Impact of Performance Appraisal System on Organization Growth –
A Study with special reference to ITES Sector

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ABSTRACT Purpose–Performanceappraisalisusedinternationallytoimproveemployeeperformance.However,doubtsexist abouttheeffectiveness ofperformanceappraisal.This studyaimstoanalyse the factors that which hinders the effective performance appraisal system in an organization. Further, thestudyaimstoexaminethe impact of effective performance appraisal with regards to organizational growth and development. Design/methodology/approach–Questionnaire method has been adopted and a sample of 315 have been collected from ITES and IT Sectors in Chennai and Pondicherry. Chi Square and Corelations test have been done. Findings–The resultsindicatethat effective performance appraisal practice leads to organizational productivity as well as reducing of employee attrition rate and enhancing of employee engagement. Organizations need to adopt transformational leadership style then transactional leadership

About two decades back performance appraisal was never ever discussed because the need did not exist. Employers would recruit an employee with utmost care and once the employee is in, rarely he leaves the organization. Organizations used to invest on the employees for grooming, training and developing. Employees were treated as asset. But late 90tees situation has taken a dramatic change. With the advent of technology and globalization job opportunities have become abundant on one hand. On the other hand most of the employees hardly takes effort to take up a job that suites them. They end up in joining profession which may barely suit their mind set, Crane, J.G. (1991). In such a scenario, employees tend to work but their level of engagement would be minimal. Even though the organization would train it would make hardly any impact on the employees.

An organizations success depends on the level of commitment of the employees. This commitment comes when employees' emotional and behavioral state is directed towards desired organizational outcomes. This can happen when employees are highly motivated and has a feeling that his desires can be met with the current organization's operating way. Though, organizations are aware of this but unfortunately we rarely practice these approaches. Henderson, R.I. (1984) Employer's employing at a rapid pace to meet the dire requirement of the exponential growth of the organizations and to meet the project urgencies. These factors have led to selecting of the employees with minimal time span, whereby they could hardly stress on fulfilling all the requirements, Edwards, M.R. (1990), Many a times selection becomes a mere ritual activity of filling the gap without even analyzing whether the gap filled do really fits into the slot or not. Employers hardly take effort to know the real desires of the employees. Further HR department also hardly takes any effort to analyze and realize the passion of the employee with the job he or she is performing. Absence of this may lead to job dissatisfaction and there by low commitment on the employees towards the organization. This in turn has serious impact of organization like low productivity, high absenteeism and attrition rate. Goff, S.J. and Longenecker, C.O. (1990

With the current market scenario and high competition, or-

ganizations have been focusing on just enhancing the profit percentage as well as the market share. Hardly any emphasis is placed on employee engagement, Evans, E.M. (1991),. Employees are recruited for various position adopting a transactional leadership style where both gets into a contract of finishing the giving assignment rather than transformational leadership style where employees are nurtured with the organizations value systems. Absence of this leads to serious consequences in the long run like absenteeism, low morale and low productivity. Hence to measure this there is a need for a scientifically designed appraisal system according to Guinn, K.A. and Corona, R.J. (1991).

Performance appraisal is often described as a vital organizational activity in the human resource management literature. Formal performance appraisal has a much shorter history. Georgell suggests that formal performance appraisal in industry originated in Scotland in the early 1805 with the "silent monitor" used in Robert Owen's textile mills .

Reasons for Usage of Performance Appraisal
There are many reasons why employees are appraised. Randelz summarizes the main purposes of performance appraisal thus:

a. Evaluation to enable the organization to share out the money and promotions fairly;
b. Auditing, to discover the work potential, present and future, of individuals and departments;
c. Succession planning, to construct plans for manpower, departmental and corporate planning;
d. Controlling, to ensure that employees reach organizational standards and objectives;
e. Training, to discover learning needs;
f. Development, to develop individuals by advice, information and through shaping their behaviour by praise or punishment;
g. Motivation, to add to employees' job satisfaction understanding their needs;
h. Validation, to check the effectiveness of personnel procedures and practices

Performance appraisal can be used for numerous

purposes including: reward; discipline; coaching; counseling; negotiating improvements in performance; improving the work environment; raising morale; clarifying expectations and duties; improving upward and downward communications; reinforcing management control; helping validate selection decisions; providing information to support HR activities; identifying development opportunities; improving perceptions of organizational goals; and selecting people for promotion and redundancy. In short, it would appear to be a ``panacea'' Taylor, 1998, . Today IT organizations work on a transactional mode rather than a transformational mode. Hence, accuracy of appraisal is important for both the appraiser and apprise.

Kavanagh's (1997) statement shapes the focus and structure of this monograph. He refers to the idea of employees wanting to know how they are performing; the issue of how best to provide effective feedback to employees; and the challenge of providing feedback to employees which facilitates both performance improvement and effective career development processes. A relatively recent development in this context is a concept that has been termed ``3608 feedback'' or ``multi-rater performance appraisal''. Coates (1998) claims that multi-source appraisal became popular on the corporate scene only in the 1980s and at the time was mostly used as an executive development tool.

DeNisi and Kluger (2000) herald that, for scholars and practitioners in the field of human resource management in general, it is widely accepted that feedback is an essential component learn on of an effective performance improvement strategy Furthermore, commentators argue that performance feedback increases job satisfaction and motivation (see Hackman and Oldham, 1980) and many decision-making and career development models include a feedback loop emphasizing that individuals the basis of receiving feedback on their performance.

Review of Literature:
John P Wilson and Steven Western discussed research conducted into some of the potential inhibitors which can reduce the effectiveness of a hospital performance appraisal system in relation to training and development plans. Takes as its perspective the views of the appraisees which counter the more usual overview provided by managers and other commentators.

Melissa Tuytens, Geert Devos, (2012), examined the role of both characteristics of the teacher performance appraisal system and the school leader for procedural justice and perceived feedback utility by teachers. The results indicate that teacher participation in the teacher performance appraisal system significantly influences the perceived procedural justice by teachers, which in its turn significantly influences the perceived feedback utility.

Deborah F. Boice, Brian H. Kleiner, (1997), said that effective performance appraisal systems help to create a motivated and committed workforce. To be effective they require the support of top management to show their commitment and to translate organizational goals and objectives into personalized employee specific objectives. Explains a framework for the implementation of performance appraisal and in particular the need for appropriate training for supervisors, raters and employees, a system for the frequent review of performance, accurate record keeping, a clearly defined measurement system, and a multiple rater group to perform the appraisal.

Hayes and Clark note that in many manufacturing companies managers: do not have adequate measures for judging factory-level performance or for comparing overall performance from one facility to the next. Of course, they can use the traditional cost-accounting figures, but often these figures do not tell them what they really need to know. Worse, even the best numbers do not sufficiently reflect the important contributions that managers can make by reducing confusion in the system and promoting organizational change.

Arie Halachmi, Geert Bouckaert, (1994), said work measurement is an important contributor to the planning and control of operations, and offers a useful basis on which to evaluate alternative ways of delivering work. If the data that result from work measurement are stored in a systematic, structured way and users are provided with tools to retrieve and use these data - the benefits are increased immeasurably. Describes a particular approach to data structure, coding, organization and use based on detailed measurement data and the use of specific software tools to provide linked database and flowchart-presentation capabilities

Phil Gaynard, (1997) Identifies the reasons for performance measurement and the failings of many "traditional" measurement systems that rely principally on financial indicators. Describes the factors underlying an effective measurement regime and comments briefly on some of the more modern approaches to performance measurement, such as the balanced scorecard and activity-based costing

According to Charles Parker, (2000), everything mankind has and will have in the future is and will be the result of people's ideas. Ideas are derived not only from people of above average intelligence, but also from those of average intelligence. Some of the more progressive companies in the history of modern management realized the potential value of their employees' ideas for the improvements in the general functioning of their organizations. They have realized that "idea power is the most tremendous human force in the world

It was observed by Andrew E. Marx, (1995) that to be able to compete in the global economy, firms must become more efficient, more flexible and, above all, more customer-oriented. The competitive edge of firms is determined not only by their own strategic choices, but also by what their respective governments do (or fail to do) in terms of providing a supportive infrastructure that helps them compete. Arie Halachmi, (2002), examined the changing nature of government, and in particular the changing nature of performance measurement and management as governments attempt to balance accountability for the resources they manage with flexibility in terms of the services they provide.

Wei Zheng, Mian Zhang, Hai Li, (2012) studied how the performance appraisal process relates to organizational citizenship behavior – through affective commitment. Further, the moderating role of rating-reward linkage deepens understanding of the underlying motives of organizational citizenship behavior. The findings strengthen the valence of using social exchange theory to explain how performance appraisal process is associated with organizational citizenship behavior and suggest the value of incorporating impression management to supplement social exchange theory. Kellogg, M.S. (1975)

Mark R. Edwards, (1996) mentioned that intelligence gathered from multiple sources enhances both internal and external customer service. Notes also that multi-source assessment or 360-degree feedback enhances information quality, provides specific performance feedback and targets developmental areas. Uses findings from the experience of a variety of organizations which have implemented multi-source assessment to support these beliefs. Suggests that this form of marketing research targeted to each person facilitates performance improvement by providing strong motivation to

take action. Notes that optimizing performance and customer service relies on accurate information - citing the provision of such information as the strength of 360-degree feedback.

Research Methodology

The paper aims at looking it to the factors that constitute to making of effective performance appraisal system. The study was done on the employees of Software and BPO industry. A sample of 318 employees from 10 Software and 10 BPO companies from in and around Madras and Pondicherry was studied. The sampling procedure was non probability convenience. The instrument used for data collections was a questionnaire which had two parts, first part was to measure the outcome of effective performance appraisal system on and the second part was on determinants of performance appraisal system. A five point Likerts scale was constructed to measure effectiveness of performance appraisal system and the scale was tested for validity and reliability with data from pilot study which was done on a sample of 50 employees from Madras. Face validity was attempted for which a panel of 5 experts was identified from Industry (HR), Education (Professor) and Psychologist (Practitioner) and all the five were satisfied with the construct and the reliability was measured using cronbach's alpha and the value was found to be 0.731. Chi Square and Corelations Cooefficiency was applied to see the association and correlation between the organizations productivity and outcome of effective performance appraisal system inorder to see how far its is associated to each other.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	948.000[a]	9	.000
Likelihood Ratio	682.193	9	.000
Linear-by-Linear Association	315.000	1	.000
N of Valid Cases	316		

a. 5 cells (31.2%) have expected count less than 5. The minimum expected count is .46.

While running a Chi – Square test with respect to outcome of Performance Effectiveness and Organizational Goal Attainment at a degree of freedom of 9 it is found that the significance level is .000 which is less than .05 and there fore it is found that there exist a high degree of association between the two variables. Hence, it is strongly felt that there is a need for effective appraisal system in an organization inorder to attain the organizational goals. Only then we can measure the performance of the employees on a regular basis and identify the lacunas if any or design alternative strategies which would enable the organization to attain its goal.

Symmetric Measures			
		Value	Asymp. Std. Error[a]
Interval by Interval	Pearson's R	1.000	.000[b]
Ordinal by Ordinal	Spearman Correlation	1.000	.000[b]
N of Valid Cases		316	
a. Not assuming the null hypothesis.			
b. Based on normal approximation.			

While running a person's correlation cooficient test by taking the outcome of PE and ORG as two variables understudy, the level of significance is .000 which is less than .05. Hence, it is observed that there is a strong correlation between the two variable and the value of correlations cooeficient is 1 which says there is a strong positive correlations between output of

Performance Effectiveness and Organizational Goal Achievement . It is observed that if any performance appraisal if designed with the operating scenario would lead to organizational development. This would also create a conducive working environment.

Discussion:

Resulting from our analysis of data, several important findings were found. Organizations success and growth depends on the existence of effective performance appraisal system. It's the culture of the organization that which decides closed or open appraisal system. If the appraisal system is designed keeping in mind SMART goals, it would in turn benefit the organization according to Gates, A. (1991). Because, employees look forward for goal that which is attainable. Every employee loves to have a feedback and recognized for his performance irrespective of what they have performed Secondly to make this through, the organization should specify the goals to be attained. This would lead to clarity and further when time based, it makes its more realistic.

Leaders who are perceived as charismatic in the performance appraisal process might contribute to perceived procedural justice and perceived feedback utility. Moreover, as pleaded for by Avolio et al. (1999), our research contributes by demonstrating the importance of charismatic leadership itself while most research focuses on the broader transformational leadership perspective of which charismatic leadership is a component.

When an employee is appraised about his current scenario in a affirmative way, it would facilitate in overcoming his lacunas if any. This would lead to enhancing of his productivity. And this in turn lead to organizational productivity.

Though most organizations do have an appraisal system, its practiced as a ritual rather than applying it according to the trend and changes in the system. This in reality hinders the aim of its existence. Secondly, today most of the organization works on transactional mode rather than transformational mode. When this is the scenario, there hardly exist any window for post appraisal counseling where the employee can be made to understand his real scenario.

Hence, its felt that for organizations to be effective there must be an effective appraisal system, which would facilitate a scenario of two way communication. If this persists it would enhance the self efficacy level of the employees. This would lead to motivating of the employees. Once, employees are motivated it would lead to employee engagement. Such work environment would facilitate work life balance.

Once culture of the organization is not open, existing of trust among the employees reduces. They work on a short term goals and ignore the long term growth and developmental activities. Which leads to absenteeism, lack of job satisfaction and in turn attrition .

Conclusion:

The study concluded that there is a need for effective performance appraisal system to be practiced in reality. This would make the employees overcome their lacunas and facilitate in attaining their desired goals. Hence, there is a need for an appraisal system which is designed with SMART goals in mind. It is also felt that to make the performance appraisal effective there is a need for continous monitoring system . Hence, the presence of performance management system. The performance management system's function has a significant positive impact on alignment. On the other hand, partnering has a significant negative impact on the performance management system's functions. This highlights that external partnering is not always considered important for the purposes of the performance appraisal process.

The findings suggest that scope exists for additional re-

search on other areas of HR functions within organizations. In the face of globalization and the ensuing competition, organizations must strive continually to design and implement HR practices that are organization specific and employee friendly. In an increasingly globalized business environment, this is a critical task for HR managers in enterprises in India and elsewhere.

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