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# **Performance Appraisal System of Employees at Private Metals and Alloys Pvt. Ltd in Vellore**

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**Abstract:** *The majority of organizations are competing to survive in this volatile and fierce market environment. Motivation and performance of the employees are essential tools for the success of any organization in the long run. On the one hand, measuring performance is critical to organization's management, as it highlights the evolution and achievement of the organization. On the other hand, there is a positive relationship between employee motivation and organizational effectiveness, reflected in numerous studies. This paper aims to analyse the drivers of employee motivation to high levels of organizational performance. The literature shows that factors such as empowerment and recognition increase employee motivation. If the empowerment and recognition of employees is increased, their motivation to work will also improve, as well as their accomplishments and the organizational performance. Nevertheless, employee dissatisfactions caused by monotonous jobs and pressure from clients, might weaken the organizational performance. Therefore, jobs absenteeism rates may increase and employees might leave the organization to joint competitors that offer better work conditions and higher incentives. Not all individuals are the same, so each one should be motivated using different strategies. For example, one employee may be motivated by higher commission, while another might be motivated by job satisfaction or a better work environment*

## **I. REVIEW OF LITERATURE**

ABU - DOLEH & WEIR(2007) explored the attitudes of human-resources managers working in the Jordanian private and public organizations towards the function and implementation of their performance appraisal systems. The research identified that performance appraisal systems had a moderate impact on the four functions of performance appraisal systems. Those functions were grouped as:

- A. Between-individuals comparisons
- B. Within-individuals comparisons
- C. Systems maintenance
- D. Documentation.

AGUINIS(2009) GARDNER(2008) motivated by an organizational desire to affect employee behaviours and attitudes and, ultimately, organizational performance. This occurs as a consequence of the establishment of goals at the beginning of the evaluation cycle which provide employees with clear performance targets, the monitoring of performance during the evaluation cycle(which can be used to assist poor performers) and the reinforcement provided for of higher pay.

ARMSTRONG AND BARON (1998) stated that performance management is both a strategic and an integrated approach to delivering successful results in organizations by improving the performance and developing the capabilities of teams and individuals. The term performance management gained its popularity in early 1980's when total quality management programs received utmost importance for achievement of superior standards and quality performance. Tools such as job design, leadership development, training and reward system received and equal impetus along with the traditional performance appraisal process in the new comprehensive and a much wider framework.

ARTHUR ANDERSON SURVEY (1997) reveals that 20% of the organizations use the 360 – degree method. In the 360 – degree method, besides assessing performance, other attributes of the access – talents, behavioral quirks, values, ethical standards, tempers and loyalty are evaluated by people who are best placed to do it.

BACALL (1999) states that “performance appraisal is not about the forms. The ultimate purpose of performance appraisal is to allow employee and managers to improve continuously and to remove barriers to job success, in other words, to

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make everyone better. Forms don't make people better, and are simply a way of recording basic information for later reference. If the focus is getting the forms "Done", without thought and effort, the whole process becomes at best a waste of time, and at worst, insulting".

BERNADIN, J.H defines that "360 – degree feedback is valuable in that it provides additional sources of observations of behaviour from varying perspectives. "subordinates for example, are more directly affected by managerial behaviours and decisions in ways that are not always evident to supervisors. In fact, supervisory feedback may primarily reflect the performance of the manager's work unit, rather than leadership behaviours, which they may not observe (what vs. how) research by Bernadin and Betty has shown that 360 degree feedback can enhance both communications and performance".

CARDY and DOBBINS 1994 defined that "performance appraisal represents, in part, a formalized process of worker monitoring and is intended to be a management tool to improve the performance and productivity of worker. The present study shows that while performance appraisal is popular, its use shows definite patterns and, as a consequence, it is unlikely to be used for all non-managerial workers".

CURTIS et al., (2005) to encourage supervisors to conduct high quality performance appraisal, a supervisor is likely to find the assessment their performance is partly a function of the way they manage the evaluations of those who report to them.

DE NISI & Pritchard (2006) emphasized that performance improvement is dependent upon sound HR practices, fair appraisal practices, effective performance management, and an awareness of an organization's overall strategic goals. More frequent appraisals and feedback helped employees identify their improvement. The study further suggested that performance feedback should include information on how to improve performance, along with information about what areas of performance need improvement.

DEVARAJ et al.,(2007) A manufacturing goal is based on relevant factors to provide managers with a coherent picture of the levers that could be manipulated to achieve the desired outcome. Others examine the effects of the match between generic manufacturing strategies and manufacturing goals upon strategically relevant plant level performance outcomes.

Facilitate discussion concerning employee growth and development,

FILIPPINI et al., (2005) The performance of a company can be regarded in three main aspects: efficiency, productivity, and quality.

FLETCHER and WILLIAMS (1996) high quality performance appraisal is intended to increase job satisfaction.

GREENBERG (1986) performance appraisal quality is the level of trust the employee has for their supervisor. Employees who believe their supervisor is competent and has a good knowledge of their employees job duties will be more likely to trust their supervisor and rate their performance appraisal experience positively.

GRIFFETH et al., (2000) performance appraisal is typically to retain the highest performing employees, though as observe the focus of much of the turnover research has been on the role of merit rewards as a retention tool. It is rare to see studies that include the quality of the performance appraisal experience as a predictor of turnover or quit intention, but as argue, performance appraisal quality has "as much-if not more-to do with encouraging employees to say as fair pay amounts".

HEATHFIELD (2007) and MERRITT (2007) understanding the implications of low quality performance appraisal experiences is important: a review of the practitioner and academic journals suggests that low quality performance appraisal is a continuing challenge for organizations. So the consequences of low quality performance appraisal experiences are potentially of interest to many organizations. "when surveyed about most disliked tasks, managers say they hate conducting appraisals, second only to firing employees". An organizations need to make a commitment to the whole performance appraisal process, and not just its components, in order to achieve its objectives.

HENDRIX et al., (1998) the psychological contracts literature, especially relational contracts, suggests that when an employer provides a high quality performance appraisal experience it will increase the employees perceived obligations to the employer which in turn affect their attitudes and potentially their behaviours. The relational school of thought postulates that individuals care about performance appraisal quality because it signals their status and worth within the organization. The relational school of thought emphasizes the needs for belonging and self –esteem and acknowledges the informal actions of someone in a position of authority over the employee.

In the second group, the international experience reports a significant number of methodologies with different approaches to characterize the performance utility of individual units that comprise a larger set. In this group of studies, performance expressions are defined in terms of numerous criteria to be synthesized for overall improvement purposes. The level of performance, ranking of



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the decision making units (DMUs) based on performance, determining the factors influencing overall performance utility, sensitivity analysis and critical criteria for which improvement is required, can all be the results of applying these approaches. These studies often establish mathematically the overall performance better than the studies in the first group and often are based on this first group of studies.

JACKSON and SCHULER (2003) defined that “performance appraisal usually involves evaluating performance based on the judgments and opinions of subordinates, peers, supervisors, other managers and even workers themselves”.

KESSLER and PURCELL (1992) Employees are motivated to work at a higher level by the offer of financial incentives that are contingent on their performance, and these financial incentives are important in encouraging the retention of high performing employees.

KHANDEKAR & SHARMA (2005) established the linkages between human Resource Capability(HRC) and firm performance in Indian global companies. They had defined HR capabilities as the routines entrenched in the tacit and implicit knowledge of members of an organization to obtain, develop, foster, organize, and re-organize human resources through HRM practices in a competitive environment. It was identified that HRD practices like HR planning, performance measurements, training and development, rewards and career planning enhanced HR capabilities. This study provided statistical evidences that investment in HR capabilities of the firm for development of knowledge base, desired skills, and attitudes resulted in higher firm performance.

KUVASS (2006) explored the relationship between performance appraisal satisfaction and employee outcomes. The study found that there was a direct relationship between performance appraisal satisfaction and work commitment and turnover intention, while the relationship between satisfaction with performance appraisal and work performance was mediated by intrinsic motivation. This study also supported the opinion that performance appraisal satisfaction enhanced motivation, commitment and intention to say.

LAZEAR (1998) states that “It is most sensible to monitor performance when workers are able to increase their work effort. This leads to several hypotheses. In those circumstances in which team production, say on an assembly line, is monitored by a machine, a formal appraisal system will yield few benefits”.

LIU (2009) Liu in his paper employed slack-based efficiency measures, to measure the performance of 24 commercial banks in Taiwan. Based on their financial forecasts, the efficiency scores calculated from the data contained in the financial statements published afterwards are not significantly different from the efficiency scores that were calculated from the financial forecasts.

LONDON M., suggested that 360 degree can call attention to performance dimension previously neglected by organization, can enhance two-way communication, increase formal and informal communication, build more effective work relationship, increase opportunities for employee opinion on the part of management.

M. LONDON & R.W.BEATTY defines that “360 – degree feedback can call attention to performance dimensions previously neglected by the organization, can enhance two – way communication, increases formal communications, build more effective work relationship, increase opportunities for employee involvement, uncover and resolve conflict and demonstrate respect for employee opinions on the part of top management”.

POINTON and RAYON (2004) Performance management (or more accurately forms of performance related pay) has formed a key activity for managers and management in the quest to increase the benefits gained by the application of labour power.

Provide a solid basis for wage and salary administration,

Provide data for human resource decision and

Provide managers with a useful communication tool for employee goal setting and performance planning.

Quality benchmarking is an important issue but is frequently not addressed in this type of study. Efficiency and productivity are the most commonly used measure of performance utility with efficiency mainly estimated using frontier methods. Mathematically, these methods are identified as a high-reliability analysis tool and have been largely used for performance studies of production systems.

ROBERTS and SERGESKETTER (1993) The capacity to achieve these positive outcomes will be a function of the quality of the performance appraisal experience. Taking a lead from the operations management field, quality is typically defined as establishing and operating processes that promote organizational efficiency. The aim of a quality approach is to reduce variation in every process

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in order to obtain greater consistency.

RODGERS and HUNTER (1991), SCHAY (1988) there is a body of empirical research that suggests that performance appraisals do result in increases in employee performance and productivity. These improvements are seen to derive from the greater employee identification with and commitment to, the objectives of the organization. Work efforts are directed to activities that will be of benefit to the organization. Poor performing employees are identified during the evaluation cycle and given feedback on how to improve. They might also undertake some developmental activities in order to rectify performance deficiencies.

SAXENA et al.,(2003) Corporate performance can no longer be evaluated merely on the basis of financial parameters, as there is need for environmental performance to be integrated.

STATHAKOPOULOS (1997) examined the effect of performance appraisal on the behavioural and psychological responses of marketing professionals. The result of the study indicated that employees never ignore the comments on and helpful in improving their performance. The author finally commented that performance appraisal of individuals enhanced the performance of the organization.

SUDARSAN (2009) investigated the use of Management By Objective(MBO) and Key Result Areas(KRAs) as a basis for performance evaluation. It was found that almost all organizations used work achievements, and a significant number used MBO approach as well. The study recommended organizations to measure the performance of their employees in terms of outcome and not in terms of organization objectives.

SWEENEY and MCFARLIN (1993) According to justice researchers, a high quality performance appraisal experience will cause employees to have faith in the system, which can result in higher organizational commitment.

TAHVANAINEN (1998) points out strong goal setting and appraisal are key elements of a performance management systems that also may include training and development and performance related pay.

TAN and PLATS (2004) describe a study to develop a software tool, which helps managers in generating their action plans. It assists managers to represent and visualize their insights of the relationships between factors and objectives through a sequential and analytical process. The study revealed that private organizations performance appraisal had a significantly greater impact on promotion, retention/ termination, lay-offs, identifying individual training needs, transfers and assignments.

Therefore, the aim of the papers is to explicitly define pieces of information intended to aid understanding the causes of poor overall performance and monitoring the improvement initiatives.

THIBAUT and WALKER (1975) According to the instrumental school of thought, employees value performance appraisal process controls as it promotes predictability.

YOUNGCOURT et al., (2007) identified relationships between the perceived purposes of performance appraisal with several attitudinal outcomes, including satisfaction with the performance appraisal, job satisfaction, affective commitment, and role ambiguity.

### II. OBJECTIVES OF STUDY

- A. To study the existing performance management system in the organization.
- B. To determine the satisfaction level of the appraisal.
- C. To analyse the employees exceptions and potential for growth.
- D. To find out the identification of training needs and action taken.

### III. SCOPE OF THE STUDY

The project throws light on the development of organization through performance appraisal among the employees. This study be helpful for the management to identify the strength and weakness of employees. To increase confidence through recognizing strengths while identifying training needs to improve weakness. Salary increment, Promotion, Incentives, Training, Satisfaction, Organization growth and development, etc., all these factors depends upon the individual performance.

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Table – 1 : Demographic profile

S.No	Factors	No. of Respondents	Percentage (%)
1	Age		
	Below 20 yrs	01	1.4
	20 – 30 yrs	53	75.8
	30 – 40 yrs	12	17.1
	40 – 50 yrs	04	5.7
2	Experience		
	Below 5 yrs	30	42.9
	5 – 10 yrs	34	48.6
	10 – 15 yrs	03	4.3
	15 – 20 yrs	01	1.4
	Above 20 yrs	02	2.8
3	Qualification		
	SSLC	01	1.4
	Diploma	39	55.7
	UG	23	32.9
	PG	07	10
4	Income		
	Below 10000	35	50
	10000 – 20000	29	41.4
	Above 20000	06	8.6
5	Marital status		
	Married	27	38.6
	Unmarried	43	61.4
6	Gender		
	Male	54	77.1
	Female	16	22.9

Source: primary data

### IV. FINDINGS

- A. 75.8% of employees are the age group of between 20-30 years, 17.1% of employees are the age group of between 30-40 years.
- B. 48.6% of employees are the experience of 5-10 years, 42.9% of employees are experience of below 5 years.
- C. 55.7% of employees qualification is diploma, 32.9% of employees qualification is UG.
- D. 18.7% of employees are working in development department, 15.8% of employees are working in quality control department.
- E. 45.7% of employees salary is between 6000-10000, 41.4% of employees salary is between 10,000-20,000.
- F. 61.4% of employees are unmarried, 38.6% of employees are married.
- G. 77.1% of employees are male and 22.9% of employees are female.
- H. 64.3% of employees are strongly agreed about the specific target at work.
- I. 52.9% of employees are strongly agreed with the performance appraisal is done periodically.
- J. 51.4% of employees are strongly agreed with the separate committee to review the performance and 44.3% of respondents are

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agreed.

- K. 94.3% of employees are strongly agreed with the general appraisal techniques is followed by an organization.
- L. 55.7% of employees are agreed and 32.9% of them strongly agreed with the performance appraisal is a vital role for effective functioning of organization.
- M. The 57.1% of employees are agreed and 32.9% of them strongly agreed about the performance of the organization is assessed by superior.
- N. The 60% of employees are agreed for managers try to avoid conflict during performance reviews.
- O. The 61.4% of employees are agreed with the design development plans.
- P. The 70% of employees are agreed about the managers has good understanding of subordinates job.
- Q. The 58.6% of employees are strongly agreed for the performance appraisal system helps to identify the strength & weakness of the employees.
- R. The 72.9% of employees are the highly satisfied with the existing performance appraisal system.
- S. The 77.1% of employees is agreed for the better performers are appreciated.
- T. The 57.1% of employees are agreed for freedom to take decision at job.
- U. The 67.1% of employees are agreed with the better performance support.
- V. The 67.1% of employees are agreed for the non-performers are given training towards improving their performance.
- W. The 64.3% of employees are agreed about the performance appraisal contributes in salary revision.
- X. The 60% of employees are agreed with the internal transfer is based on performance appraisal.
- Y. The 67.1% of employees are agreed about the superior encourages/motivates the employees.
- Z. 62.8% of employees are agreed with the co-operation & team work.
- AA. The 65.7% of employees are agreed for the performance appraisal reducing grievance among the employees.
- BB. 65.7% of employees are agreed to improving personal skill due to performance appraisal.
- CC. The 72.9% of employees are agreed with to increase the level of employees motivation & self development.
- DD. The 81.4% of employees are agreed for the quality of work is based on skill & performance of employees.
- EE. The 65.7% of employees are agreed about the performance rating is helpful for provide employee counseling.
- FF. The 67.1% of employees are agreed for performance appraisal focuses on achieving organization goals.
- GG. The 65.7% of employees are agreed about the desired target of the organization is achieved through the performance appraisal.
- HH. The 80% of employees are agreed for performance appraisal system gives proper assessment of employees contribution to the organisation.
- II. The 72.9% of employees are agreed to the training programmes are effective.
- JJ. The 70% of employees are agreed with the training is related to organizational objectives.
- KK. The 61.4% of employees are agreed with training impact day-to-day in workplace dynamics.
- LL. The 50% of employees are agreed with the knowledge is successful performance and 44.3% of employees are strongly agreed.

### V. SUGGESTIONS

- A. The performance appraisal in the organization should helpful to reducing grievance among the employees.
- B. The performance appraisal method should helpful for the management to provide employee counseling.
- C. Ongoing feedback system may be adopted to the organization the desired target of the organization is achieved through the performance appraisal. An organization managers must try to avoid conflict during performance reviews.
- D. The performance appraisal in the organization should motivates the superior in employees.

### VI. CONCLUSION

The performance appraisal system serves many organizational objectives and goal besides encouraging high levels of performance, The evaluation systems was useful in identifying employees with potential, rewarding performance equitably and determine employee need for development. Performance appraisal conducted at SAMCO Metals & Alloys Pvt. Ltd., Kaniyampadi, plays a significant role where promotion is based on performance appraisal. The samples are carefully selected and trained to make the familiar with job appraised performance appraisal in organisation has positive work environment which contributes to productivity. It develops a competitive spirit and confidence among employees to improve the performance. The various measuring techniques

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are adopted in organisation as a result the performance appraisal system is excellent and giving encourage to the workers to make SAMCO Organization as the leading private sector undertaking in the global scenario.

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