A CRITICAL STUDY ON IMPACT OF PERFORMANCE APPRAISAL SYSTEM ON EMPLOYEES PRODUCTIVITY (WITH SPECIAL REFERENCE TO A FMCG COMPANY)

MS. SWATI AGARWAL
Assistant Professor
Institute of Management Studies (IMS)
Ghaziabad (India)

ABSTRACT

The primary objective of human resources management has always been to utilize the human resources in a most optimal manner so that goals can be achieved very effectively and efficiently. Performance appraisal is one of the most important HR function in which the actual performance of an employee can be assessed and compared with his assigned target and thus the actual potential of an employee could be identified. This research study is based on the concept that Performance appraisal is not only a basis for identifying the talents among people but it also forms the basis for career enhancement, promotional opportunities, motivation as well as improved employee productivity in future. A fair and transparent Performance appraisal system helps in maintaining, developing and motivating the people at work to give better results. In the present competitive situation the organisation that gives better results can only survive, stabilize, grow and excel in the performance. This paper makes an attempt to find out the impact of performance appraisal on employees’ behaviour and to identify the link between performance appraisal and employee productivity. The study is based on primary data which has been collected through a survey conducted on the employees of a FMCG company. The primary data so collected has been analysed by using SPSS and the findings of the study show that an effective performance appraisal system not only helps in improving employees’ productivity but also helps in bringing sustainable organisational growth.

Keywords: Performance Appraisal, Employee Productivity, Motivation, Performance improvement etc

INTRODUCTION

In today’s competitive world every organization is geared towards maximum return with minimum investment. Human Resource Management plays a vital role towards planning & controlling cost effective manpower support. This is widely affected by planning and implementing “Effective Performance Appraisal System” which is the primary concept considered under this research study.

In today’s scenario, Human capital is acknowledged as one of the most potent sources in contributing directly and significantly in the growth of any organization. Maintaining and improving employees’ productivity on continuous
basis has become the greatest need of HR department. For this purpose, performance appraisal is one of the important method to enable employees improve their performances. Performance Appraisal is the systematic evaluation of the actual performance of an individual with respect to his assigned or expected performance on the job. Performance appraisal is a necessary and beneficial process, which provides annual feedback to employees of an organisation about job effectiveness and career guidance. The performance appraisal is intended to be a fair and balanced assessment of an employee’s performance. Performance appraisal is an analysis of an employee’s recent successes and failures, personal strengths and weaknesses, and suitability for promotion or further training. Channelizing human energies in a predetermined desirable direction are not possible unless harmonious relations are maintained among team members involved in business development.

OBJECTIVES OF THE STUDY

The study has been conducted with certain objectives. These are as follows –

- To study the performance appraisal system in the organization.
- To find out how performance appraisal system helps in motivating employees and thus providing them job satisfaction.
- To find out how the performance appraisal system helps in improving employees productivity in the organisation.

LITERATURE REVIEW

Neeraja Sharma & Aman Sharma (2009) examined the “Employers’ Perspectives Regarding Performance Appraisal and Reward Philosophy in Insurance Sector in Haryana”. This paper studies the employer’s perspectives regarding performance appraisal and reward philosophy and the effect of demographic variables on it. This study is based on the hypothesis that demographic variables and employers’ opinions are independent of each other.

Anthony mcdonnell & Patrick Gunnigle (2008) conducted a research study on “Performance appraisal and performance management”, a strategically oriented concept, i.e. Where it plays an integral role in the formulation and implementation of strategy (Scott-Lennon, 1995). It is revealed in the study that this system represents possibly the greatest opportunity for human resources to make a telling contribution to organisational performance (Sparrow and Hiltrop, 1994) in achieving organisational goals.

Angelo S. Denisi & Robert D. Pritchard (2006) examined a motivational framework on “Performance Management and Improving Individual performance”. This research has resulted in very few specific recommendations about designing and implementing appraisal and performance management systems whose goal is performance improvement.

Michelle Brown & Jhon S. Heywood (2005) conduct a survey on “Performance Appraisal Systems: Determinants and Change” in context of Australian Workplace Industrial Relations, this paper estimates the determinants of performance appraisal systems. The results indicate that performance appraisal is associated with workers having shorter expected tenure and greater influence over productivity and those circumstances in which the net benefits of performance appraisal are likely to be greatest. It indicates the complementary human resource management practices, such as formal training and incentive pay, are associated with an increased likelihood of performance appraisal, but that union density is associated with a reduced likelihood of performance appraisal.
RESEARCH METHODOLOGY

Research is an organized inquiry designed and carried out to provide information to solve the problem. The fact, search is an art of scientific investigation of a certain problem. Research is the process of systematically obtaining accurate answers to significant and pertinent questions by the use of the scientific methods gathering and interpreting information. It was a research conducted to get the response and opinions of the employees from different departments of a FMCG company located in NCR about the existing performance appraisal system followed in the organization and to find out the impact of this system on employees productivity. Simple random sampling was done and a sample size of 50 employees was taken to conduct the survey. The survey has been conducted by using a well structured questionnaire. The data has been collected by both primary and secondary means. The primary data has been collected through a survey conducted on the employees and analysed by using SPSS.

HYPOTHESIS

The hypothesis taken for this study is as follows -
Null Hypothesis ($H_0$) - The performance appraisal system does not help in improving employees’ productivity.
Alternate Hypothesis ($H_1$) - The performance appraisal system helps in improving employees’ productivity.

DATA COLLECTION AND INTERPRETATION

Table 1.1 shows the response of employees towards the performance appraisal system of their organisation. These responses have been collected through a questionnaire based on 5-point Likert’s scale through which primary data has been collected for the survey.

<table>
<thead>
<tr>
<th>S. No</th>
<th>Various Parameters</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Awareness of Performance Appraisal System</td>
<td>46</td>
<td>48</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>2.</td>
<td>Performance appraisal system should exist in organisations</td>
<td>52</td>
<td>38</td>
<td>4</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>3.</td>
<td>Superiors give proper and regular feedback.</td>
<td>50</td>
<td>40</td>
<td>2</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>4.</td>
<td>An efficient and fair Performance appraisal helps in motivating employees.</td>
<td>44</td>
<td>36</td>
<td>10</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>5.</td>
<td>Performance appraisal increases job satisfaction.</td>
<td>32</td>
<td>34</td>
<td>12</td>
<td>14</td>
<td>8</td>
</tr>
<tr>
<td>6.</td>
<td>Performance appraisal provides better career and promotional opportunities.</td>
<td>36</td>
<td>28</td>
<td>14</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>7.</td>
<td>Performance appraisal improves employee productivity.</td>
<td>40</td>
<td>42</td>
<td>8</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Mean Average Value</td>
<td>42.86</td>
<td>38</td>
<td>7.43</td>
<td>6.86</td>
<td>4.86</td>
</tr>
</tbody>
</table>

**Source** – The Primary data collected through survey
TABLE 1.2 – CALCULATION OF CHI-SQUARE TEST ANALYSIS

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Observed ($f_o$)</th>
<th>Expected ($f_e$)</th>
<th>($f_o-f_e$)</th>
<th>($f_o-f_e)^2$</th>
<th>($f_o-f_e)^2/f_e$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>42.86</td>
<td>20</td>
<td>22.86</td>
<td>522.58</td>
<td>26.129</td>
</tr>
<tr>
<td>Agree</td>
<td>38</td>
<td>20</td>
<td>18</td>
<td>324</td>
<td>16.2</td>
</tr>
<tr>
<td>Neutral</td>
<td>7.43</td>
<td>20</td>
<td>-12.57</td>
<td>158</td>
<td>7.9</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>4.86</td>
<td>20</td>
<td>-15.14</td>
<td>229.22</td>
<td>11.461</td>
</tr>
</tbody>
</table>

Source – SPSS and Self calculation

On Applying **Chi-Square Test** on the primary data so collected –

$X^2_{cal} = \sum \frac{(f_o-f_e)^2}{f_e}$

Since $X^2_{cal} = 70.323$ (From Table 1.2)

And $X^2_{tab} = 9.488$ (at df = 4 at 5% level of significance)

Where df = Degrees of Freedom = 4

Since, $X^2_{cal} > X^2_{tab}$

Hence, Null Hypothesis is rejected and Alternate Hypothesis is accepted. Therefore, it is proved that the performance appraisal system helps in improving employees’ productivity.

RECOMMENDATIONS

- Performance appraisal system should be implemented in much effective manner so that it enhances the motivation level of employees further more.
- Performance appraisal system should be followed by fair recognition and reward system so that it may provide job satisfaction to the employees.
- Proper career enhancement and promotional opportunities should be provided to good performers after evaluating the performances of the employees.
- In order to have a better liaison within the co-workers and their superiors the company should have a well-planned communication system and employees’ views should be taken into consideration.
- While working under pressure the employees performance is affected so it becomes necessary that the management should try to analyze the strengths and weaknesses of the employees.
- Teamwork should be assigned to employees, which will be helpful in establishing leadership qualities and also becoming aware of other’s problems.
- Employees should be given proper training and development programs to learn new concepts and technologies as to expand their capabilities, knowledge, skills etc.
CONCLUSION

In the new millennium when the corporate world is designing newer techniques for developing employees and retaining them, performance appraisal emerges out to be an effective method to help and enable employees give better performances. Evaluation of employees’ performance is helpful as to motivate the employees, boosting their morale and self confidence, building a positive attitude towards their job, strengthen the employees’ productivity, providing them better promotion offers, identifying training and development needs etc. The organizations have implemented the evaluation process not only to evaluate the performance of employees but also for their increment and career enhancement. The data analysis shows that performance appraisal system helps in improving employees’ productivity which ultimately leads to a sustainable organisational growth. Thus in order to survive and sustain efficiently and profitably, an effective performance appraisal system should be implemented by the organisations.

REFERENCES
