

Study of Employee Perception towards Performance Appraisal System with Special Reference to Education Sector in Pune City

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Abstract

Human resources is an important assets in an organization. Retention of good employees is key issue in each and every organization. There are various factors which affect employee's retention such as pay hike, working environment, boss behavior etc. Study reveals that monetary benefits are more effective than non monetary benefits. Hence, this is very important to have an effective employees performance analysis system in an organization. Performance management system should be based on transparent and a holistic approach which may help to employees in their dev elopement. It should be further supported by recognition and reward system which may encourage to everyone to perform better. This study consists of 162 samples from different education institutes in select areas of Pune City.

KEYWORDS: Performance Appraisal, monetary benefits, retention.

Introduction:

The performance appraisal is the process of assessing employee performance in the form of comparing present performance with previously set standards which have been already communicated to employees, consequently providing feedback to employees about their performance level for the purpose of improving their performance as desirable in the interest of organization.

The basic purpose of performance appraisal is to assess the performance of existing employees to understand the training needs for their improvement which result in organization betterment as well as in deciding his promotion, demotion or termination.

This is important to know whether employees are effective and efficient or not. Performance analysis intimate about goal accomplishment while efficiency analysis informs the relationship between the input versus output. The greater the output for a given input, the greater the efficiency.

In a Performance appraisal, the employee's merits such as initiative, regularity, loyalty, personality, etc., are compared with others. Then each employee is rated or ranked. That is, he is given a particular rank such as First Rank, Second Rank, etc. So if an employee has the best attendance then he is given First Rank in attendance and so on.

Literature Review

Various studies related to performance appraisal in various sector has been done by different researchers. According to Robert D Bretz and George T Milkovich (1992)

“Perceptions of Goal accomplishment, Self-evaluation and performance related outcomes” examines on the performance appraisal research issues and performance appraisal practice. The articles concludes that performance appraisal research is must and compulsory for all organizations¹.

An organization implements the performance appraisal system to allocate rewards for the employee, provide development advice as well as to obtain their perspectives, and justice perception about their jobs, department, managers, and organization². Prior studies reveal that employee perception of fairness of performance appraisal is a significant factor in employee acceptance and satisfaction of performance appraisal. A good perception will create a positive working environment in the organization, while a negative perception will affect the company performance.³: Work performance can be defined in two ways. The first definition views work performance as a result or consequences of action. In this instance, work performance can be defined as the accomplishment of assigned tasks.⁴ According to DanlamI.Abdulkadir (2012) performance is about employee’s specific behavior. It means something what employees do and not about what employees produce or the outcomes of their work.⁵

Herald M. & Sreedhara T. N. (2010.) noted that work performance is the action or behavior that is relevant to achieving organizations goals (what is actually done). Those employees who believe that the organization is trying to supply their needs may have a sense of responsibility with regard to render to the organization through high work performance.⁶ When employees feel that organizational feedback is directed to support them, their commitment towards organization will be enhanced. Also those employees that receive a better feedback from the environment are more committed than employees who receive less feedback.⁷ Moreover performance appraisal causes to increase employees’ understanding of the sense of being valuable and know themselves as part of the organizational team that is the main understanding for being committed to the organization.⁸ According to DanlamI.Abdulkadir (2012) Performance appraisal activities have potential to increases employees’ perception of being valued by the organization, apperception which is central to affective organizational commitment.⁹ Roberts and Reed (1996) noted that PA satisfaction may be positively related to affective commitment due to the enhance employee participation and perceived clarity of goals within the PA process.¹⁰

Statement of Problem

This study is an attempt to know the impact of employees perception towards Performance appraisal system and how its affect their feeling of association in terms of either to stay or leave the organization for better opportunities. Past studies reveals that due unfair performance appraisal system or favoritism in performance appraisal or delegation of authority oriented jobs to select employees creates a feeling of dissatisfaction among the employees. This research emphasis on the factors which affect the employee’s perception regarding performance appraisal and employees performance at work place.

Objectives of the Study

1. To know employees perception about existing performance appraisal system of the organization.
2. To know the relationship between Performance appraisal system and employees retention.
3. To know the factors which affect the employee's perception about Performance appraisal.

Hypothesis of the Study

1. Employees perception towards existing performance appraisal system of the organization is low
2. Employee's intention to stay in organization is low

Scope of the Study

This study is limited to select educational institutes of Pune District. Research emphasis on limited aspects of performance appraisal and its impact on employees retention .

Significance of the Study

The result of this study is significant in various aspects. Findings of the study reveal that there is a strong relationship between performance appraisal system and employees retention. Researcher suggest that performance appraisal system should be transparent and KPI (Key Performance Indicator) should be determined in advance before the financial year and should be intimated to each and every employees in advance. Study will further helps to top management authorities in improving employee's performance and considering the key factors which affect the employees performance.

Limitation of the Study

Employees always scare the share true information especially about existing employers due to different reasons, respondents might unenthusiastic to share their actual feelings and findings in this study might be affected. Researcher had used the convenience sampling method which is another limitation because only those respondents were considered who were easily available and ready to support in terms of response. In addition, this study is limited to Pune district (select educational institutes.).

Research Design

This study was a survey in the form of a structured questionnaire in which data was collected by using convenience sampling method from 162 respondents. Secondary data is collected by reviewing the related articles and research paper similar to study and after identifying the gaps objectives of present study were designed. Researcher further used the SPSS package for data analysis. Reseacher used the 5 point likert scale where 1= Strongly Agree, 5= Strongly Disagree. In the present study researcher used spearman rank correlation and factor analysis method to test the hypothesis and knowing the

preference of employees in terms of factors affecting their perception regarding performance appraisal system in an organization.

Reliability and Validity Test

The reliability measures to which extent the instrument is without bias (error free) and offers consistent measurement across time and across the various in the instrument.(Carole L. Kimberlin and Almut G. Winterstein ,2008)

Summary of Reliability Test

Sr.No.	Variable of the Study	No. of Respondents	No. of items	Overall Cronbach Alpha
1	Employees' perception of PA	162	14	.671
2	Work performance	162	11	.831
3	Retention	162	5	.739

Comparison bases of mean of score of five point Likert scale instrument

Value of Mean Score	Level of Agreement
<3.39	Low
3.40 -3.79	Moderate
>3.80	High

Source, *Zaidatol&Bagheri (2009)*

Interpretation of strength of correlation coefficient

Value of coefficient & Relation between variables	
0.70-1.00	Very strong association
0.50-0.69	Substantial association
0.30-0.49	Moderate association
0.10- 0.29	Low association
0.01-0.09	Negligible association

Source, *Source: Alwadael (2010)*

Data Analysis and Discussion

Demographic Characteristics of Respondents

As it is shown in table No.1 below, 73.6 percent (n= 162) of the respondents were male. The remaining 23.40 percent of the respondents were female. Regarding to the age composition of the respondents, the largest number of the respondent 40.74 % was in the age group of 25 to 34 years; the second largest group 35-45 (24.07%) those aged between 45 and above, of the total respondents were 12.96% while respondents below 25 year aged were 22.22%.

The educational background of respondents as shown in table the largest group of respondents 97(88.20percent) are bachelor degree holders, the next largest group 6(5.5percent) are master's degree holders followed by those hold the College Diploma 5 (4.50percent) and the remaining 2 (1.80percent) had grade 12 completed. Therefore, the majority of the respondents had bachelor degree as their highest level of education.

Table No.1 Demographic Profile of Respondents

Demographic Factors	Frequency	%
Genders		
Male	119	76.6
Female	43	23.4
Total	162	100.0
Age		
Less than 25	36	22.22
25-34	66	40.74
35-45	39	24.07
45 & above	21	12.96
Total		100.0
Education Profile		
Ph.D	62	38.27
Masters	88	54.32
Graduates	12	7.40
Total		100.0

Source, Primary Data

Table No.2
Level of Employee Perception of Performance Appraisal in an organization
Descriptive Statistics N= 162

	Mean	Std. Deviation
I am satisfied with the way the performance appraisal system is used to evaluate and rate my performance	3.72	.700
In my organization performance appraisal system is fair and transparent	3.73	1.085
My Director takes my performance appraisal review discussion seriously and inform the level of improvement	4.21	.562
Performance appraisal process help me to find out about my level of performance and area of improvement	3.65	1.036
I am satisfied with performance appraisal process	3.37	1.103
I do not find it much relevant with current job profile	2.81	1.013
I do not receive feedback of my performance	2.79	1.273
My increment is not linked with my performance	3.41	.823
Performance appraisal is formality	3.30	.704
If don't agree with performance appraisal score, there is scope for re-discussion process	2.94	.950
There is a reward system and predetermined KPI(Key performance Indicator) in my organization	2.15	1.084
Performance appraisal is linked to promotion for senior post in my organization	2.49	.986
I will prefer to stay in an organization because I am satisfied with PA system of Organization.	3.39	.879
My organization seems more engaged in providing positive feedback for good performers than criticizing the poor ones	2.98	1.185
Total	3.21	0.95

empirical result, this study finding is supported by the studies of Vignaswaran (2005)¹², who found employees' satisfaction with performance appraisal is low with mean= 3.35

and $SD= 0.69$ and Alwadael (2010)¹³, who found employees performance appraisal satisfaction is low with $mean= 2.66$ and $SD= 1.14$. Therefore, the first hypothesis of the study is **accepted**, meaning that, employee of educational sector in Pune had **low level of** perception towards the current performance appraisal practice

Employee's turnover intention will be assessing by three-item measure. This measure was based on Mobley, Horner & Hollingsworth theory (1978)¹⁴. The items were: (1) I think a lot about leaving the organization, (2) I am actively searching for an alternative to the organization, and (3) As soon as it is possible, I will leave the organization. Response ranged by 5-point Likert Scaling from 1= "Strongly disagree" to 5= "Strongly agree"

Table No.3

Descriptive Statistics			
Variables	N	Mean	Std. Deviation
I think a lot about leaving the organization	162	2.49	1.525
actively searching for an alternative to the organization	162	2.4877	1.52510
As soon as it is possible, I will leave the	162	2.37	1.492
Valid N (listwise)			

As calculated mean score is low while higher the mean score indicates the higher intention to leave the organization. Thus hypothesis that employee's intention to stay in organization is low is rejected and alternative hypothesis is accepted.

Conclusion:

The primary objective of this study was to know employees perception about existing performance appraisal system of the organization, to know the relationship between Performance appraisal system and employees retention and to know the factors which affect the employee's perception about Performance appraisal. . The study has been successful in accomplishing its research objectives and it makes contributions to the literature. Study reveals that employees were least interested in changing their jobs in spite of dissatisfaction on existing performance appraisal system of the organization. It further explains that there is a no relation between satisfaction of employees towards appraisal system and their tenure in terms of stay in an organization there are other factors which motivate them to decide to stay or quit from an organization. However, in order to improve positivity and growth it is recommended that management should develop pre-determined KPI for performance appraisal and should be basis of promotion or demotion of employees.

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