

A STUDY ON EFFECTIVENESS OF PERFORMANCE APPRAISAL SYSTEM IN MANUFACTURING INDUSTRIES IN INDIA

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ABSTRACT

This study aims to examine effectiveness of performance appraisal system. Performance appraisal has increasingly become part of a more strategic approach to integrating HR activities and business policies and may now be seen as a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards. The purpose of this study was to examine the performance appraisal. To obtain results, descriptive statistics and chi-square techniques are applied to data collected from 80 respondents. The result of the study shows that overall performance appraisal system is high rated by its respondent. Respondents are highly satisfied with their work. The recommendations were provided based on the research finding and analysis.

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INTRODUCTION

A performance appraisal is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives.

All organizations aim at being effective and achieving their goals, in order to do this it is important to monitor or measure the performance of the employees on a regular basis. Effective monitoring also includes giving timely feedback, reviewing the performance according to pre-determined standards and timely recognition of the accomplishments, that motivates the employee to perform better each day. It is rightly said that, "Encouraged people achieve the best; dominated people achieve second best; neglected people achieve the least." as recognition and reward at the right time is the best encouragement.

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People differ in their abilities and their aptitudes. There is always some difference between the quality and quantity of the same work on the same job being done by two different people. Performance appraisals of Employees are necessary to understand each employee's abilities, competencies and relative merit and worth for the organization. Performance appraisal rates the employees in terms of their performance.

According to a prominent personality in the field of Human resources, "performance appraisal is the systematic, periodic and an impartial rating of an employee's excellence in the matters pertaining to his present job and his potential for a better job." Performance appraisal is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze his achievements and evaluate his contribution towards the achievements of the overall organizational goals.

Performance appraisal is necessary to measure the performance of the employees and the organization to check the progress towards the desired goals and aims. Performance appraisal continues to be a subject of interest and importance to human resource specialists. For decades, performance appraisal has received considerable attention in the literature, from both researchers and practitioners alike.

The latest mantra being followed by organizations across the world is "getting paid according to what you contribute" – the focus of the organizations is turning to performance management and specifically to individual performance. Performance appraisal helps to rate the performance of the employees and evaluate their contribution towards the organizational goals.

REVIEW OF LITERATURE

- **Devries, Morrison, Shullman and Gerlach (1981)** define performance appraisal as a process by which an organization measures and evaluates an individual employee's behavior and accomplishments for a finite period.
- **Eichel and Bender (1984)** Over the past quarter century, the purpose of performance appraisal has shifted from tools supporting the activities of management to an increasing trend towards personnel development.
- **Churchill et al., (1985)** Appraisals are generally considered to have a positive influence on performance, hut they also may have a negative impact on motivation, role perceptions, and turnover when they are poorly designed or administered.
- **Scheneier, Richard & Lloyd (1986)** is concerned with three possible measures namely assessing results, behaviors, and personal characteristics. Each dictates a specific type of appraisal format based on competency or job related behavior. These forms of appraisals are made by single or multi rater (two or more of supervisor/peer/self/subordinate/outsider)
- **Prince and Lawler (1986)** found that the constructs "work planning and goal setting" and "discuss performance attributes" exerted a positive influence on employees' satisfaction with and perceived utility of the performance appraisal. In contrast, the construct "career development" showed little influence on performance appraisal satisfaction.
- **Cleveland, Murphy, and Williams, (1989)** Development provided by the immediate supervisor has been shown to be an important and common use of performance appraisal.
- **Vroom (1990)** states that formal performance appraisal plans can be designed to meet the following key needs: (a) the organization; (b) the supervisor; and © the employee. He stresses the need for effective evaluation as it can effectively serve these critical areas.
- **Denhardt (1991)** defines performance appraisal as a specific evaluation with respect to an individual's progress in completing specified tasks.
- **Wanna et al (1992)** define the objective of staff appraisals as "to improve planning and service delivery at the general level, but also to provide feedback to individual officers".
- **Cherry (1993)** however sees the appraisal process as fundamental to the success of organizational change initiatives citing the work of the "powerful formative effects (of performance management) on the organisational power structure, on the workforce skill profiles and on corporate culture".
- **Blanchard et al. (1994)** discusses the fact that leadership style is the pattern of behaviors you use with others as perceived by them. The critical part being that it is how others perceive your behaviors that determine your leadership style and that this perception will be based on how you communicate.
- **Moulder (2001)** states that performance appraisals are valued for defining expectations and measuring the extent to which expectations are met. She goes on to state that appraisals can make clear to employees where they are having success and where they need to improve performance. Moulder indicates that appraisals are useful in setting goals and in fostering improved communications among work groups and between employees and supervisors

A Study on Effectiveness of Performance Appraisal System In Manufacturing Industries In India

- **ICMA (2005)** states that almost all employees are eager to know how well they are doing in their jobs, but many dread the meetings in which their performance is to be discussed.
- According to **Angelo S. DeNisi and Robert D. Pritchard (2006)** “Performance appraisal” is a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process. Furthermore, it is an evaluation process, in that quantitative scores are often assigned based on the judged level of the employee’s job performance on the dimensions or criteria used, and the scores are shared with the employee being evaluated.
- **Lillian, Mathooko & Sitati (2011)** The information gathered and performance appraisal provide basis for recruitment and selection, training and development of existing staff, and motivating and maintaining a quality human resource through correct and proper rewarding of their performance.
- **Sharma (2012)** these methods are less structured then the traditional method which is less focuses on the rankings and ratings and more emphasis on arranging meetings between employees and supervisor.

NEED FOR THE STUDY

Performance appraisals are a regular review of employee’s performance with in organization. For a people first company the main focus is always on the employee’s satisfaction and industrial studies have revealed that this aspect is to a great dependent on performance appraisal system existing in company. Management wants to know the quality of appraisal criteria parameters and duration from the view point of employees. This is turning forms the need for the study.

SCOPE OF THE STUDY

The study has been conducted with respect to performance appraisal system existing in the organization which is useful to know the strength and weakness of appraisal as well as employees. Therefore, the management can update the system with necessary changes.

OBJECTIVES OF THE STUDY

- To understand the effectiveness of performance appraisal system
- To examine the performance appraisal system by diagnosing the strength and weakness of the existing system.
- To find out the opinion of the employees about the present system.
- To ascertain the awareness level among the employees about the performance appraisal system.
- To know the ways to improve the performance appraisal system.

NATURE OF RESEARCH

The study is designed as Descriptive in nature. Descriptive study attempts to obtain a complete and accurate descriptive of a situation. The methodology involved in this design mostly qualitative in nature producing descriptive data.

DATA COLLECTION

Primary Data Collection:

The primary data are those, which are collected a fresh and for the first and thus happen to be original in character. The research has got the primary data through questionnaire surveys, personal interview, telephone and etc., the data, which are collected are first hand data through which the analysis and interpretation would be taken part.

Secondary Data

The secondary data on the other hand are those which have already been collected by someone else and which have already been passed through the statistical process. The research has to decide which sort of data he would be using for his study and accordingly he will have to select on or the other method of data collection. The researcher has collected the secondary data collection. The researcher has collected the secondary data from the company's records, internet, previous project reports etc.

RESEARCH INSTRUMENT

Questionnaire

Here the respondents are asked the question and required to answer by choosing between a number of alternatives. The main advantage of this is that they are easy to complete and easy to analyze. The research has adopted this type of survey.

STATISTICAL TOOLS

The researcher has used mainly statistical tools to analysis the data and draw Interpretation.

Chi –Square Analysis

In this project chi-square test was used. This is an analysis of technique which analyzed the stated data in the project. It analysis the assumed data and calculated in the study. The Chi-square test is an important test amongst the several tests of significant developed by statistical.

Weighted Average Method

Tabulation, diagram and percentage were also used to make the study more valid, reliable and understandable.

LIMITATIONS OF THE STUDY

- As the study was to be completed in a short time, the time factor acted as a considerable limit on the scope and the extensiveness of the study.
- The information provided by respondents may not be fully accurate due to unavoidable biases.
- Since this is a one person survey, the number of respondents is relatively small for this kind of study. However, this could not be helped due to constraints on time and money.
- The technique for collecting the data is convenience sampling due to monetary and manpower constraints.

FINDINGS

- 91% of the employees are male.
- 47% of the employees are 20 -30 years.
- 66% of the employees are married.
- 39% of the employees have finished Diploma.
- 36% of the employees are having 2 - 6 years of experience.
- 38% of the employees are earning 15, 0000 – 20,000.
- 85% of the respondents agree with performance appraisal helps to reduce grievance.
- 70% of the respondent that they agreed with chance to improve their personal skill.
- 81% of the respondent says promotion is the positive performance appraisal.
- 46% of the respondent opinion about performance appraisal is promotion of employees.
- 86% of the respondent said grading method of performance appraisal is implemented.
- 76% of the respondent told yes increment in salary after performance appraisal.
- 70% of the respondents are agreed with the performance appraisal helps people set and achieve meaningful goals.
- 76% of the employees are satisfied with performance improved after performance appraisal.
- 91% of the employees are aware about the performance appraisal system.
- 56% of the employees says yes for observation, 34% of the employees says skills/ job related test.
- 30% of the respondents are area suggested to improve in performance appraisal is training and knowledge transformation.
- 78% of the respondents are satisfied with the training programs.
- 69% of the employees are agreed with appraisal system strengthening the relationship between employee and employers.
- 83% of the employees say yes for performance appraisal help to identify strength and weakness in job.
- 81% of the employees say yes they received performance feedback from supervisor on a regular basis.
- 84% of the employees say yes the supervisor discuss their strength and weakness.

STATISTICAL FINDINGS

- There is significance relationship between Gender respondents and Performance appraisal system.
- There is significance relationship between age and opinion about performance appraisal.
- There is no significance relationship between age and opinion about performance appraisal.

- There is 3.825 nearly 4 either neutral or agree with Performance appraisal helps people set and achieve meaningful goals.

SUGESSTIONS

- From the findings it is identified that 69% of the employees are agreed with appraisal system strengthening their relationship but 41% of the employees want to improve and maintain smooth their relationship with employers.
- Performance appraisal wants to improve the employees training and knowledge transformation and it should improve job satisfaction level and self- development for the employees.
- Performance appraisal system should motivate the employees and increase their performance level in their work.
- Provide proper training for the employees for the better performance the performance appraisal should identify strength and weakness in their job.
- Increase the strength and reduce the weakness through the performance appraisal system.
- Performance appraisals make chance to improve the employees personal skills through training and regular supervisor suggestions.
- Performance appraisal helps to improve the personal skills for the individual employees.

CONCULSION

The study is concluded that the Performance appraisal system in company is effective but there exist certain criteria like seniority merits. Potentials of the employees that are too considered for effective functions. Based on the findings of the study some valuable suggestions have been offered. It is hoped that the findings and suggestions will be useful in improving the existing employee performance annual appraisal system.

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