

A Study on Impact of Performance Appraisal on Staff Productivity

Dr. Updesh Khinda¹, Dr Gagandeep Kaur Dhanju², Ms. Manpreet Rattu³, Ms. Mouli⁴

¹Associate Professor at CT Group of Institutions, Shahpur, Jalandhar

²Associate Professor at Innocent Hearts Group of Institutions, Jalandhar

³Assistant Professor at Innocent Hearts Group of Institutions, Jalandhar

⁴Student of BBA at CT Group of Institutions, Shahpur, Jalandhar

Abstract - Productivity implies both concerns for effectiveness and efficiency. Employee productivity can be defined as the degree to which an employee of an organization contributes to achieving the goals of the organization. Performance Appraisal is thus a structured way of determine the relative worth of potential of an employee while performing his task. Performance appraisal helps in determining those who are performing their assigned tasks well and those who are not and the reasons for such performance. When there's a good appraisal system, those employees who contribute more will be effectively rewarded and they are likely to be promoted into positions of greater responsibility. Therefore, for any appraisal system to work effectively, the employees must understand it, feel it is fair and, must be work-oriented enough to care about the results. A good opportunity is offered by performance appraisal to properly recognize contributions and achievements of the employee to the organization. If an appealing incentive is attached to the performance appraisal employees will be enthusiastic to show higher productivity. Therefore, the significance of this research is to discover the role that performance appraisal has played to enhance employee's productivity. The main objective of this research study is to examine the relationship between performance appraisal and employees' productivity. The study is very descriptive and explanatory. The data is collected through primary and secondary sources. A questionnaire was used to collect data from the population through convenience sampling. The questionnaire included the open and close-ended form of questions. The population of the study was 60. Data has been interpreted through pie charts and bar graphs. Data analysis has been done through MS Excel. The acquired findings indicate that the level of performance appraisal awareness is relatively high among the employees and an effective performance appraisal system has a significant impact on employee's productivity.

Keywords: Performance appraisal, Productivity.

INTRODUCTION

The performance appraisal is defined as the process of evaluating performance of the employee by way of comparing present performance with established standards that have been already communicated to employees, eventually providing feedback to the employees regarding their performance levels so as to upgrade the performance as required by the organization.

WHAT IS PERFORMANCE?

What does the term performance mean? Employees perform well when they are most productive. Productivity means both concerns for the effectiveness and the efficiency, effectiveness means goal accomplishment. Although, it does not speak about the costs suffered to reach the goal. That is where efficiency comes in. Efficiency determine the ratio of inputs consumed to outputs achieved. The greater will be the efficiency, if the output is greater.

WHAT IS APPRAISAL?

Appraisals are discernment of the characteristics, traits, and performance of others. Based on such discernments we can assess the worth of others and determine what is good or bad. Performance appraisal is a structured evaluation of the employees by their supervisors. Employees also aspires to know their position in the organization. Appraisals are very important for making administrative decisions like: selection, training, promotion, transfer, wage and

salary administration, etc. Besides they aid in personnel research.

PERFORMANCE APPRAISAL PROCESS

1. Establishing performance standards

The first step of performance appraisal is the setting up of the standards which are going to be used as the base to compare the actual performance of the employees.

2. Communicating the standards

Once the standards are set, it is the liability of the management to convey the standards to all the employees of the organization. The standards should be clearly understood by the employees.

3. Measuring the actual performance

Measuring the actual performance of the employees is the most difficult part of this process. It is a continuous process which involves monitoring the performance of the employees throughout the year.

4. Comparing actual performance with desired performance

The actual performance is then compared with the standard performance. This comparison tells the supervisor about the variation in the performance of the employees from the set standards.

5. Discussing results [Feedback]

The result is conveyed and discussed with the employees on one-to-one basis after the performance appraisal assessment. The focus of this phase is on the communication and listening. The outcome, the issues and the possible solutions are discussed with the aim of solving the problem and reaching accord.

6. Decision-making

The purpose of performance appraisal assessment is making decisions about the employees without any biasness by the HR manager. Decisions related to rewards, promotions, demotions, transfers and dismissal of employees are depended upon the employee performance appraisal assessment.

EMPLOYEE PRODUCTIVITY AND PERFORMANCE APPRAISAL SYSTEM

The success of an organization often depends on its employees. If employees are highly motivated to thrive and are productive in the given tasks, the company has a better chance of fulfilling its aim. Managers are required to provide positive feedback to

their employees about their performance so that they get to know where they are standing and which areas they need to work on. Performance appraisals systems have many positive effects on the employees and the entire business.

• Gaining Clarity on Role and Job Description

One of the major advantages of conducting regular performance appraisals is that it helps the employees in understanding their roles more distinctly.

• Understanding Goals and Targets

During the process of performance appraisal, the manager communicates the targets the employee is responsible for completing and why it is required. Employees are more likely to take ownership of their objectives and work hard to meet them, when they understand how their roles fit into the company.

• Increasing Merit-Based Compensation

Employees become motivated and driven to meet their goals when they know there is an opportunity that they will be rewarded for their performance. In addition to increasing motivation, merit-based compensation helps the employees feel valued by the company.

• Boosting Company Morale

Performance appraisals is a way to help employees understand what are their weaknesses and where they can make improve themselves. It's also a way to remind employees in which areas they are shining. Managers can use the appraisals to improve the company morale, by highlighting the milestones the employee has hit, where they have excelled, and the accolades employees' have earned.

• Preventing Long-Term Problems

Performance appraisals help businesses diminish problems before they become overly troublesome. For instance, if the employee is not able to meet his targets, a midcourse performance appraisal is a good chance to figure out why. Possibly, they lack the training required to do the job or resources might be lacking or budget might be short. It is also possible that the employee lacks motivation and initiative. Nevertheless of the issue, ability to address the problem before it negatively affect the business is the key.

• Continuing Employee Development

While a performance appraisal determines an employee's present position, it also helps in evaluating the next steps in the employee's career journey. Sometimes, the results of the appraisals may show that

the employee is prepared to get promotion or taking on more responsibility. The business can also provide the training & development and continuing education the employee needs to meet their professional goals.

- Effects of Performance Management on Employee Productivity

All inclusive, performance appraisals help employees work orderly. Businesses can increase their productivity, providing encouraging feedback and offering competitive rewards by creating evaluation systems and using them on a regular basis. The key is to hold performance appraisals often and make them part of the company culture. Employees should get a chance to say in their evaluation process and provide feedback to the company. Using employees' perception can help the company to build very effective and productive processes and systems.

REVIEW OF LITERATURE

Iqbal et al (2013) conducted a study on "Impact of performance appraisal on employee's performance involving the Moderating Role of Motivation" in which it is founded that the main aim of an appraisal system must be to improve the performance of the employee that will lead to the organizational success. The appraisal system must deeply observe the employees and recall that the employees are the most crucial resource. The appraisal system should contribute to motivate all the employees first.

Mahajan, S. & Raheja, S. (2014) conducted a study on "Examine Relationship between Employees Satisfaction on Performance Appraisal System with Fairness of the System" in which it was concluded that Performance Appraisal System is one of the critical component of the job satisfaction. So the satisfaction from Performance Appraisal System is very important. Employees will be satisfied with the System, if the system is unbiased, free from errors and they are getting proper output according to their performance which means satisfaction depends on the fairness of the appraisal system. If the appraisal system is fair and the employees are satisfied with their appraisal system then they are also satisfied with their job which results in decrease in employee attrition.

Bagul, D.B., (2014) conducted a study and a Research Paper on "Study Of Employee's Performance Appraisal System" in which he concluded that companies must adopt the 360 Degree appraisal

system which is one of the methods of performance appraisal which is a cyclic, multi-sourced and multi-rated system of gathering information from colleagues, subordinates and customers, about the employee's performance. Companies must diminish the parameters of appraisals, else, it becomes a long and ponderous process for the appraiser. Performance appraisal forms must be short and simple. Better performance must be acknowledged so that the employee feels motivated and happy. Also problems and weaknesses must be communicated to the employees so that they can work on their weaknesses and perform better the next time.

Ziyaminyana, N. & Pwaka, O. (2019) conducted a study on "An Investigation into the Impact of Performance Management Systems on Employee Productivity: The Case Study of Information and Communication Technologies (ICT) Companies in Harare, Zimbabwe" during which it had been found that number of employees actually feels performance appraisal is vital in improving productivity levels. Thus, an effective appraisal can lead to an improvement in motivation among employees and performance of the employees, eventually leading to attaining or exceeding specified performance targets. Daniel, C.O. & Ibrahim, A.U. (2019) conducted a study on "Influence of Performance Appraisal Management on Employee's Productivity" in which it was concluded that there is a significant relationship between the performance appraisal and employee productivity. In addition, feedback definitely has a positive impact on the productivity of the employee.

STATEMENT OF THE PROBLEM

Performance appraisal offers an honest opportunity to properly recognize employee's contributions and achievements to the organization, and to form sure that a robust relationship is established and maintained between reward and productivity. It is essential for a business as it helps in creating an environment which allows an open communication and also helps in simplifying goals and expectations. It helps brings about progressive feedback and proper counsel so as to enhance employee productivity.

The contradictory effect of lacking performance appraisal is generally low productivity. When performance appraisal isn't practiced in a corporation, it brings about low job performance among the staff.

Even though the labor union points out that it is good (in terms of increase in productivity) to know about employee’s personal lives and also ask about their wellbeing, it could sometimes impact negatively on the performance appraisal and therefore the management because they might be forced to extend salary or promote workers on seniority basis. The main aim of an organization is to achieve its set goals successfully. These goals won’t be attained if employee’s effort or performance is ignored. It is vital to specialise in performance appraisal in order that the organizational goals are often achieved successfully. Employees are going to be enabled and enthusiastic to point out higher productivity if an appealing incentive is attached to the performance appraisal. Appealing appraisal structures are found out by some organizations so as to assist in motivating them and work effectively to realize rewards and recognition. Any organization begins to ascertain high productivity when employees are motivated. Therefore, the need of this research is to discover the role that performance appraisal has played to enhance employee’s productivity.

OBJECTIVE OF THE STUDY

The main objective of this research study is to examine the relationship of performance appraisal and employees’ productivity. Other specific objectives are to:

- ✓ This study seeks to examine if training is provided after performance appraisal assessment.

- ✓ To find out if an effective performance appraisal system boosts morale, productivity and job satisfaction of an employee.

RESEARCH METHODOLOGY

This study appears to be very descriptive and explanatory in nature. A questionnaire was used to collect data from the population through convenience sampling. The questionnaire included open and close ended form of questions. The population of the study was 60. The 5-point Likert scale was also used for the responses: strongly agree, agree, disagree and strongly disagree with the value of 5,4,3,2 and 1 that respectively corresponds to them. Data analysis has been done through MS Excel.

DATA COLLECTION TECHNIQUE

Primary data - Primary data is the data which is collected from first-hand experience. It is not used in past. I have used structured questionnaire for the topic under study. A questionnaire is a set of questions, either open-ended or closed-ended.

Secondary data - Secondary data is the data that has been used in the past. I have used only external sources of secondary data which includes journals & internet

LIMITATIONS OF THE STUDY

- ✓ The result generated from the questionnaire is done on the assumption that the respondents have revealed true information.
- ✓ My study is confined to sample size of 60 only.

STATISTICAL RESULTS AND DISCUSSION

| Demographic Factor | Particulars | Frequency | Percentage |
|--------------------|-------------|-----------|------------|
| Gender | Male | 28 | 47% |
| | Female | 32 | 53% |
| Total | | 60 | 100% |
| Age | 18 – 24 | 22 | 37% |
| | 25 – 34 | 14 | 23% |
| | 35 – 44 | 16 | 27% |
| | 45 – 54 | 6 | 10% |
| | 55 – 64 | 2 | 3% |
| | 64 Above | Nil | Nil |
| Total | | 60 | 100% |
| Education | High School | 6 | 10% |

| | | | |
|-------|---------------|----|------|
| | Diploma | 0 | 0% |
| | Graduate | 20 | 33% |
| | Post Graduate | 32 | 54% |
| | Doctorate | 2 | 3% |
| Total | | 60 | 100% |

Table 1 : Demographic profile

Research Question 1 : Do you believe that an effective appraisal system increases your productivity?

| Do you believe that an effective appraisal system increases your productivity? | Frequency | Percentage |
|--|-----------|------------|
| Yes | 44 | 74% |
| No | 2 | 3% |
| Maybe | 14 | 23% |
| Total | 60 | 100% |

Table 2 : Do you believe that an effective appraisal system increases your productivity

As shown in table 2, 74% respondents believed that an effective appraisal system increases their productivity, 3% said appraisal system does not increases their productivity while 23% believed they are not sure if an effective appraisal system increases their productivity.

Research Question 2 : What motivates you to enhance your productivity?

| What motivates you to enhance your productivity? | Frequency | Percentage |
|--|-----------|------------|
| Salary hike | 24 | 40% |
| Appreciation | 12 | 20% |
| Promotion | 16 | 27% |
| Rewards | 8 | 13% |
| Total | 60 | 100% |

Table 3 : What motivates you to enhance your productivity?

As we can see from Table 3, 40% respondents believed that hike in salary motivates them to enhance their productivity, 20% respondents said appreciation motivates them to enhance their productivity, 27% believed promotion motivates them to enhance their productivity while 13% said rewards motivates them to enhance their productivity.

Research Question 3-5 : Strongly Disagree – 1, Disagree – 2, Neutral – 3, Agree – 4, Strongly Agree – 5 :-

| S. no. | Question | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Total |
|--------|---|-------------------|------------|-------------|-------------|----------------|--------------|
| 1. | Do you agree performance appraisal improves motivation and job satisfaction? | 10 (17%) | 2 (3%) | 8 (13%) | 30 (50%) | 10 (17%) | 60 (100%) |
| 2. | An effective performance appraisal system increases your morale. | 10 (17%) | 4 (7%) | 12 (20%) | 34 (57%) | 0 (0) | 60 (100%) |
| 3. | There is sufficient training provided after performance appraisal assessment. | 8 (13%) | 6 (10%) | 22 (37%) | 18 (30%) | 6 (10%) | 60 (100%) |

Table 4 : Sentiments or attitude of employees on the basis of 3 Likert items

From the Table 4, we can say that employees have neutral attitude towards the performance appraisal system that improves motivation and job satisfaction. Respondents feel neutral that performance appraisal system increases their morale. They have also a neutral feeling on the statement that there is sufficient training provided after performance appraisal assessment.

The research study focuses mainly on the impact of performance appraisal on employee’s productivity. Precisely, the study shows the level of awareness of existence of performance appraisal, measures the

impact of performance appraisal on employee’s productivity and lastly, the attitudes of employees towards the performance appraisal system. The acquired findings indicate that the level of performance appraisal awareness is relatively high among the employees and an effective performance appraisal system has significant impact on employee’s productivity.

✓ The research findings also show that performance appraisal system motivates the employees to

enhance their productivity, boosts job satisfaction and morale.

- ✓ The study also concludes that salary hike motivates the employees to boost up productivity levels.
- ✓ This study also shows that significant levels of training and development activities are also held after the performance appraisal assessment.

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