

**PERFORMANCE APPRAISAL SYSTEM AND ITS IMPACT ON EMPLOYEES****Dr.S.SRINIVASA RAO****Lecturer****Department of Management Studies****Sree Kasyap Degree College****Visakhapatnam****ABSTRACT**

*Performance appraisal is one of the most complex and controversial human resource techniques. In many organizations performance appraisal systems are used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions. Performance appraisal system is important to any organizational work performance; it determines the organization's success or failure. Employees are the most valuable and dynamic assets of an organization. For achieving the strategic objective of sustained and speedy growth, managing human resource has been featured as a vital requirement in all organizations. It is a challenge to monitor the entire cycle of defining the competence requirement of the business, accessing existing competence in the organization and bridging the gap between the two. HR practices are crucial for any organization. Every phase from recruitment to exit interview is under the HR department.*

**Keywords:** *Performance appraisal, Strategic Objective, HR practices, Employees Motivation, Probationary Employees.*

**INTRODUCTION:**

In the world of globalization there is lot of competition in the market also there is competition among different organization and same organization having similar product and also within the organization. The overall success of each and every organization is depending upon the quality of employees. How successful the organization will be told by the employees on the success of or growth of that company's employees. Human beings are considered as an important asset of every organization. It is a duty of every organization to motivate the employees and influence the behavior of the employees through performance appraisal system.

The process of performance appraisal helps the employee and the management to know the level of employee's performance compared to the standard/predetermined level. Performance Appraisal is essential to understand the employee's performance through HRD. In fact, performance appraisal is the basis for HRD. It was viewed that performance appraisal was useful to decade upon employee promotion/transfer, salary determination and the like. But in the recent development, Performance appraisal indicates that the level of desired performance, level of actual performance and the gap

between these two. This gap should be bridge through human resources development techniques like training, and executive development, etc.

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

##### *1. Salary increase*

Performance appraisal plays a role in making decision about salary increase. Normally salary increase of an employee depends upon on how he is performing his job. There is continuousEvolution of his performance either formally or informally. This may disclose how well an employee is performing and how much he should be compensated by way of salary increase.

##### *2. Promotion*

Performance appraisal plays significant role where promotion is based on merit and seniority. Performance appraisal discloses how an employee is working in his present job and what his strong and weak points are. In the light of these, it can be decided whether he can be promoted to the next higher position.

##### *3. Training and Development*

Performance appraisal tries to identify the strengths and weakness of an employee on his present job. This information can be used for devising training and development programmes appropriate for overcoming weakness of employees.

##### *4. Feedback*

Performance appraisal provides feedback to employees about their performance. A person works better when he knows how he is working. This works in two ways, firstly, the person gets feedback about his performance. Secondly, when the person gets feedback about his performance, he can relate his work to the organizational objectives.

##### *5. Pressure on Employees*

Performance appraisal puts a sort of pressure on employees for better performance. If the employees are conscious that they are being appraised in respect of certain factors and their future largely depends on such appraisal.

##### *6 .Others*

- a) Identifying systemic factors that are barriers to, or facilitators of, effective performance.
  - b) To confirm the services of probationary employees upon their completing the probationary period satisfactorily.
- Role Of Performance Appraisal System on Employees Motivation.

- c) To improve communication. Performance appraisal provides a format for dialogue between the superior and the subordinate, and improves understanding of personal goals and concerns. This can also have the effect of increasing the trust between the rater and the rate.
- d) To determine whether HR programmes such as selection, training and transfer have been effective or not.

## LITERATURE REVIEW:

### 2.1 Performance appraisal

Performance appraisal is one of the important practices of human resource management which was started early in 1813 in United states of America hence there is increasing interest in and uses of performance appraisal system in the last three decades stated by Murphy and Cleveland, (1995).In spite of this success, many organizations still struggling to make and implement effective performance appraisal system. All the thought given to process ,many of flaws still willful (wise and Buckley ,1998).Performance management is a bigger picture in which performance appraisal is located (piggot'Irvine ,2003),performance management focuses on providing a framework for guiding employee performance towards achieving organizational goals(Torrington et ,2002).Performance management is therefore anxious with improving the performance of teams and individuals to ensuring the optimal environment is available for their employees to enhance their performance (Armstrong ,2003).

Performance appraisal generally means the annual interview between the manger and employee to discuss the individual's job performance during the previous 12 months, the result of action plans to encourage enhanced performance (Wilson and western, 2001).

According to Fletcher (2004), performance appraisal provides a prospect for a manger and for subordinates to discuss the previous performance work on agreed objectives and standards to reach an agreement on how the appraisee can enhance job performance.

Performance appraisal is spread in organizations since 1960s for employee evaluation, for organization planning purposes, and it is becoming the important element for maximizing the effectiveness of all part of the organization, from management staffing and development to production and customer services (Creamer and jonosik, 2000).It was used before in this century by larger organization mostly for the administrative purposes (peter and Liang, 2007).

According to Angelo S. DeNisi and Robert D. Pritchard (2006) "Performance appraisal" is a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process. Furthermore, it is an evaluation process, in that quantitative scores are often assigned based on the judged level of the employee's job performance on the dimensions or criteria used, and the scores are shared with the employee being evaluated.

### **2.2 .1 Benefits of performance appraisal to employee**

Generally, performance appraisals serve an important purpose in the management of workforce and in achieving the organizational objective. From employee perspective, performance appraisal give direction to employee that what exactly their way of required to do the job, also to motivate them to achieve their target and help them to improve their work performance. According to Brown and Heywood, (2005) performance appraisal is formalized way of monitoring the work force and it is proposed to be a management tool to enhance the performance and productivity of an employee. Performance appraisal also improves the commitment of employee (Brown and Benson.2003).The Organization needs an appraisal system in order to put their managers in charge of relation to the performance of organization because when employees are given their job responsibilities and duties, then they are liable for these responsibilities.

Also Fletcher (2004) suggested that performance appraisal provide a platform for employees to look forward their tough goals and objectives, which leads them in successful completion of their job. The positive feedback received from the mangers in appraisal interview will motivate employees in improving their performance likely. Martin and Jackson, (2000) appraisal is also a method of enhancing employee training and development as it provide information about the strength and weaknesses in performance, which create a debate how to improve the performance of employee. In the end it helps the employees to understand their overall contribution in achieving organization goals (Martin and Jackson, 2000).

### **2.2 .2 Benefits of Performance appraisal to organization**

In most of the organization performance appraisal are used to take meaningful decision regarding salary increases, promotion and transfer. Performance appraisal is also the known to be best for the training and consultation of individual employees by their superiors to improve job performance (Wan D et al 2002, Sels L 2003: Singh K, 2004).The performance related pay processes

can also be used in integration with appraisal system. There are many ways by which organization will enhance the performance of their employees. They use performance based compensation to give rewards on successful completion on specific organization goals and objectives. Further, research has given evidence that compensation to employees help in improving their performance (Gomez-Mejia & wellbourn,1988,Milkovich & Boudreau 1998). Another system is the bonus system which can also be used for motivating employees to work towards their achievement of the company (Pfeffer 1994).Empirical studies done and found that there is a positive relationship between performance-related pay and overall company performance.

### **2.3.3 Performance appraisal to organization**

Grint (1993) argues that due to the subjectivity of performance appraisal is not giving the positive expected result to organization and is unlikely to assist objective appraisals. He indicates that performance appraisal is not as much acceptable to line managers as it is acceptable to human resource managers. However he admits that performance appraisal still play important role in organization.

In spite of the criticism, Fletcher (2004), Murphy and Cleveland (1995) argue that performance appraisal is important for improvement performance in organization and Simmons (2002) say again that nobody give reasonable alternative for appraising performance.Fletcher (2004), Murphy and Cleveland (1995) suggest that the process that is followed in design and implementation of such a system prohibits effectiveness rather than only performance appraisal is not responsible. Fletcher (2004) further argues that organization spends proper money, time and willing to spend effort can be achieved successful performance appraisal system. He also acknowledges though that if organization has an effective performance appraisal system they still have to monitor continuously that system to make sure that it compels all needs of its stakeholders.

### **CONCLUSION:**

Performance appraisal is an important part of an organisation but the performance appraisal process is incomplete without the feedback given to the employee about his appraisal and his performance. The employee training and development programs, target based appraisal, performance related pay for employees, feedback of the employees all these to improve their performance. The appraisal system which is made on the aim to improve the employee performance has positive effect on employee's performance. Business environment condition affect on organization overall

performance and employee performance as well. In addition it is concluded that the performance appraisal play key role in any organization success.

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