

IDENTIFYING THE FACTORS DETERMINING THE SUCCESSFUL IMPLEMENTATION OF PERFORMANCE APPRIASAL - A STUDY WITH REFERENCE TO THE MNC

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Abstract

This study is mainly related in analyzing the factors determining the successful implementation of the performance appraisal system. As ITES industries employ nearly 4.4 million which almost accounts to 8% of India's GDP, this study was conducted for the employees in MNC. The performance appraisal serves as a basis of making most important strategies. Henceforth, it is highly critical for the management to apprehend the overall performance of the employees so that they contribute effectively towards the organizational development. This study was the descriptive study that examined the factors determining the successful implementation of performance appraisal. The demographic profile of the employees like gender, age, educational level, work experience, nature of job, residential area were also analyzed for 678 employees in MNC. An exploratory factor analysis was used to identify the factors that play a major role in the successful implementation of the performance appraisal. The factors identified were named as preparation, involvement and accomplishment.

Keywords: Performance Appraisal, MNC, Factors.

INTRODUCTION

Performance appraisal plays a vital role in shaping the companies culture and guiding the employees to recognize their excellence. It is one of the most popular concepts applied in all the sectors across the nations. It often referred to as a performance review in which a thoughtful evaluation process is undertaken by the employers to assess an employee's contributions to their organization. This assessment takes place whenever the management feels it's appropriate, ensuring that employees receive timely feedback on their work. This in turn insists the top management to accept and adopt the performance appraisal for effective management. The primary objective of a performance appraisal is to identify the employee's achievement and identify the growth opportunities. Communication and constructive feedback plays an important role in the effective implementation of the appraisal system. It also helps the management to help their employees in reaching their full potential. To implement an effective performance appraisal, the management should establish clear goals, provide regular feedback, encourage employee self-assessment, offer development opportunities and ensure fairness in evaluations. Also for making informed decisions regarding pay raises, promotions or terminations, this system is serving as a basis.

REVIEW OF LITERATURE

Agnes Kurgat in the research work evaluated the effectiveness of performance appraisals in organizations. The study was analyzed with a total population of six hundred out of which a sample of 30% was drawn using simple random sampling. Data was collected from simple structured questionnaire, supplemented by review of relevant documents. The study found that the employees were not fully involved in appraisal process, Appraisal process was not utilized as per organization objectives. Also revealed that the management and employees did not find performance appraisal system appropriate and effective. For performance appraisal to be effective, the study recommended that all employees must be involved in the process and feedback should be given to employer.

Dr. Shanthi & Agalya made a study on the effectiveness of performance appraisal on ITES industry and its outcome. In the study they evaluated the individual performance on the basis of performance appraisal by their higher authorities, superior, peer group, self - evaluation and customers. The HRM practices and the characteristics of performance appraisal are mentioned. The famous 3 stages of new appraisal system are discussed. The findings showed that complementary human resource management practices, such as formal training and incentive pay, are associated with an increased likelihood of performance appraisal, which would increase the productivity, goodwill and quality standards of the company.

Michaela Striteska & Marketa Spickova have reviewed and compared the performance measurement systems. The study was to respond to changing priorities in the so-called "new economy". The authors focused on the changing of the usage of performance measurement. Also they discussed the way how selected approaches to performance management tried to solve the limitations of the traditional way of measuring performance. The study suggested that the younger systems like Performance Prism or KBEM build on the strengths of previously developed systems (namely BSC) and addressed their shortcomings.

Muhammad Zohaib Abbas attempted to understand the effectiveness of performance appraisal in the Pakistani organizations. Specifically, factors influencing performance appraisal have been identified in the study. This study elaborated the influence of appraisal on employee performance in Pakistani organization. The study is analysed on the basis of non-probability sampling, with a sample of 250 employees, selected from different organizations of Pakistan. The results of the study provided sound understanding about that employees have fair perception about performance appraisal. The study also revealed that the respondents thought that the performance appraisal outcomes are accurate and significant towards employee performance.

Osabiya Babatunde Joseph evaluated the effectiveness of performance appraisal as a tool to measure employee productivity in organizations. The study found that employees are usually appraised by their immediate supervisors. With regard to the frequency promotion in the organization, both the managers and officers emphasized that there was a valid, laid down pattern for promotion and that this was at the management discretion.

The study also found that managers allowed biasing factors like rate, sex, tribe appearance and personal likeness or hatred to influence their rating. Unless the ratings are based on actual job performances, the evaluation continued to be devoid of the objective that is often required in a fair performance appraisal system.

Anbu Ranjith Kumar et al examined the effectiveness of performance appraisal system. Descriptive statistics and chi-square techniques were applied to data collected from 80 respondents. The study found that 85% of the respondents agreed that the performance appraisal helps to reduce grievance. 70% of the respondents agreed that this is a chance to improve their personal skills. Finally, 81% of the respondents said that promotion is the positive performance appraisal. The study suggested that proper training for the employees for better performance is to be provided and should motivate the employees and increase their performance level in their work.

Idowu, Ayomikun O in his research paper investigated the effectiveness of performance appraisal systems and its effect on employee motivation. He analysed the types of performance appraisal and motivation and their effectiveness at Shine Communications. He also examined and explored the link between performance appraisal and motivation at Shine Communications. The study found that the 360-degree performance appraisal system is quite effective in offering a comprehensive analysis of the employees' performance at Shine Communications. With regard to types of motivation, it is evident that the Shine Communication made use of both extrinsic and intrinsic motivation. The study also showed that employees differ in their preference for rewards following a performance appraisal.

METHODOLOGY

A descriptive research design was used to identify the factors affecting the implementation of the performance appraisal. This study was conducted with the employees of the MNC. Simple random sampling methodology was used to select the sample. Both primary and secondary data sources were used. Questionnaire was used to collect the information from the samples. The study was conducted for 678 employees belonging to the MNC. While conducting the research the demographic variables like gender, age, educational level, work experience, nature of job, residential area were also considered. The analysis reveals the critical determinants considered in the study possess stronger influence in enhancing employee capabilities in the MNC.

ANALYSIS AND INTERPRETATIONS

The factors affecting successful implementation of performance appraisal system in MNCs are highly important for male ($M=57.40$) than female employees. Significant difference is witnessed amidst gender of employees and factors affecting successful implementation of performance appraisal system in MNCs since t -value of 5.497 are significant in 1% level. Similarly the F value was 15.436 which is significant in 1% level for the employees in the age of 46-55 years ($M=57.64$) than other ages. The employees holding doctorate ($M=60.99$) shows the significant difference in 1% with F value of 35.865.

The factors affecting successful implementation of performance appraisal system in MNCs are highly important for employees possessing 12– 15 years of total working experience (M=58.24) than other total working experiences. Significant difference is witnessed amidst total working experience of employees and factors affecting successful implementation of performance appraisal system in MNCs since F-value of 32.927 are significant in 1% level. The F value of 21.796 is significant for managers (M=58.90) which is significant.

The factors affecting successful implementation of performance appraisal system in MNCs are highly important for employees residing in rural area (M=58.01) than other residential areas. Significant difference is witnessed amidst residential area of employees and factors affecting successful implementation of performance appraisal system in MNCs since F-value of 15.595 are significant in 1% level.

An exploratory factor analysis is carried out for finding out factors affecting successful implementation of performance appraisal system in MNCs and the result is given in the table below. Kaiser-Meyer-Olkin test value to assess adequacy of sampling is 0.846. Bartlett test of Sphericity's Chi-Square value is 0.0052 and it is significant in 1% level. These values indicate that method of factor analysis is well fitted. Principal component analysis is used to attain factors by using varimax rotation and it is converged in 6 iterations. Cronbach's Alpha value is 0.77 indicating that each measure is in an acceptable level of internal consistency. Three factors are obtained and they are having 78.94% of variation on variables of this study.

Exploratory Factor analysis

Factor	Variable	Rotated Factor Loadings	Eigen Value	Cronbach's Alpha	% of Variation	Name
I	Scheduling	.71	4.39	0.79	29.74	Preparation
	Resources	.77				
	Process	.74				
	Standards	.69				
	Design	.70				
	Controlling	.67				
II	Effective leadership	.75	1.75	0.75	26.82	Involvement
	Experience of appraiser	.78				
	Information sharing	.70				
	Efficient Communication	.72				
	Support of management	.68				
III	Decision making	.76	1.12	0.77	22.38	Accomplishment
	Culture	.79				
	Trust	.73				
	Training	.75				
Total	-	-	-	-	78.94	-
Overall	-	-	-	0.77	-	-

Source: Primary Data

Factor - I comprises of scheduling, resources, process, standards, design and controlling. Thus, first factor is denoted as **Preparation** and it has 29.74% of variation.

Factor - II contains effective leadership, experience of appraiser, information sharing, efficient communication and support of management. Hence, second factor is stated as **Involvement** and it has 26.82% of variation.

Factor - III covers decision making, culture, trust and training. Therefore, third factor is described as **Accomplishment** and it has 22.38 % of variation.

Based on the finding of the exploratory Factor analysis, Preparation, involvement and accomplishment are factors affecting successful implementation of performance appraisal system in MNCs. The three factors were identified and their importance is revealed in this framework

CONCLUSIONS

The performance appraisal is one among the performance management conceptual framework. It is an ongoing control process that has a vital role in all the decision of the management. It ensures that the feedback covers all important aspect of the employee performance. This also identifies the weaker area of the employee. After the effective appraisal, the employees feel energized and motivated to achieve the organizational goal by putting their great effort. Through the effective performance appraisal system, the employees can focus on their key skills, harness their fullest potential and there enhance their capabilities.

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