Think India Journal
ISSN: 0971-1260, Vol-22, Special Issue-15
Entrepreneurship and Management: Challenges, Issues and Opportunities in the Global Economy
held on 9 November2019 and hosted by
Vivekananda Global University, Jaipur (Rajasthan)

Challenges And Opportunities In Performance Appraisal In World's Economy And Its Impact On Employee's Performance

Neha Kulshrestha
Research Scholar,
School of Management and Commerce,
K.R.Mangalam University,Gurgaon
Haryana
E-mail:nehakulshrestha.iftm@gmail.com

Dr. Richa Nangia
Associate Professor,
School of Management and Commerce,
K.R.Mangalam University,Gurgaon
Haryana
richa.nangia16@gmail.com

Abstract

Performance appraisal considered as a one of the most important human resource practices and also become an integral part of strategic approach. It covers various activities with the help of which organization assess employee's abilities and develop their competence to enhance their performance and provide rewards according to their performance. However, organizations are opting for performance appraisal but there is confusion how appraisals are conducted and managed and does it provide any benefit to the organization. Thus, performance appraisal loses its value if it not carried out effectively. Performance appraisal is process by which an observer evaluates the performance of employee against the set standards and as a result of that provides rewards and training accordingly. These appraisals are conducted usually annually and recorded on some standard scale. The results generated from this performance appraisal play an important role in improving employee's performance.

Thus, from the above it is clear that the study is done to show that how important is performance appraisal in improving employee's performance and it also focuses on the challenges in this field of performance appraisal process like determining the evaluation criteria which should be quantifiable or measurable, creating a rating instrument, lack of competency of rater, errors in rating procedure etc. Moreover, this paper also pinpoints the

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opportunities available in performance appraisal like improving decision power and giving direction for further career growth etc.

Introduction

Performance appraisal can be denoted as a formal way of assessment of employee's performance to achieve organizational objectives and goals along with employee's future outlook. It is one of the process which includes a trained and well aware supervisor in relation with the various tools and techniques involved in appraisal process to carry out evaluation in smooth and effective way. The literature rapidly grows with different names provided to this appraisal process such as evaluation, performance report, rating, audit etc. (Haji Sharif, 1992). Appraisal also involves evaluation of different action of the employees for different decision making purpose in a given time. All these decisions are related to transfer, promotion, progress and also appointment for higher position.

Moreover, this appraisal process is also beneficial to figure out the strength and weakness of an employee through which it becomes quite easy to formulate training programme for those employees who are not up to the expectation level and also reward allocation becomes easy as performance evaluation signifies the high performance among the employees. This performance based reward system definitely proves worthy as it brings satisfaction in the employees and also motivates them to show high standards in the future also. Appraisal system expresses the assessment part of the performance cycle. This systems are basically planned on the basis of personnel function. Thus, each manager needs to evaluate the performance of the employees on quarterly, half-yearly or annually basis. Earlier, appraisal system is related to higher authority but with the expansion also becomes related to office staff. Therefore, appraisal system is applicable in all the parts of the organization for improved performance of the employees. The basic function of this system is to evaluate the performance of the employees and provide the reward accordingly.

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However, it is true to say that there are higher chances of errors to take place during evaluation and bring out various challenges in the path of performance appraisal. But with proper care these error can be minimized easily and provide different opportunities in organization to improve employee's performance.

Thus, this paper focuses on various challenges and opportunities of performance appraisal and its impact on employee's performance.

Challenges in Performance Appraisal

The appraisal process is not a one day process, it takes place under different conditions, different place, and different people are involved in it with different state of mind. Every individual is different in decision making also. Thus, it is normal that the judgment provided by the supervisors in evaluation must be different depending upon their likes and dislikes and also their relations with their subordinates which bring out the different errors in the form of challenges.

The following errors are in general occurs during appraisal-

1) Appraiser discomfort

Most of the time appraisal process becomes quite difficult because of the design, choices or even improper administration. This leads to lots of difficulty to obtain data from the employees for appraisal process which results bad experience for the managers during the appraisal process even also if employees does not perform well.

2) Lack of objectivity

The most basic weakness exists in appraisal is presence of subjectivity in the information obtained during the evaluation process. As the information generated from various traditional methods of appraisal are highly subjective because they dealt with the factors related to attitude, appearance and personality of the employees. This means all these factors definitely provide subjective information instead of objective and this information

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is not related to the employee's job performance. Thus, the organization may be forced to show such factors are related to the job.

3) Halo/Horn

Halo effect takes place when a supervisor puts one positive performance feature to all the aspects of employee performance or incidents and provide higher rating. When evaluation is done on the basis of one negative performance feature and it is generalized to all the aspects resulting in lower rating then this type of error is known as horn effect.

4) Leniency/Strictness

Managers who are too generous during the evaluation process and provide high ratings to undeserved employee is known as leniency. Most of the time this kind of behavior exist to avoid the controversial situation during the appraisal. It is more difficult during the situations of highly subjective criteria and manager need to discuss the evaluation result with the employees. Moreover, managers are more lenient if appraisal is done for pay increase as compared to the situation if the appraisal is done for the employee development. But this type of behavior or practice may hide the weakness of employee which needs corrective measures and also reduce the availability of rewards for superior employees. Due to which it is quite difficult for the organization to terminate the employees whose performance is not at all up to the mark and also receive positive feedback in appraisal on continuous basis.

On the other hand, if manager is too harsh to give good rating even to deserved employees referred as strictness. This situation arises due to the lack of understanding of various evaluation factor and because of this manager rated the employees more rigorously as compared to the standards of the company. Most of the time leniency exists in the organization as compared to strictness. However, the worst situation occur when accompany have both lenient and strict manager because employees who are weak

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performer get promoted from lenient manager and those who are good performer get demotivated due to lower rating provided to them by the strict manager. This ultimately effect the top performing people in the organization.

5) Central tendency

This error occurs due to the rating system when employees are incorrectly rated near the average or middle of a scale. This situation arises as evaluator needs to rate and justify the rating in written either highly rated or lower rated so to avoid such a controversial matter, rater generally provide average rating. This error obviously influence the accuracy of appraisal result especially in the case of pay increase.

6) Recent Behavior Bias

The behavior that is more recent is more remembered as compared to the distant behavior. But, as appraisal process covered specified period of time and involve the activities or performance of employees throughout the year. Thus, to avoid such error managers need to maintain the records of the performance of the employees so that they must be helpful during the rating time.

7) Personal Bias (Stereotyping)

In this manager forms ideal picture in their mind for the employees if it is not matches with that picture the employees are rated unfairly. The main reason for this biasness is cultural difference and discrimination on the basis of gender, race, or age. All this definitely lower down the morale of employees and also results in costly litigation if it is illegal.

8) Manipulating the evaluation

In most of the situation, managers evaluate the employees according to their wish and control every situation on their own on the basis of favoritism. So for this manager needs to

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manipulate the rating. Let's say if manager favors an employee and wants to give pay rise to that employee, though the performance of that employee is not up to the mark but manager provide higher rating to the employee and in the same way if manager does not favor the other employee, the rating must be lower even the performance is good. Thus, in order to justify the actions the manager manipulates the evaluation, in such a manner the appraisal system is distorted and objectives of appraisal also cannot be achieved.

9) Employee anxiety

The process of evaluation also brings anxiety among the employees. This can be in the form of apathy and turnover. Moreover, if employees does not perceive fairness in the process of evaluation also results in legal actions. However, various employees think that appraisal is away to highlight all the shortcomings or weakness of the employees by the organization.

Opportunities in performance appraisal

Being an important part of human resource management, if performance appraisal is carried out in effective manner it will be helpful to remove various problem arises during the process like work quality problem, related to behaviour and many more. Consequently, the employees will be more motivated and generate good results. Irrespective, the chances to give and receive positive feedback must not be unnoticed. The following points shows how an effective performance appraisal provide various opportunities to the organisation-

a) Helps in cultivating good communication between the employees and managers

Most of the time the problem arises in the job can be resolved with the help of performance appraisal. As appraisal can be used like a platform to discuss various problems arises during the job performance in a better way with various expressive and appropriate examples. Thus, in this way the employees are able to understand the

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loopholes arises in their performance and tries to improve them in the future which can be beneficial for the employees and for the organisation also.

b) Enlightening the way for future

It is good to say that performance appraisal not only focus on the day to-day activities but also provides opportunities on long term goals. Thus, in this manner the employees are able to give their best during their performance as they feel to be highly satisfied and motivated. Providing the way to career also helps in increasing faithfulness and steadiness of employees towards the organisation as they started prioritising the organisation before the career.

c) Inspiring for better work and improvement

Performance appraisal also provides the opportunity to pinpoint the areas of improvement in the job done. As, most of the time it is quite difficult to discuss and ask for improvement to the employees but with the help of appraisal it becomes easy for the managers to inspire and encourage them for better job performance. In fact, the most valued employees can be polished with the help of training during appraisal. However, proper and clear explanation what exactly needs to be done with the help of examples proves fruitful for those employees also from whom it is difficult to get the job done.

d) Increases decision making power

Performance appraisal helps to generate the detailed information of employees performance with the help of which decision related to promotion, training and compensation becomes easy. In such a way, the higher position can be filled from already existing employees of the company which in turn increases the faith of employees in the organisation. Moreover, in tough times the information collected

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during appraisal provides support to the claims done by the organisation against employees.

Impact of Performance Appraisal

Performance appraisal is the assessment process and can be used as an evaluation card for the employee's performance for a definite period of time. The use of performance appraisal is more or less same in different organisation. But generally successful organisations only can carry out it effectively by considering it's positive as well as negative effect which are as follows-

Positive impact of Performance Appraisal

- Performance appraisal results can be used as documentation in the employees file for a specified period which is quiet helpful for future consideration.
- It provides the platform to discuss different things which in general cannot be discussed easily between managers and employees.
- The feedback provided during the appraisal needs the discussion between the managers and employees and also to discuss the different opportunities for the growth of the employee.
- Performance appraisal process indirectly provide a space in the organisation to the manager to discuss clearly that what the organisation is expecting from the employee.
- It also effects the future planning, as with the help of performance appraisal it becomes easier to decide future goals for the employees in the upcoming year.
- One more effect in positive way is that it increases the morale of the employees by rewarding them for their best performance. Due to which employees always tends to give their best in the near future programmes.

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Negative impact of Performance Appraisal

- If performance appraisal is not carried out in appropriate manner or executed without proper training of manager results in bad experience for both managers and also the employees of the organisation.
- It is again shows its negative aspect as it consumes lot of time of managers.in most of the organisation managers needs to do appraisal thousands of employees.
- Biasness is one of the factor which results in error in the feedback generated during the appraisal process. Thus, managers must provide due consideration to this kind of biasness which occurs naturally so that the appraisal process can be executed fairly.
- If the results generated from the appraisal process are not fruitful or negative then the time utilised for the appraisal process seems to be waste.
- Most of the time performance appraisal can create such environment in which manager as well employees feel uncomfortable to work. To avoid such situation proper training must be provided to perform appraisal process.

Thus, in this context it can be concluded that if organisations are performing the performance appraisal only for the sake that it is compulsory to do then they are simply wasting their time. On the other hand, if organisation use this performance appraisal with the wide range in their performance management then they can achieve their objectives easily and able to achieve employee's objectives as well.

Impact of performance appraisal on employees

The performance appraisal process is quite worthy for employees as well as for managers because it can be used for the career growth for both of them. As, manager can direct the employees which is fruitful for their future and help them to achieve

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success and also, employees can develop the clear view that what kind of performance is expected from them in their day today routine. In general performance appraisal has extensive effects on employees which are as follows-

Motivation

Performance appraisal in general effect the motivation of employees as it brings out the chances to increase their efficiency to work. If employees find that everything is in the favour of their career development and provides growth opportunities for them during appraisal then automatically employees always strive to give their best performance to achieve their goals and organisational objectives.

Transparency

During the appraisal process manager and employee needs to examine the job description clearly and also supposed to compare the employee's performance with the expected one. Thus, in such a way employee's get a clear view on his required performance and transparency to perform his job with better understanding.

Make responsible

For the annual assessment, the managers should prepare the records in written that what are the various activities and task needs to be perform by the employees. However, if these activities and tasks are presented in the front of employees in the form of challenges along with the defined opportunities of career growth then in all, it makes the employees more responsible to perform and accomplish their task.

Generate team spirit

Performance appraisal also effect the employees by generating team spirit among them. Managers must uncover the fact that how the employees performance can affect

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the job of others in the organisation during the appraisal process. This will help the employee to place his duties with reference to the overall organisation perspective and work accordingly so that organisational goals can be achieved more effectively.

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