

## **EXPLORING THE EFFECTIVENESS OF PERFORMANCE APPRAISAL SYSTEMS**

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**ABSTRACT:** Human resource administration is an important part of every organization. The collective requires several components, but individuals are the most important. The performance evaluation process is widely recognized as a critical component of any organization's human resources department. The study aims to understand how employee feedback ratings work. A performance review is a routine assessment of an employee's production and overall impact on the organization. The key goals of this study are to determine the performance criteria and assessment methodologies used for employee evaluation, to analyze the efficacy of the system, and to solicit employee feedback. Furthermore, it makes it easier to allocate resources toward staff performance goals, determine salary and benefits, and identify excellent prospects for future employment. An efficient performance evaluation system can help a business accomplish its goals by increasing employee engagement and performance. The performance evaluation eliminates prejudice and discrimination, which improves the method's transparency, fairness, and impartiality. Effective performance review systems require several critical components, including a commitment to continual improvement, sufficient training, and open communication. Questionnaires were used to collect primary data for the descriptive study design. Among the more than 150 employees polled, 100 gave detailed comments that grabbed the researcher's curiosity and spurred more examination. Each participant reported satisfaction with their organization's existing method for assessing employee performance.

**Keywords:** Performance appraisal, Employee motivation, Performance appraisal process, Performance appraisal Criteria, Performance standards etc.

### **1. INTRODUCTION**

A performance appraisal is a systematic, annual or semi-annual meeting between an employer and an employee. Typically, evaluations are accomplished through periodic interviews. The subordinate's job performance is analyzed in order to discover strengths and deficiencies, as well as areas where skill development and progression are needed. A performance evaluation, also known as an employee appraisal, is a procedure used to examine an individual's job performance in terms

of cost, time, quantity, and quality. Performance reviews are an important part of professional development. Performance evaluations help managers identify their employees' training needs and develop a strategy to give that training, as well as help them achieve other goals. Performance assessments meet individuals' psychological requirements by offering feedback on their job performance, increasing job happiness and morale, and displaying management's commitment to their growth and achievement.

Instead of being a spontaneous decision, a systematic performance evaluation gives a comprehensive assessment of an employee's accomplishments that benefits both the organization and the individual. Businesses routinely use performance evaluations as a basis for hiring, transferring, and determining wage raises, among other things. Supervisors may use performance evaluation data to guide and counsel individual employees.

## 2. LITERATUREREVIEW

Thakur Aggarwal and Company (2013) explain how organizations use performance appraisal systems to analyze the efficacy and production of their personnel. The importance of having a performance appraisal system. Each employee handles their task in a unique and individualistic manner. Performance reviews frequently lead to changes in job performance, communication standards, and the identification of employees who need counseling. This essay explores a variety of common performance evaluation approaches and evaluates their advantages and disadvantages. Performance evaluation techniques include ranking, graphical rating scale, critical incident, narrative essays, management by objectives, assessment centers, 720 degree, and BARS.

According to Thooyamani (2017), the fundamental focus of this study is performance evaluation, which entails gathering, assessing, and documenting information about an employee's true worth. The fundamental goal of a performance review is to evaluate an employee's present performance and future potential. The primary goal is to evaluate the performance of staff. This study examines the organization's grape water manufacturing operations, performance evaluation procedures, and human resource management strategies.

Gem Plast's employee evaluation method includes an examination of work ethic, behavior, personal traits, completed tasks, and contacts with superiors and colleagues. This study explores patterns in human resource statements using a variety of performance grading systems and data analysis strategies. The goal of this HR

management comparison is to obtain insight into the firms' comparable human resource circumstances. Idowu published the source material in 2017.

According to this study, human resource managers have historically valued employee performance. A variety of performance appraisal approaches have been developed to aid in the evaluation of employee performance. Performance evaluations have evolved over time to include motivational variables in addition to traditional employee performance assessments. The study aimed to investigate the impact of performance review practices on employee motivation and efficacy. The study's primary aims were to examine the moderating effect of performance appraisal as a motivational tool and to identify potential impediments.

P.V. Jeseni (2022). The article clarifies that exhibition inspection examines not only personnel performance but also the organization's special objectives. The organization assesses its objectives, rules, processes, tactics, culture, and hierarchical structure in addition to personnel. Organizations can use execution evaluation to analyze and improve the quality of training and preparation provided to employees, allowing them to achieve individual and group goals.

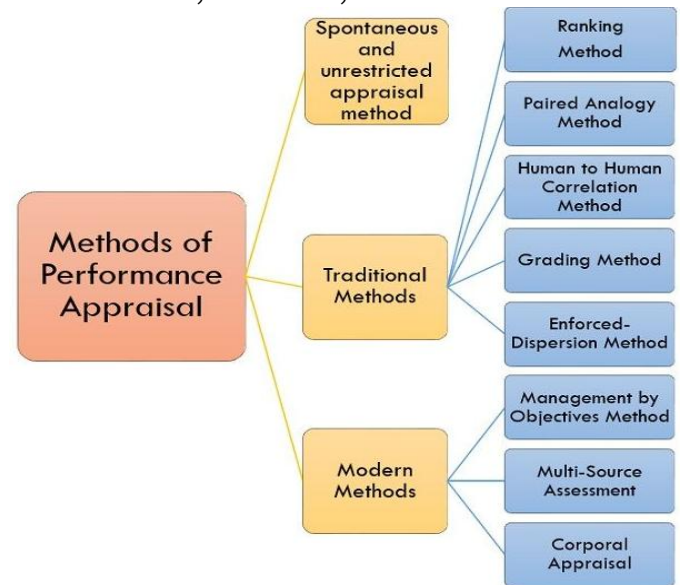
2014:Taiwo Olabode Kolawole This study looks into the prevalent use of performance appraisal in Nigerian businesses. The study looked at the effects of performance appraisals on employees and the general work environment, as well as their utility in staff recruitment, progression, and retention. According to study, employees have a negative opinion of performance appraisals despite having a thorough understanding of their role inside firms. It must occur without any bias. Employers rely significantly on performance reviews to assess employee performance, identify strengths and flaws, and provide constructive comments.

DeNisi and Pritchard (2006) discovered that, when combined with other human resource management (HRM) practices, well-designed and performed performance evaluation systems can improve employee performance. However, the main disadvantage of performance appraisal

methodologies is that the evaluations are subjective. Murphy and Cleveland (1995) conducted studies that revealed assessors could be biased due to the halo effect, leniency, and central tendency. According to research, combining input from many sources, such as evaluations from colleagues and subordinates, may help to reduce bias and produce a more precise assessment of an employee's performance. Performance evaluation processes may cause employee anxiety and strain. Foss and Lindholm (2018) discovered that employees who perceive inaccuracy or unfairness in their performance evaluations are more likely to experience negative emotional states and report lower occupational satisfaction. Recently, there has been a surge in the adoption of continuous performance management solutions that prioritize continual coaching and feedback above annual reviews. According to study, providing consistent feedback to employees increases their work performance, boosts their level of engagement, and fosters a healthy work atmosphere. When properly developed, performed, and integrated with other human resource management tactics, performance evaluation systems have the potential to improve employee performance. Nonetheless, issues about racism and employee stress must be addressed. Implementing continuous performance management approaches offers a possible strategy to addressing these challenges and improving employee performance.

### 3. METHODS OF PERFORMANCE APPRAISAL

In order to achieve the objectives, various methods of progress measurement have been devised. Determining an appropriately robust metric to assess the progress of each individual is an exceedingly challenging task. Method selection is influenced by a variety of factors, including the organization's values, objectives, scale, and merchandise. Here are some fundamental methods:



#### 1. Spontaneous and Unrestricted Appraisal Method

This is still the primary approach that businesses use to evaluate their employees' performance. This method, which does not include all performance metrics, is largely concerned with determining employees' individual value. As a result, the risk of errors increases.

#### 2. Traditional Methods

Here are some common methods to follow:

##### Ranking Method

The most basic strategy to evaluating employee performance is the standard method, which ranks each person based on their value. This makes it easy to distinguish between employees who thrive at their jobs and those who don't. However, it has a few issues, which are listed below.

- Because each employee is unique, it is not advisable to compare them to other employees.
- Employee comparisons may show that one is superior to another, but the percentage of change cannot be calculated.
- Small businesses can rank their employees, whereas large corporations struggle to rank their employees based on their relative value.
- This concept appears to lack a method for determining the worth of connected staff.

##### Paired-Analogy Method

In order to get around the problems with the Ranking method, the Paired-Analogy method was created. It compares the success of each worker in their own area. Two workers are being evaluated

at the same time, and one is picked at random from the group. There are six people working for a company, labeled A, B, C, D, E, and F. Employee A's work will be compared to that of Employee B, and the person who does a better job will be hired. The person who was chosen will then be compared to people C and D. After that, a standard process will be put in place for all workers in the company. To find out how many similarities there are in total, use the following equation:

$$\text{Total Number of Comparison} = \frac{N(N-1)}{2}$$

### Human to Human Correlation

With the goal of doing a study, human-to-human connection means figuring out things like action, loyalty, responsibility, vision, and leadership. Once all the parts have been chosen, a scale is made for each one. The two opposite ends of the skill spectrum will be represented by employees who are used to acting at those levels. The most and least effective workers will be put in the right groups. Once the middle point has been found, a person of normal height will be picked to represent it. Two points will be found, one above and one below the middle point. Five-point ratings are used to connect employees with important people one part at a time, instead of comparing all employees to all people.

### Grading System

Some value groups, like "excellent," "fair," "average," "inadequate," and "worst," are already set for this method. When employees are graded, their performance is compared to that of other employees. The employee who showed the highest level of performance gets the highest score.

### Enforced-Dispersion

This plan changes the way grades are given by giving each score a certain percentage. This is the best way to distribute them:

Because of this, it is not possible to evaluate each employee the same way. 10% goes to employees who are truly special, 20% to employees who are good, 40% to employees who are average, 20% to employees who are terrible, and 10% to employees who are poor.

### 3. Modern Methods

The more modern ways of judging achievement are better than the older ones. The following are some examples of processes that can be called "modern methods":

#### Management by Objectives Method

Peter was able to solve the problems that a traditional way caused. F. Drucker came up with the idea of management by goals for the first time in 1954. Setting big goals and regularly checking in on how things are going are part of the idea of management by aims. It stresses that everyone needs to work together to make the choice to do well in the annual performance review interviews and goals.

Here are the most important steps in managing by objectives:

- E Setting goals and targets.
- Evaluations of performance.
- Making ideas.

#### Multi-Source Assessment

Multiple sources of information are systematically gathered about the success of a certain group of shareholders or from each individual shareholder. This is what "Multi-Source Assessment" means. One of the main goals of this method is to give each employee in the company a performance review that lets them see how productive they are. Focusing on high-level employees is its main goal. In the following ways, the multi-level source review mode will work:

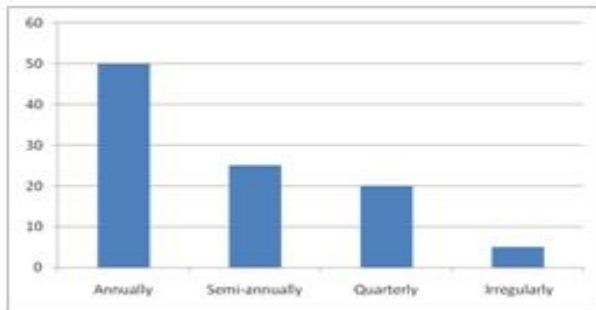
#### Corporal Appraisal

Companies hire psychologists to look at their employees' future prospects using a standard method made to find out what they might be able to do in the future. Psychologists use psychological tests to look at things like how smart an employee is, how well they do in school, how emotionally strong they are, how well they can predict the future, and other traits.

## 4. DATA ANALYSIS

### 1. How frequently does ICICI Bank assess the work that its employees do?

S.NO	PARTICULARS	RESPONDENTS	PERCENTAGE
1	Annually	50	50%
2	Semi-annually	25	25%
3	Quarterly	20	20%
4	Irregularly	5	5%
TOTAL		100	100%

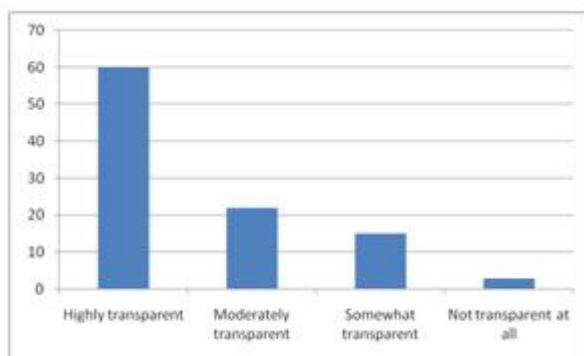


### INTERPRETATION:

Based on the data shown in the above table and graph, ICICI Bank assesses success at the following intervals: 25% of respondents stated they engaged once every six months, 20% once every three months, and 5% indicated they did not engage very often.

### 2. How frequently does ICICI Bank assess the work that its staff members do?

S.NO	PARTICULARS	RESPONDENTS	PERCENTAGE
1	Highly transparent	60	60%
2	Moderately transparent	22	22%
3	Somewhat transparent	15	15%
4	Not transparent at all	3	3%
TOTAL		100	100%

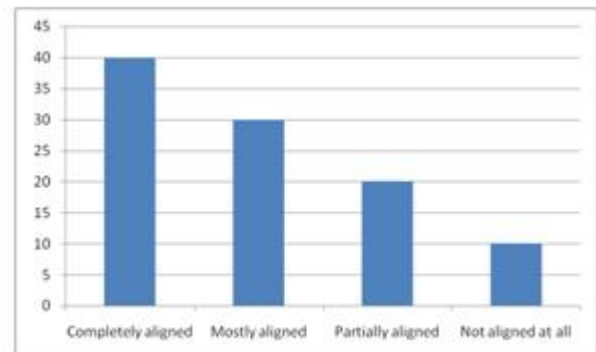


### INTERPRETATION:

We can learn a lot about the transparency of ICICI Bank's performance evaluation procedure from the line and table that were previously displayed. Out of the respondents, 60% stated that the answers were extremely clear, 22% said they were somewhat clear, 15% said they were somewhat opaque, and 3% claimed they were absolutely opaque.

### 3. To what extent does ICICI Bank's present approach to measuring employee success align

S.NO	PARTICULARS	RESPONDENTS	PERCENTAGE
1	Completely aligned	40	40%
2	Mostly aligned	30	30%
3	Partially aligned	20	20%
4	Not aligned at all	10	10%
TOTAL		100	100%

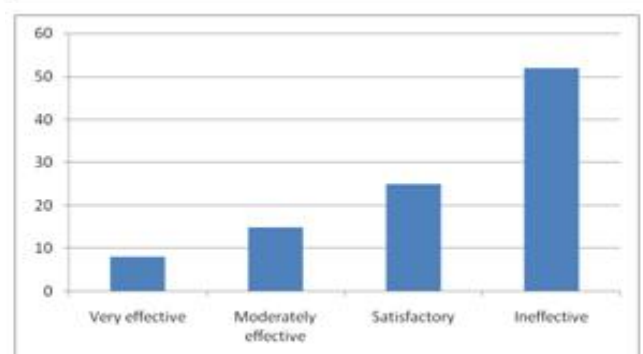


### INTERPRETATION:

On the basis of the provided graph and table, we believe that ICICI Bank's present method of evaluating employee success aligns with the organization's objectives. Within each response, 40% indicated excellent alignment, 30% indicated partial alignment, 20% indicated just slight alignment, and 10% indicated no alignment at all.

### 4. How effectively does the feedback mechanism operate with the performance evaluation method used by ICICI Bank?

S.NO	PARTICULARS	RESPONDENTS	PERCENTAGE
1	Very effective	8	8%
2	Moderately effective	15	15%
3	Satisfactory	25	25%
4	Ineffective	52	52%
TOTAL		100	100%



### INTERPRETATION:

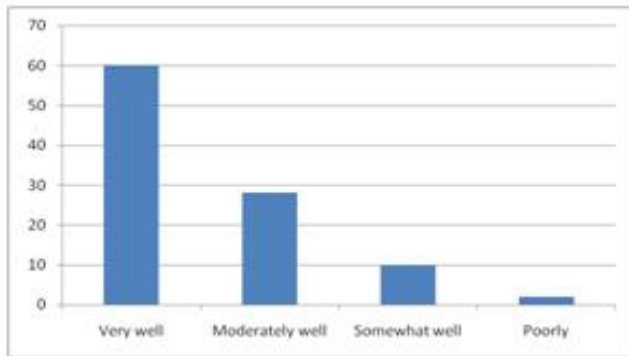
8% of participants strongly felt that the feedback mechanism in ICICI Bank's performance evaluation system worked well, 15% thought it worked moderately well, 25% thought it worked well enough, and 52% thought it didn't function at all, according to our analysis of the graph and



table you supplied us.

### 5. To what extent does ICICI Bank's approach to performance evaluation distinguish between workers who are performing well and those who are not?

S.NO	PARTICULARS	RESPONDENTS	PERCENTAGE
1	Very well	60	60%
2	Moderately well	28	28%
3	Somewhat well	10	10%
4	Poorly	2	2%
TOTAL		100	100%



### INTERPRETATION:

The preceding table and graph demonstrate how well ICICI Bank's performance review system distinguishes between individuals who perform poorly and those who perform well. 60 percent of respondents stated they were doing extremely well, 28 percent said they were doing fairly well, 10 percent said they were doing well enough, and 2 percent claimed they were doing extremely poorly.

### 5. CONCLUSION

In summary, there are merits to the existing ICICI Bank employee success evaluation methodology. Having said that, further adjustments are required to improve it. With the help of the method's defined criteria and deadlines, you may evaluate your employees' performance in an organized manner. Furthermore, it is evident that efforts are being made to ensure that the assessment procedure aligns with the objectives of the company, which is beneficial for the overall strategic course. However, there are still certain areas that may be improved. Enhancing the integrity and precision of the appraisal process would be beneficial in fostering greater understanding and mutual trust among employees. Performance reviews can be made more beneficial by regularly providing managers with feedback and

teaching them how to conduct impartial and fair assessments.

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