

# A Study on Effectiveness of Performance Appraisal System

DR. M. RAVICHANDRAN<sup>1</sup>, N. GOMATHIRAJAM<sup>2</sup>

Assistance Professor<sup>1</sup>, Student<sup>2</sup>  
Department of management studies  
Anna University, Trichy

## ABSTRACT:

*The necessity for effective performance appraisal system has been emphasized in recent times. Since the employees execute groundwork of the business operations organization must hire high quality employees in the competitive world. Performance appraisal are significant for contributing to the strategic advantage of the organization. This study was taken to investigate the effectiveness of performance appraisal system. This study state that there are some key performance criteria that have been developed and clearly identified in the appraisal system and most employees show cooperation in the appraisal process and believe that feedback reflects their performance. This process of performance appraisal has helped in identifying many systematic factors that are barriers to effective performance. And the Key challenges identified included low feedback rate and lack of adequate resources, among other challenges. It recommended the need to ensure that fairness is maintained in the appraisal process so that the necessary trust and cooperation will be forthcoming from employees. Since, there is the need to ensure regular feedback. If there is failure in the system will affect employee interest in the process, as much as possible feedback should be given on their performance. The effectiveness is much important in every organization.*

## INTRODUCTION:

Performance appraisal has been a significant issues and topic of importance. It has been given considerable attention in various in various literatures both from researchers and practitioners. Scholars have regarded performance appraisals are often regarded as strategic and integral part of the organization. Performance Appraisal is described in two simple terms by Pettijohn .L(2001) from Longenecker that arouse and drive strong responses, sentiments, opinions and judgment in the organizational context of formal appraisal procedure when mutually used together. And further said that most organizations of the world according to irrespective of size, type and product distinction employ the use of performance appraisal; but with different level of drive a mixture of human resource management purpose. The system remain alive based on several reasons such as a basis for selection decisions, a measure for salary increment, a medium for providing feed-back among managers and employees and facilitation of employee development. Recently research has been focused towards establishing systems for improving the psychometric properties of performance rating.

Performance appraisal is the structured, regular and an unbiased rating of the employee's excellence in the matters pertaining to his present job. "Flippo described performance appraisal as a structured way of evaluating and appraising the performance of an employee within specified period of time, while also planning for future careers. Performance appraisal is a dominant tool to evaluate asses and compensate the performance of employee/subordinate. It should help create goal congruence between the organization and the employees.

It has been defined as any distinctive decision that affects the position of employee concerning their withholding, cessation, promotion, relocation, salary increase or decrease or access into a training programme. According to Sir Wayne Cascio. "Performance appraisal is the methodical description of an employee's job related strengths and weaknesses." Performance Appraisal is the structured evaluation of the performance of employees and to understand the abilities of a person for further extension and progress.

### LITERATURE REVIEW:

Several researches regarding the topic "Performance Appraisal" is done. The topic is literally not new; it is as old as the formation of the organizations. Before the early 1980's, greater part of theoretical studies highlight on rebuilding the rating system within the organization. The movement were a considerable thing to lessen the disorder of employee's performance appraisal. With the transit of the time the methods and rating system among the employees got enhanced and received an immense appreciation and attentions of the managers.

Performance Appraisal as a structured way of evaluating and valuing the performance of an employee during a given period of time and planning for his future. It is a strong tool to calibrate, Purify and prize the performance of the employees observed by Shelley By focusing the attention on Performance, Performance appraisal goes to the center of Human resource management and reflects the management's interest in the progress of the employees. The Consequences of effective performance appraisal are improvement in the accuracy of employee performance and establishing relationship between performance on tasks and a clear potential for reward by Stephen dorfman (1989).

Performance appraisal is a process by which organizations assess employee performance based on predetermined standards by Moats and Shelley (1996). The main motive of appraisals as helping managers effectively staff companies and use human resources, and, ultimately, enhance productivity described by Moats. When the appraisals are conducted properly, they serve the purpose (1) showing employees how to enhance their performance, (2) setting goals for employees, and (3) helping managers to evaluate employees effectiveness and take actions related to recruitment, promotions, demotions, training, compensation, job design, transfers, and terminations.

Performance Appraisal is the methodical evaluation of the individual with respect to his or her performance on the job and his or her potential for development. The performance appraisal is a technique of assessing the conduct of employees in the work place, normally including both the quantitative and qualitative aspect of job performance by Khan (2013). It is the process to obtain, analyze, and record the information about relative worth of the employee. It is the analysis of an employee performance. Appraisal is a key component of performance management of employees. When effective, the appraisal process reinforces the individual's sense of personal worth and assists in developing his/her aspiration.

### **OBJECTIVES OF PERFORMANCE APPRAISAL:**

1. Performance appraisal is the judgment which requires definite standards. Actual performance is compared with standards and goals. These standards should be worked out by the organizations and conveyed to all the employees, otherwise, judgment will be one way only. In a effective performance appraisal system , goal setting must be high; and accordingly high performance is expected.
2. To evaluate means to apply a set of values. Effective judgments without clear, sharp and public standards are unreasonable and arbitrary.
3. Performance appraisal depends on "merit rating". It refers to what employees is. And it gives information about "potential", "personality" and "promise" but appraisal tells about performance.
4. Quality consider what work was assigned, what resources were granted and what promises were given regarding salary/rewards. They, thus provide a measure of evaluation.
5. Appraisal should be integral part of the system of managing. It is an crucial element in the whole system of managing and in the sub system of managerial staffing.
6. It provides feedback to employees about their performance. Feedback helps in overcoming deficiencies in the work, promoting performance and relating his work to organizational objectives.
7. It helps in designing personal improvement plans to overcome the weakness of employee on the job and devising training and development programmes to strength their capability.
8. Appraisal must therefore aim at bringing out what a person can do. Only when a person strengths are known and understood it makes some sense. Appraisal should refer to knowing more, doing better and behave differently.
9. Appraisal should cover specific periods where an employee was involved fully, or even in his absence how the deputy was doing, to what extend the delegation of authority and responsibility. It should reflect a whole picture so that corrective measure can be taken.

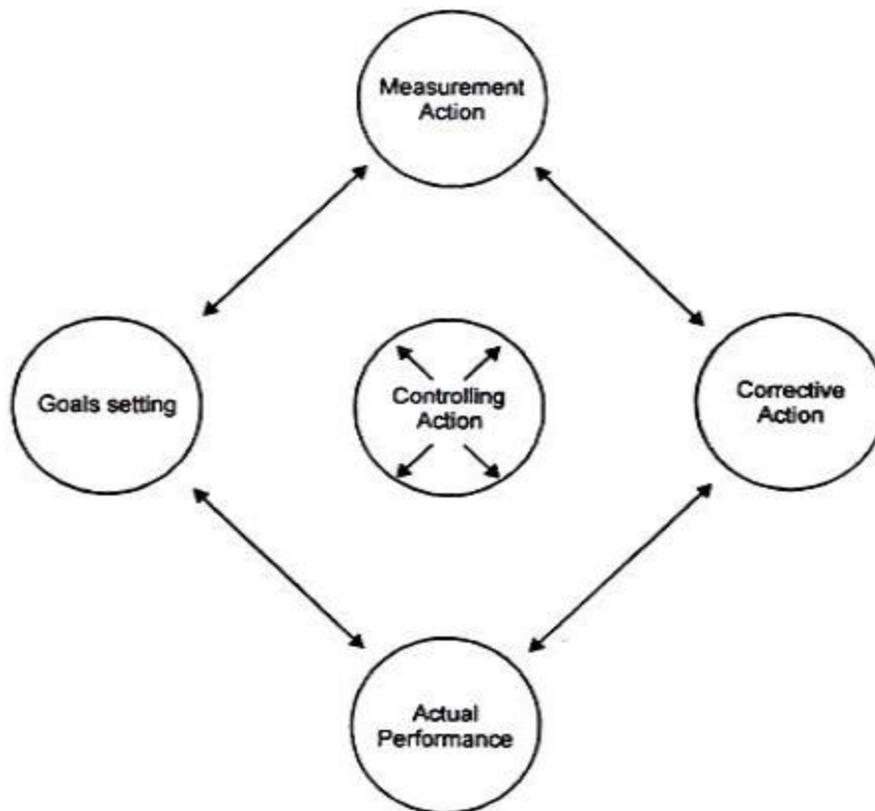
### EFFECTIVENESS OF PERFORMANCE APPRAISAL:

The Performance appraisal effectiveness is defined as an external quality of how effectively the system is meeting the demands of the several groups and organizations that are concerned with its activities. The performance evaluation system roughly is a contrive for doing the correct things or having validity of result. By definition the effectiveness is a qualitative measure set by evaluator. The Performance appraisal efficacy refers to the system's capacity to originate and produce solutions that provide more merit to stakeholders of the institution".

Every organizations aim at being effective and achieving their goals in order to do this it is important to observe or measure the performance of the employees on a regular basis. Effective observation also includes giving timely response, assessing 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 as recognition and reward at the right time is the best encouragement.

Performance appraisal effectiveness is necessary for each employee to understand their abilities, competencies and relative merit and worth for the organization. It rates the employees in terms of their performance.

THE PERFORMANCE APPRAISAL PROCESS CHART



## METHODS OF PERFORMANCE APPRAISAL:

Several techniques of performance appraisal have been established to achieve the organizational goals. Organizational goals, objectives, culture, size, products, technology, etc., affect the selection of appraisal methods. The methods fall in to two categories.

1. Performance result - oriented method.
2. Employee behaviour – oriented method.

### 1.PERFORMANCE RESULT ORIENTED METHODS:

These methods are useful for measuring actual performance of the employees and it in conformity with the pre – determined standard.

#### Graphic Scales:

The number of rating factors listed in the graphic scales include general behaviours and characteristics, on which an employee is rated by the supervisor. With the various elements that need to be assessed like quality or quantity of work, technical knowledge, punctuality, integrity, cooperativeness, initiative, creativity, decisiveness etc., supervisors prepare a graphic scale with different grades and employees are evaluated on the basis of their performance on that scale.

#### Behaviourally anchored rating scales:

This method of performance appraisal is an addition of graphic scale method. The rating scales are used in situations where number of employees are performing similar work and high degree of precision is required in their job behaviours. Rather than assessing the performance on above average, or below average, a range of levels of performance, from high to low is specified on the rating scale.

#### Essay evaluation

This is unstructured form of performance appraisal as graders are not assigned to performance parameters. As the employees perform their job the evaluators or raters keep the track of the performance and note their positive and negative job attributes like quality, quantity of performance, knowledge about the job and organizational policies, employee's strength and weakness, their potential to work, need for training etc. At the end of the period, they analyze all these points and give brief description of their performance in the form of essay.

### 2.EMPLOYEE BEHAVIOUR ORIENTED METHODS:

Employee behaviour oriented methods are also known as relative methods of evaluation. They relate performance of employees against each other and rank them accordingly.

**Straight ranking:**

This is the simplest method of ranking where employees are rated as rank 1,2,3,4,5. Where an employer has to consider one of his subordinates for promotion to higher job: he would simply see each person's performance in the respective areas operation, say production the maximum number of units would be given the rank 1 followed by the ranks 2 through 5 and accordingly considered for promotion.

**Paired comparison:**

In Paired comparison method the ranking is done where each person is related with others in the group on the basis of specific attributes, usually one attribute as otherwise huge number of comparisons have to be made which can make rating a long time process. A catalogue is prepared containing the names of persons to be ranked in pairs. The rater puts the tick mark against the person who is better between the two. The number of comparisons to be made is calculated by  $n(n-1)/2$  where n is the total number of persons to be compared.

**Forced choice method:**

This method of rating involves appraising the employees by choosing between two or more statements that describe the characteristics of the employees. They statements may be positive or negative. They are closely related to each other but the rater has to choose the most appropriate statement that describes the employee. On the basis of results of all the statements the final rating is done.

**Forced distribution method:**

Two or more employee are rated as almost the same, it becomes hard for the rater to rate them as 1 or 2. As many employees are rated around similar point on the rating scale, one employee is not given one rank; but a group of employees are placed in one rank.

**ESSENTIALS OF GOOD APPRAISAL SYSTEM:**

The organization should have the following features in their appraisal system irrespective of the method they were adopted.

1. It should be easily understandable.
2. It is fit for organization's operations.
3. It should adapt to the size of the organization and its workforce.
4. It must be reliable, free from errors.
5. It provides support to the management to design compensation plan.
6. It must pinpoint that aspect of employee performance for which it is adopted.
7. It maintains balance between efforts and rewards.
8. It take care the needs of the organization and its workforce.

## CONCLUSION:

Individual performance appraisal in an organization or company serves to enhance the overall effectiveness of the entity. The appraisals perform a managerial role by facilitating a methodical means of determining salary increases and other rewards, and by delegating authority and responsibility to the most capable individuals. Again, Moats says the informative function is fulfilled when the appraisal system supplies data to managers and appraises about individual strengths and weaknesses. It must also be emphasized that the uniformity of the appraisal structure is vital because it ensures that all employees are evaluated on a standardized scale. If the appraisals are not uniform they are less effective because the basis for success or failure become inconsistent and meaningless. And uniformity allows a company to systematically relate the appraisals of various employees with each other. The general conclusion therefore is that organizations should seriously consider methods and systems that would help them administer their appraisal process effectively so that the stated objectives will be achievable and subsequently translate into the organization's performance. Performance appraisal is the most important factor in every organization and a great tool used to record productivity. Conducting appraisal will improve productivity and increase the morale of employees. Appraisals are a positive way for the managers to let know how well they are performing the duties that are assigned to them.

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