

DETERMINANTS OF EFFECTIVE PERFORMANCE APPRAISAL SYSTEM IN MANUFACTURING UNITS IN GOA

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ABSTRACT

Human resource being one of the most essential and important factor of production need utmost efforts and care for its optimum utilisation. It is the responsibility of the organisations to inculcate strength among the employees and weed out their weaknesses in order to bring higher efficiency in them. Thus, performance appraisal as a tool provides an insight to the employees about their strength and weaknesses. Thus, it helps to develop their ability to perform. This paper is an attempt to study the perspective of the employees about the design and execution of performance appraisal (PA) system. In this study, the most significant determinants of effective PA system considered are: Involvement of employees in the design of appraisal system, Feedback mechanism, Post appraisal actions and Transparency in execution. The study progresses with the objective to bring out the determinants of effective PA system in manufacturing units in Goa. Further, the study concludes that feedback mechanism stands out as one of the most important determinant to make PA system more effective.

Keywords: Performance Appraisal, Feedback Mechanism, Post Appraisal Actions, Determinant.

Introduction

Human resource is the most vital factor for the success of any organisation. The contribution of human resource reflects through the quality production and profit earnings of the organisation. One among the factors that enhance the level of efficiency into the employees is performance appraisal. It provides an insight to the employees about their strength and weaknesses which help them to develop their ability to perform. Thus organisations spend enormous amount to deploy and execute performance appraisal system. Thus, Performance appraisal (PA) system should be designed and implemented in a manner to bring out the best from the human resources.

The employees, who are selected through rigorous recruitment and selection processes, sometimes fail to give their 100% efforts while delivering their tasks. The reason for such low performance may be due to lack of interest among employees, difficulty in adjusting with the job and environment, not fit for the job, error at recruitment and selection process, etc. Though the above mentioned reasons are the problems peculiar in most of the organisations, one cannot take a decision to isolate their employees or part away with them. Therefore, a solution is needed to weed out such problems faced by the employees and organisation. This is made possible with performance appraisal system where the performances of employees are evaluated with standards and employees are intimated about the areas on which they should improve on their weaknesses and maintain their strength. Such exercise is done through the feedback mechanism.

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Effective feedback mechanism is an essential requisite of any performance appraisal system. Thus the feedback mechanisms adopted in the performance appraisal system acts as a motivation for the employees. It brings clarity on the various aspects that will result in improving their performances. It reveals to the employees about their strength and weaknesses.

Selvarasu & Sastry (2014) brought out in their study that performance Appraisals done in many of the companies fail to measure actual performances of employees.

D.B. Bagul (2014) concludes that companies do not follow 360 degree methods while analyzing the effectiveness of performance appraisal methods that are presently being adopted in the organisation.

Shivali Jindal (2015) performance appraisals results in identifying the inefficiencies among the employees and it can be rectified through proper training methods. Such training methods are designed to make the employees capable to meet their job expectations.

Such studies ponder on the aspects where organisations should initiate actions to make the performance appraisal systems more effective and result oriented.

Performance appraisal is a platform where a superior evaluates the performance of employees and in turn communicate it to the respective employees in the form of discussions, guidance, suggestions, warnings etc. ultimately, it results in continuous upward and downward communication which helps to improve the relationship between them.

Objective of the Study

The main objective of this paper was to explore the determinants of effective performance appraisal system in manufacturing units in Goa.

Materials and Method

- **Sample Size:** The study is represented by the sample of 146 employees randomly selected from four manufacturing units in south Goa.

Method of Data Collection

A structured questionnaire was used to collect the primary data. Whereas interview method was adopted to interact with the human resource managers from the manufacturing units selected.

The secondary data was collected from books, journals and internet.

Data Analysis

Total 150 questionnaires were administered among the respondents. Out of which 146 questionnaires were duly filled and remaining four were incomplete. Therefore, 146 respondent's opinions are considered in the present study done from the four manufacturing organisations in south Goa.

In this present study, performance appraisal is considered as dependent variable, while the four determinants namely: Involvement of employee in the design of appraisal system, Feedback mechanism, Post appraisal actions and Transparency in execution are the independent variables.

Frequency tabulation is done to study the appraisers who conduct performance appraisal and to know the opinion of the respondents on current appraisal system. Rank ordering method was adopted to know the prime determinant of effective appraisal system.

Layout of the Study

Section I

deals with the appraisers involved in the performance evaluation process. Also it assesses the opinion of the respondents about the current appraisal system.

Section II

throws light on the most essential determinant of effective appraisal system.

Section III

deals with summary of the findings and conclusions.

- **Section I**

The evaluations of the performance of employees are undertaken by the appraisers in the organisation. The concerned appraisers are either the immediate superiors or third party outside the organisation. Employees being the beneficiary of such evaluation should positively accept it for their self development. However, it is possible only if the evaluation process is accomplished in a systematic and impartial manner. Further it should result in overall development of the organisation.

Table 1: Showing the Appraisers in Evaluation Process

S.No.	Particulars	Frequencies	Percent
1	Committee headed by Superior	114	78
2	Subordinates	-	-
3	Colleagues	-	-
5	Consultancy	32	22
Total		N=146	100

As per the Table 1, it is observed that 78 percent of the respondents were appraised by their concerned superiors with a separate committee constituted exclusively to appraise the performances of employees. The committee follows the formal procedures while administering the 'Performance Appraisal System' approved by the top management along with HR department. The organisations follow a conventional method to appraise their employee performances. Thus, superiors enjoy complete authority over the evaluation process. The data also reveals that the organisations are not very keen on following 360 degree performance appraisal method as the authorities are not much convinced with the concept where the performances are rated by the colleagues and subordinates with score chart. According to them, it is the prerogative power of the superior to appraise the subordinates. Only 22 percent of the employees were evaluated by the consultants who are the third party to the organisation. According to the authority's rationale, it is always advisable to get the performance evaluation by the superior as they are in direct contact with the employees. They are much aware of strength and weaknesses of the employees than a third party who would rely only on furnished information

Table 2: Showing Opinion of Respondents about Current Appraisal System (n=146)

Particulars	Very Good	Good	Moderate	Bad	Very Bad	Total
Frequency	10	31	76	21	8	N=146
Percent	7	21	52	14	6	100

Based on the Table 2, it can be observed that, 28 percent of the respondents have positive opinion about the existing appraisal system. While, 52 percent of the respondents opined about the current appraisal system as moderate. Therefore, the larger section of the respondent's opinion reflects that they are looking forward for the improvements into it in the near future. The 20 percent of the respondents have negative opinion about the existing appraisal system and therefore, they find the system to be unfit for the evaluation purpose. The surveyed data reflects on the need to bring improvements in the present system in practice. Thus, to bring such changes in the appraisal system, there is a need for the understanding of determinants of effective appraisal system.

• Section II

Management need to take initiatives for the wider acceptance of the PA system by the employees. The criteria used for the assessment should be standardised for avoiding partial ratings. The concerned superiors must locate the key performance areas well in advance. The feedback given by the later must result in overall development of the employees. Good performer must receive incentives in the form of increments and promotions. Thus, it will act as a motivator to the performer and non performer to excel in future. The overall success and effectiveness of PA system depend on its determinants. Thus an attempt is made to study the ratings given by the blue collar employees on the determinants of effective PA system.

Table 3: Determinants of Effective Performance Appraisal System

	Total	Rank
Involvement of employees in the design of performance appraisal system	383	4
Feedback Mechanism	606	1
Post Appraisal actions	406	3
Transparency in execution	440	2

Result

The data reflected in Table-3 is based on the respondents (146) opinion on the determinants of effective performance appraisal system. The rank ordering method has been adopted to rank the determinants in order of importance. Therefore, the most essential determinant was assigned rank 1, the second most essential as rank 2, and continues till Rank 4. The highest score of the determinants was considered as the most important in this study.

To make the appraisal systems more effective, organisations need to understand the important aspects of it. The entire appraisal process should not be just a routine procedure followed in the organisation. Rather, a serious thought needs to be given every time performance appraisal is put in practice. Therefore an attempt is made to explore the most important determinant for an effective appraisal system from employee's point of view. Though employees are at a receiving end but they are the prime beneficiary of the outcome of performance appraisals conducted in the organisation. The key determinants taken for the purpose of the study are: i) Involvement of employees in the design of performance appraisal system ii) Feedback mechanism iii) Post appraisal actions iv) Transparency in execution.

The outcome of the study states that the feedback mechanism is the most important determinant to make the appraisal systems more effective followed by transparency in execution. The post appraisal actions and involvement of employees carries third and fourth ranking respectively.

• **Section III**

Summary of the Findings

The processes and the systems practised in the organisation for efficient management are not constant. Obviously the concepts that are considered right in present situation may be redundant in future. Therefore, performance appraisal system is an evolutionary process. This study made an effort to explore the prime determinants for effective performance appraisal system.

From Organisations Point of View

- Organisations administer the performance appraisal system approved by the top management.
- Employees are informed about the scales on which their performances would be evaluated.
- Most appraisals are done by the committee headed by the superior. Seldom, the evaluation process is outsourced to the consultancy services.
- The hidden monetary aspect cannot be ignored as one of the reasons for less reliance on the consultant for appraisal since high fees are charged by them.
- The data reflects that subordinates and colleagues do not become the part of evaluation process. So it is observed that 360 degree appraisal method is not widely practiced.

From Employees' Point of View

- As per the opinion of employees in Table-2, a small section of employees are positive about the existing evaluation process. They have given the green signal to the existing appraisal system.
- Majority of respondent's opinion is moderate. It reflects about their attitude where they do expect some amount of improvements in the existing appraisal system.
- Whereas some respondents have given an alarm to the management by responding negatively on the existing appraisal system. According to them drastic changes are essential to make the appraisal system more effective.

Conclusion

Based on the point of views obtained from employer as well as the employees, the present study concludes that:

- It is observed as per the outcome of the study that feedback mechanism is considered as the prime determinant in the effective performance appraisal system followed by transparency in execution as the second, post appraisal actions as the third and involvement of employees as the fourth in ranking.
- Therefore, employees expect that in the performance appraisal system the feedback mechanism should be effectively administered with transparent execution since performance appraisal system mirrors the strength and weaknesses of the employees.
- Post appraisal actions are the backbone of feedback mechanism. If necessary actions are not taken to improve or maintain the performances of employees, then, whole exercise of feedback mechanism will be futile.
- Involvement of employees is also essential to make them identify themselves with the appraisal system. The appraisal system should not be like an alien to the employees. Rather if their contributions are invited while designing the appraisal systems, then acceptance is guaranteed. Employees will identify themselves with the system since they are integral part of it.

- Finally, due to a constant change in the external environment, the needs of the organisation sequentially change. Therefore, the HR department should strive to match the appraisal system along with the needs of the organisation. Therefore, a constant upgradation is must for the successful implementation of a performance appraisal system.

Limitations of the Study

- The given findings are based on the information shared by the respondents.
- The present study is restricted to blue collar employees

Implications

The findings of the study will help the organisations to focus on prime determinants in the process of developing an effective performance appraisal system. It will give insight to the concerned authorities about the expectations of employees with reference to appraisal system. Thus appraisal system will gain the acceptance from the employees as well as it will lead towards expected results.

Area of Future Research

The study of performance appraisal system for white collar employees is another challenging area to be researched. Therefore, such study can be researched and documented in Goa. It will help to enrich the existing knowledge.

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