

# International Journal of Advance Research in Computer Science and Management Studies

Research Article / Survey Paper / Case Study

Available online at: [www.ijarcsms.com](http://www.ijarcsms.com)

## *Performance Appraisal in the Contemporary World*

**Elizabeth Renju Koshy<sup>1</sup>**

Assistant Professor, Dept. of Management Studies  
Mount Zion College of Engineering, Kadammanitta  
Pathanamthitta, Kerala – India

**Dr.P.Suguna<sup>2</sup>**

Assistant Professor, Dept. of Commerce  
Tiruppur Kumaran College for Women  
Tiruppur, Tamilnadu – India

**Abstract:** *Performance appraisal is the organized process of evaluating job related performances and skills of employees. Performance appraisal and performance management were one of the promising issues since last decade. The most vital factor that affects the future of any organization is its employees, as they play an integral role in achieving organizations objective. The present study is an attempt to examine and analyze the impact of performance appraisal in organizational success. The study has been carried out in order to find the importance of performance appraisal in the contemporary world and to highlight the growing importance of performance management system in contemporary period.*

**Keywords:** *Human resource, Performance Appraisal, Performance Management, Organizational climate, Appraisal.*

### I. INTRODUCTION

The success of an organization is based on numerous factors but employees are the most vital factor that affects the organization performance. Organization can achieve its goal effortlessly if their human resources are satisfied with their job. Hence human resources play a fundamental task in achieving the organizations intention. The success of an organization will therefore depend on its ability to measure accurately the performance of its members and use it objectively to optimize them as a vital resource (Biswajeet 2009). Appraisal has incredible motivational impact on people and it deals with psychology that emotions are extracted from our evaluation. Appraisal theories of emotion are theories that state that emotions result from people's interpretations and explanations of their circumstances even in the absence of physiological arousal (Aronson, 2005). There are two basic approaches; the structural approach and process model. These models both provide an explanation for the appraisal of emotions and explain in different ways how emotions can develop. Magda Arnold took an avid interest in researching the appraisal of emotions accompanying general arousal. Specifically, Arnold wanted to "introduce the idea of emotion differentiation by postulating that emotions such as fear, anger and excitement could be distinguished by different excitatory phenomena" (Arnold, 1950). With these new ideas, she developed her "cognitive theory" in the 1960s, which specified that the first step in emotion is an appraisal of the situation. Hence Performance appraisal has intense role in psychological reaction of employees, it's a tool used to assess how well a person completes their job. It's a part of overall performance management system and for the growth of the organization.

### II. EFFECT OF ORGANIZATIONAL CLIMATE ON PERFORMANCE APPRAISAL

According to Pareek (1989), organizational climate is created by the perception of organisational members about the outcome of interactions among five components of the organisation. These interaction components are (a) structure, (b) system, (c) culture, (d) leader behavior, and (e) employees' psychological needs. Therefore a positive organizational climate enhances to satisfy employees' psychological needs which are indirectly support the performance of the employees. In the organizational context, performance appraisal is a systematic evaluation of personnel by supervisors or others familiar with their performance (L.M. Prasad). Performance appraisal is also described as merit rating in which an individual is rated as better or worse in comparison to others. This is one of the oldest and most universal practices of management (Tripathi 2005). Cooper (2003) describes organizational climate as "people's perception of their working environment with regard to caring and friendliness."

In other words, the interaction of workers and management should create a healthy organizational environment. It means that organizational climate is subjective to the perception of their working environment with regard to caring and friendliness.” In other words, the interaction of workers and management should create a healthy organizational environment. It means that organizational climate is subjective to the perceptions of staff and students. Janz & Prasarnphanich (2003) stated that when cooperative climate exists in companies, members of a group are more inclined to working together to share and develop tacit knowledge and try to promote each other’s performance and learning. In other words, firms can enhance individuals’ willingness to interact with others by nurturing a cooperative climate. When employees perceive a higher degree of cooperative atmosphere inside the organization, they will be more likely to build up the interactive relationship with other members.

Today’s working climate demands a great deal of commitment, dedication and effort from employees, who in turn naturally expect a great deal more from their employers. Hence performance appraisal is designed to maximize effectiveness by bringing participation to more individual level in that it provides an environment for consultation about standards of work, potential, aspirations & concerns. It is an opportunity for employees to have significantly greater influence upon the quality of their working lives. According to Beach (1980), Worldwide, performance appraisals are used in nearly all organizations. There are different tools and number of goals that performance appraisals focus to examine individual’s performance and potential of development. So at its core, the performance appraisal process allows an organization to measure and evaluate individually the employee’s behavior and accomplishments over a specific period of time (De Vries et al.1981). By using a formal system performance appraisals have many advantages if they are designed and implemented properly. Performance appraisals may increase employee’s commitment and satisfaction (Wiese and Buckley, 1998).

### III. COLLISION IN THE CUTTHROAT ENVIRONMENT

In the present highly cutthroat environment, organizations have to ensure zenith performance of their employees constantly in order to compete and survive at the market place effectively (Prasad 2005). Performance of an individual can be defined as the record of outcomes produced as specified job functions or activities during a specified time period (Bernardin 2007). The term performance refers to a set of outcome produced during a certain period of their job time and does not refer to the traits, personal characteristics, or competencies of the performer. The evaluation of employee’s performance reveals the contribution of an individual in the organization’s objectives. People do not learn unless they are given feedback on the results of their actions. For corrective actions to take place feedback must be provided regularly and it should register both successes and failures (Biswajeet 2009). Merit rating is used basically for promotion of employees. However performance appraisal is more comprehensive term for such activities, because its use extends beyond ascertaining eligibility for promotion. Such activities may be training and development, salary increase, transfer, discharge, etc. besides promotion (Prasad, 2005)

### IV. CONTEMPORARY PERFORMANCE APPRAISAL

Contemporary Performance Appraisal is a structured formal interaction between a subordinate and supervisor, in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development. The appraisal results should be used to identify the better performing employees and poor performing employees. Better performing employees should get the majority of available merit pay increases, bonuses, and promotions. Whereas, the poorer performers may require some form of counseling, or in extreme cases, demotion, dismissal or decreases in pay. Whether this is an appropriate use of performance appraisal - the assignment and justification of rewards and penalties - is a very uncertain and contentious matter. Modern methods of appraisals are:

**Performance Appraisal by Assessment Centre's**

The major competencies that are judged in assessment centres are interpersonal skills, intellectual capability, planning and organizing capabilities, motivation, career orientation etc. assessment centres are also an effective way to determine the training and development needs of the targeted employees.

**Performance Appraisal by Behaviorally Anchored Rating Scales**

Behaviorally Anchored Rating Scales (BARS) is a relatively new technique which combines the graphic rating scale and critical incidents method. In this method, an employee's actual job behaviour is judged against the desired behaviour by recording and comparing the behaviour with BARS.

**Management by Objective**

It aims to improve performance of an organization by clearly defining objectives that are agreed to by both management and employees. Goal setting and action plans should ensure better participation and commitment among employees, as well as alignment of objectives across the organization. It improves employee motivation and commitment, and ensures better communication between management and employees.

**Performance Appraisal by Human Resource Accounting Method**

In this method the Performance appraisal of the employees is judged in terms of cost and contribution of the employees. The cost of employees include all the expenses incurred on them like their compensation, recruitment and selection costs, induction and training costs etc whereas their contribution includes the total value added (in monetary terms). The difference between the cost and the contribution will be the performance of the employees. Ideally, the contribution of the employees should be greater than the cost incurred on them.

**V. CUSTOMER FEEDBACK METHOD**

Under this method of appraisal system, customer feedback is directly linked with employee performance. This method of assessment could be unbiased and reliable since customers who are outsiders may give correct judgment about employee performance than the insiders who are superiors.

Companies like Cognizant and Wipro software solutions are using customer feedback method to assess the performance of their sales staff in order to hike salaries.

**ROLE OF PERFORMANCE APPRAISAL IN ORGANISATIONAL SUCCESS**

Performance appraisals help supervisors and employees to identify strengths and weaknesses of employee performance. They offer an opportunity for supervisors and employees to discuss the employee's goals for himself. It increases rapport between management and employees, increase job satisfaction and improve employees' sense of loyalty toward the company.

In today's competitive environment, Performance appraisal rates the employees in terms of their performance. If the process of performance appraisals is formal and properly structured, it helps the employees to clearly understand their roles and responsibilities and give direction to the individual's performance. Performance appraisals are also important for motivation, attitude and behavior development, communicating and aligning individual and organizational aims, and fostering positive relationships between management and employees.

**DEVELOPING PERFORMANCE MANAGEMENT**

In any organization each individual's performance keeps its own importance in the success of organization. With the changing competitive business environment the effective and efficient use of resources is very important for the survival of organization in market. And evaluation of the performance of all the resources involved in organizational operation is also very

essential in order to achieve organizational goal. As human resource is the most valuable in an organization, appraisal of the HR is also very essential.

An effective employee's appraisal system evaluates accomplishments and initiates plans for development, goals and objectives. The focus of organizations is changing from performance appraisal to performance management. Performance Management has a more holistic approach than Performance Appraisal, though the latter is the primary ingredient in development of former. Studies reveal that Performance management systems directly influence five critical organizational outcomes: financial performance, productivity, product or service quality, customer satisfaction, and employee job satisfaction. When performance management systems are flexible and linked to strategic goals, organizations are more likely to see improvement in these five critical areas. However, the benefits of Performance Management can be reaped only when there is complete change in the system rather than just adopting some new practices. According to Armstrong and Baron (1998), the definition of performance management is that it is a strategic and integrated approach of delivering sustained successes to the company by improving individual and group performances and also developing the capabilities of teams and individuals. The components of Performance Management Systems include goal setting, regular reviews, annual appraisal, development process and linkages to other systems.

## VI. CONCLUSION

Employees of present era need instructive and supportive feedback and designed rewards if they are to translate their knowledge into improved productivity and superior quality. If managed properly appraisal can prove to a powerful source of competitive advantage.

## References

1. B. Pattanayak, Human Resource Management (PHI Learning Private Limited, 2009).
2. L.M. Prasad, Human Resource Management (Sultan Chand & Sons: Educational Publishers, 2006).
3. H John Bernardin, Human Resource Management (Tata McGraw-Hill Publishing Company Limited, 2007).
4. P.C. Tripathi, Human Resource Development (Sultan Chand & Sons: Educational Publishers, 2006).
5. Robert L. Mathis and John H. Jackson, Human Resource Management (THOMSON South-Western, 2004).
6. S. Dale Beach, Personnel: The management of people at work (Macmillan Publishing Company, 1980).
7. D. L. DeVries, Morrison, A.M. Shullman, and M. L. Gerlach, Performance Appraisal on the line, Center for Creative Leadership (Greensboro, NC, 1981).
8. Danielle S. Wiese and M. Ronald Buckley, The evaluation of the performance Appraisal process, Journal of management History, 4(3), 1998, 233-249.
9. D. Mc Gregor, An uneasy look at performance appraisal, Harvard Business Review, 35 (3), 1957, 89-95.
10. C. O Longenecker and D. Ludwig, Ethical dilemmas in Performance appraisal revised, Journal of Business Ethics, 9, 1990, 961-969.
11. Advisory, Conciliation and Arbitration Service, Employee Appraisal Advisory, Conciliation and Arbitration Service, Landon, 1996.
12. Mark Cook, Performance appraisal and true performance, Journal of managerial Psychology, 10 (7), 1995, 3-7.
13. Mushin Lee and Byoungho Son, The Effects of Appraisal Review Content on Employees" Reaction and Performance, International Journal of Human Resource Management, 1, February 1998, 283.
14. David Antonioni, Improve the Management Process before Discontinuing Performance appraisal, compensation and Benefits Review, May-June 1994, 29.
15. R. Wayne Mondy and Robert M. Noe, Human Resource Management (Pearson Education, 2007).
16. N. Nayab and Linda Richter, The difference Between Performance Appraisal and performance Management, May 18, 2011. [iosrjournals.org/iosr-jbm/full-issue/vol3-issue5](http://iosrjournals.org/iosr-jbm/full-issue/vol3-issue5)