

THE EFFECT OF PERFORMANCE MANAGEMENT AND APPRAISAL ON INDIVIDUAL IMPROVEMENT

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ABSTRACT

Undoubtedly, the important factor is humans in the organisation. One of the best management strategies in human resource management of organisations is to invest in employees. Organisations are seeking to develop, motivate and increase performance of their employees in a variety of human resource applications. (Gungor, 2011). One of the main strategies is developing a performance management system effectively. Human resource management is looking for the best performance from its employees. Therefore employees to perform well they have to improve oneself. Recently organisations are implementing performance management and appraisal system so as to improve employees individually. Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. This paper revealed that all activities of performance management and appraisal influences positively in employee improvement, individually and thus leads organisationally. The paper adds more knowledge that supports the opinion about the positive relationship performance management and individual improvement.

Key words – performance management, appraisal, individual improvement, HRM,

INTRODUCTION

Performance management and Appraisal are Strategic, operational based human resource concepts that are used by organisation and have widened consideration recently. “In a knowledge economy, organizations rely heavily on their intangible assets to build value. Consequently, performance management at the individual employee level is essential and the business case for implementing a system to measure and improve employee performance is strong.” Management time and effort to increase performance not only meets this goal; it also decreases turnover rates. (Yatin Pawar 2017) Performance management is concerned with assumptions, mutual obligations, expectations and promises (Guest, D E et al, 1996)

The contemporary organizations are undergoing a transformation for coping against the changing needs of the environment and excelling in the business by building up their adaptive capabilities for managing change proactively. The traditional performance appraisal system did not suffice the needs of the changing scenario as it was mainly used as a tool for employee evaluation in which the managers were impelled to make subjective judgments about the performance and behavior of the employees against the predetermined job standards.(Prachi Juneja 2015)

Performance appraisal (PA) was a term once associated with a rather basic process involving a line manager completing an annual report on a subordinate’s performance and (usually, but not always) discussing it with him or her in an appraisal interview. Whilst this description still applies in a number of organizations, it does not in many others. PA has become a general heading for a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards. It sometimes becomes a part of a wider approach to integrating human resource management strategies

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known as performance management (PM). (**Clive Fletcher 2001**)

As Clive Fletcher points out performance appraisal and management has a huge relationship on individual improvement of an employee in an organisation. Also there are several factors are influencing in this employee competency enhancement which will be contributing to organisational effectiveness.

At these circumstances this article is studying the effect of Performance management and performance appraisal on individual improvement.

RESEARCH OBJECTIVES

- To analyse the effect of Performance management and appraisal on individual improvement
- To identify the strategic performance factors which influences employee improvement

RESEARCH METHODOLOGY

This research work is descriptive in nature based on secondary data. Data was collected from publications, brochures, research papers, news papers, articles and official websites.

RESULT AND DISCUSSION

Performance Management deals with the challenge organizations face in defining, measuring and stimulating employee performance with the ultimate goal to improve organizational performance. Thus, Performance Management involves multiple levels of analysis and is clearly linked to the topics studied in strategic HRM as well as performance appraisal. (Deanne N. den Hartog, Paul Boselie & Jaap Paauwe 2004) The process of measuring and subsequently actively managing organizational and employee performance in order to improve organizational effectiveness is currently seen as critical to the development and survival of organizations. Different terms refer to performance management initiatives in organizations, for examples: performance-based budgeting, management-by-objectives, planning, programming and budgeting, and pay-for-performance (Heinrich, 2002) DeNisi (2000) holds that Performance Management refers to the range of activities engaged in by an organization to enhance the performance of a target person or group, with the ultimate purpose of improving organizational effectiveness. Baron and Armstrong (1998) emphasize the strategic and integrated nature of Performance Management, which in their view focuses on ‘increasing the effectiveness of organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors’ (p.38-39). They see Performance Management as a continuous process involving performance reviews focusing on the future rather than the past. As Williams (1998) points out, there are at least three different models of performance management: performance management as a system for managing organizational performance; performance management as a system for managing employee performance; performance management as a system for integrating the management of organizational and employee performance. PA plays an important, if varying, role in all of them.

Every organisation is looking for the best competency in their employees for performing the best and of course it is the base of successful growth of organisations. Employee with improved work skill is experiencing more complex because of improved competition rate between organisations are high. Each and every individual is the golden asset of every organisation; hence they have to perform their duties and responsibility individually and thus leads to contribute the team. The recognition of performance management and appraisal arises here were organisation needs more improved employees. Thus the organisations are implementing strategic activities for getting the best outcome from its human resource.

The improvement of employees can be classified as in three different ways.

They are

- Organisational improvement

- Job related improvement
- Personal improvement

Job related competency includes the skill and knowledge require for performing a specific job or task. It is important for every individual for finishing the allotted job within the span of time. Personal improvement is the aspects of an individual. They include the abilities of performing the task individually, completing the activities within the given time and also various behavioural aspects. For acquiring this level of improvement the person must be self confident enthusiastic and competitive in nature. Developing oneself is the primary stepping stone of personal improvement. Individual with this quality will have the courage to take risk and initiative in the activities. These job related improvement and personal improvement leads to Organisational improvement.

‘Performance management’ is a broad set of activities aimed at improving employee performance. Although performance appraisal information provides input for the performance management process, performance management focuses on ways to motivate employees to improve their performance. Again, the goal of the performance management process is performance improvement, initially at the level of the individual employee, and ultimately at the level of the organization. The ultimate goal of performance appraisal should be to provide information that will best enable managers to improve employee performance.

Thus, ideally, the performance appraisal provides information to help managers manage in such a way that employee performance improves. (Angelo S. DeNisi and Robert D. Pritchard1 2006)

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The main objective of the performance appraisal system is to exercise control over the activities of the employees through disciplinary actions and management of rewards and promotions. The supervisors were expected to rate their employees on certain traits ranging between a scale of unsatisfactory to outstanding performance and these ratings were susceptible to various errors like central tendency, bias, halo effect, etc.

Performance appraisals were mostly carried out annually for measuring the degree of accomplishment of an individual and were implemented on a top down basis in which the supervisors had a major role to play in judging the performance of an employee without soliciting active involvement of the employee. Performance appraisals were mostly discredited because it was backward looking concentrating largely on the employee’s inabilities and flaws over a period of a year instead of looking forward by identifying the development needs of the employees and improving them. Traditionally, the performance appraisals were organized in a bureaucratic manner and suffered from unnecessary delays in decisions and corruption. Performance appraisals were mostly narrowly focused and functioned in isolation without bearing any linkage with the overall organizational vision or goals. The side effects of the performance appraisal system was it generated skepticism amongst the managers and the employees on any new initiative of the HR.(Prachi Juneja 2015)

In the present scenario, the organizations have shifted their focus from performance appraisals to performance management as a result of internationalization of human resources and globalization of business. The functions of HRM have become far more complicated as today the major focus of strategic HRM practices is on the management of talent by implementing such development programmes which enhance the competencies of the employees. The performance management approach focuses more on observed behaviors and concrete results based on the previously established smart objectives. By adopting techniques like Management by Objectives (MBO), smart objectives are established in terms of either facts and figures and in the entire process the superior plays the role of a coach or a facilitator. The objectives are mutually decided at the beginning of the performance season and serve as a standard of performance for evaluation. In this method, the employees can offer a feedback on their contributions by filling up a self appraisal form. Performance management is a much broader term in comparison with performance appraisal as it deals with a gamut of activities which performance

appraisals never deal with. This system is a strategic and an integrated approach which aims at building successful organizations by developing high performance teams and individuals and improving the performance of people. This process starts when a job is defined. Performance management emphasizes on front end planning instead of looking backward unlike performance appraisals and the focus is on ongoing dialogue instead of appraisal documents and ratings. Thus, performance management may be regarded as a continuous process.

A good performance management system works towards the improvement of the overall organizational performance by managing the performances of teams and individuals for ensuring the achievement of the overall organizational ambitions and goals. An effective performance management system can play a very crucial role in managing the performance in an organization by:

- Ensuring that the employees understand the importance of their contributions to the organizational goals and objectives.
- Ensuring each employee understands what is expected from them and equally ascertaining whether the employees possess the required skills and support for fulfilling such expectations.
- Ensuring proper aligning or linking of objectives and facilitating effective communication throughout the organization.
- Facilitating a cordial and a harmonious relationship between an individual employee and the line manager based on trust and empowerment.

There are several influential factors determines the individual improvement of employees. This may include both external and internal factors.

That is

- Environmental factors and
- Organisational factors

Environmental factors are associated with social dimensions where the individual is related to. Improved performance is of good working environment. Social, psychological, personal, economical factors are mainly included in environmental factors. There are also the political influence happens because the ruling political party will make new amendments and principles, some will be adoptable and some are not. It makes problems in performing of an employee. There are another group of employees working only for monetary benefits and social status. This is the impact of societal environment. Hence the organisational factors are to overcome the situation and make an organisation as their own family.

Organisation factors are those factors within an organisation. It includes all the HR functions. In recent past organisations are improving the core competencies of their employees to get the maximum improved organisational performance. By considering every individual as its asset, the HR functions are to be attracted to employees. For this implementing a good work environment is important. The organisational factors are

- Organisational culture
- Skilled training and development
- Motivation
- Career growth
- Employee engagement programs

The each and every individual has to follow the culture organisation follows. It is important to knowing the culture properly so as to follow every new employee from the old. If the Human resource possess a good values and behaviours that contribute to the uniqueness of social and psychological environment of a business. There are job training and skilled training which organisations are implementing for. Job training only gives the idea about the responsibility of your job. Instead skilled training gives skilled professionals for their organisation. It influences the individual to improve knowledge wise and skilled wise. Individuals will perform well if they are motivated. That is a good performance appraisal system is to implement in a constant time gap. Motivation and employee engagement programs enhances a strong platform of understanding among employees, shared vision, a creative climate in the organisation and also help to learn from experience. Other than this the personal factors like proper skill and knowledge, Experience and positive attitude is also important.

An effectively implemented performance management system can benefit the organization, managers and employees in several ways. They are

Organization's Benefits – organisation is implementing performance management system to increase the performance of the business through improved labour. Through this organisation is more benefited by getting improved organisational performance and improved productivity. Also the rate of employee retention and loyalty can be increased. The barriers to communication can be overcome with this.

Manager's Benefits – From PMS Managers duty and head ache will be reduced. Employees will be in a good relationship so that conflict rate is lowered. Employees are able to perform consistently and accurately hence the manager can save time.

Employee's Benefits – Through the PMS an individual is benefited by improved performance skill. This provides a platform for self assessment opportunity for job accountabilities and improved performance. For those who are planning a good career ahead this great opportunity can utilise for making career path.

Clearly defined goals, regular assessments of individual performance and the company wide requirements can be helpful in defining the corporate competencies and the major skill gaps which may in turn serve as a useful input for designing the training and development plans for the employees. A sound performance management system can serve two crucial objectives:

Evaluation Objectives

- By evaluating the readiness of the employees for taking up higher responsibilities.
- By providing a feedback to the employees on their current competencies and the need for improvement.
- By linking the performance with scope of promotions, incentives, rewards and career development.

Developmental Objectives

The developmental objective is fulfilled by defining the training requirements of the employees based on the results of the reviews and diagnosis of the individual and organizational competencies. Coaching and counselling helps in winning the confidence of the employees and in improving their performance, besides strengthening the relationship between the superior and the subordinate.

Individual learning is irrelevant for organisations unless such knowledge is disseminated through the organisation where teamwork is the core tool for this dissemination. Scholtes et al. (1996) argue that a team outperforms individuals when:

- The task is complex
- Creativity is needed

- The path forward is unclear
- more efficient use of resources is required
- fast learning is necessary
- high commitment is desirable
- the implementation of a plan requires the co-operation of others
- The task of process is cross-functional.

Performance is broadly understood as the purpose of teamwork. Performance, in general, can be determined by three factors (Stott and Walker, 1995):

- (1) Ability;
- (2) Work environment; and
- (3) Motivation.

These are expressed by equation

$$\text{Performance} = F(\text{ability} * \text{motivation} * \text{environment})$$

The meaning of performance management has evolved and continuous to evolve. While in the sixties and seventies performance management was often equated to some form of merit-rating, in the eighties and nineties it has been linked to “new” management paradigm such as Management by objectives, Performance appraisal, Behaviourally Anchored Rating scales and Performance-related pay (Richard Boyatzis 2013). Performance management programs are set up to provide feedback to employees on how effectively they are performing in their jobs. Such programs normally include a set of goals or objectives the employee must accomplish within the review period as well as the standards or criteria for determining whether the defined goals have been accomplished. Fletcher (2001) has stated that performance appraisal has increasingly become part of a more strategic approach to integrating Human Resource activities and business policies and may now be seen as a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards.

CONCLUSION

Performance management and appraisal are two important areas of HR management in an organisation. In recent past every organisations are implementing the strategy of performance management and appraisal. The process of measuring and subsequently actively managing organisational and employee performance in order to improve organisational effectiveness is currently seen as critical to development and survival of organisations. The main objective of performance management system was to improve employee performance individually. This study mainly focuses on the effect of Performance appraisal and management on individual improvement and the factors influences in individual improvement. From this article researcher is able to find out that, it is essential for organisations to conduct performance appraisal as a part of their performance management programs because it makes a huge impact on employee job performance. It generates a positive attitude towards job and organisation, improves skill and knowledge etc. The improvement may be organisational job related or individual. Also there are external and internal factors influences individual improvements. Therefore performance management is a important concept in organisations for obtaining its organisational objectives by timely action.

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