A STUDY ON IMPACT OF PERFORMANCE APPRAISAL SYSTEMS ON EMPLOYEE PRODUCTIVITY

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Abstract—*Performance Management system is now widely recognized as a significant vehicle for improving performance and productivity of both employees and organizations. Therefore, many organizations are reexamining their current performance management systems. This research evaluates the efficacy of current performance appraisal systems and then identifies the significance and implications of the introduction of 360-degree feedback as a form of appraisal and its impact on the productivity of employees in many organizations. For this purpose, qualitative research was conducted through questionnaires. The findings of the survey revealed that ranking method and Management by Objective(MBO) are the two most commonly used appraisal systems in the industry, but a strong preference has been observed for implementation of the 360-degree feedback system. However, most of the respondents felt that 360-degree feedback will lead to no or very small increase in productivity.*

Keywords—*360-Degree Feedback, Management by Objectives, Mixed Standard Scale, Performance Management System, Productivity.*

INTRODUCTION

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways the supervisors measure the pay of employees and compare it with targets and plans. The supervisor analyses the factors behind work performances of employees. The employers are in position to guide the employees for a better performance.

It is a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development. In many organizations - but not all - appraisal results are used, either directly or indirectly, to help determine reward outcomes. That is, the appraisal results are used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions. By the same token, appraisal results are used to identify poorer performers, who may require some form of counselling, or in extreme cases, demotion, dismissal or decreases in pay.

The amount of research regarding the topic "Performance Appraisal" is so vast. The topic is literally not new; it is as old as the formation of the organizations. Before the early 1980's, majority of theoretical studies emphasized on revamping the rating system within the organization. The actions were a great thing to reduce the chaotic of employee's performance appraisal (Feldman, 1981). With the passage of the time the methods and rating system among the employees got enhanced and received an immense appreciation and attentions of the managers.

Behavioural Observation Scale (BOS) is one of the best techniques utilized by the managers to rate the employees. The dilemma was on the peak in the 1960s and 1970s. In the same period couple of new innovated rating scales were introduced, which was Behaviourally Anchored Rating Scale (BARS) and the Mixed Standard Scale (MSS).

The innovations were dominant one which condensed the errors and improved the observation skills from the performance appraisal practice. According to the research of Arvey and Murphy (1998), there were hundreds of thousands of researches had been taken place between the periods of 1950 to 1980, which merely focused on the different types of rating scales. Landy and Farr (1980) reviewed and researched the methods of performance appraisal in totally a different manner, in which they understand the rater and process in an organizational context. Other Performance appraisal reports include the rater characteristics in their report like race, gender and likeability.

After the year 1980 the biasness among the performance appraisal system occurred outrageously and appraisal had been granted on the favouritism or race and gender basis rather examined the knowledge, skills and style of the work of the employee. The accuracy criteria among the performance appraisal system clutched its grip in the start of the 1980s, where the researches were emphasized on common psychometric biases which include the diversified rating errors like leniency, central tendency and halo, which were termed as rating errors in the appraisal method. It has been observed that the bias free appraisals were inevitably true or more precisely we can say more accurate, but the concept was totally refused by the research of Hulin in 1982. According to them the biasfree appraisals were not necessarily accurate (Murphy & Balzer, 1989).

Researches which had been done in the year 1980 were found the most dominating one which contributed the appraisal system in a great deal. The researches of the1980 also helped out to clarify some presumed assumptions regarding the performance appraisal, just like the work of Murphy (1982). Research has included the measure of employee attitudes towards the system of performance appraisal and its acceptance (Roberts, 1990). Bernardian and Beatty (1984), suggested in their research that behavioural and attitudinal kinds of measure ultimately prove to be better anticipator as compared with the traditional psychometric variables, which we have declared earlier as well, like leniency, halo and discriminability. A Performance Appraisal system is totally ineffective in practice due to the dearth of approval from the end users (Roberts, 1990).

According to a number of researchers, the enhanced and upgraded performance appraisal procedure and method will enhance the satisfaction level of the employees and definitely will improve the process of goal setting within the organization.

OBJECTIVES OF PERFORMANCE APPRAISAL

Performance appraisal is a method of evaluating the job performance of an employee. It is an ongoing process of obtaining, researching, analysing and recording information about the worth of an employee.

The main objective of performance appraisals is to measure and improve the performance of employees and increase their future potential and value to the company. Other objectives include providing feedback, improving communication, understanding training needs, clarifying roles and responsibilities and determining how to allocate rewards.

Providing Feedback

Providing feedback is the most common justification for an organization to have a performance appraisal system. Through its performance appraisal process the individual learns exactly how well he/she did during the previous twelve months and can then use that information to improve his/her performance in the future. In this regard, performance appraisal serves another important purpose by making sure that the boss's expectations are clearly communicated.
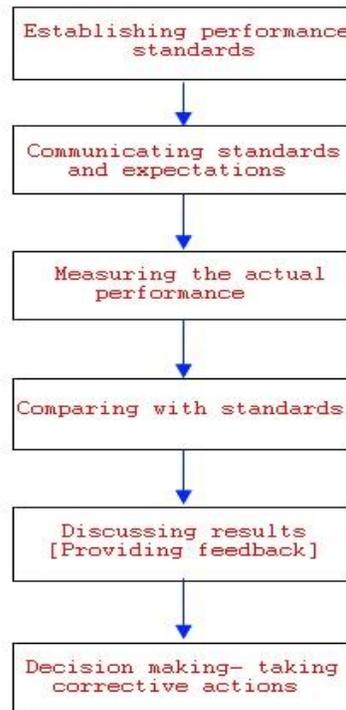
Facilitating Promotion Decisions

Almost everyone in an organization wants to get ahead. How should the company decide who gets the brass rings? Performance appraisal makes it easier for the organization to make good decisions about making sure that the most important positions are filled by the most capable individuals.

Rightsizing or Downsizing Decisions

If promotions are what everybody wants, layoffs are what everybody wishes to avoid. But when economic realities force an organization to downsize, performance appraisal helps make sure that the most talented individuals are retained and to identify poor performers who effects the productivity of the organisation. (India's largest software services provider TCS axed 1,000 jobs in the country due to non-performance by its employees.

PERFORMANCE APPRAISAL PROCESS

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┌─────────────────────────────┐
│   Establishing performance  │
│          standards          │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│   Communicating standards   │
│       and expectations      │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│    Measuring the actual     │
│         performance         │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│   Comparing with standards  │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│     Discussing results      │
│    [Providing feedback]     │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│    Decision making– taking  │
│      corrective actions     │
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Establishing Performance Standards

The first step in the process of performance appraisal is the setting up of the standards which will be used to as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. 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.

Communicating the Standards

Once set, it is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained to the employees. 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.

Measuring the actual performance, the most difficult part of the Performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees' work.

Comparing Actual Performance with Desired Performance

The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance.

Discussing Results [Feedback]

The 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, the problems and the 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. Performance appraisal feedback by managers should be in such way helpful to correct mistakes done by the employees and help them to motivate for better performance but not to demotivate. Performance feedback task should be handled very carefully as it may lead to emotional outburst if it is not handing properly.

A research conducted by TJinsite, underlined that in an effective organization, assignments and projects are monitored continually. According to 46% of surveyed organizations, ongoing monitoring - periodic reviews and managerial feedback - provides the opportunity to check how well employees are meeting pre-determined standards and to make changes in unrealistic or problematic standards.

LIST OF WAYS TO PROVIDE FEEDBACK TO EMPLOYEES IN AN ORGANISATION

Feedback at work is important for an individual's development. However, some people are over-sensitive to negative feedback, which makes it crucial for managers and leaders to understand how to convey it. ET's Rica Bhattacharyya talks to some experts.

1) Combine Negative & Positive

The ideal way of giving feedback to someone who's extremely emotional is to go for the sandwich method. Sandwich the negative feedback between two layers of positive feedback.

This helps in softening the impact of the negative feedback. By starting and ending in positive words, you ensure that the negative feedback has the right impact.

2) Be Specific

It is important that you ensure that the person receiving the feedback knows that the feedback is not personal vendetta. Such kind of fundamental attribution error the employee may have, linking the negative feedback to the person giving it. So, if you ask someone reporting to you the reason for being late, she/he might interpret that you are a control freak. Sadly, nearly all the time, the attribution strains the relationship between the two parties.

3) Do not use Harsh Words

Rather than telling someone outright that they are bad at something, it is better when you word it in a less harsh manner, and also provide suggestions and solutions to help them get better at what they are currently bad at. Sometimes, the most hurtful sentences are perceived in a way which makes it seem threatening and derogatory. The key is to make the employee feel safe. Only when s/he feels safe, they will be in a state of mind to understand and appreciate what you are saying.

4) Create Awareness of the Importance of Feedback

One should begin by highlighting the importance of feedback — both positive as well as negative — in a professional's life. You could then follow that up with an example of how constructive feedback has helped you or someone you know, or the said employee knows, positively and made that person a better professional. While doing this, always make sure that your tone is calm and soft and like that of a mentor, rather than a rude, condescending or angry one.

5) Give Feedback in Private for Sensitive People

With emotional people, it is also important that you always give feedback in private. Emotions are a result of a person's sensitivity, and negative or constructive feedback is usually a very sensitive topic with highly emotional people. Giving feedback to such people in front of a room full of people can have an adverse impact.

DECISION-MAKING

The purpose of conducting employee performance appraisal is for making decisions about employees without any bias by the HR manager. Decision-making by HR managers about employees rewarding, promotions, demotions, transfers and sometimes suspensions/dismissal of employees are depended upon the employee performance appraisal. The decision

taken by HR manager should match exactly with performance appraisal results of employees to avoid grievance or disturbances in between them, as they affect overall performance of the organisation.

CONCLUSION

Performance Appraisal plays a vital role in every organization. It helps to evaluate employee's performance level and identify the gap in their performance level. Performance appraisal's feedback motivates the employees to do his work in an effective manner and supports the employee in their self-development. On the management side, performance appraisal helps in find out the correct compensation promotion plan and suitable training for the employees. By using this, it will help to smooth the relationship between superior and subordinates. From this study, we conclude that the performance appraisal is effective in the nature by using Grade method. We need to overcome the future consequences, for that the Company has to adopt the above suggestion for the betterment of the employees, it will lead the company in a successful way.

More ever we may eradicate the empirical study on performance appraisal, most of the officials and top management cadre employee deal with their subordinates in bias manner. Hence this method PAS motivates all levels of employees in the bank sector to improve their service levels in a better manner.

This study suggests that 360-degree appraisal system including multiple appraisal and developmental value based appraisal system can overcome the threat of personal bias from this study

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