

Impact of Performance Appraisal on Employee Performance

Malik Shaharyar^{1*}, Mushtaq Ahmad Baloch², Muhammad Ahsan Tariq³, Seemal Mushtaq⁴, Adeel Mushtaq⁴

1. International Islamic University, Islamabad, Pakistan

2. Foundation University, Islamabad, Pakistan

3. International Islamic University, Islamabad, Pakistan

4. National University of Sciences and Technology, Islamabad, Pakistan

*Email of the corresponding author: malikshaharyar@aol.com

Abstract

This manuscript is an attempt of the researchers to highlight the significance of performance appraisal in the organizations and business world. Appraisal is one of the most significant and effective tool that can lead an organization to vanquish their ultimate goals by improving the efficiency and effectiveness of the employees. Performance appraisal helps managers to identify the gap between desired and actual performance and in case of deficiency, it can be removed by imparting required training. Fair performance evaluation and proper training motivates employees that results in improved performance and achieve organizational competitiveness.

Keywords: Performance Appraisal, Employee Performance

1. Introduction

To evaluate the impact of performance appraisal on employee's performance, we need to firmly know what is performance appraisal and employee performance. Performance appraisal is one of the most significant aspects of human resource activities designed and performed in the companies as well as in every walk of life. In terms of definition, it is an act of formally evaluating performance of non managerial staff at least once in a year (John T. Addison, Clive R. Belfield, 2007). Performance appraisal can be defined as an act of testing, evaluating, measuring and justifying the performance displayed by the employees during a specific period of time (Meysam Fakharyan, Mohammad Reza Jalilvand, Behrooz Dini, Ebrahim Dehafarin, 2012). The companies may change the time interval of performance appraisals according to their nature of business and requirement. Historically, performance evaluation was first time studied in the spinning factory in Scotland more than two hundred years ago. With the passage of time and the evolution process, performance appraisal has gained so much importance that, not only in corporate sector but almost in all sectors, the decision of awarding reward and punishment is based on it. Now performance appraisal is defined as an act of managers to examine and evaluate employee's performance comparing it with the set benchmark and document the results and giving feedback to the employees to indicate where there is deficiency which needs to be improved. The main purpose of performance appraisal to the management is that it assists them to determine who needs what training, who should be promoted, demoted, retained or fired, basing on employee's performance.

Employee performance is the set of actual (timely and accurate) accomplished tasks and duties by the employee. The tasks and duties are set and evaluated by the management or the line manager. The employee performance is so important that the ultimate goal of Human Resource Department is to achieve sustainable improvement in employee performance by providing required training, work environment, rewards and care.

2. Literature Review

Performance appraisal is one of the most important practicing tools from human resource practices that is used to evaluate performance of the employees on job (Tompkin, 1995). The objective of performance appraisal is to maintain the performance of the employees, up to desired levels, by motivating employees which depends on the workplace environment and rules and regulations at work (Tassew Shiferaw Gizaw, 2010). Efficiency and effectiveness are two important ingredients of performance and training is the method/ technique to improve individual performance (Cook, 2000). Performance of any employee is measured with set standards by the organization. Good and bad performance can be identified by the level of success in the given task when measured to preset standards (Kenney, 1992).

Whenever in the organizations the performance appraisal reflects a performance gap that needs to be fulfilled, requirement of proper training arises. In the development of any organization, training plays a cardiac role in order to improve performance which results in improved productivity and putting the organization in competitive mode (Benedicta Appiah, 2010). Training is a planned and systematic activity that, if practiced objectively, results in improved knowledge, skills and competency which are required to perform efficiently and effectively (Gordon, 1992). Job characteristics and firm background play a vital role in decisions regarding the selection of training that will be imparted to the employees of the organization.

It is observed that there is a positive relationship between training and employee performance, the employees when positively trained, take interest in the process with more motivation and resultantly their performance as well as the performance of the organization amplifies. Training is beneficial for both the organization, by helping it to achieve its desired level of results, and the employees by equipping them with different knowledge, skills

and other characteristics. If the trainee in a training process is willing and takes interest, the new knowledge and skill will be acquired quickly and effectively (Afshan Sultana, Sobia Irum, Kamran Ahmed, Nasir Mehmood, 2012). Employee interest and involvement should be promoted in the organizational practices as employee involvement and Feedback can play a key role in effectiveness of performance appraisal as there is positive relationship between performance appraisal satisfaction and employee performance (Petti John et al, 2001). All the organizational practices should be performed in good faith with objective of positive improvement in all the processes and activities which reflect fair and credible performance evaluation otherwise each evaluation system would be jeopardized (Cardy & Dobbins, 1994).

Although, number of researchers have indicated various factors effecting employees performance, yet none has clearly focused on the impact of performance appraisal on employee's performance. Therefore, there is a visible gap in the study of knowledge which the present researchers have endeavored to fill in.

3. Conceptual Framework

Impact of performance appraisal on employee performance is inevitable. The model presented by the researchers show the impact of performance appraisal on the employee's performance. According to this model first of all the management or the line managers set the benchmark performance so that it helps in evaluating the performance of the employees individually or collectively as a group. The benchmark performance may be preset standards, best performance among the employees or any aspired performance/ results. Secondly the actual or given performance of the employees should be matched with the benchmark performance and two situations will appear, actual performance would be equal or above benchmark performance or actual performance of the employees would be below benchmark performance. If the actual performance of the employees is equal or above the required performance then the employees would be satisfied and their motivation would be amplified to be consistent and meet the next benchmark resulting in improved employee's performance.

But if the actual performance of the employees is below the benchmark performance, in the result to an act of performance appraisal by the management, the gap between actual and benchmark performance appears. This gap between actual and benchmark performance may be because of deficiency in the employees knowledge, skills or attitude toward the assigned job at workplace. The management's role is now to identify the deficiency in the employee's knowledge, required skills or attitude and recommend and arrange the proper training required to fulfill/ overcome the deficiency. Proper training to the employees would be beneficial to the employees, equipping them with the latest knowledge and skills to perform the assigned job more efficiently and effectively by creating the process interesting and elevating employee's motivation levels, and also to the organization to have workforce equipped with latest knowledge, skills and other characteristics assisting and directing organization to achieve ultimate organizational goal.

4. Recommendations

It is recommended by the researchers that all the human resource tools/ activities must be performed in good faith without any prejudice with an objective to achieve organizational goals along with protecting the rights and interests of all employees and by making improvement in all the processes and activities which reflect fair and credible performance evaluation other wise all the efforts would be unfruitful.

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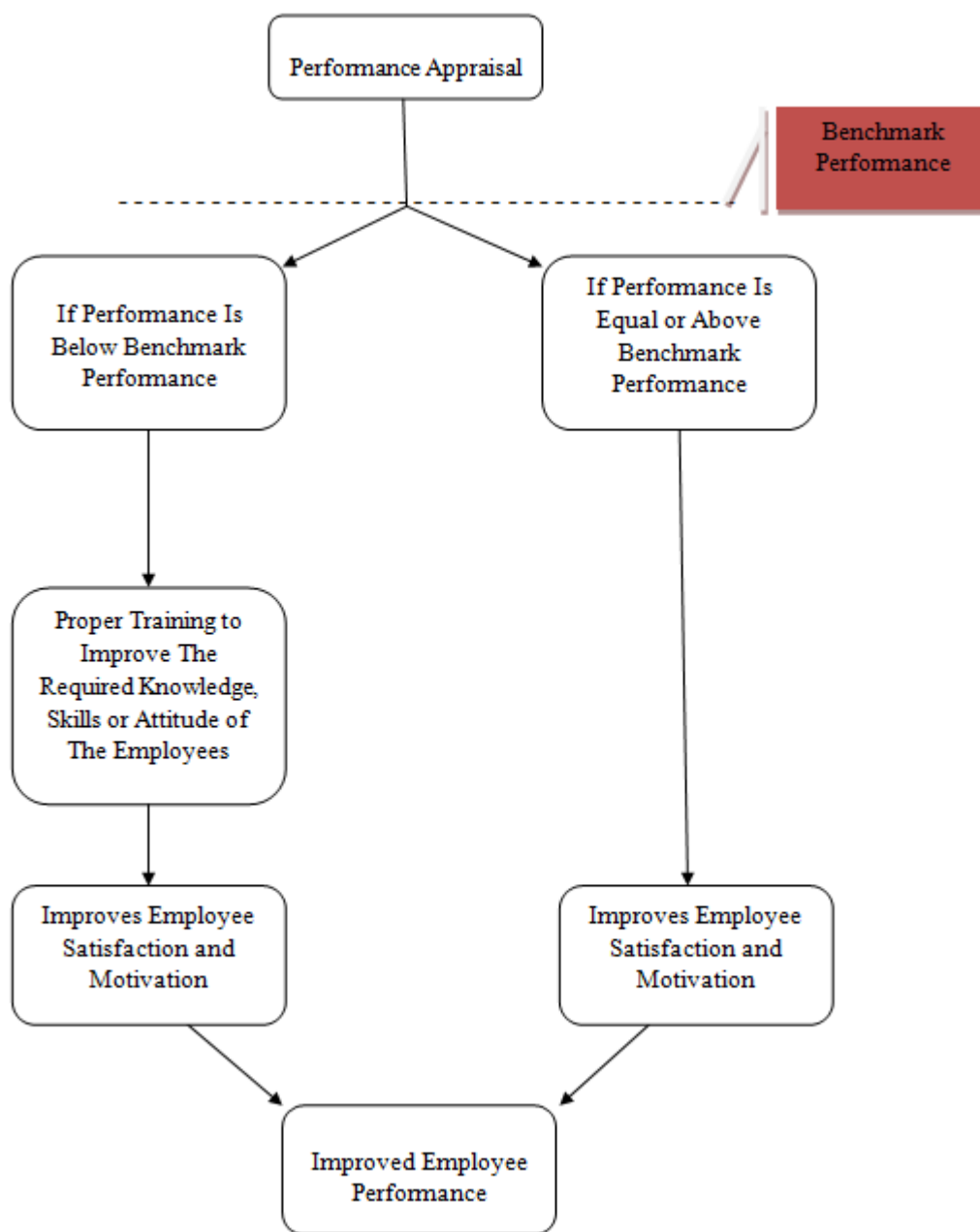


Figure 1: Model Presented by Researchers Showing Impact of Performance Appraisal on Employee Performance