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## Effectiveness of Performance Appraisal: It's Impact on Employee Performance in Selected Company

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### ABSTRACT

*Globally, organizations whether service or manufacturing do everything possible to ensure that all employees are adequately committed to their specialized work in order to attain organizational goals (Mullins, 1996). It is noteworthy, that in Northern nations PA practice is done without the appraisers attaching themselves to the exercise unlike Southern countries where the exercise is said to be unproductive and affect organizational goals For every organization to constantly realized its set goals, it is important that PA or PS must become a regular exercise and must occupy central role/or function of the management. The unbiased practiced of PA will make all organisations to face keen competitions and challenges at local, national and international levels. That is, PA is must become a tool to measure the status of any organization across board.*

*Performance appraisal is a vital tool to measure the frameworks set by any organization to its employees. It is utilized*

*to track individual contribution and performance against organizational goals and to identify individual strengths and opportunities for future improvements and assessed whether organizational goals are achieved or serves as basis for the company's future planning and development .This study examined the status of the performance appraisal system of L&T Construction Company and its implication to employees performance. The respondents of this study were tenured employees. The purposive sampling technique was used in the selection of respondents. Quantitative and qualitative method of research was utilized in the gathering of data. Interviews, focus group discussion and survey questionnaires were the main instrument used in this study. The result of the study showed that the performance appraisal system of the company are in place, aligned with the vision and mission of the institution , and is accurate in terms of content and purpose. On the other hand, the results*

*reflected that the performance appraisal system of the company has brought about both positive and negative impact on the employees performance. Further, the respondents identified some major gaps in the implementation of the company's appraisal system: no appropriate rewards are given to best employees, appraisal system was not fully explained to employees, no feedback of results and employees do not participate in the formulation of evaluation tools. It is recommended that the company should revisit and redesign its appraisal system that is align to its vision and mission towards the attainment of its organizational goals.*

**Keywords:** : *Company Performance, Employee Efficiency, Employee Motivation, Employee Reward System,*

## **1. INTRODUCTION**

The success of any organization depends on the quality and characteristics of its employees. The employees become a significant factor in any organization since they are the heart of the company. Organizations simply cannot achieve their goals and objectives without them. However, it is a fact that any employee for that matter needs something to induce him

or to look forward to so that he is motivated to work at the best interest of the company.. This indeed was indicative of the more strategic approach to Human Resource Management (HRM) policies which sought to connect the aims of the organization to the performance of the individual. The organization's key aims, goals and objectives become an embedded part of the process in the performance management and communicated through the performance appraisal process. (Marchington and Wilkinson, 2005) Baron et al ( 2005) defend the performance appraisal is “ a more limited approach which involves managers making top-down assessment and rating the performance of their subordinates at an annual performance appraisal meeting” .Likewise, Chapman( 2009) said that Important changes relating to age discrimination in UK employment law became effective in October 2006, with implications for all types of appraisals and job performance and suitability assessment. Ensure training and materials for appraisals reflect current employment law. It's helpful to understand these recent laws also if you (young or old) are being appraised. The UK (consistent with Europe) Employment Equality (Age) Regulations 2006, effective from 1st October 2006, make it unlawful to

discriminate against anyone on the grounds of age. This has several implications for performance appraisals, documents used, and the training of people who conduct staff appraisals.

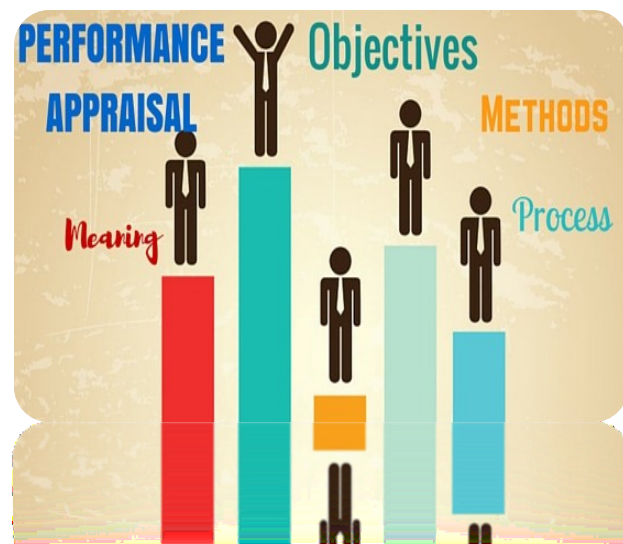
Armstrong( 2006) describe the role of the performance appraisal as a tool for looking forward to what need to be done by people in the organization in order to achieve the purpose of the job to meet new challenges .Better use of technology skills and attributes (Szilagy &Wallace 1990) in addition will develop both organizational and individual capabilities and reach agreement on areas where performance needs on the effectiveness of its employee generating information which influences many of the organizations decision.

Annual performance appraisals enable management gauge and monitor whether institutional standards, expectations and objectives, and delegation of responsibilities and tasks are achieved. Staff performance appraisals also establish individual training needs and enable organization to identify training needs analysis and planning. Normally, performance appraisal has been restricted to a feedback process between employees and supervisors. However, with the increased focus on teamwork, employee

development, and customer service, the emphasis has shifted to employee feedback from the full circle of sources depicted in the multiple-input approach to performance feedback is sometimes called “360-degree assessment” (McLean, VA, U.S., 1997)

Organizations usually have annual performance reviews with the supervisor providing comments on employee’s performance. However, leading Indian companies are adopting a very progressive approach to performance management by adopting a 360-degree approach or management by objectives (MBO). Wise ( 2005) also said that performance appraisal system helps an employee discover his strengths and weaknesses and would help him in decision making about his career choices.

Performance appraisal is one element of the



performance management process which involves different measurements throughout the organizations but it is the element which is important if organization is to take advantage of their most important asset employees and gain human capital advantage. There are other processes within the organizations such as technology and design but it is the human factor which is the most difficult to replicate and therefore the most valuable (Armstrong & Baron 2005) strategy implementation and delivery of the organizational strategic target is the best accomplished through high performance people (Michlitsch 2000) and it is the development of these people which performance appraisal seek to advance. This is not the only identified purpose for performance appraisal.

Ideal of the performance appraisal approach is that the desired outcome effectively enable the employee to meet their own performance targets to the organization meet their own performance targets through motivated self learning, also that they understand that this helps the organization meet and indeed exceed their strategic targets by linking individual performance targets to the overall strategic target of the organization. Performance management

process in which it was discovered that 65% of the organization surveyed used individual annual performance appraisal and 27 % twice yearly as highlighted by (CIPD survey, 2005)

The institutions need to evaluate programs performance to achieve justice and equality among employees / personnel / staff .In order to raise the enthusiasm and competition among employees and to uncover the talent for the future. (Mohamed Ahmed, 2007) The process of measuring and evaluating the performance of important processes carried out by human resources management, through the measurement and selection and appointment, or programs and policies for training, development and follow-up their human resources. (A. Wael Mohamed Jibril, 2009

The impact of the TQM (total quality management) principles to the process of evaluating the performance of workers: Total quality management aims to achieve customer satisfaction and therefore their degree of satisfaction can be judged is the standard by which the level of performance from this perspective appeared in multi-resident agencies, because clients are all employees, officials, and overseas customers and suppliers. Working together: as a team

leads to the assessment of individuals collectively, and not individually as it was in the traditional way. The system of performance appraisal in accordance with total quality management as the most effective and objective and fairer system of performance appraisal traditional, who had focused on a set of attributes, criteria that intangible, including the resident is a person tends to attribute more than others, the assessment will be biased and does not give accurate results. (Mohamed Ahmed, 2007)

Many organizations have adopted the Performance Appraisal Process as one of the main methods used for teachers development, hence, business performance improvement. A direct outcome of that massive adoption was the recognition and understanding of the dependency between accuracy, effectiveness, quality of the Performance Appraisal Process and organizational human resource development. Performance appraisal is very important within an organization that will help to evaluate the staff according to their tasks in order to ensure they conduct their job at a required standard which will effect on the compensation. In addition, it's significant to identify their skills, performance and to know there weakness and how to improve it

within the department target. The appraisal system should be up-to- date with the improvement of the company and to satisfy the company goals. In the appraisal system, mangers are conducting employee evaluation according to their work then forward to HR department to collect the performance rating and to decide the compensation package. Every organization may be it educational or non-educational have their own strategy on how to evaluate if their vision and mission is achieve or not. Likewise, annual evaluation is being conducted to evaluate employees performance so that continuous improvements must be effected in order to meet the demands of the changing environment.

## **2. OBJECTIVES OF THE STUDY:**

This study aimed to assess the performance appraisal system and its effect on the performance of employees of L&TConstruction Company. Specifically, the study attempted to determine the following:

- Status of the performance appraisal system of the in terms of : reliability

and validity, quality and effectiveness

- The impact of the performance appraisal system towards the performance of the respondents in terms of: commitment, skills and responsibilities.
- Gaps in the implementation of the appraisal system of the company.
- Recommendations proposed by the respondents to improve the appraisal system of the company.

### **3. RESEARCH METHOD**

This study is a qualitative and quantitative research which aimed to assess the status and impact of the Performance appraisal system on employees. The purposive sampling technique was utilized in the selection of 75 respondents. Focused group discussion was conducted to triangulate the result of the survey. The survey consisted of three parts: Part I focused on the assessment of the status of the performance appraisal system in terms of reliability and validity, quality and effectiveness of the tool. Part II dealt on the impact of the appraisal tool on the respondents' performance. The third part focused on the problems that the

respondents encountered in the implementation of the appraisal system.

#### **3.1 Statistical Treatment of Data**

The data gathered were coded, organized, and processed using the Statistical Package for the Social Sciences (SPSS). The Weighted Mean and Composite Mean were used for the assessment of the respondents in the status and the impact of the performance appraisal system of the universities upon the employees performance. Percentage was utilized to identify the major gaps that the respondents encountered in the implementation of the performance appraisal system.

### **4. RESULTS AND DISCUSSION**

#### **4.1.1 Reliability and validity of the appraisal system**

It is noted that performance appraisal system should bring a positive experience and contribute to the overall welfare of the organization. If done properly, it is a very effective tool to improve performance and productivity and for developing employees.

As gleaned from the table, the respondents affirmed that the performance appraisal system is aligned with the vision and mission of the institution ( 4.50 ), and the

appraisal system is accurate in terms of content and purpose ( 3.95 ). However, the respondents moderately agreed that the performance appraisal system is relevant and reliable ( 3.45), the result of the evaluation are not openly explained and discussed to the employee concerned ( 3.28 ) and conducts of evaluation are not honestly and fairly done ( 3.15 ).

Results of the study imply that the performance appraisal system of the company needs further review and revision so as to serve the main purpose of the evaluation. This is evidenced by the respondents claimed that the appraisal system is not reliable and valid and not honestly and fairly done. Armstrong ( 2006) stressed that appraisal system should clearly defined performance standards and regular discussion of performance and development of action plans as consequence of the appraisal should be done.

#### **4.1.2. Quality of the Performance Appraisal**

No evaluation system will achieve its objectives unless there is some consequences to the evaluation. It is of no value, just a waste of effort, time and money. It should serve as a standard to plan

promotions, empowerment, salary revisions and training and development. The success of every appraisal system depends on the key results of such tool. Good result is impossible without giving importance to employee value. Evaluation without appropriate action and results is useless it will only create more problems in the organization. Employee will always look forward to finishing a job with enthusiasm if they are given appropriate recognition or reward for doing a good job. People will be more creative and willing to extend a mile of their time and will always work at their best.

The findings of the study reflects that the objective of the appraisal tool is appropriate to the needs of the staffs and faculty ( 3.83) and the appraisal system is effective in encouraging teachers to work hard (3.78). However, the respondents disclosed that the appraisal of the company is not designed to motivate them as reflected in their responses ( 3.18 ). This indicates that the quality of the performance appraisal system of the company needs to be redesign that is appropriate and align to the vision and mission of the company.

#### **4.2.1 Effectiveness of the Appraisal System**

The effectiveness of any endeavor depends on how it is correctly done and implemented to serve the highest value of the organization as a whole. Perhaps the most crucial element of an effective performance appraisal system is employee development. While it is a fact that the appraisal system identifies the weakness of an employee, the employee development part of the overall performance appraisal system is utilized to identify the best way to bring improvement to success.

As reflected in the table, the respondent moderately agree that the appraisal system of the company is motivating to the employees ( 3.28) and is effective in encouraging employees to work hard ( 3.27). Results showed that the employees who got the highest rank are not given any rewards ( 3.12 ) that is why the employees are not satisfied with the way they are being evaluated and ranked (3.19) and employees don't take part in the formulation of the appraisal system.

The results imply that the employees are not convinced and happy about the implementation of the appraisal system of the company. It was clear that the appraisal system is not motivating hence not effective. It is indicative that the company should

revisit and redesign its performance appraisal policies and strategies in order to bring positive change in the organization. The company should realize that employee input is a vital element of an effective performance appraisal system. It is imperative to include the employees in the performance management process to ensure that the employees feel a sense of engagement in the process.

### **4.3 Impact of the Performance Appraisal System to the Respondent's Performance**

#### **4.3.1 Employees Commitment**

Committed employees feel a certain bond with the organisation, which, in the positive form, makes them more willing to perform. Is happiness the only way to determine whether or not an employee is committed to the company or job? In reality, there are numerous factors that influence how committed employees are to a company or organization. It has been confirmed that the more autonomy and responsibility that a job has, the less monotonous and dull that job also is and the more likely the worker is to enjoy and feel fulfilled by the work. Those individuals who feel motivated, challenged and satisfied in their jobs are much more



likely to be committed to a given work environment, company or organization.

Results showed that performance appraisal system of the company strongly affected the commitment of the respondents both positive and negative. Their loyalty is strongly affected ( 4.68) hence their initiative in doing their work (4.65). It follows that efficiency and effectiveness of the respondents are strongly affected( 4.58) as they claimed that their motivation in doing their work are affected ( 4.43) . Employees responses would reflect that its either they are willing to give an extra time in doing their job in the positive side or they are not willing to extend their time beyond their paid hours ( 4.50) since they are not given appropriate rewards in doing so.

The result of the study imply that the company needs to enhance its appraisal system most especially on the aspect of implementation. Since human resource plays the greater part in the success of the company, management should implement combination of incentives to enable employees work at the best interest of the company. In this way, good performance should be rewarded and poor performance should be discouraged

It should be realized that the main aim of any performance appraisal system is to improve staff performance and increase service quality. Initially, the focus of performance appraisal system was on the setting of objective and on the evaluation of results against goals. Nowadays, modern management realized that performance appraisal must embrace how people get things done as well as what gets done ( input and output) ( Armstrong and Baron 1998). This tends to change the focus of performance appraisal system completely, allowing it to implement a greater developmental dimension. Modern performance management recognizes that performance is a result of a combination of factors: systems, protocols, resources and human resource ( Edmonstone 1996) .

#### **4.3.1 Employees Skills**

In any organization, Employers hire new employees for specific skills and qualities in new workers in the hope of creating or maintaining an efficient, professional and productive workplace. Some of the most important employee skills in the office or workplace are often rooted in how people work and communicate with one another and how research and planning is done.

As revealed in the findings, the respondents' technical skills and their knowledge and understanding of their task are strongly affected ( 4.58), it also indicated that the employee leadership skills, productivity and output and their initiative in pursuing higher education are strongly affected ( 4.51). On the other hand, it reflected that the employees work skills ( 3.43) and expertise ( 3.65 ) are moderately affected. The results imply that the employees seems to be lack in expertise that might have been attributed to insufficient trainings relative to their tasks assignments. The result of the study is supported by the findings of Martineau ( 1999) who stated that the staff perceived that the greatest asset of performance management was its ability to highlight and act on staff development needs. Armstrong and Baron ( 2008) commented that nowadays most performance management systems had shifted emphasis towards continuous staff development and self evaluation.

Based on the result of the study, it is can be seen that while performance management can be a way to reward good performers, it is also vital that employee development is given emphasis. Employee training and development plays a major factor to enable

both employee and managers identify and act on employee development needs. This way employees knowledge and skills will be enhance and develop which is geared towards employee efficiency and excellent performance. Problems the problems encountered by the respondents in the implementation of the performance appraisal system. It is a fact that there is no perfect organization and the same way there is no perfect policy. There are always flaws that need to be change or enhance. There are always problems that are embedded in any system. However, identified problems might turn to be the strengths or opportunities of any company.

Majority of the respondents perceived major flaws in the implementation of the appraisal system of the company. As seen in the table, ninety eight (98) percent of the total respondents claimed that the appraisal system is not effective therefore the result of the evaluation is not reliable and valid , not relevant and accurate ( 92%). Eighty eight (88) percent claimed that results are discussed and explained to the employee concern which means that evaluation results are not discussed to all employee concern. Only eighty five (85) percent agree that performance standards are clearly explained.

It was also shown that the current appraisal system of the company have no appropriate action.

### **Suggestions from the Study**

The following are the recommendations from the survey

- Proper feedbacks should be done with proper documentation.
- Employees should be involved in the formulation of appraisal tool.
- Give appropriate rewards to employees who have shown an exemplary performance.
- Employees should be evaluated on the basis of the requirements of their job, their duties and responsibilities
- The assessment tool should measure the diversity function of the employees.
- Appraisal system must have a clear sense of direction.
- The evaluation of employees must have fair and respectful treatment.
- Provision of corrective mechanism is vital.

### **THE RESEARCHER'S INSIGHT ON THE SURVEY SUGGESTIONS**

The result of the study suggest that the company under study should revisit the

criteria set forth in their current appraisal system in order to address the gaps that were identified by the employees. Effective reward system is strongly recommended in order to motivate the employees to work in the best interest of the students and the institution as a whole. The result of the study implies that improvements of the appraisal system of the is needed company by giving motivational benefits to employees who have exhibited an exemplified performance in their work. Proper feedback should also be done to concerned employees so that they will be aware of their strengths and weaknesses for their improvements.

An appraisal system should have a clear sense of direction, honest and meaningful feedback. There should be immediate and honest reinforcement and it should give an opportunity for employees to participate in setting the goals and standards for performance. The aim of every appraisal system must be to allow for continuous communication between management and teachers about job performance and should be geared for the total improvement of the organization as a whole. It is important that the appraisal

system be consistent and that appraisal development needs across all results be assessed, analyzed and departments. reviewed to classify competencies and

**Table 3.1**

**Respondents perception on the status of the Performance Appraisal System**

<b>On Reliability and validity</b>	<b>Mean</b>	<b>Interpretation</b>
The result of the evaluation are openly explained and discussed to the employee concerned.	3.28	Moderately agree
The performance appraisal system is aligned with the vision and mission of the institution	4.50	Agree
The appraisal system is accurate in terms of content and purpose.	3.95	Agree
Conducts of evaluation are honestly and fairly done.	3.15	Moderately agree
The performance appraisal system relevant and reliable	3.45	Moderately Agree
<b>On Quality</b>		
The objective of the appraisal tool is appropriate to the needs of the staffs	3.83	Agree
The performance appraisal system is designed to motivate employees.	3.18	Moderately agree
The performance appraisal of the company is fair and objective.	3.50	Moderately Agree
The performance appraisal system recognize employee achievement and performance objectively.	3.78	Agree
<b>On Effectiveness</b>		
Those who got the highest rank are given appropriate rewards.	3.12	Moderately agree
The appraisal system of the company is motivating to the employees	3.28	Moderately agree
The employees are satisfied with the way they are being evaluated and ranked	3.19	Moderately agree
The appraisal system is effective in encouraging employees to work	3.27	Moderately Agree

hard.		
Employees take part in the formulation of the performance appraisal system.	3.18	Moderately agree

**Table 3.2**

**Impact of the performance appraisal as perceived by the Respondents**

ON COMMITMENT	Mean	Interpretation
My enthusiasm in performing my job	4.51	Strongly Affected
My efficiency and effectiveness.	4.58	Strongly Affected
My initiative in doing my work	4.65	Strongly Affected
My attitude towards assigned task	4.55	Strongly affected
My punctuality and attendance	4.46	Strongly Affected
My attitude towards doing my work beyond my time	4.50	Affected
My loyalty to the company	4.68	Strongly affected
My motivation in doing my work	4.43	Strongly affected

**Table 3.3**

**Problems in the implementation of performance appraisal system as perceived by the respondents**

Indicator	Rank	Percentage
The current appraisal rate the extra work of the employee does	6	78
The result of the evaluation is not reliable and valid	2	92
involve in the formulation of tool evaluation.	4	85
The appraisal system of the company is not relevant	2	92
The criteria of the appraisal system is not accurate	2	92
Reward system of the company is in place	5	80
The performance appraisal system is not effective	1	98
Employees rated according to the nature of their job and	5	80

are responsibilities		
The performance standards are clearly explained to the employees	4	85

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