



A STUDY OVERVIEW ETHICS PERFORMANCE APPRAISAL IN ORGANIZATION

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ABSTRACT

This paper provides insight about performance appraisal in the context of Ethical practices. The paper uses review of literature to explore a range of theoretical frameworks to identify the Optimal Performance Appraisal System that is critical to the success of the organizations. A case study based on primary data in a leading Pvt. Sector bank is done to evaluate the current appraisal system of the organization and its outcomes in order to examine how ethical standards are being maintained in the process. Performance Appraisal has become an important tool to measure the performance of employees in organizations today. The evaluation made by the Performance Appraisers should be effective as a number of crucial decisions are being made based on the rating given by the Appraisers. As such the appraisal should be perceived as fair and ethical if they are to bring about organizational commitment and employee satisfaction.

Keywords: Optimal Performance Appraisal System, Process, Outcomes.

Introduction

Throughout the current business environment there is rapid change, with globalization comes international, deregulated markets, and competition is high. Businesses need to constantly evolve to maintain a competitive advantage and stay alive. In order to do this, organizations need to both improve and maintain strong levels of performance. Increasingly, an organization's success depends on their workforce and their abilities. Good employees are a major asset to an organization and are also a source of competitive advantage. Human Resource Management is becoming more and more important in the strategy of a company and is seen as extremely vital for strategic success. In managers' dynamic, real-world environments, they



often feel it is necessary to exercise some creative discretion over employee ratings. Most managers do not describe their ratings of subordinates in performance appraisals as completely honest or accurate. The inaccuracy is often in the form of inflated ratings. They justify the inaccuracy by sighting, among other things, the need to avoid confrontation with subordinates, damaging working relationships, and creating permanent written documents which may later harm a subordinate's career. Many of these motives are not only well intentioned, but are designed to enhance individual, unit, and organizational performance. It is concerned with longer-term people issues and macro concerns about structure, quality, culture, values, commitment and matching resources to future need" (CIPD, 2012). The role HR practices play in organizational performance is increasingly becoming more important, as it is known that the way an organization manages its people can influence its performance. Many HR departments are taking more of a strategic view and ensuring its procedures are in line with the goals of the business. Strategic HRM is more so how Human Resources can affect the organizations performance and how to improving the HR strategies in the organization will improve the company as a whole.

LITERATURE REVIEW

Performance Appraisal Performance can be defined as "What is expected to be delivered by an individual or a set of individuals within a timeframe. What is expected to be delivered could be stated in terms of results or efforts, tasks and quality, with specification of conditions under which it is to be delivered" (Kumari & Malhotra, 2016, p.78). Armstrong (2017) defined Performance Appraisal as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting. While The Chartered Institute of Professional Development (CIPD) have a more comprehensive and in-depth definition which argues that Performance Appraisal is an opportunity for individual employees and those concerned with their performance, typically line managers, to engage in a dialogue about their performance and development, as well as the support required from the manager" (CIPD, 2018).

Performance appraisal is not just about rating employees, Meenakshi (2019) identified that organizations carry out Performance Appraisal as a basis for administrative decisions such as



promotion, allocation of financial rewards, employee development and identification of training needs. Appraisal is preceded by establishing general objectives or a description for the job, identifying specific job expectations, providing feedback and, when necessary, coaching" (Hillman, Schwandt & Bartz, 2021). Fletcher (2022) believes that the general aims of Performance Appraisal also include Motivating staff, Succession planning and identifying potential, promoting manager subordinate dialogue and formal assessment of unsatisfactory performance. However, Khan (2020) states that the fundamental objective of performance appraisal is to facilitate management in carrying out administrative decisions relating to promotions, firings, layoffs and pay increases.

Objectives of the Study

- ❖ To elements of effective Performance appraisal exist in the organizations System.
- ❖ To Does effective Performance Appraisal motivate employee to work harder and improve performance
- ❖ To Performance Appraisal a worthwhile tool and does it helps to develop Employees

Performance Appraisal and Performance Management

The majority of recent literature on Performance Appraisal states that it needs to be carried out as part of a whole Performance Management system and none solely on its own.

Performance Management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams defined Performance Management as the process of directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organization", Williams (2020) believes the notion of Performance Management is creating a shared vision of the aims and purpose of the organization, helping each individual employee to understand and recognize their part in contributing to them, and thereby managing and improving the performance of both individuals and the organization.

Performance Appraisal plays a central role in Performance Management Systems, it is normally the vehicle behind which the organizational goals and objectives are translated into an individual's objective. It also remains the primary way of discussing and acting on the



development of the individual (Fletcher, 2022). When a part of performance management, appraisal is much more tightly linked with the larger business environment.

ROLE OF ETHICS IN PERFORMANCE APPRAISAL

"Ethics must be given proper preference and should be dealt as basis of performance appraisal. It's foremost and prior purpose is get fool proof ethical results in performance review without affecting the performance and also provide assistance to improve the rating of performance of the employees. Performance Appraisal Performance appraisals is used to measure the performance of the employees against the set standards how they are performing in the company. It is helpful in administering wages and salaries, providing performance feedback. Moreover; it is also provide results which form the basis through which different decision can be taken like whom to provide reward and whom to give punishment. Appraisal also provides help in placing the employee in the right type of job or department. The performance appraisal also aid in the future development of the employees as it pinpoint the respective strength and weakness of the employees individually and help them to work on it through training. Thus, in all it suggests different action to the administration for the employees like whom to promote or demote etc. In order to raise bar for merit.

- ❖ The need to neglect the negative thoughts in the department.
- ❖ Do not want to create any kind of negative permanent record,
- ❖ The need to promote the employees who shows even poor performances.
- ❖ The need to provide rewards to the employees displaying great effort
- ❖ when the results are quite low with respect to the given standards.
- ❖ The wish to protect the performance of good performers, whose performance are suffering from personal problems.
- ❖ The need to avoid confrontation with certain employees who are really hard to manage in the organization.



ETHICS IN PERFORMANCE MANAGEMENT

key focuses of HR Management. They are intimately related. Performance appraisals have been used, historically, as a way to determine and justify employee compensation. Although the original intent of performance appraisals was to judge workers' current productivity levels, managers began to notice over time that different workers were motivated by different factors. The modern performance appraisal is used as a development tool to improve productivity rather than simply judging current levels. To be considered ethical, the performance appraisal process must be viewed as a tool for developing employees, increasing productivity and enhancing job satisfaction. Many managers talk about ethics but do not recognize or act upon ethical issues in their day-to-day managerial responsibilities.

Most ethical questions arise from people relationships within the organization. Managers must realize that ethics is the process of deciding and acting. Recent survey results in one large organization indicate that only 26% of managers believe they are recognized and reinforced for their ethical decisions and behaviors. Employees have a big stake in the way managers evaluate and operate. Managers and nonsupervisory employees alike cite concern about "politics and lack of fair treatment, honesty, and truthfulness" in connection with the performance review. Experience has clearly indicated that the handling of performance review sessions is usually far more critical than the decision made or information conveyed in the session. Frequently, when unsuccessful candidates for promotions are notified of the decision that someone else has been selected they are not told why. Often they are not told anything, usually because the managers or supervisors do not feel equipped or skillful enough to explain the reasons in a systematic and rational way.

Reasons for Unethical Reviews

Performance managers have been known to skew their results intentionally for many reasons. In a research done by Clinton Longenecker and Dean Ludwig, over 70% of managers did so for the following reasons:



- ❖ Belief that accurate ratings would have a damaging effect on the subordinates motivation and performance
- ❖ The desire to improve an employee's eligibility for merit rises
- ❖ The desire to avoid airing the department's dirty laundry
- ❖ The wish to avoid creating a negative permanent record
- ❖ The need to protect good performers whose performance was suffering because of personal problems
- ❖ The wish to reward employees displaying great effort when results are relatively low
- ❖ The desire to promote a poor or disliked employee up and out of the Department

Ethics involved in Performance appraisals

Having ethics as a manager doing performance appraisals is very important for many reasons. These appraisals can be highly subjective, which can impact the relationships between the managers and the employee being reviewed. There are many different ways that a meeting can do from ethical to unethical. Listed are some of the general appraisal characteristics and an understanding on how it can be unethical:

Rewards, punishments and threats

These should be used in a positive way. If they are negatively used, it can affect the morale of the employee.

An appraiser should not be able to reward an employee that he/she likes more than another, when the other is more qualified Reliability and validity

The appraiser should provide consistent, reliable, and valid information Job Relatedness Standardization

The performance appraisal process, forms, administration techniques, and ratings should be standardized so it affects all employees of the group. For example, if they provide one form or rating system for one employee, they must provide the same for another Legal Sanction.



CONCLUSION

Performance appraisals are a great way for a company to assess their employees. In a perfect world, the appraiser would leave all bias and unethical decisions away from the meetings. Since this is not always the case, implementing training and awareness for performance managers is a good way for them to become familiar with the unethical possibilities so they can prevent themselves from having them occur during a performance appraisal. It should be noted that ethical system plays a crucial role in the process of performance appraisal. Effective system provides all the employees with reliable information along with the objectives, mode and criteria for appraisal. It will not be effective if employee's do not realize that the appraisal's has been created for the sake of organization and ultimately for employee's success and not to punish them and cause conflicts.

If employees are not able to make critical remarks, they will not be able to believe in the reliability of the appraisal. The appraisal involving ethical is aimed at helping people to become better and provides the firm with information useful in developing personal policy. In general, the superior who knows how to make appraisal, firstly talks about work and then characteristics, virtues and faults, self-assessment and then finally present the result of appraisal results which considered about all the work carried out. Moreover, being a good listener superior tries to understand employee's argument and most of all can admit mistake done by them.

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