



## **ROLE OF PERFORMANCE APPRAISAL SYSTEM IN ENHANCING COMPETENCE AND IDENTIFYING STRENGTHS OF EMPLOYEES AT VISAKHAPATNAM STEEL PLANT, ANDHRA PRADESH, INDIA**

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### **ABSTRACT**

*Employee satisfaction is one of the key indices wherein the manager as well as the employee are evaluated while achieving the goals and success of an organization. Knowledge regarding HRM challenges, practices and strategies adopted sometimes become limited as observed in most of the organizations while in some cases performance appraisal systems are congruent with the original intent of the establishments. Although, performance appraisal system has been debated variously, several reasons vouch that such systems are required in order to justify a wide range of human resource decisions. Behavioral attitude of the employees in this study, suggested significant role of performance assessment in enhancing competence and identifying human resource strategies as also as an efficient tool in creating congenial work environment that plays a crucial role in enhancing the performance of an individual and the organization as a whole. Despite of few limitations, it is noteworthy that 360-degree approach or management by objectives is the most progressive approach to performance management wherein due attention is paid to identify strengths and weaknesses of employees.*

**KEY WORDS:** Competence, Performance Appraisal, Strength and Weakness, Work Environment

## **INTRODUCTION**

Employee satisfaction is considered as one of the key factors [1] wherein employee assessment becomes a significant factor while achieving the goals and success of an organization [2]. Performance appraisal allows organizations to inform their employees about their rates of growth, their competencies and their potentials and enables employees to be intentional in creating their individual developmental goals so as to help themselves in attaining personal growth [3]. Although, employee performance appraisal is valuable for the organization, the manager as well as for the employee are evaluated [4], knowledge regarding the specific HRM challenges, practices and strategies adopted is limited as observed in most of the organizations wherein appraisal efficiency is determined by selective criteria, nominated appraiser(s) and limited appraisal methods [5]. Performance appraisal methods adopted by an organization differ in terms of their labouriousness, time demand, cost, organizational preference and applicability [6] necessitating finding an optimal way of employee performance appraisal [7].

The improvement of performance appraisal systems is congruent with the original intent decided by an organization. The management development professional can aid the process by being educated about appraisal systems, analyzing the potential benefits to the organization and accepting that all appraisers need training [8]. However, to make performance appraisal reach its fullest potential, management development professionals need to be strategists, appraisal system experts, trainers, salespeople and catalysts or in combination [9,10]. Though performance appraisal system has been debated by many, Islam and Rasad [11] viewed that performance appraisal is an inseparable part of organizational life while Longenecker *et. al.* [12] cited several reasons that formal performance appraisals are required to stay in organizations in order to justify a wide range of human resource decisions since the efforts of employees can determine the success and survival of an organization [13]. Hence, an attempt had been made in this paper to study the behavioral attitude and opinion of employees on the existing Performance Appraisal System at Visakhapatnam Steel Plant, Andhra Pradesh, India.

## **MATEIALS AND METHODS**

Visakhapatnam Steel Plant is located in Visakhapatnam, Andhra Pradesh (17.6883° N latitude, and 83.2186° E longitude) is one of the premier steel producing companies in India with a capacity of about 3.5 million tons of Iron and Steel products has also brought a basic change in the Indian steel market not only as regards supplies of large volumes of Iron and structurals in the Indian Market but also brought a balance in the regional availability of steel in the country [14,15]. Organizational chart of Visakhapatnam Steel Plant has depicted that various departments are headed by Five Directorates *viz.*, (i) Operations, (ii) Personnel, (iii) Commercial, (iv) Finance and Accounts and (v) Projects with over 16,574 employees in various departments [16].

The present work was conducted to study the perception of employees about performance appraisal system at Visakhapatnam Steel Plant and its role in identifying the need of employees using a structured questionnaire and personal interviews [17]. Data in the present study has been collected from (i) primary and (ii) secondary sources. Primary data collection was mainly through personal interview by adopting semi-structured questionnaire. Some of the information in primary data *viz.*, (i) different departments, (ii) number of employees in each division, (iii) human resource activities etc. was collected from respective departments while secondary data is drawn from relevant reports, records, files and forms, policy statements that were available in various departments. Similarly, details about the process of appraisal system were obtained from Human Resources Department [16].

One to One interview method was adopted in the present study to collect data regarding performance appraisal system in Visakha Steel Plant. Initially, a baseline survey was conducted involving 100 employees before the questionnaire was standardized for implanting final survey. Primary interview with the Baseline Group helped in standardizing the questionnaire with 27 closed-end multiple-choice questions. An analysis of staff strength in various departments has been carried out before selecting the experimental sample [18,19]. Staff strength at Visakhapatnam Steel Plant revealed that maximum staff was Management Trainees whose absolute number was 7,624 followed by Non- Executives (4,313), Executives (3,532) and Junior Officers (1,105). Sample was drawn from each group following stratified random sampling method constituting to nearly 10% of total staff members (16,574) but proportionate to the staff strength of the respective group [20] and the results obtained are presented as percentages for absolute values.

## RESULTS AND DISCUSSION

### 1. Opinion about need of performance appraisal system

The significance of performance appraisal, being a major and pivotal human resource activity, can hardly be overemphasized for the growth, development and success of any organization [21]. A formal annual performance appraisal system is being followed at Visakhapatnam Steel Plant which involves self appraisal by the employee and certification by the reporting officer followed by endorsement by the reviewing officer [22,16] was observed in the present study that 85% of employees (1360/1600) were of the opinion that there is need for Performance Appraisal system to assess the annual performance of the employee while 15% of the employees (240/1600) did not find any need for existence of such system at Visakhapatnam Steel Plant (Table 1.1). Perusal of the results recorded reveal that 60% (960/1600) of the employees have strongly felt the need for presence of appraisal system at Visakhapatnam Steel Plant as against only 5% of the respondents who firmly denied that there is a need for such system (Table 2.1, Fig.1). Although Longenecker and Nykodym [23] reported that the benefits and rewards of performance appraisal appear to be often overstated, Karim *et. al.* [24] have quoted that 62% of employees in banking sector in Bangladesh believed that performance appraisal method is visible and standard while Kumari [25] recorded similar opinion among Telecom employees in India. However, in most of the banking systems feedback is not given to the employees [26].

Armstrong and Taylor [27] described the role of the performance appraisal as a tool for looking forward to what need to be done by people in the organization in order to achieve the purpose of the job to meet new challenges. When asked in detail, 960/1600 employees (60%) strongly favoured existence of performance appraisal system followed by ¼ of the employees (400/1600) who agreed there is need for such system. Ten percent of the respondents (160/1600) did not find advantage in performance appraisal system while 5% of the respondents (80/1600) have strongly opposed the necessity of performance evaluation system. Human resource audit was found to be vital tool in attaining an understanding about the human resources of an organization and provides a justification of the skills, capabilities and performance of all the workers in an organization [28] while Khatri *et. al.* [29] reasoned that human resource is a principal competitive weapon whose audit can ensure full utilization to its optimum potentials. There were instances of workers who expressed negative impact of human resource appraisal such as Deming [30] who opined that performance appraisal was not an effective tool to lead and

manage organizations since that in many cases; it is a formal process with indistinctly defined procedures [3]. Negative attitude towards performance assessment may also arise due to discrepancies in the evaluation system as observed by Fajana [31] and such disagreement is an indication for lack of successful performance appraisal system in an organization [32]. Cederblom and Pernerl [33] reported that disregard about performance appraisal may generally arise due to ambivalent attitudes of supervisors and employees. Daonis [2] also found that performance appraisal system is having limited approach by managers rating the performance of the subordinates at an annual appraisal meeting. Angelo and Robert [34] found that in many organizations it may not occur frequently leading to discontentment among employees. Bhatia and Jain [35] have recorded that performance appraisal in public sector is least organized when compared to private sector which may result in employee disagreement while Kampkötter [36] was of opinion that dissatisfaction among employees to be one of the drawbacks of performance appraisal system leading to negative impact on job satisfaction. It is argued that it is difficult to build positive environment among employees about performance appraisal in an organization wherein contract rules over loyalty [37] and it may also happen if the employees are not convinced about the implementation of the appraisal system of the company [2]. Although, performance appraisal is a process by which a superior evaluates and judges the work performance of a subordinate [38,39], it includes the processes and procedures involved in implementing, managing, and communicating the events involved in performance appraisal. Karol [40] considered performance appraisal to include a communication event scheduled between a manager and an employee expressly for the purposes of evaluating that employee's past job performance and discussing relevant areas for future job performance. Kluger and DeNisi [41] indicated that performance appraisal is an exercise in social perception and cognition embedded in an organizational context requiring both formal and implicit judgment.

## **2. Performance appraisal and competency assessment**

In many cases, performance is generally assessed for competency, accuracy, communication, creativity, productivity, problem-solving, decision making, delegating, and administrative effectiveness depending on the job description [42]. Competency profiling if designed and managed effectively has the potential to facilitate training, development and learning, making a measurable increase to performance and profits [43]. In the present study 90% (1440/1600) of the employees have agreed that competency of an individual can be assessed through performance appraisal as against 10% (160/1600) of the employees who denied the fact (Table

1.2). Thirty percent of the employees (480/1600) at Visakhapatnam Steel Plant have strongly agreed that Performance Appraisal System can play significant role in assessing competency of the employees (480/1600) whereas 10% (160/1600) of the respondents have found that performance appraisal system can never assess the competency of the employees (Table 2.2; Fig. 2). Such disagreement is an indication for lack of successful performance appraisal system in an organization [32]. Deming [30] also opined that performance appraisal was not an effective tool to lead and manage organizations since that in many cases; it is a formal process with indistinctly defined procedures [3] while Fajana [31] observed that such negative attitude towards performance assessment may also arise due to discrepancies in the evaluation system or due to ambivalent attitudes of supervisors and employees [33]. Bashook, [44], Nicholson *et. al.* [45] emphasized on psychometric requirements in developing competency assessment while measuring the competencies of an individual with accurate measure of the person's knowledge, skills, abilities, or performance. However, despite few disagreements, 60% of the respondents (960/1600) have observed that existing Performance Appraisal System with modifications can play positive role in improving competency of employees. It was found that most of the industrial appraisals fail to discriminate between technical and non-technical competencies which lead to employee dissatisfaction [46].

In spite of few disagreements about role of performance appraisal system in assessing competency of staff, Coens and Jenkins [47] suggested that performance appraisal is a mandated process in which, for a specified period of time, all or a group of an employee's work behaviors or traits are individually rated, judged or described by a rater and the results are kept by the organization. Daoanis [2] also reported that annual performance appraisals enable the management to gauge and monitor whether institutional standards, expectations and objectives and delegation of responsibilities and tasks are achieved through performance appraisal. High degree of positive opinion of employees about performance appraisal ranking to 71% was recorded by Dechev [48] among employees in Health and Safety Laboratory in Netherlands. Khan [1] found that performance appraisal system succeeded in few times in getting the desired results than more often it failed resulting in progressive rejection of traditional appraisal system. But, in the present study most of the employees felt the need for existence of appraisal system for evaluating human performance at Visakhapatnam Steel Plant since performance appraisal provides a formal and systematic interaction between the employee and his evaluation officer

and provides an opportunity for introspection [49]. However, competency improvement if poorly designed, competency assessment programs fail to disclose substandard performance [43].

### **3. Performance appraisal create work environment**

Annual evaluation of human resources is being conducted in order to evaluate employees' performance not only to meet the demands of the changing environment in an organization but also to optimize the employees work performance by creating congenial environment. Most of the employees (1392/1600) at Visakhapatnam Steel Plant constituting to 87% have agreed that the performance appraisal system is an efficient tool in creating congenial work environment while 13% of the respondents (218/1600) did not find any reason that work environment is related to performance evaluation (Table 1.3). When asked in detail, it was found that  $\frac{3}{4}$  of the respondents (1200/1600) were considerate towards the fact that the performance appraisal system create proper work environment in the organization while 12% of the respondents (192/1600) were strongly in agreement with the fact. Very few employees (strongly disagreed 7%; disagreed 6%) at Visakhapatnam Steel Plant have disowned the statement (Table 2.3; Fig.3). Working environment plays a crucial role in enhancing the performance of an individual and the organization as a whole and that becomes most important factor in determining that an employee stays with a company or leaves for something better is the work environment. It becomes particularly challenging to maintain a productive and satisfying work life without hampering the work success [50]. Røssberg *et. al.* [51] have shown that working environment has profound effect on work stability of health workers in a hospital unless otherwise employers explore the strongest predictors of employee job satisfaction. Psychosocial factors such as social support and influence were found to have significant impact on the level of job satisfaction [52] while Sirekha and Kamalanabham [53] found that employee turnover was related to internal and external work environment. Employee satisfaction with performance appraisal would be positively related to work performance [54]. Because performance appraisal often includes equipping employees with new knowledge and skills, it may also contribute to employees' perceived investment in employee development. It was observed in the present study that 13% of the respondents (208/1600) did not agree that Performance Appraisal System will create effective working environment as against 87% of the employees (1392/1600) who agreed that the Performance Appraisal of the employees will lead to improving competency of the employees as well as creating effective work environment (Table-3) whereas Khan [1] observed that performance appraisal puts a sort of pressure on employees for better performance than

creating a congenial environment while Deci *et. al.* [55] has observed that employees are intrinsically motivated do the work by themselves in order to gain satisfaction and utility from doing that which can be achieved through systematic practice of giving feedback to employees [56]. Implementing man power management in an organization offer favourable working conditions and compensation, benefits etc [57]. In addition, human resource audit investigates whether the policies, processes and practices comply with the rules and regulations or not [58]. Obisi [59] has opined that creating an easy working environment would not be possible as long as human wants remain insatiable.

#### **4. Identifying strengths and weakness**

The basic objectives of a human resource audit is to measure how efficiently human resource functions are implemented, to uncover the strengths and weaknesses of the human resource systems and to gain competitive advantage by rocketing effectiveness of an organization [60]. Armstrong [61] observed that performance appraisal system helps an employee discover his strengths and weaknesses and would help him in decision making about his career choices while Obisi [59] recorded that performance appraisal remains incomplete unless the appraisee is informed about his strengths and weaknesses. In the present study, 85% of the employees (1360/1600) have commended that the performance appraisal is an effective tool in identifying the strength and weaknesses of the subordinates whereas only 15% (240/1600) asserted that such things cannot be achieved through performance appraisal system (Table 1.4). Very few respondents (5%) have strongly opposed that strengths and weaknesses of employees can be identified through an evaluation system whereas ¼ of the employees (400/1600) strongly concurred that performance appraisal is a vital tool in deriving strengths and weaknesses (Table 2.4; Fig.4).

Performance appraisal is one element of the performance management process which involves different measurements so as to take optimum human resource advantage [61]. Organizations should consider that performance appraisal is incomplete unless the appraisee is informed about his strengths and weaknesses [59]. In the present study 85% of the respondents (1360/1600) agreed that it is an effective tool to know the strengths and weaknesses of employees. Out of 1600 respondents 240 employees constituting to 15% of the sample size did not agree that performance appraisal can be an efficient tool for analyzing strengths and weaknesses of an employee (Table-4). Performance appraisal is the process through which organization takes stock



of its manpower in terms of its present performance, the aptitude and interest of each person, his strengths and weaknesses and his potential for growth [62, 63] whereas Murty [64] found that the person's strengths and weaknesses are not communicated to him or her after the appraisal which may be due to ignorance [59,65]. Srivastava and Jadav [26] also found that in most of the banking systems feedback is not given to the employees such that he can identify his strengths and weaknesses. Despite of few limitations, it is noteworthy that Daonis [2] found that most of the leading companies in India are adopting a very progressive approach to performance management by adopting a 360-degree approach or management by objectives wherein due attention is paid to identify strengths and weaknesses in their employees.

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**Table-1.** Table showing binomial responses of employees regarding Performance Appraisal Systemat Visakhapatnam Steel Plant

S. No	Question	Positive Responses	Negative Responses	Total Responses
1.	What is your opinion about need of performance appraisal system	1360 (85%)	240 (15%)	1600 (100%)
2.	Does Performance Appraisal System help in assessing competency	1440 (90%)	160 (10%)	1600 (100%)
3.	Does Performance Appraisal System create proper work environment	1392 (87%)	208 (13%)	1600 (100%)
4.	Does Performance Appraisal System help in identifying strengths and weaknesses of subordinates	1360 (85%)	240 (15%)	1600 (100%)
	Cumulative Percentage	86.75%	13.25%	100%

\*Figures in the parentheses indicate percentage of employees responding to the corresponding question in the interview.

**Table-2.** Table showing diversified responses of employees regarding Performance Appraisal Systemat Visakhapatnam Steel Plant

Q. No	Question	Responses*				Total Responses
		Strongly Agree	Agree	Disagree	Strongly Disagree	
1.	What is your opinion about need of performance appraisal system	960 (60%)	400 (25%)	160 (10%)	80 (5%)	1600 (100%)
2.	Does Performance Appraisal System help in assessing competency	480 (30%)	960 (60%)	80 (5%)	80 (5%)	1600 (100%)
3.	Does Performance Appraisal System create proper work environment	192 (12%)	1200 (75%)	96 (6%)	112 (7%)	1600 (100%)
4.	Does Performance Appraisal System help in identifying strengths and weaknesses of subordinates	400 (25%)	960 (60%)	160 (10%)	80 (5%)	1600 (100%)
	Cumulative Percentage	31.75%	55.00%	7.75%	5.50%	100%

\*Figures in the parentheses indicate percentage of employees responding to the corresponding question in the interview.

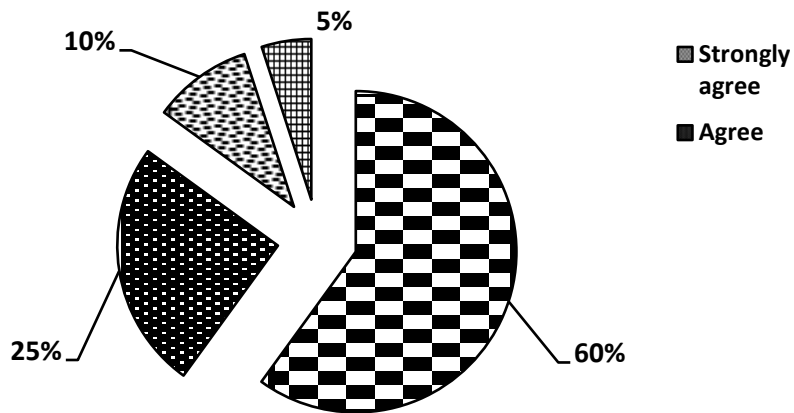


Fig.1. Pie Chart showing percent wise opinion of employees regarding need of Performance Appraisal System in Visakha Steel Plant

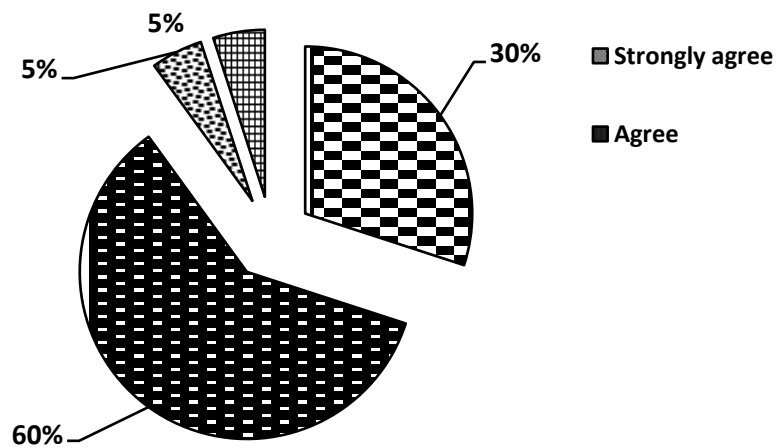


Fig. 2. Pie diagram showing opinion of employees regarding role of Performance Appraisal System in assessing competency.



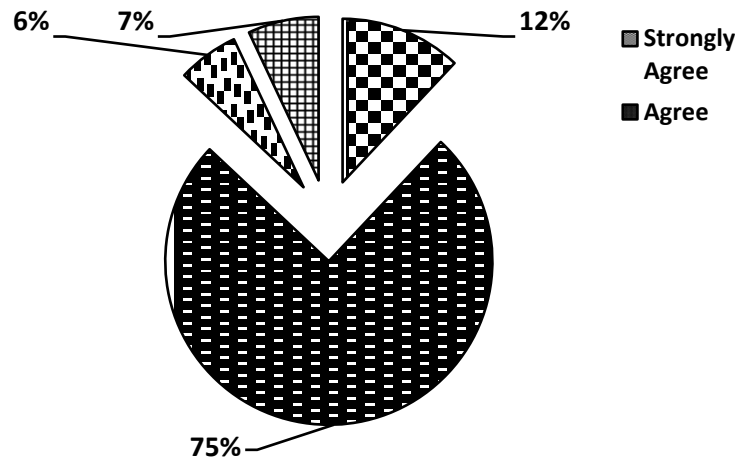


Fig. 3. Pie chart showing opinion of employees regarding impact of Performance Appraisal System in creating effective work environment among Employees in Visakha Steel Plant.

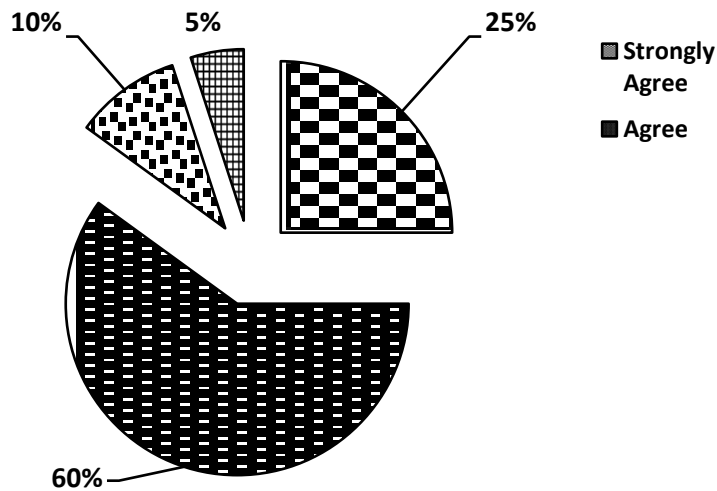


Fig. 4. Pie diagram showing Percentage of respondents who agreed that performance appraisal can reflect strengths and weaknesses of employees.