed and implemented in many Nigerian organizations may dampen its effectiveness both as an evaluative and developmental tool. Banjoko regrets that in many organizations, rarely is an attempt made to discuss constructively with employees as to whether expected results, as predetermined by the supervisor, were met, exceeded or not. Yet, today's employees want to know not only how they fit in with the goals of the organization for which they work but also what aspects of self-improvement is needed in their performance. Truly speaking, organizations cannot grow if individuals that work in the organizations are not deliberately encouraged and supported through genuine performance appraisal. As explained by Fajana (1997) performance discrepancy can be managed through concerted efforts at training and development, career and succession management. It is also vital for organizations to have a periodic reviews or audits of all personnel policies, programme and procedures; compensation, recruitment and staffing, job analysis, job evaluation, grievance process and communication channels etc. It needs to be remembered that performance appraisal is a means not an end. And as means human resource development would be better of if performance appraisal is genuinely conducted.

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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