

# Performance Appraisal System: A Predictor for Performance of Employees in Engineering Sector

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**Abstract** - Performance appraisal is good because it makes employees to work hard and fulfil their responsibilities hence, contribute to the overall performance of the organisation. But, unless performance appraisal is performed effectively, it may not help the organization to achieve the objectives of conducting it in the first place that is, to improve organisational performance. In the Engineering sector, Performance Appraisal is the systematic evaluation to understand the abilities of a person for growth and development through mapping the performances at jobs. For this study total 150 employees were selected to examine the existence of performance appraisal system in their organizations and the impact on their decisions for enhancement. The statistical tools correlation and regression were applied.

**Keywords:** performance appraisal system, decisions, organisational performance, targets and plans.

## I. INTRODUCTION

A Performance Appraisal is a review and discussion of an employee's performance of assigned duties and responsibilities. The appraisal is based on results obtained by the employee in his or her job, not on the employee's personality characteristics. According to Thomas F. Patterson, (1987) appraisal or performance review is a method by which the job performance of an employee is evaluated (generally in terms of quality, quantity, cost and time) typically by the corresponding manager or supervisor.

Performance appraisal is observed as a part of monitoring and managing career development opportunities for obtaining, analysing and recording information about the virtual value of an employee to the organisation. It can also be coined as an examination of an employee's accomplishments and catastrophes, strengths and weaknesses and aptness for promotion or further training for their professional development. The appraisal system measures skills and actions with judicious precision and consistency. It provides a mode of transformation to identify key areas for performance augmentation for professional growth. It should not however be considered the supervisor's only communication tool but this system is realistic in nature and provide practical exposure to employees with span for change.

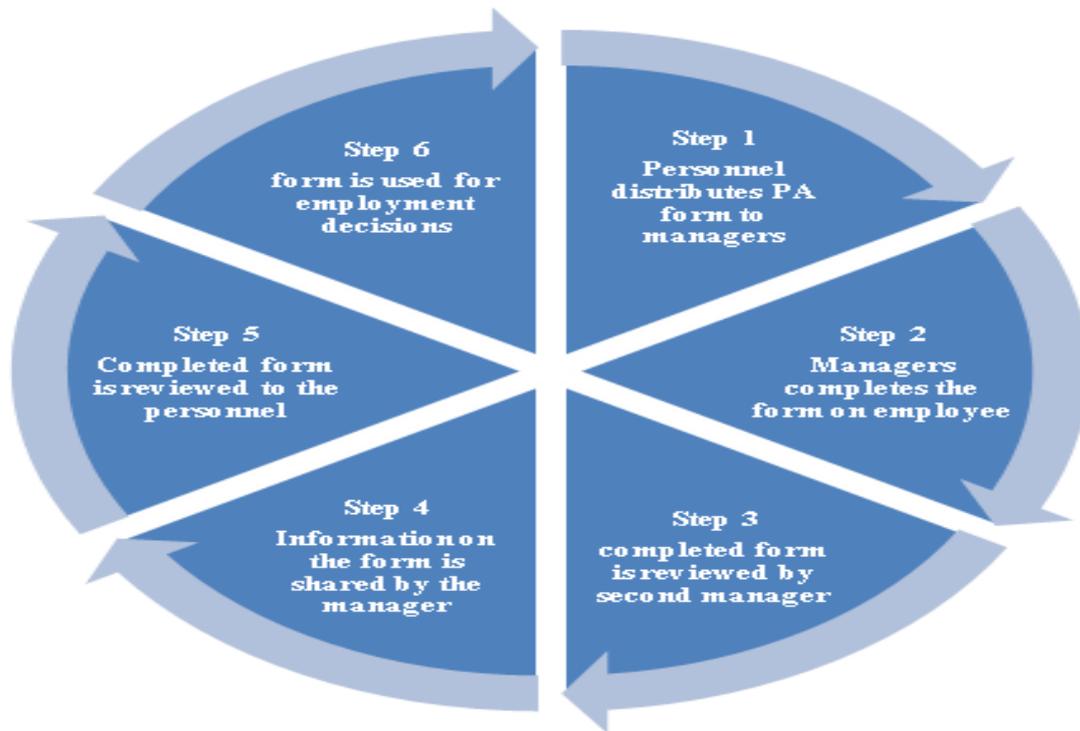
Furthermore, each employee is authorised to take seriously thoughtful and careful appraisal for their enhancement. The success of the system depends on the supervisor's willingness for constructive and objective appraisal and on the other hand employees also have to show their willingness to retort to constructive suggestions and to work as a team member with the concerning authorities to attain future goals. Secondly, appraisals serve as vehicle for personal and career development thereby to provide

feedback to employees. Appraisal system can help establish objectives for training programmes after the identification of developmental needs.

Also, appraisals can help diagnose organisational problems as a result of the specification of performance levels. They do so by identifying training needs and the knowledge, abilities, skills and other characteristics essential for training & development to consider in hiring as well as provide a basis for distinguishing between effective and ineffective performers. Appraisal therefore signifies the beginning of a process, rather than an end product.

Performance Appraisal is due to the method deployed in obtaining, analysing and recording information in relation to the individual that being assessed also recognised as systematic instrument. According to Balu V. (2006), Performance Appraisal is a personal function to be followed (illustrated in Diagram 1) in making it more useful and meaningful utilization of human and organizational resources.

Performance might be improved by paying attention on how a unit has improved on an accepted standard and the lessons learned may be applied with advantage to other units rather than directing the efforts to eliminate deviations from the plan. Checking performance is the third major management activity, which the financial planning and control function aims to assist in particular. It implies the existence of a bench mark against which actual results can be compared. The assessment of business performance is more complex and difficult, since it must deal with the effectiveness with which capital is employed, the efficiency and profitability of operations and the value and safety of various claims against the business. The performance appraisal programme enables the management to operate the control system of the business organization more effectively.



**Diagram 1:** The Performance Appraisal Scenario as an organizational event

In the Engineering sector, Performance Appraisal is the systematic evaluation to understand the abilities of a person for growth and development through mapping the performances at jobs. In this sector there are two ways for measuring the systematically as follows: a) The concerning authority measures the pay of employees and compare it with targets and plans. b) The concerning authority investigates the factors behind work performances of employees. c) The employers are in position to guide the employees for a better performance after critically evaluation.

## II. LITERATURE REVIEW

The study of Ochoti, Maronga, Muathe, Nyabwanga and Ronoh (2012) investigated the multifaceted factors influencing employee performance appraisal system in the Ministry of State for Provincial Administration, Nyamira District, Kenya. Results of the study showed that all the five factors: Implementation process, interpersonal relationships, rater accuracy, informational factors, and employee attitudes had a significant positive relationship with the performance appraisal system. It shows that performance appraisal system can be a good performance management tool if these factors are taken into consideration by appraises, appraisers and government policy makers

This study by Renganayaki N. (2013) attempts to evaluate the performance of the employees in G. B. Engineering Enterprises [P] Ltd. Thuvakudi, Trichy, Tamil Nadu, India. The findings concluded that performance appraisal formulating a suitable Training and development program

to improve the quality of performance, helps in job promotion serves as a feed back to the employee for evaluating the effectiveness of devices used for the selection and classification of workers. But the performance appraisal must be done carefully and cautiously. Otherwise, it may result in Halo or Horns effect, lenient effect etc.

The purpose of this study of Richa Nangia (2012) is to explore the impact of Human Resource Development (HRD) on employees' performance. The process of Liberalization-Privatization-Globalization that began in 1991 has drastically changed the business scenario of India Industry, and consequently the HR Management of Indian automobiles and engineering companies, specifically, Tata Motors. The objective of HRD is to maximize the efficiency and performance of the human resource improve for the performance of the organization.

Rohan Singh, R., Mohanty, M., & AK, M. (2010) have examined the relationship between PA and employee's performance in in service and manufacturing sector. The findings of this research indicated that there is an association exists between appraisal and performance of employees. Excellent PA practices leads enhancing employee performance. Furthermore, in today's working environment, the employee themselves wants to have the knowledge on how they fit their organisation

According to the study of Shinde Bauskar, A. Iyengar, V. & Joshi, D. (2016) performance appraisal (PA) is seen as a standard term covering a variety of activities through which organizations seek to assess employees and develop their competence, improve performance and share out rewards. It

is increasingly become part of a more strategic approach to integrating HR activities and business policies. It is the human tendency to judge everything and everyone around them for excel the performance to get success. This study aimed to adopt some new practical applications of Performance appraisal system & training in Automobile Industry. The present study focuses that good organizations share the outcome of the performance appraisal with its employees so that they can be ready to adopt measures to overcome it

**OBJECTIVES OF STUDY**

The primary objective of this study is to measure the relationship among the determinants of performance appraisal system in Engineering sector.

**HYPOTHESIS OF THE STUDY**

H<sub>0</sub><sub>1</sub>: Demographic wise there is no significant difference in the relationship among determinants of performance appraisal system.

H<sub>1</sub><sub>1</sub>: Demographic wise there is a significant difference in the relationship among determinants of performance appraisal system.

**III. RESEARCH METHODOLOGY**

In this study, survey research design is adopted. Survey research design was chosen because the sampled elements and the variables that are being studied are simply being observed as they are without making any attempt to control and manipulate them.

**Study Area:** In the study, the researcher has included 150 employees of Engineering sector in Indore, Dewas and Bhopal as the study area.

**Data Collection:** Primary Data collection was collected through Specific self-designed Questionnaire based on the 5-Point Likert Scale to measure the mean score of employees. Also, Secondary Data was procured from Internet Websites, Journals and E-Journals, Books / Magazines, Research Papers.

**Sampling Technique:**

For effective coverage lower cost purposive sampling technique was used to select the participating respondents.

**Sample Size:** 150 employees were selected from the above mentioned segments.

**Data Collection Instrument**

The questionnaire was developed into many parts in such a way as to reflect their perception towards the determinants of appraisal system as the researcher aimed to keep the parts of questionnaire similar in content in order to get a comprehensive view.

The results of the reliability analyses determined that the Cronbach’s  $\alpha$  values was 0.902 for questionnaire. Thus, it is

concluded that the questionnaire used in this study have high reliability.

**Data Analysis Tests:** T-Test was applied to measure the relationship among determinants of performance appraisal system and practices.

**IV. RESULTS & FINDINGS**

**Table 1. Gender-wise differences**

Determinants of PAS	Sig.
Setting Criteria	.017
Assigning Raters	.916
Seeking Appeals	.844
Gathering Information	.332
Absence of Political Goals	.631
Equity Decision Norm	.102
Administrative Decision	.899
Explaining and Justifying Decisions	.115

T-Test is significant at the 0.01 level (2-tailed).

For the factor of setting criteria, the p-value is significant at .017<.05, means that gender wise difference is observed in engineering sector in terms of setting criteria, the p-value is insignificant at .916>.05, means that gender wise no difference is observed in engineering sector in terms of assigning raters, the p-value is insignificant at .844>.05, means that gender wise no difference is observed in engineering sector in terms of seeking appeals, the p-value is insignificant at .332>.05, means that gender wise no difference is observed in engineering sector in terms of gathering information, the p-value is insignificant at .631>.05, means that gender wise no difference is observed in engineering sector in terms of absence of political goals, the p-value is insignificant at .102>.05, means that gender wise no difference is observed in engineering sector in terms of Equity Decision Norm, the p-value is insignificant at .899>.05, means that gender wise no difference is observed in engineering sector in terms of Administrative Decisions and the p-value is insignificant at .115>.05, means that gender wise no difference is observed in engineering sector in terms of Explaining and Justifying Decisions. The result indicated that there was no significant differences between male and female for the determinants of performance appraisal system and practices.

**Table 2. Marital-wise differences**

Determinants of PAS	Sig.
Setting Criteria	.059
Assigning Raters	.221
Seeking Appeals	.099
Gathering Information	.071
Absence of Political Goals	.082
Equity Decision Norm	.088
Administrative Decision	.355
Explaining and Justifying Decisions	.039

T-Test is significant at the 0.01 level (2-tailed).

For the factor of setting criteria, the p-value is significant at  $.059 < .05$ , means that marital wise difference is observed in engineering sector in terms of setting criteria, the p-value is insignificant at  $.221 > .05$ , means that marital wise no difference is observed in engineering sector in terms of assigning raters, the p-value is insignificant at  $.099 > .05$ , means that marital wise no difference is observed in engineering sector in terms of seeking appeals, the p-value is insignificant at  $.071 > .05$ , means that marital wise no difference is observed in engineering sector in terms of gathering information, the p-value is insignificant at  $.082 > .05$ , means that marital wise no difference is observed in engineering sector in terms of absence of political goals, the p-value is insignificant at  $.088 > .05$ , means that marital wise no difference is observed in engineering sector in terms of Equity Decision Norm, the p-value is insignificant at  $.355 > .05$ , means that marital wise no difference is observed in engineering sector in terms of Administrative Decisions and the p-value is significant at  $.039 < .05$ , means that marital wise difference is observed in engineering sector in terms of Explaining and Justifying Decisions. The result indicated that there was no significant differences observed between married and unmarried for the determinants of performance appraisal system and practices.

**Table 3. Qualification-wise differences**

Determinants of PAS	Sig.
Setting Criteria	.562
Assigning Raters	.346
Seeking Appeals	.215
Gathering Information	.162
Absence of Political Goals	.481
Equity Decision Norm	.871
Administrative Decision	.879
Explaining and Justifying Decisions	.911

T-Test is significant at the 0.01 level (2-tailed).

For the factor of setting criteria, the p-value is significant at  $.562 < .05$ , means that qualification wise difference is observed in engineering sector in terms of setting criteria, the p-value is insignificant at  $.346 > .05$ , means that qualification wise no difference is observed in engineering sector in terms of assigning raters, the p-value is insignificant at  $.215 > .05$ , means that qualification wise no difference is observed in engineering sector in terms of seeking appeals, the p-value is insignificant at  $.162 > .05$ , means that qualification wise no difference is observed in engineering sector in terms of gathering information, the p-value is insignificant at  $.481 > .05$ , means that qualification wise no difference is observed in engineering sector in terms of absence of political goals, the p-value is insignificant at  $.871 > .05$ , means that qualification wise no

difference is observed in engineering sector in terms of Equity Decision Norm, the p-value is insignificant at  $.879 > .05$ , means that qualification wise no difference is observed in engineering sector in terms of Administrative Decisions and the p-value is insignificant at  $.911 > .05$ , means that qualification wise no difference is observed in engineering sector in terms of Explaining and Justifying Decisions. The result indicated that there was no significant differences observed between graduates and postgraduates for the determinants of performance appraisal system and practices.

## V. CONCLUSION

The focus of this study is on the effectiveness of the Performance Appraisal system and practices in engineering industry. Performance Appraisals system is an domineering part of HRM systems within organisations. According to a study carried out by the Chartered Institute of Personnel Development (CIPD), 81.3% of organisations surveyed were resounding performance appraisal in their organisation effectively for their employees' growth and development. Performance Appraisal is known by helping employees to measure their performance, motivate employees and most commonly help to make HR related administrative decisions such as promotions and rewards in order to provide benefits to organizations.

This study aims to investigate the effectiveness of Performance Appraisals from the perception of the employees of engineering industry. The study was carried out in an engineering sector in Indore Division. The research applied a survey approach where developed scale of questionnaires were issued to gather data from the employees to measure their opinions towards performance appraisal system and how successful they feel it is. The researcher conducted the study to know the system of performance appraisal system and practices in engineering industry and also to examine the efficacy of this system and its impact on the employees and the organisation.

## VI. SUGGESTIONS

- ❖ The performance appraisal system should be fully integrated into all divisions in the organization.
- ❖ The training should be integrated into routine meetings held between managers and supervisors to ensure the sustainability of the process. This will help reduce costs and establish a sustainable forum for building capacity in performance appraisal.
- ❖ In order to be effective, commitment and support for the performance appraisal should be able to present the revised forms when applying for promotion.
- ❖ Clear and simple guidance should be created for implementing the performance appraisal process.
- ❖ The guidance should include specific procedures related to performance appraisal.
- ❖ Performance appraisal forms need to be simplified.

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