

# A Study on the Evaluation and Effectiveness of the Performance Appraisal System and Its Impact on Employee Performance

Dr.Kiruthiga V,

Assistant professor, Faculty of Management-MBA, SRM IST, Ramapuram Part-Vadapalani, Chennai

## Abstract

Performance appraisal systems are critical tools in human resource management, designed to assess employee performance, provide feedback, and align individual contributions with organizational goals. This study examines the evaluation and effectiveness of performance appraisal systems and their impact on employee performance. It explores how well-structured appraisal systems influence employee motivation, productivity, job satisfaction, and overall engagement. Using a mixed-methods approach, the research analyzes quantitative data from employee performance metrics and qualitative insights from employee and managerial feedback. The findings reveal that transparent and constructive performance appraisal systems positively affect employee performance, fostering a culture of continuous improvement and professional growth. Conversely, poorly implemented systems can lead to demotivation and decreased organizational loyalty. The study emphasizes the importance of clear communication, fairness, and actionable feedback in enhancing the effectiveness of performance appraisals.

**KeyWords:** Performance Appraisal, Employee Performance, Human Resource Management, Job Satisfaction, Motivation

## INTRODUCTION

Performance Appraisal is the systematic evaluation of the overall performance of employees and to recognize the talents of a person or abilities of a person for further growth and development. Performance appraisal is part of guiding and managing career improvement. The latest mantra noted by organizations around the world is “Get paid according to what you contribute”. The focus of organizations shifts to performance management and specifically to individual overall performance. During the review, past performance is evaluated and a strategy for the coming months is developed. Be Ones roadmap for the coming months is being determined, for this could very well define future and all of the leaps one might make in professional life. Appraisal cycles vary from organization to organization.

Most have six-monthly or annual reviews. Some also follow the process of a project -end reviews along with the usual organization review cycle of six months or a year. According to Beer, M. Et al, (1978) performance appraisal serves a two-fold reason generally, accordingly, to improve the work performance of employees by supporting or helping them recognize and use their complete capacity in carrying out their firm’s mission and also to provide information to employees and managers to be used in making work-associated decisions. Specifically, according to them appraisals serve a few purposes. support personal decision to promote remarkable performers so one can weed out marginal or low performers and train, transfer or discipline others as well as to justify benefit will increases. In brief, appraisal serves as a key enter for administering a formal organisational reward and punishment system.

The concept of performance appraisal is not always new since it was first introduced in China in 221-265 CE. Introduced during the period, is dynasty to evaluate the performance of his official family members. However, this concept had been substantially improved upon thereafter and New York City civil offerings followed such improved version of appraisal during 1883.

Subsequently, commiserating with the metamorphosis that took place in the area of Human Resource Management (HRM), the concept of Performance Appraisal has been increasingly recognized as a powerful method or technique and tool for systematic assessment of relative performances of individuals in the organization. The term Appraisal implies evaluation of really worth, quality and merit. In the context of organization, wider sense, overall performance Appraisal can be defined as a systematic and objective process of judging the relative really worth or capability of an employee in performing his task. The essential functions of the concept of performing his job.

The important functions of the idea of Performance Appraisal are:

- ❖ It is not a one-time workout but a periodically continuous and on-going process.
- ❖ The appraisal is systematic since it seeks to assess all performances within the same manner by utilizing uniform requirements, so that appraisal of performances of different individuals is comparable.
- ❖ It tries to identify of the strengths and weakness point of an employee on his present job.
- ❖ The appraisal should have objectivity as attempts at accurate measurement whilst trying to eliminate human biases and prejudices.
- ❖ Its attention is to plot placements and transfers besides career growth and improvement of individuals.

An appraisal evaluates not only employee's performance but also the capacity for development. The primary objectives of an appraisal are to assess component performance, identify training needs, set and agree on future objectives and standard as well as to facilitate the fulfilment of these goals. Jon Clemens for example argued that the "reason of opinions must be driving better business results for the organisation making sure that the daily efforts of employees directly contribute to both their team's goals and the organization of the organization", (Heskett 2007).

Mc Gregor's Theory X postulates that the average character is lazy and has an inherent dislike for work. As a result of this people have to be coerced, managed, directed and threatened with punishment if the organisation is to reap its objectives. Naturally while people recognize that their performance is monitored and that their persevered existence, promotion, pay rise, training and development are dependent on the consequences in their evaluation, they might be motivated to work hard, (Mullins 2002). Performance appraisal systems are a major trouble for most employers and specific authors have recommend a wide range of responses on their essence and significance.

In order to acquire the satisfactory out of this concept, there are certain vital pre-requisites to be followed by the individuals and the management of the organisation. On its element, management should create and imbibe a work culture which is conducive for proper initiative; objectivity and transparency among work force that induces the employees take timely and faster decisions. It should set out various goals, which are attainable by the employees compensating with, their potential and performance levels. Management should clearly define the job roles of each individual and as to what he needs to perform and with what resources.

Management should encourage and expand inter-personal relations among rank and record, which paves way for cohesive and mutual co-existence of employees in general, and superiors and subordinates, in particular. The exercise of periodical evaluation of performance of individuals and filling the gaps, if any, found between the actual performance and set goals, should be accomplished on an ongoing foundation by using way of proper counselling and if necessary, by imparting need-based training inputs.

Further, management should promote and ensure smooth and uninterrupted float of communication in the organization and the barriers, if any, should be got cleared, last it may result in avoidable subjectivity, which adversely affects the process of performance appraisal. On their component, the employees should accept the mantle of the performance appraisal process as a crucial and effective tool for their profession improvement and therefore should repose self- assurance and faith in the system. Individuals and contempt and their colleagues with due respect and warmth. These undesirable attitudinal traits should yield place to mutual recognize, respect, understanding, challenge and cohesiveness so as to make the technique more significant and purpose-oriented. The relationship between the superior and subordinate shall not be visible as that of 'Master and Servant' but of partners in the system of mutual development and growth. Since appraising of overall performance touches on one of the most emotionally charged activities, the managers within the organizational hierarchy ought to be greater humanely sensitive to this essential component.

According to Piggot-Irvine (2003), effectiveness occurs whilst appraisal interactions are noncontrolling, non-defensive, supportive, educative and yet confidential. Effectiveness is also link to appraisal process and statistics which have clarity, objectivity, high integrity and where deep improvement is a goal. It is imperative therefore for each organization to ensure that appraisers and appraisees agree on realistic targets. Besides, the criteria for review performance ought to be based on employee's actual performance and ought to be without non-performance related characteristics. This, to a massive extent will help employees perceive the performance appraisal process as a fair one and invariably be satisfied with.

Performance appraisal linked to employee performance is not effectively adopted thereby among the less practiced HR functions. The activity is mostly conducted as a mere exercise with no relevance to the journey of individual career growth and improvement as well as reward, training nor job transfer. Failure to align employee goals with organizational objectives will impact overall performance measurement.

One major issue lies in the lack of transparent evaluation criteria, leading to subjective judgments. The appraisals lack exposure on the exercise especially in regard to linking it to other HR functions. The main challenges that faces by the company in all types of organizations is how to get maximum performance from their employees. Performance appraisal, therefore, appears to be inevitable. Organization faces the problem of directing the energies of their staff to the assignment of achieving company goals and targets. In doing so, organization need to devise manner to persuade and channel the behaviors of their employees that allows to optimize their contributions. Performance appraisals determinations constitute one of the main management tools employed in this process. The present study was under taken to make clarify certain questions related to the care phase of overall performance appraisal through regular assessment of development toward goals focuses the attention and efforts of an employee or a team.

The study also helps the managers to identify the gap which needs to be bridged and also in their decision making. This examine is needed to expose how performance appraisal system play an essential role in employees' performance. This will encourage and guide their supervisor of their organization regarding performance appraisal system.

## LITERATURE REVIEW

According to Robinson and Fink (2009) performance appraisal have to be abandoned as the last hope as they define pitfalls and troubles as evidence and at the same time consider the potentials of performance appraisal programmes. The problems have to not dwell on whether or not to scrap but as an alternative it has to be to make them better. The irony is that point becomes an enemy when performance appraisal feedback isn't dealt with openly. In order to prevent the larger hassle continuous feedback and documentation are very important. One motive for failure is that companies frequently pick out drastically from the wide battery of available performance appraisal strategies without virtually thinking about which particular technique is excellent suited to a particular appraisal objective. Yang (2008) conducted a study on individual performance and his findings had been that individual's performance are needed to verify, he asserts that firms can use rewards primarily based on rewards and direct bonuses on individual performance if employee performance is noticeable.

With agreement with Yang (2008), Bishop (2011) carried an investigation of employee overall performance and he revealed that recognition, acknowledgment and reward of overall performance of employee's direct discrimination between employee productivity. Asim (2013) additionally carried a study effects of employee motivation on employee performance, and the findings and conclusion were if staff are more influenced their performance will definitely growth. Mackenzie (2008) additionally investigated the overall performance appraisal system for organization achievement. The objective of his observe was to examine the troubles related with performance appraisal and to identify verified and suitable methodologies that will result to a procedure that is suitable, equitable, and credible and the one that enhances the preferred organization guidelines. This turned into attained through comparing the need for performance appraisal, problems associated with various methodologies and analyzing the qualities that need to be measured in both terms of organization and individual and subsequently identifies the method of improving organization performance. The study established that current process 44 within the study organization focused on dealing with diminished performance issues and finally the efforts of the individual are not always necessarily aligned with the desired organizational direction and little incentive exists amongst managers to undertaking the challenge the current process and encourage risk taking to improve service delivery.

According to Nyaoga (2010) the effectiveness of performance appraisal in private universities have been best based on training on the staff involved in the rating system and are multi rating machine. He concluded by saying that because the performance appraisal system in this universities were not effective and that they exist just as a matter of formalities, the organization could not measure employee's performance for this reason making it difficult to achieve the organization goals. Awori (2007) research on performance appraisal in state corporations in Kenya, his findings indicated that the corporations use performance appraisal tools and the preferred desire was management by objectives as opposed to the balance scorecard; self-opinions, upward and peer evaluation.

Walsh (2003) a study on perceived satisfaction and equity of performance appraisal in the United States. The study was investigating the employee's reaction to satisfaction and fairness with the existing overall performance appraisal tools. The data acquired from four hundred and forty respondents from organizations and the findings of the observe set up that respondent perceived that the performance appraisal tools to be fair and honest as nine out of ten scales used for measuring reaction. Zhang, Zheng and Li (2012), conducted a study on performance appraisal method and organizational citizenship behaviour. The objectives of their examine turned into have a look at how performance appraisal method or process is associated with organizational citizenship behaviour, the study become anchored on theories namely impression management theory and social exchange concept theory, the study used dedication as mediator and score reward as moderator. The researchers used a multi-source sample of 777 and examined the mediating role of affective commitment with structural equation modeling and Sobel assessments and the moderating role of score – rewards linkage with ordinary

least squares regression model. The study found out that there is a relationship between performance appraisal process and 45 organizational citizenship behaviour mediated by means of affective commitment and perceived score reward linkage reinforced the direct association between organizational citizenship and performance appraisal process wherein because it weakened the connection between affective commitment and appraisal technique (Zhang, Zheng, & Li, 2012).

Dick Grote (1999) in his article, *Managing People-Effective Way to Motivate and Manage Employees*, argues that sophisticated organizations are scuttling traditional practices and creating modern systems and procedures about overall performance management. Nowadays the companies reject the punitive responses and have followed non-punitive, 'Discipline without Punishment' methods. This enables in constructing employee commitment and demanding man or woman duty, thereby generating high-quality consequences. The senior leadership of Minnesota Department of Transportation identifies a seven-core competency system which are be formally analysed in the appraisal. Also, the traditional scale values are to be replaced with ratio schemes. Carolyn. J. Henrich (2002) in his article, *Outcomes-Based Performance Management in the Public Sector: Implications for Government Accountability and Effectiveness*, says that in responding to the necessities of Government Performance and Results, federal companies ought to pick out performance measures which can be closely aligned with stated goals, suitable actual overall performance as intently as feasible and are exceedingly easy and inexpensive to administer. It is also vital that performance standards systems provide timely feedback to state and local program managers such as the Annual Program Performance Reports. Program managers' preference to gent incentives, it will enhance the measured performance. Also, it involves activities and interactions that span multiple levels of organization.

## METHODOLOGY

### OBJECTIVES OF THE RESEARCH

- ❖ To evaluate the relationship between performance appraisal and employee performance
- ❖ To evaluate the level of motivation of employees having to enhance their overall level of performance.

A sample of 122 respondents working across different organization were taken for the study

### DATA ANALYSIS

Null Hypothesis (H<sub>0</sub>) H<sub>0</sub>: There is

no significant relationship between respondents according to their Feedback on performance and Improves Employee Motivation.

Alternate Hypothesis (H<sub>1</sub>) H<sub>1</sub>: There is a significant relationship between respondents according to their Feedback on performance and Improves Employee Motivation.

**Case Processing Summary**

	Valid		Cases Missing		Total	
	N	Percent	N	Percent	N	Percent
Feedback_On_performance* Improves_Employee_Motivation	122	100.0%	0	0.0%	122	100.0%

**Feedback\_On\_performance \* Improves\_Employee\_Motivation Crosstabulation**

			Improves_Employee_Motivation					Total
			Strongly Agree	Agree	Neutral	Strongly Disagree	Disagree	
complementary	Count	39	20	1	0	2	61	
	Expected Count	24.0	28.0	3.0	.5	5.5	61.0	
	% within Feedback_On_performance	62.3%	32.6%	1.6%	0.0%	3.3%	100.0%	
	% within Improves_Employee_Motivation	79.2%	35.7%	16.7%	0.0%	18.2%	50.0%	
	% of Total	31.1%	16.4%	0.8%	0.0%	1.6%	50.0%	
suggestive	Count	9	31	5	1	7	53	
	Expected Count	20.9	24.3	2.6	.4	4.8	53.0	
	% within Feedback_On_performance	17.0%	58.5%	9.4%	1.9%	13.2%	100.0%	
	% within Improves_Employee_Motivation	18.8%	55.4%	83.3%	100.0%	83.6%	43.4%	
	% of Total	7.4%	25.4%	4.1%	0.8%	5.7%	43.4%	
negative	Count	1	4	0	0	2	7	
	Expected Count	2.8	3.2	.3	.1	.6	7.0	
	% within Feedback_On_performance	14.3%	57.1%	0.0%	0.0%	28.6%	100.0%	
	% within Improves_Employee_Motivation	2.1%	7.1%	0.0%	0.0%	18.2%	5.7%	
	% of Total	0.8%	3.3%	0.0%	0.0%	1.6%	5.7%	
warning	Count	0	1	0	0	0	1	
	Expected Count	.4	.5	.0	.0	.1	1.0	
	% within Feedback_On_performance	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	
	% within Improves_Employee_Motivation	0.0%	1.8%	0.0%	0.0%	0.0%	0.8%	
	% of Total	0.0%	0.8%	0.0%	0.0%	0.0%	0.8%	
Total	Count	48	56	6	1	11	122	
	Expected Count	48.0	56.0	6.0	1.0	11.0	122.0	
	% within Feedback_On_performance	39.3%	45.9%	4.9%	0.8%	9.0%	100.0%	
	% within Improves_Employee_Motivation	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	% of Total	39.3%	45.9%	4.9%	0.8%	9.0%	100.0%	

**Chi-Square Tests**

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	32.905 <sup>a</sup>	12	.001
Likelihood Ratio	34.547	12	<.001
Linear-by-Linear Association	16.901	1	<.001
N of Valid Cases	122		

a. 15 cells (75.0%) have expected count less than 5. The minimum expected count is .01.

**Symmetric Measures**

	Value	Approximate Significance
Nominal by Nominal Phi	.519	.001
Cramer's V	.300	.001
N of Valid Cases	122	

**Risk Estimate**

	Value
Odds Ratio for Feedback_On_performance (complimentary / suggestive)	a

a. Risk Estimate statistics cannot be computed. They are only computed for a 2\*2 table without empty cells.

INFERENCE: We accept the alternate hypothesis and hence there is a significant relationship between respondents according to their Feedback on performance and improves Employee motivation

## SUGGESTIONS

A separate channel for appraisal review and evaluation can be maintained. Senior employees can give counselling to the newly employed ones. Career growth chart of employees can be given to them so that self-improvement is possible. 84.4% of the respondents agree that appraisal system has provided a good communication between top management and staff. The management should continue to retain this stage which will lead to team work and thereby improve the productivity. Regarding the timing of appraisals majority of the respondents opted for yearly, few of them opted for quarterly and half yearly. From this it is evident that employees are very much interested in increasing the frequency of appraisal. Appraisal feedback is playing a vital role in any performance appraisal program. Should be carefully communication by making high performers increase their target and low performers to build up their confidence. More opportunities need to be provided for expressing their thoughts and plans to enforce their level performance.

## CONCLUSION

It is true as they say completion of one work leads to another, there is no end for any working process and one among those kinds of jobs is Performance Appraisal. Performance Appraisal is a never-ending process, it is essential for personal and professional development. This report is compiled in a very precise manner and has all relevant data gathered from the organization, company website and few other supporting sites. I would like to state this very strongly in my report that to Aionion Investment Services Private Limited, its employees are the most valuable assets and are solely responsible for its sustained growth and development of the organization. They give their best class in all the fields they have taken up and are delivering the best to their customers. I conclude that performance appraisal is a very important tool that is used to keep the energy levels of the employees charged up. It encourages the employees and makes them to give their best shot and helps in building the future for the organization. Performance reviews not only speak of the past performance, also are the pavement for the future performances.

## REFERENCES

- Asim, M. (2013). Impact of motivation on employee performance with effect of training: Specific to education sector of Pakistan. *International Journal of Scientific and Research Publications*, 3(9), 1–9.
- Awori, B. B. (2007). A study of the effectiveness of the performance appraisal systems in state corporations in Kenya (Master's thesis, University of Nairobi).
- Bishop, J. (2011). Employee recognition: The secret to great employee performance. *Workspan*, 54(6), 24–27.
- Grote, D. (1999). Managing people: Effective way to motivate and manage employees. *Harvard Business Review*.
- Henrich, C. J. (2002). Outcomes-based performance management in the public sector: Implications for government accountability and effectiveness. *Public Administration Review*, 62(6), 712–725. <https://doi.org/10.1111/1540-6210.00253>
- Mackenzie, K. D. (2008). The performance appraisal system for organizational effectiveness. *Journal of Organizational Psychology*, 8(2), 10–21.

- Nyaoga, R. B. (2010). The effectiveness of performance appraisal systems in private universities in Kenya (Doctoral dissertation, Maseno University).
- Robinson, D., & Fink, R. (2009). Performance appraisal: The last chance? *HR Magazine*, 54(1), 76–80.
- Walsh, J. P. (2003). Perceived fairness and satisfaction with performance appraisal: A study of employee reactions. *Journal of Business and Psychology*, 17(3), 323–342.
- Yang, F. (2008). Individual performance and reward systems: A study of HR practices in modern firms. *International Journal of Human Resource Management*, 19(4), 741–755.
- Zhang, Y., Zheng, Y., & Li, H. (2012). Performance appraisal process and organizational citizenship behavior. *Journal of Business Ethics*, 106(2), 203–212. <https://doi.org/10.1007/s10551-011-0993-1>