

Factors influencing executive- employee perception towards performance appraisal system: A Study of select units of Indian Steel Sector

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ABSTRACT: *The study aimed to assess the impact of selected factors on executive-employee perception regarding their performance appraisal. Empirical study had been conducted by collected data using a structured questionnaire and hypotheses were tested using suitable statistical tools. The results of this study helps practicing managers in steel industry to develop better performance appraisal design, provides inputs to redesign or make necessary improvements in their appraisal system so that it can motivate the employees after participating in the performance appraisal process. It is found that employee perception is influenced by various factors when they are made to participate in performance appraisal system.*

Key Words: *Managerial development, performance appraisal, organizational development, employee development, career development, intrinsic motivation, executive- employee (employee)..*

Introduction

Performance appraisal (PA) systems increases individual and organizational productivity and it is a core function of human resource (HR) function. In simple words, performance appraisal is a routine process where objectives, activities and targets are measured in association with performance of an individual employee. Through effective performance appraisal designs/ redesigns or improvements the HR division can bring profits to the organization from various sources. Some researchers have argued positive impact and some have argued about negative impact of performance appraisal systems but overall performance appraisal had been consistently implemented in traditional and modern organization. The modern technology had improved the process of conducting performance appraisal system. The entire process of evaluating the performance can be broadly referred as performance management (PM). In this regard the impact of performance appraisal on employee development had been empirically verified in this study.

Executives are backbone for designing and implementing effective appraisal systems. The employees at middle level management have been considered for empirical verification on factors influencing performance appraisal system. The organizations need to assess their performance so that they can control when some deviation takes place from the standard plan. The organizational performance is high related to employee performance in the modern world because human capital had become competitive advantage. Hence it is important to assess the capability, skills and performance of employees at individual level so that it can help in accessing the overall performance of the organization.

Research Objectives

1. To understand perception of employees towards performance appraisal.
2. To study the factors influencing employee perception towards performance appraisal.
3. To provide inputs to human resource managers who conduct performance appraisals.

Review of Literature

Kuvaas (2007) had stated that employee perception and requirement towards autonomy has an impact on perception towards workplace appraisal systems. Employees who tend be more autonomy oriented during work performance may not like developmental appraisal systems in their organizations. The factors like intrinsic motivation and affective commitment also influences employee autonomy orientation from the perspective of performance appraisal. Boachie-Mensah and Seidu(2012) argued that employee involvement during the process of developing performance appraisal systems helps in developing better evaluating

system else it will have negative impact on employee performance at workplace.

Some of the factors which influence performance of employees are individual direction, individual effort, individual ability and individual job performance. Performance appraisal can analyze the existing performance of employees but it may not help to predict the future performance of employees and it is important to conduct performance reviews, counseling and/or mentoring sessions for an employee which is the next step after performance appraisal (Obisi, 2011). The pattern of Performance measurements have changed in the recent years with the support of technology enabled platforms. Payne et al (2008) had conducted a study to know the impact of latest tools on perception of employees towards performance appraisal systems and found that online version had made participants to be more accountable as compared to the traditional paper and pencil system.

Schraeder et al (2007) had explained benefits and pitfalls of conducting performance appraisal systems in organizations. When employees get negative results through performance appraisal they tend to leave the organization because of various reasons. Brutus (2010) explained the impact of report generation either with numbers or narration in performance appraisal. It is difficult to select either numbers or words for expressing the performance appraisal because it depends on recipient's (appraiser or appraisee or both) perception. The expressions of reports through words limit the discussion with the employees whereas narration leads to subsequent discussions and it may lead to confusion because sometimes there might be ambiguity in sentences – as their inability to express the entire year's work in few sentences or words may not give a complete picture.

According to Shrivastava and Purang (2011) employees in private banks have perceived that performance appraisal systems are more fair and efficient as compared to public sector banks. Even from the perspective of technical and economic efficiency, the employees in private banks are more satisfied. The core banking solutions with the support of automation tools had increased performance of employees in banking sector. Some of the dimensions for performance appraisal are appeal system, appraisal design, post-appraisal survey attitude and accountability issues. The performance appraisal system is more important function of human resources (HR) function for analyzing organizational performance at large.

Peretz and Fried (2012) had studied about influence of national culture on performance appraisal systems among 21 countries. The turnover intention and absenteeism are influenced by performance appraisal system mediated by variables like social culture, individualism and power distance. The individual performance of employees can be enhanced by various techniques and performance appraisal is one of the management techniques. Kuvaas (2006) had explained about relationship between turnover intention and affective commitment after conducting performance appraisal in an organization. It is also revealed from the study of Kuvaas (2006) that satisfaction with performance appraisal leads to enhanced employee performance. The intrinsic motivation enhances the work performance of employees from the angle of performance appraisal systems.

Bakotic (2016) had stated that there is strong link between job satisfaction and organization but organizational performance may not lead to job satisfaction. The organizational performance is dependent on many factors and one of them is effective performance appraisal system. Kampkotter (2016) had described about performance appraisal by using factors like monetary outcomes, non-monetary outcomes, big five personality traits and job satisfaction. The performance appraisal system can be more effective if it is combined with monetary benefits for employees. Executive - employees' satisfaction also boosts when tangible benefits are provided during implementation of performance appraisal systems.

Methodology

A structured questionnaire was used for collecting primary data from respondents who are executives (employees) in select steel industries at the middle level management. The executives from different steel industries have been contacted on convenience basis for collecting primary data. The sample size of the study is 120 and sampling method is combination of convenient and snowball methods. The respondents were explained about the objective of research and they should have undergone performance appraisal in their respective organizations. There are five factors which are given in Table 1 and all the items for each factor are taken from earlier published scales and modified according to need of this study. All the items have been measured by using Likert-type scale anchored from 1 for strongly disagree to 5 for strongly agree. The demographic variables considered for this study are age and experience.

Table 1: Development of measurement scale

S. No	Factor	Items	Reliability Cronbach's Alpha
1	Employee Perception (EP)	<ul style="list-style-type: none"> EP1: Performance appraisal system in my organization is very effective. EP2: My superior is very fair in conducting performance appraisal. EP3: The issues related to performance appraisal can be discussed freely with the management. 	0.89
2	Intrinsic Motivation (IM)	<ul style="list-style-type: none"> IM1: My job provides a lot of motivation to me IM2: My tasks at workplace are more enjoyable. IM3: I am lucky to get paid for a job which I like most. 	0.93
3	Feedback (FB)	<ul style="list-style-type: none"> FB1: I am satisfied with the feedback I receive whenever performance appraisal is conducted in my organization. FB2: I am able to receive the feedback for whatever I achieve on my job. FB3: I am able to receive recognition for my performance in my organization. 	0.90
4	Affective Commitment (AC)	<ul style="list-style-type: none"> AC1: I enjoy in discussing about my organization with outside people. AC2: I usually consider organizations problems as my own problems and strive hard to solve them. AC3: I feel a strong sense of attachment with my organization. 	0.92
5	Career Development (CD)	<ul style="list-style-type: none"> CD1: Performance appraisal system helps in career development. CD2: I believe that the reports of executive performance appraisal help in getting promoted to the next level / grade.. CD3: Performance appraisal systems helps in goal setting related to my career. 	0.87

(Source: Developed by the researcher)

The reliability test for each construct was conducted and Cronbach alpha value (Table 1) for all the five constructs is greater than 0.70. Therefore, all the constructs are reliable. The exploratory factor analysis (EFA) was conducted to identify the loading of items and factors it is observed (Table 2) that all the items have got loaded perfectly. After EFA, the statistical techniques like descriptive statistics and regression have been done using SPSS 20.0 version. The hypotheses were formulated based on earlier researches and were tested by applying suitable statistical techniques. The secondary data for this study was collected from journals and electronic sources.

Table 2: Rotated Component Matrix ^a					
	Component				
	1	2	3	4	5
EP1					0.906
EP2					0.936
EP3					0.938
IM1			0.965		
IM2			0.913		
IM3			0.973		
FB1	0.971				

FB2	0.971				
FB3	0.968				
AC1				0.903	
AC2				0.918	
AC3				0.890	
CD1		0.890			
CD2		0.970			
CD3		0.958			
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 6 iterations. (Source: SPSS Output)					

Data Analysis

A majority of the respondents were male (74.3 percent) and remaining were female (25.7) employees who were working in the middle level management in these select steel units was considered for the purpose. The sample with age group from 25 – 40 years are 29 percent, between 40 – 50 years are 48 percent and remaining 27 percent belonging to 50 – 60 years age group. From (Table 3) it is found that employees in the steel industry have high intrinsic motivation because mean value for (IM) is 4.372. The mean values affective commitment (AC) and employee perception (EP) is above 4.0 shows that employees are positive towards performance appraisal system and they are also expressing about their workplace to outsiders very positively. The mean value for (CD) is 3.738 states that employees are having average opinion that performance appraisal lead to career development. Any value less than 4.0 was taken as low score.

Table 3: Descriptive Statistics

	N	Mean	Std. Deviation
Employee Perception (EP)	120	4.052	0.699
Intrinsic Motivation (IM)	120	4.372	0.626
Feedback (FB)	120	3.719	0.773
Affective Commitment (AC)	120	4.158	0.809
Career Development (CD)	120	3.738	0.756
Valid N (listwise)	120		

(Source: SPSS Output)

H1: The intrinsic motivation has an impact on employee perception towards performance appraisal.

Result: The ‘p’ value for intrinsic motivation (IM) is more than 0.05 according to Table 4 therefore H1 is rejected.

Table 4: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.077	0.645		1.670	0.098
Intrinsic Motivation (IM)	-0.063	0.103	-0.057	-0.615	0.540
1 Feedback (FB)	0.127	0.081	0.140	1.567	0.120
Affective Commitment (AC)	0.408	0.091	0.472	4.494	0.000
Career Development (CD)	0.290	0.090	0.313	3.218	0.002

a. Dependent Variable: Employee Perception (EP) ; Source: SPSS Output

H2: The feedback has a positive impact on employee perception towards performance appraisal.

Result: The ‘P’ value for feedback (FB) is 0.120 which is higher than 0.05, therefore H2 is rejected. The ‘p’ value for (FB) is shown in Table 4.

H3: The affective commitment has an impact on employee perception regarding performance appraisal.

Result:The 'p' value for affective commitment (AC) according to Table 4 is less than 0.05 therefore H3 is accepted.

H4: The career development has an impact on employee perception regarding performance appraisal.

Result:According to Table 4 the 'p' value for career development (CD) is 0.002 which is less than 0.05 therefore H4 is accepted.

Discussion and Conclusion

The executive-employee perception towards their performance appraisal processes are influenced by various factors. Among the four independent factors of this study intrinsic motivation and feedback does not have an influence on dependent variable employee perception. The two factors which have influence on employee perception are affective commitment and career development. Human resource managers should redesign or modify their performance appraisal mechanisms by giving consideration to affective commitment and career development. When executives who design and implement the performance appraisal systems believe that it would enhance the brand image of their organizations and it (PAS) shows clearly what type of people force are available in their organization, or the quality of workforce then only greater care would be taken in designing/ redesigning or modifying or customizing them to assess the performance effectively. The employees in steel industry at middle level are more concerned about their career development through their appraisal systems. Hence, human resource managers in the select steel units should link career enhancement programs with performance appraisal systems to motivate their workforce and improvise occasionally to foster change. Generally, the steel sector executive-employees are having high intrinsic motivation and are found to be positively oriented towards their performance appraisal systems. It is also found that human resource managers need to adopt more user friendly online methods for conducting performance appraisal in these organizations.

Future Research

In this paper only five factors have been considered for assessing performance appraisal mechanism in steel industry with regard to middle level employees. Future studies can be conducted to assess the impact of performance appraisal system on employee turnover intention and organizational commitment. The human resource managers should also develop mechanisms to give feedback both in online mode and offline mode after conducting performance appraisal systems. The demand for counseling from employees after conducting performance appraisal should also be investigated. The influence of other variables like autonomy, monetary benefits and tangible benefits on executive-employee perception towards their performance appraisal systems and its impact needs to be investigated by future researchers.

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