



## Analysis of Performance Appraisal techniques – A study with respect to the Industrial Firms

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### ABSTRACT:

*Performance assessment is a method for evaluating an employee's behaviour on the work, often including both quantitative and qualitative aspects of job performance. Performance is the extent to which a position's obligations are met. It concerns an employee's ability to satisfy job obligations. The research intends to grasp the employee appraisal variables existing in the manufacturing industry and to examine the workers' perspectives on various employee evaluation approaches. The technique of convenience sampling is used to choose samples. A total of 124 workers from several manufacturing industries were interviewed for this research. The research employs statistical methods such as simple percentage, weighted average score analysis, and Chi-square analysis. The majority of employers prefer to do employee appraisals once a year, according to the study's results. The majority of evaluations are based on a measure of performance. Appraisals based on behavioural characteristics or evaluations based on results are scarce. The majority of respondents judged the performance-based evaluation system to be reasonable. The majority of workers chose monetary rewards above non-monetary benefits via appraisal. Observing a substantial association between gender and performance assessment system suggests a degree of gender discrepancy in employee evaluation which needs to be probed further.*

**KEYWORDS:** *Performance appraisal, appraisal techniques, manufacturing sector, employee appraisal, performance review*

### 1.0 INTRODUCTION:

Performance appraisal is a process for assessing the conduct of people on the job, often including both quantitative and qualitative elements of job performance. Performance is the degree to which a job's responsibilities are accomplished. It involves how successfully an employee is meeting work requirements. Performance appraisal can be defined as a systematic formal interaction between an employee and supervisor, typically in the form of an annual or semi-annual interview, during which the subordinate's work performance is examined and discussed with the objective of determining strength and weaknesses as well as opportunities for improvement and skill development. (Fombrun & Laud, 1983) Performance must be examined periodically to determine if a person is deserving of ongoing employment and, if so, whether he/she should earn a raise, a bonus, or a promotion.

Management by objectives (MBO) is an evaluation process in which managers and workers jointly establish, plan, arrange, and communicate the goals to be focused on during a particular appraisal period. (Islami et al., 2018) Managers and subordinates regularly discuss the progress achieved in controlling and debating the possibility of accomplishing the established targets. 360-degree feedback is a method for evaluating an employee's performance that considers feedback from the employee's managers, peers, customers, and direct reports, among others. This strategy will not only remove prejudice from performance evaluations, but it will also provide a clear picture of an individual's competency. (Kuzulu & Iyem, 2016)

The assessment centre technique provides workers with a clear understanding of how others see them and how this affects their performance. The primary benefit of this approach is that it not only



evaluates an individual's current performance, but also predicts future work success. (Garavan, 2007) In a performance evaluation, behaviourally anchored rating scales (BARS) provide both qualitative and quantitative advantages. Psychological appraisals come in handy to determine the hidden potential of employees. (Spangenberg et al., 1989) This method focuses on analysing an employee's future performance rather than their past work. These evaluations are used to evaluate seven important aspects of an employee's performance, including interpersonal skills, cognitive abilities, intellectual qualities, leadership ability, personal qualities, emotional management, and other relevant talents.

The human resource (cost) accounting technique evaluates an employee's performance based on the monetary advantages he or she generates for the organisation. It is determined by comparing the expense of maintaining an employee (cost to the firm) with the monetary rewards (contributions) gained from that person (K S, 2015). Performance appraisals are an organization-wide examination of an employee's performance. For a firm that puts people first, employee happiness is always the first priority, and studies have shown that this is largely reliant on the company's performance rating system. The management is interested in the employee's perspective on the quality and length of performance evaluation criteria and indicators. This research is to investigate the efficacy of performance evaluation systems. Performance appraisal has increasingly become part of a more strategic approach to integrating HR activities and business policies and may now be viewed as a generic term encompassing a variety of activities through which organisations seek to evaluate and develop the competence of their employees, improve their performance, and distribute rewards.

### 1.1 OBJECTIVES OF THE STUDY:

The undertaken study has been carried out with the following objectives in mind

1. To comprehend the employee appraisal factors, present in the manufacturing sector
2. To analyse the perspective of employees on different employee appraisal techniques
3. To examine the correlation between demographic factors and employee appraisal systems in the manufacturing sector

### 2.0 REVIEW OF LITERATURE:

*Homauni et al., (2021)* aimed to examine the effectiveness of the current performance appraisal system of employees at Tehran University of Medical Sciences (TUMS) from the perspective of employees. The existing evaluation mechanism is ineffective, based on the outcomes. Therefore, it is vital to make immediate adjustments. The absence of active engagement by workers and management in the performance evaluation development process, and the resulting low incentive to enhance performance, seems to be a chronic difficulty. Decentralizing assessment procedures to give managers and supervisors more control and to empower managers might be a desired approach.

*Al-Habsi & Madbouly, (2021)* tried to identify the impacts and outcomes of employee appraisal system on both employees and institutions for the Omani public and private organizations. Employers in both Omani governmental and private organizations have been surveyed as part of the quantitative research methodology. Employees at Omani private and public sector firms were surveyed. The data was analyzed using version 25.0 of SPSS. The analysis revealed that the performance evaluation methods established at their institutions were very successful in fostering the professional growth of individuals and achieving organizational goals.

*Neher & Maley, (2019)* investigate the influence of managerial values in enhancing the efficacy of employee performance management (EPM). Relating EPM standards to management principles and the corresponding maturity model, conceptual research has been conducted. A comprehensive assessment of the EPM and values literature revealed useful and influential publications. Despite the abundance of literature on EPM, the process is plagued by recurrent issues, notably with the manager's



motivation to adopt EPM effectively and its ensuing success. Therefore, a grounded values framework for management is provided.

*Np et al., (2020)* states that managing human resources in today's dynamic surroundings is turning into more and additional complicated additionally as vital. The organization's recognition of humans as significant resources has led to an improvement in worker retention, job security, etc. Performance evaluation is the phase in which management determines how successful it has been in hiring and placing employees. This article examined the numerous performance evaluation goals, methods, and tactics.

*Babagana et al., (2019)* imply that organizational fairness, organizational politics, and leadership style may all contribute to the EPA. Notwithstanding the evidence of study on these concerns, there is a dearth of research tying the influence of distributive justice to the Environmental Protection Agency (EPA). Moreover, comparable research conducted in the past have produced contradictory results. Consequently, our analysis argues that employee engagement moderates the link between distributive equality and the EPA.

### 3.0 RESEARCH METHODOLOGY:

The study follows a descriptive research design. The sampling technique adopted for our study is non-Probability sampling technique. Convenience sampling method is used for the selection of sample. A sample size of 124 employees from various manufacturing industries have been surveyed for the study. Statistical tools such as simple percentage, weighted average score analysis and Chi-square analysis are used for the study.

### 4.0 ANALYSIS AND INTERPRETATION:

#### 4.1 Demographics of the sample populace:

The sample of 124 respondents consists of 71.8% of the male respondents and 28.2% of the female respondents. Based on age, 28.2% of the respondents are 'Below 20 years' of age whereas 71.8% of the respondents are between '20 to 30 years' of age. Concerning marital status, 77.4% of the respondents are 'Married'. Regarding educational qualification, 1.6% of the respondents are educated in 'SSLC' level whereas 21.8% of the respondents are in 'HSC' level, 64.5% of the respondents are in 'Diploma' level and the remaining 12.1% of the respondents are in 'UG' level. Based on the department of work, 3.2% of the respondents are from 'HR' department whereas 2.4% of the respondents are from 'Finance' department, 21% of the respondents are from 'R & D' department and the remaining 73.4% of the respondents are from 'Production' department. 8.9% of the respondents have 'Up to 2 years' of work experience whereas 91.1% of the respondents have '2 to 6 years' of work experience.

#### 4.2 Analysis of appraisal related factors:

**Table1: Period of Appraisal**

Period of appraisal	No. Of respondents	Percent
Once a month	9	7.3
Once in 3 months	25	20.2
Once in 6 months	12	9.7
Once a year	78	62.9
Total	124	100.0

*Source: Primary Data*

#### Interpretation:



From the above table, it is clearly stated 7.3% of the respondents denoted the period of appraisal 'Once in a month' whereas 20.2% of the respondents indicated 'Once in 3 months', 9.7% of the respondents indicated 'Once in 6 Months' and the remaining 62.9% of the respondents indicated 'Once in a year'. The result inferred that majority 62.9% of the respondents indicated the period of appraisal 'Once in a year' only.

**Table 2**MOP degree appraisal is followed

MOP degree appraisal is followed in present company	No. of Respondents	Percent
Yes	90	72.6
No	34	27.4
Total	124	100.0

Source: primary data

**Interpretation:**

From the above table, it is clearly stated 72.6% of the respondents stated, 'Yes' whereas 27.4% of the respondents stated 'No'. The result inferred that majority 72.6% of the respondents stated that MOP degree appraisal is followed in present company.

**Table 3.**The performance appraisal system followed in the organization is rational and fair

The performance appraisal system followed in the organization is rational and fair	No. of Respondents	Percent
Strongly agree	23	18.5
Disagree	18	14.5
Agree	83	66.9
Total	124	100.0

Source: Primary Data

**Interpretation:**

From the above table, it is clearly stated 18.5% of the respondents are 'Strongly Agree' towards the performance appraisal system followed in the organization is rational and fair whereas 14.5% of the respondents stated 'Disagree' and the remaining 66.9% of the respondents stated 'Agree'. The result inferred that majority 66.9% of the respondents are 'Agree' towards the performance appraisal system followed in the organization is rational and fair.

**Table 4:** Level of rating towards various factors in the present company

Factors	Very Good	Good	Fair	Poor	Very Poor	Total	Weighted Average Score
Induction Training	68	27	29	0	0	535	4.31
Skill Training	26	38	60	0	0	462	3.73
Feedback	80	20	24	0	0	552	4.45



Communication regarding various policies	77	41	6	0	0	567	4.57
Monetary Rewards	87	24	13	0	0	570	4.60
Non-Monetary Rewards	26	38	60	0	0	462	3.73

Source: Primary Data

### Interpretation:

The weighted average score has been carried out in this study to know about the level of rating towards various factors in the present company. In the above table, '*Monetary Rewards*' has been ranked with the highest score of 4.60; '*Communication regarding various policies*' has been ranked second with the score of 4.57; '*Feedback*' has been ranked third with the score of 4.45, '*Induction Training*' has been ranked fourth with the score of 4.31 and finally '*Skill Training*' and '*Non-Monetary Rewards*' have been ranked last with the score of 3.73.

### 4.3 Hypothetical analysis:

#### A. Relationship between the gender and performance appraisal system is rational and fair

**Null Hypothesis  $H_0$**  : There is no significant relationship between the gender and performance appraisal system is rational and fair

**Table 5: Cross tabulation - gender and performance appraisal system is rational and fair**

Gender	Strongly agree	Disagree	Agree	Total
Male	13	15	61	89
Female	10	3	22	35
Total	23	18	83	124

Table Value for the Degree of freedom 2 at 0.05 significant level = 5.991

**Table 6: Chi-square calculation - gender and performance appraisal system is rational and fair**

Observed Frequency (O)	Expected Frequency (E)	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> / E
13	20.47	-7.47	55.80	2.73
15	16.02	-1.02	1.04	0.06
61	73.87	-12.87	165.64	2.24
10	8.05	1.95	3.80	0.47
3	6.30	-3.30	10.89	1.73
22	29.05	-7.05	49.70	1.71
<b>Calculated Chi-Square Value</b>				<b>8.94</b>

### INFERENCE:

From the above table, it is inferred that the calculated chi-square value 8.94 is greater than the chi-square table value 5.991. Hence the null hypothesis is rejected. The result shows that there is a significant relationship between the gender and performance appraisal system is rational and fair.



### B. Relationship between the age and period of appraisal

**Null Hypothesis  $H_0$ :** There is no significant relationship between the age and period of appraisal

**Table 7: Cross tabulation – age and period of appraisal**

Age	Once in a month	Once in 3 months	Once in 6 months	Once a year	Total
Up to 20 years	0	5	2	28	35
20-30 years	9	20	10	50	89
Total	9	25	12	78	124

Table Value for the Degree of freedom 3 at 0.05 significant level = 7.815

**Table 8: Chi-square calculation - age and period of appraisal**

Observed Frequency (O)	Expected Frequency (E)	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> / E
0	3.15	-3.15	9.92	3.15
5	8.75	-3.75	14.06	1.61
2	4.20	-2.20	4.84	1.15
28	27.30	0.70	0.49	0.02
9	8.01	0.99	0.98	0.12
20	22.25	-2.25	5.06	0.23
10	10.68	-0.68	0.46	0.04
50	69.42	-19.42	377.14	5.43
<b>Calculated Chi-Square Value</b>				6.32

### INFERENCE:

From the above table, it is inferred that the calculated chi-square value 6.32 is less than the chi-square table value 7.815. Hence the null hypothesis is accepted. The result shows that there is no significant relationship between the age and period of appraisal system.

### C. Relationship between the marital status and monetary rewards

**Null Hypothesis  $H_0$ :** There is no significant relationship between the marital status and monetary rewards

**Table 9: Cross tabulation – marital status and monetary rewards**

Marital Status	Very good	Good	Fair	Total
Married	67	19	10	96
Unmarried	20	5	3	28
Total	87	24	13	124

Table Value for the Degree of freedom 2 at 0.05 significant level = 5.991



**Table 10: Chi-square calculation - marital status and monetary rewards**

Observed Frequency (O)	Expected Frequency (E)	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> / E
67	83.52	-16.52	272.91	3.27
19	23.04	-4.04	16.32	0.71
10	12.48	-2.48	6.15	0.49
20	24.36	-4.36	19.01	0.78
5	6.72	-1.72	2.96	0.44
3	3.64	-0.64	0.41	0.11
<b>Calculated Chi-Square Value</b>				5.802

**INFERENCE:**

From the above table, it is inferred that the calculated chi-square value 5.802 is less than the chi-square table value 5.991. Hence the null hypothesis is accepted. The result shows that there is no significant relationship between the marital status and monetary rewards.

**5.0 DISCUSSION ON RESULTS:**

The findings of the study reveal that majority of the companies prefer to do employee appraisal only annually. Appraisals are mostly done based on a measure of performance. Behavioural aspects or result oriented appraisals are scarce. Most of the respondents considered the appraisal system followed to be rational as it is based on performance. Majority of the employees preferred monetary benefits through appraisal rather than non-monetary benefits. A significant correlation between gender and performance appraisal system was observed but there is no significant relationship between the age and period of appraisal system. Similarly, there is no significant relationship between the marital status and monetary rewards. This indicates a certain level of gender disparity in employee appraisal.

**6.0 CONCLUSION:**

Performance appraisals are key for employee improvement and achieving organizational goals as well as employee personal goals. The study surveyed 124 manufacturing company employees in Coimbatore to understand the state of employee appraisal systems in the manufacturing sector. Appraisals are mostly done annually and, in some cases, half-yearly. Monetary benefits are preferred highly by majority of the employees. Most companies approach appraisals from a performance perspective rather than considering behavioral aspects or results. It is suggested that the purpose of performance evaluation is to promote employee training and knowledge transformation, and it should also increase employee work satisfaction and self-development. The performance evaluation system should encourage workers and enhance their level of job performance. The performance evaluation should identify the employee's job-related strengths and weaknesses in order to facilitate greater employee performance. Enhance the strengths and diminish the weaknesses using the performance evaluation method. Performance evaluations provide an opportunity for individuals to develop their own abilities via training and frequent supervisor comments.

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