



## EMPLOYEES PERFORMANCE APPRAISAL AND ITS IMPLICATION FOR INDIVIDUAL AND ORGANISATIONAL 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 paper 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 individual 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.*

**KEYWORDS:** *Company Performance, Employee Motivation, Employee Reward System, Employee Performance appraisal, Organizational growth.*

### 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 to 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.

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 (Szilagy & 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 usually have annual performance review 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 Objective (MBO). Wise (1995) also said that performance appraisal system helps an employee discover his strengths and weakness and would help him in decision making about his career choices.

### OBJECTIVES OF THE STUDY

- i. Critically examine the concept of Performance Management.
- ii. Identify the objectives of Performance Management.
- iii. To analyze the effective process of Performance Management.
- iv. To establish Critical Success Factors of Performance appraisal System.

### Basic Principles of Effective Performance Management

Quality and effectiveness of P.M. is a reality in organizations only when certain basic and fundamental tenets/principles or practices of management are followed. These include:

**Transparency-** decisions relating to performance improvement and measurement such as planning, work allocation, guidance and counseling and monitoring, performance review etc., should be effectively communicated to the managers and other members in the organization.

**Employee Development and Empowerment-** effective participation of employees/managers (individuals and teams) in the decision- making process and treating them as partner in the enterprise. Recognizing employee/ managers of their merit, talent and capabilities, rewarding and giving more authority and responsibility etc., come under the umbrella this principle.

**Values-** a fair treatment and ensuring due satisfaction to the stakeholders of the organisation, empathy and trust and treating people as human beings rather than as mere employees form the basic foundation, apart from others.

**Congential Work Environment-** the management need to create a conducive and congenial work culture and climate that would help people to share their experience knowledge and information to fulfill the managers aspirations and achieve organisational goals. The managers employees should be will informed about the organisational mission, objectives, values and the framework for managing and developing individual and teams for better performance.

**External Environment-** effective and contextual management of external environment to overcome the obstacles and impediments in the way of effective managerial performance.

### PERFORMANCE APPRAISAL PROCESS:

#### i. Setting the Performance Standards

The first step in the process of performance appraisal is setting up of the standards which will be used as a benchmark to compare actual performance of the employees. This step requires setting the performance criteria to judge performance of the employees as successful or unsuccessful of the degrees. To be useful standards should related to the desired result of each job. The standards set should be clear, easily understandable and in measurable terms. In case the performance of the employee cannot be measured, great care should be taken to describe the standards.

#### ii. Communicating the Standards:

There are two parties involved in performance appraisal: appraiser and appraisee. Appraiser is one who does the appraisal and the appraisee is the one whose performance is evaluated. An appraisee should be informed the standards. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if

required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

### iii. Measuring the Actual Performance:

The most difficult part of the performance appraisal process is measuring actual performance of the employees i.e. the work done by the employees during a specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires careful selection of the appropriate techniques of measurement such as personal observation, statistical reports, and written reports for measuring the performance.

### iv. Comparing Actual Performance with Desired Performance:

At this stage, actual performance is compared with the desired performance or performance standards. Comparison reveals deviations in the performance of the employees from set standards. This comparison can show actual performance being more than the desired performance or, actual performance being less than the desired performance. It includes recalling, evaluating and analysis of data related to the employees performance.

### v. Providing Feedback:

Result of the appraisal is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, problems and possible solutions are discussed, with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. The purpose of a meeting should be to solve the problems faced and motivated the employees to perform better.

### vi. Taking Corrective Action:

The last step of the process is to take decisions corrective action to overcome the deficiencies or the related HR decisions like rewards, promotions, demotions, transfers etc.

### Critical Success Factors of Performance Appraisal System

Documentation means continuous monitoring and documenting the performance. It also helps the evaluators to give a proof and the basis of their ratings.

- (i) **Standards/Goals-** the standards set should be clear, easy to understand, achievable, motivating, time bound and measurable.
- (ii) **Practical and Simple Format-** The appraisal format should be simple, clear, fair and objective. Long and complicated formats are time consuming, difficult to understand, and do not elicit much useful information. It is found that, involving performance appraisals often claim adverse impact as a result of the type of rating format used, more specific rating criteria will lead to lessened adverse impact. (H. W. Hennessey Jr., H. John Bernardin, 2003).
- (iii) **Appraisal Technique-** An appropriate appraisal technique should be selected; the appraisal system should be performance based and uniform. The criteria for evaluation should be based on observable and measurable characteristics of the behaviour of the employee. The appraisal techniques should be easy to administer, implement and economical to undertake.
- (iv) **Diary- Keeping-** The study was designed to examine how structured diary keeping, and the nature of the appraisal instrument, might be related to affect appraisal relationship. The study came up with the findings that having raters keep performance diaries actually increased the strength of the relationship between affect and ratings.
- (v) **Communication-** Communication is an indispensable part of the Performance appraisal process. The desired behavior or the expected results should be communicated to the employees as well as evaluators.

Communications also plays an important role in the review or feedback meeting. Open communication system motivates the employees to actively participate in the appraisal process.

(vi) **Feedback-** The purpose of the feedback should be development rather than judgmental. To maintain its utility, timely feedback should be provided to the employees and the manner of giving feedback should be such that it should have a motivating effect on the employees' future performance.

(vii) **Personal Bias-** Appraisal being a complex affair, training should be provided to the appraisers on certain aspects like insights & idea on rating, documenting appraisal, conducting interviews etc. Interpersonal relationships can influence the evaluation and the decisions in the performance appraisal process. Therefore, the evaluators should be trained to carry out the processes of appraisals without personal bias and effectively.

(viii) **Emphasis on Objectives:** An effective performance appraisal system should emphasis individual objectives, organizational objectives and also mutual objectives. From the viewpoint of individual objective the performance appraisal should talk about

(a) What task the individual is expected to do?

(b) How well the individual has done the task?

(c) How can his performance be further improved?

(d) His reward for doing well. Failure to appraise the competencies reduces the effectiveness of the competencies and the managerial performance appraisal programs. Hence Appraisal system should appraise the managerial competencies which in turn help to identify successful employees. (Steven et al. 2001).

## KEY RESULT AREA OF PERFORMANCE APPRAISAL

### (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. 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 result of such tool. Good result is impossible without giving importance to employee value. Evaluation without appropriate action and result 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.

### (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 identified 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.

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

(e) **Proper Communication of Appraised 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.

### SUGGESTIONS/ RECOMMENDATIONS:-

**1. Company must adopt the 360 degree feedback system for PA-** 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.

**(ii) 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.

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

**(iv) 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 office-to-office level.

**(v) 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.

### 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 or 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 development 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 if performance appraisal is genuinely conducted.

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