THE EFFECTIVENESS OF PERFORMANCE APPRAISAL SYSTEM ON EMPLOYEE PERFORMANCE

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ABSTRACT

Effective performance appraisal systems are essential and critical in increasing employee productivity and motivation as well as an organization's overall success and productivity. In this study, I carefully examine the Performance Appraisal System used at the prestigious kusalava motors a prestigious car dealership located in the energetic city of Vijayawada. Study aims to carefully assess the complex planning, deft execution, and real-world effects of the Performance Appraisal System on the broad range of employee performance and the overall efficiency of the company. To do this, I used a thorough approach to data collecting and a well-crafted questionnaire that functioned as a lens to gather information. This study covered a wide range of workers, including those from several departments of the prestigious kusalava motors Hyundai. I tried to evaluate the true efficacy of the Performance Appraisal System holistically by carefully examining key performance indicators, carefully assessing employee satisfaction levels, and carefully accumulating input from both the dynamic workforce and astute management. This abstract captures the essence of the study, outlining its purpose, Methodology, findings, and implications.

1. INTRODUCTION

A performance appraisal is a systematic process of measuring an individual's work performance against the established requirements of the job. It's a subjective evaluation of the employee's strengths and weaknesses, relative worth to the organization, and future development potential.

Performance appraisals are also called performance evaluations, performance reviews, development discussions, or employee appraisals.

Performance appraisal systems play a crucial role in organizations by evaluating employee performance, identifying areas of improvement, and aligning individual goals with organizational objectives. It serves as a vital tool for enhancing employee productivity, providing feedback, and determining rewards and recognition. This study focuses on analyzing the performance appraisal system at kusalava motors private limited located in Vijayawada.

Kusalava motors private limited has established itself as a trusted brand in the automobile industry, offering a wide range of vehicles and exceptional customer service. The success and growth of the organization can be attributed to the dedicated efforts of its employees. To ensure continued success, kusalava motors private limited recognizes the significance of an effective performance appraisal system that accurately measures employee performance and supports their development.

The principles behind performance management are

(a) Career management

(b) Better performance

The line managers should recognize that performance management is a useful contribution to their team

management and not an ordeal. Performance management is an ongoing and continuous process of communicating and clarifying job responsibilities, to ensure an understanding between supervisor and employee.

Human resource management practices and organizational commitment are directly related. HRM practices particularly address six dimensions.

1. Reward

2. Compensation

3. Selection

4. Training

5. Information sharing and

6. Performance appraisal.

All these dimensions can be better addressed with prior performance appraisal. This epitomizes the critical importance of a performance appraisal system.

2. REVIEW LITERATURE

The literature on this topic is extensive and covers various aspects such as methods, effectiveness, biases, and the impact on employee motivation and development. Here's a detailed review focusing on key aspects:

3. METHODS OF PERFORMANCE APPRAISAL

1. **Traditional Methods:**
o **Rating Scales:** Most common, rates employees on predefined traits or behaviors.
o **Checklists:** Uses a list of statements about employee behavior.
o **Critical Incident Technique:** Focuses on specific examples of behavior.
2. **Modern Methods:**
o **360-Degree Feedback:** Involves feedback from peers, subordinates, and supervisors.
o **Management by Objectives (MBO):** Sets specific measurable goals.
o **Behaviorally Anchored Rating Scales (BARS):** Combines aspects of rating scales and critical incidents.

Effectiveness of Performance Appraisal

1. **Accuracy and Reliability:**
o Studies often find discrepancies between different raters (supervisors, peers, subordinates).
o Reliability can be an issue due to subjectivity and bias.
2. **Impact on Employee Motivation:**
o Positive appraisals can motivate employees through recognition and rewards.
o Negative appraisals can lead to demotivation and reduced job satisfaction.
3. **Development and Feedback:**
o Effective appraisals provide constructive feedback for employee development.
o Regular feedback improves communication and performance alignment.

BIASIS in Performance Appraisal

1. **Halo/Horns Effect:**
o Tendency to rate individuals high/low on all criteria based on overall impression.
2. **Recency Effect:**
o Recent events or behaviors disproportionately influence ratings.
3. **Leniency/Strictness Bias:**
o Tendency to rate all employees either high or low.

Cultural and Organizational Context

1. **Organizational Culture:**
o Different cultures value different aspects of performance (e.g., individual vs. team performance).
2. **Legal and Ethical Issues:**
o Appraisals must be fair and non-discriminatory.
o Ensuring confidentiality and privacy of appraisal data is crucial.

Contemporary Trends and Innovations

1. **Continuous Feedback:**
o Moving away from annual reviews towards ongoing feedback.
2. **AI and Data Analytics:**
o Use of AI for unbiased data-driven insights in performance evaluations.

Review problem:

Performance appraisal, a cornerstone of modern organizational management, faces multifaceted challenges that can undermine its intended benefits. One significant issue is the pervasive bias and subjectivity inherent in the appraisal process. Whether it's the halo effect, where an overall positive or negative impression influences specific ratings, or the leniency and strictness biases that lead to inflated or deflated scores across the board, these biases distort the true reflection of employee performance. Moreover, reliability and validity concerns often arise due to inconsistent ratings among different appraisers and the questionable relevance of appraisal criteria to actual job performance. This lack of reliability not only undermines the credibility of the appraisal process but also limits its effectiveness as a tool for

guiding employee development. Furthermore, the administrative burden of maintaining thorough documentation and the time-consuming nature of conducting appraisals can divert attention from more meaningful aspects of employee management and engagement. Addressing these challenges requires a proactive approach, integrating training on unbiased evaluation techniques, clear and relevant performance criteria, and fostering a culture of continuous feedback and development.

Objectives:

- To identify the factors influencing employee performance appraisal at kusalava motors private limited.

- To understand how the employees are rated against various parameters in kusalava motors private limited.

- To assess the effectiveness of the current performance appraisal system at kusalava motors private limited.

- To suggest the changes in KPIs if any, for improving the effectiveness of current appraisal technique to enhance individual employee performance at Kusalava motors private limited.

4. RESEARCH METHODOLOGY

Methodology is a systematic procedure of collecting information in order to analyze and verify a phenomenon.
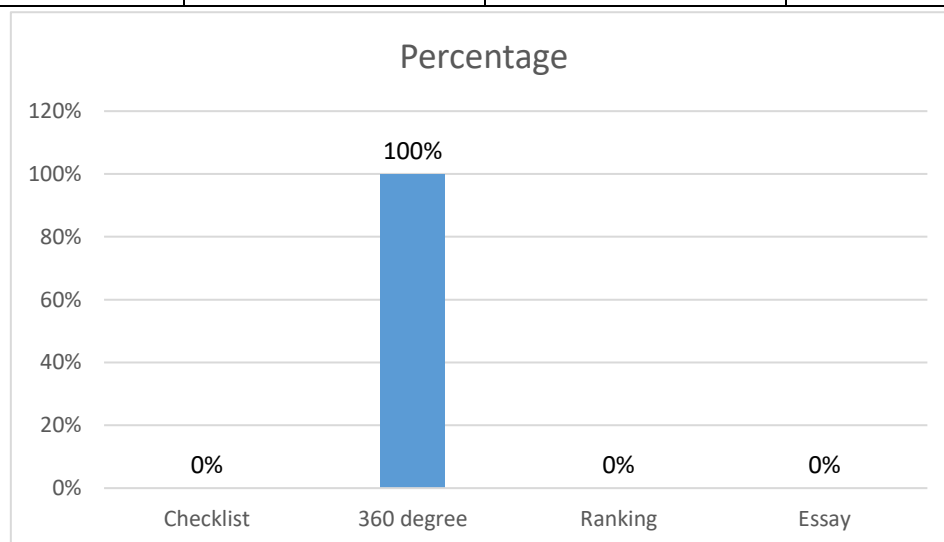
The sampling method of the survey is simple random sampling method.

The sample size of the survey is based on 50 respondents which include low , medium and high level of employees.

Analysis:

Performance appraisal system being used in the organization

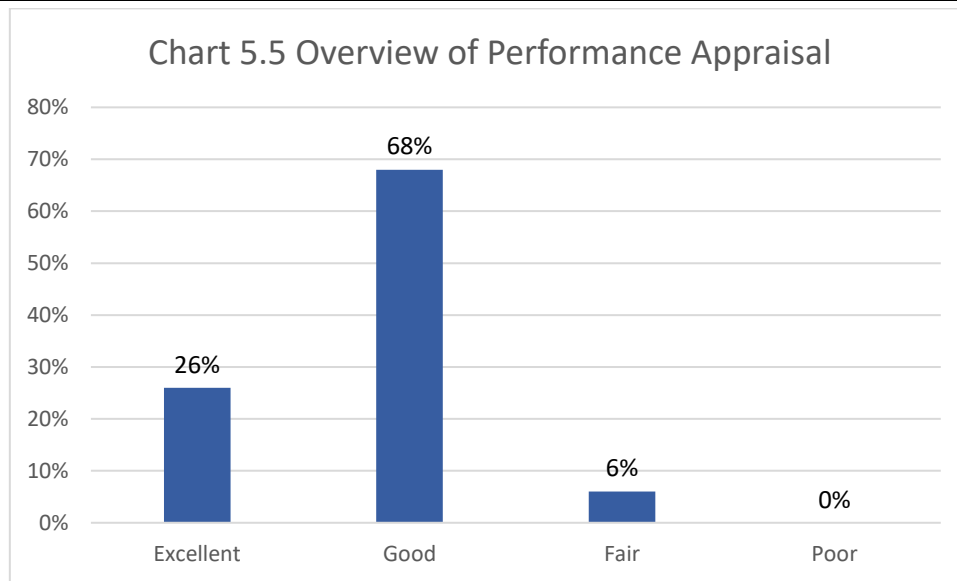| S.no	Attributes	Responses	Percentage
1	Checklist	0	0%
2	360 degree	50	100%
3	Ranking	0	0%
4	Essay	0	0%

Interpretation:

From the graph it is cleared that the organization's follows 360-degree appraisal received 100% as 360-degree appraisal provides understanding of an employee's position within the firm. It enables the worker to look beyond their routine duties and recognize how their contribution to the company benefits everyone.

Overview of the Performance Appraisal system

S.no	Attributes	Responses	Percentage
1	Excellent	13	26%
2	Good	34	68%
3	Fair	3	6%
4	Poor	0	0%

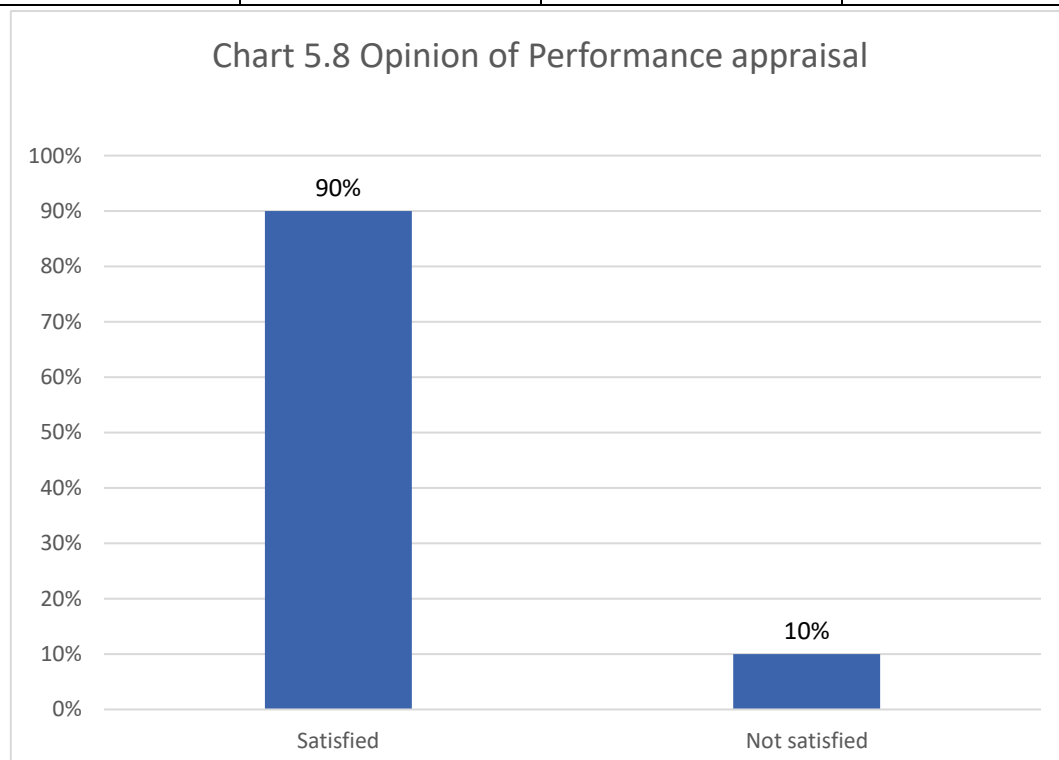## Chart 5.5 Overview of Performance Appraisal

Interpretation:

According to the above graph, it is evident that 26% of the respondents consider the performance appraisal system in the organization is excellent as they perceive significant benefits from the performance appraisal evaluation. Additionally, 68% of the respondents express that the performance appraisal system is good, as they partially receive benefits from it. However, 6% of the respondents rate the performance appraisal system as fair, indicating that they are unaware of its benefits or have not experienced significant advantages from it.

Opinion regarding the Performance evaluations at the company

S.no	Attributes	Responses	Percentage
1	Satisfied	45	90%
2	Not satisfied	5	10%

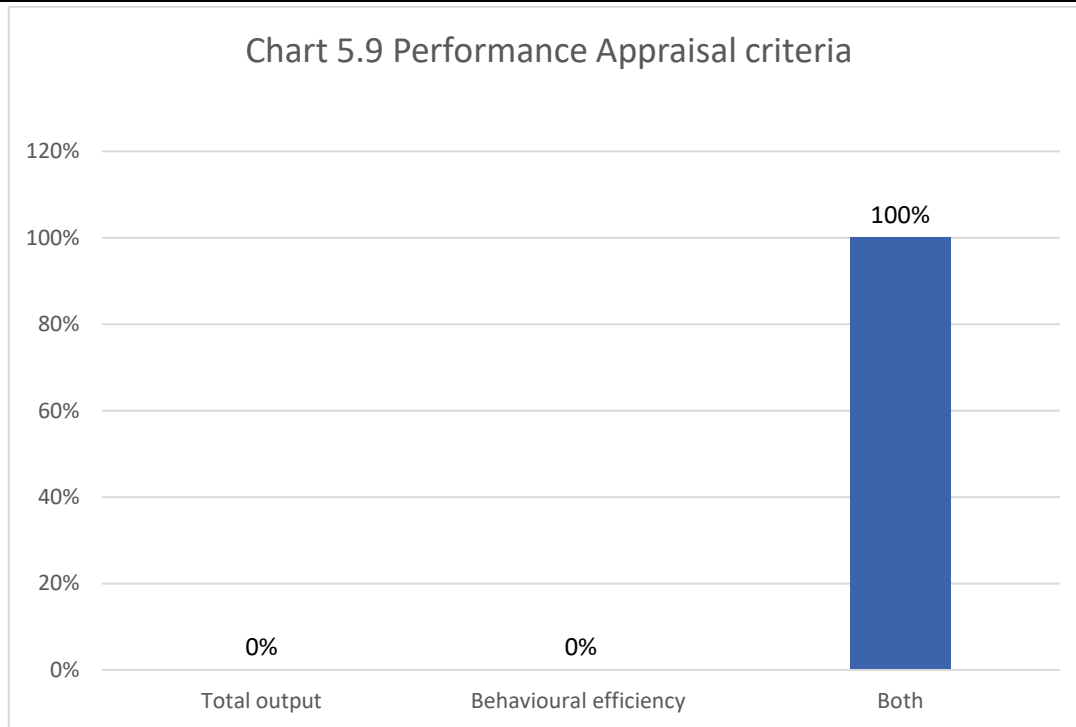## Chart 5.8 Opinion of Performance appraisal

Interpretation:

The above graph shows the respondents' degrees of satisfaction with the rating system. 90% of the total respondents were Highly satisfied with the present grading scale. Only 10% of the respondents are not satisfied. These results show that the majority of employees are satisfied with the current system.

Basis for Performance Appraisal is conducted in your organization

S.no	Attributes	Responses	Percentage
1	Total output	0	0%
2	Behavioral efficiency	0	0%
3	Both	50	100%

Chart 5.9 Performance Appraisal criteria

Interpretation:

According to the graph above, Kusalava motors private limited in Vijayawada conducts performance appraisals by taking into account both the employees' overall output and behavioral efficiency because they feel it allows organizations to assess employees in a well-rounded manner, considering both the quantitative achievements and the qualitative impact of their actions.

This holistic approach supports employee development, motivation, and the overall success of the organization.

5. FINDINGS

- It is observed that 100% of respondents are saying that they are using 360 degree appraisal system. The result of the study reveals that in kusalava motors private limited peers, subordinates, and customers rate the performance of employees and feedback is given to them.

- It is observed that the satisfaction levels of the employees are very good at kusalava motors private limited.

- The survey identified that the process of appraisal system helps in raising the organizational total output and employee's performance which makes them contribute more productivity.

- The study identifies that employees are impacted by the appraisal system on motivation and morale.

6. SUGGESTIONS

- Implement continuous feedback mechanisms throughout the year to provide timely and constructive feedback to employees.

- Encourage employees and managers to collaboratively set SMART (Specific, Measurable, Achievable, Relevant, Time-bound) goals that are aligned with individual and organizational objectives.

- Develop a formal recognition and rewards program to acknowledge outstanding performance and motivate employees.

- Create individual development plans that outline specific steps for career growth and skill development and skill enhancement.

7. CONCLUSION

Human resources are the vital source of every organization. Every employee in an organization increases the productivity and goodwill of every company. An employee, being an individual is treated as assets in the organization. So, the organization should mainly emphasis performance appraisal techniques and its development program. Both the appraiser and appraise should realize the principle and use the tool of appraisal system in a constructive way for the prosperity of the organization.

The effectiveness of employees, their sense of fulfilment at work, and organizational productivity could all be considerably increased by a well-thought-out and skilfully handled performance appraisal system. Organizations can develop a performance-driven culture that fosters employee development and contributes to overall success by giving clarity, encouraging communication and feedback, and aligning rewards with performance. But in order to guarantee the system's efficacy, it's crucial to address potential biases and give management training, encouraging fairness and impartiality throughout the procedure.

The performance appraisal technique prevailing in the organization is Good. Employees are satisfied with the present performance appraisal system that is a 360-degree, the organization is using modern technique which would be more effective. The welfare measure of organization is at par with the company policies and has brought a great sense of involvement in work among the employees of the organization. If the suggested measures are taken into consideration it will help to increase the effectiveness of performance appraisal system.

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