

EMPLOYEE PERCEPTION TOWARDS PERFORMANCE APPRAISAL PROGRAM IN PACKAGING INDUSTRY

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Abstract Organisations face various challenges as they effort to assess and improve the performance of employees. There is a significant impact of employees' individual and group performances on organisational overall performance (Nzuve and Ng'ang, 2012). Performance Appraisal Program is an essential activity for the overall human resource management. To know the competency levels and the required skill gaps of their employees, organisations depend on Performance Appraisal Programs.

Design/Methodology/Approach: This research investigates perception of employees towards Performance Appraisal Program. The research also explores the outcomes and constraints of Effective Performance Appraisal Program. The impact of demographic variables on employees' perception towards Performance Appraisal Program has been analyzed too. The study is based on the primary data, collected from the employees of packing industry who had worked in the institution for at least two consecutive years, and whose work had been previously appraised, and are located in Delhi and National Capital Region. Data analysis was done using SPSS software. The statistical analysis method employed was Descriptive Analysis, One-way ANOVA and Z-test.

Findings: The findings suggest that the employees have both positive and negative perceptions towards the Performance Appraisal Program. They believe that though the appraisal enhances the chance of promotion, sometimes it lacks in terms of employees' proper assessment. The employees also believe that it is not helpful in reducing grievances among the people. Employees' perceptions also vary according to their demographic differences. The Performance Appraisal Programs need transparency and well explained parameters for the acceptance and satisfaction of employees as these impact the overall organisational performance.

Keywords: Organisational Performance, Demographic Variables, Competency Level, Performance Effectiveness

INTRODUCTION

Performance Appraisal Program (PAP) has become the essential activity for strategic human resource management policy. In this highly competitive era of globalisation, the employees face complex and challenging pressure for effective performance to meet the goal of the organisations. At the same time employers' interest in excellent employees' performance levels and improving poor performances by using performance appraisals and feedback in an efficient manner, have become characteristics of effective organisation management (Murphy and Margulies, 2004). Organisations which look for gaining competitive advantage, must be able to manage the behaviour and performance of their employees. Management and human resource managers must be equipped to address the changes in developing the employees' competencies and skills in response to changing customers' needs and competition level. The human resource system can become more effective by using a valid

and accurate appraisal system for rating performances of employees (Armstrong, 2003; Bohlander and Snell, 2004). Unfortunately, the number of organisations using an effective Performance Appraisal Program is limited (Hennessey and Bernadin, 2003), even though performance appraisal has been a big concern in deciding the reward or punishment for employees according to their performances and most of the organisations still use this as a tool to measure employees' performance. The importance of effective performance appraisal activity in organisations cannot be ignored as appraisals help in developing individuals, improving organisational performance and deciding for business planning.

The focus of this study is to explore the employee perceptions towards the Performance Appraisal Program in the packaging industry. The study also sought to analyze the impact of demographic variables on employees' perception towards Performance Appraisal Program.

REVIEW OF LITERATURE

Perception of Performance Appraisal:

Performance Appraisal Program has a significant impact on the employees' perception which may influence the behaviour in terms of performance of the employees and so for it may impact the performance of the organisation (Ahmed *et al.*, 2011). Perception is a process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment. Employees' perception about the performance appraisal results can be beneficial depending on a number of factors, which may include employees' attitudes, personality, motives, interest, past experiences and their expectations from organisation (Robins and Judge, 2007). According to Kin law (1988), employee's perception is very important, but rarely considered when they are being appraised. Employees may be more receptive and supportive for any Performance Appraisal Program, if they perceive the program, an effective source of feedback which helps to improve their performance (Mullins, 2005). Employees are likely to hold and contribute in real manner to a given Performance Appraisal Program, if they perceive it as an opportunity for getting reward, and as an avenue for personal development opportunities. On the other hand, if employees perceive PAP as only an attempt by management to exercise closer supervision and control over the tasks the employees perform, various reactions may occur. Performance Appraisal will be effective if the appraisal process is transparent and clearly explained to the people involved and at same time they are also agreed for that (Anthony *et al.*, 1999). Without having sufficient consultation and discussion, PAP may produce negative results. It is a key factor for the development of the organisation in effective and efficient manner. Previous studies indicate that employee perception towards performance appraisal has a significant impact on employee satisfaction and their individual performances (Ahmed *et al.*, 2011). Individual assessment of employees' performances is critical for any organisation. HR managers need a system to monitor employee's performance for improving the effectiveness and productivity of the organisation. At the same time, accurate and adequate feedback about performance has also been regarded as crucial to employee's ability and motivation to perform effectively in an organisation (Lee and Son, 1998).

Today most of the organisations are organizing the PAP as a formal activity and to show the others. This type of practice creates lack of trust towards the appraisal system and negative reaction to the feedback in the minds of related employees (Shen, 2004). In fact, if PAP is implemented in right manner it can be used for the real assessment and analysis of the performance of the employees and at the same time their performances can be discussed and explained in terms of feedback for further improvement. Although, there

are so many studies on performance appraisal, including the discussion on its various aspects e.g. characteristics, processes, employees' satisfaction, attitudes and perceptions toward the system, there has been dearth of empirical studies on employee's reactions towards appraisal systems (Pooyan and Eberhardt, 1998).

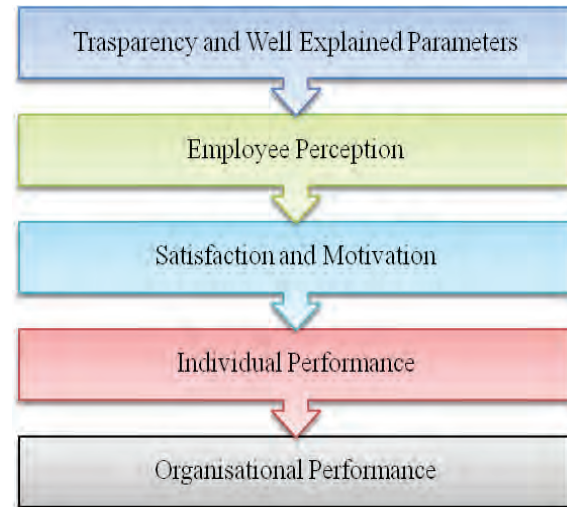


Figure 1: A conceptual model on Impact of Performance Appraisal Program on overall Organisational Performance

Performance Appraisal Program and impact of Demographic variables

The demographic variables studied in this study were age, gender and organisational tenure.

In terms of relationship between gender and work performance, previous studies (Crawford and Nonis; 1996 and Shaiful Anuar *et al.*, 2009) reported that gender did not have a significant impact on work performance. However, a study done by Bengtgson *et al.* (1998) suggested that female employees were found to have better work performance compared to their male counterpart. There are some inconsistencies found where study done by Lynn *et al.* (1996) found that men's performance increased with career stage measured as professional tenure, but they did not find a corresponding effect among women. There were also some perceptual differences among male and female managers (Ishaq *et al.*, 2009).

Yeara (1995) reported that age does not affect work performance. His report contradicts with the study of Smedley and Whitten (2006), who reported that age difference can potentially affect the work performance. Shultz and Adam (2007) reported in their study that there were significant differences between different age groups regarding work performance. Kujala *et al.* (2005) reported that younger people are poor on work performance but it

contradicts the study of Birren and Schaie (2001). Gurbuz and Dikmenli (2007) suggest that younger as well as older employees' perception of Performance Appraisal generally does not vary significantly according to their ages. This apparently suggests that younger and older employees alike are substantially similar in terms of their commitment and willingness to submit to Performance Appraisal.

OBJECTIVES OF THE RESEARCH

The objectives of this research are focused to investigate and analyze the employees' perception towards Performance Appraisal Program. The outcomes and constraints of effective performance appraisals in the packing industry are explored. Besides these, the differences in perception based on demographic variables have also been examined. In the backdrop of the same, the following are the research objectives of the current paper:

1. To analyze employees' perceptions towards Performance Appraisal Program.
2. To explore the outcomes and constraints of Effective Performance Appraisal Program.
3. To study the impact of demographic variables on employees' perceptions towards Performance Appraisal Program.

RESEARCH METHODOLOGY

Research Design

This study involves Descriptive Research involving gathering of primary data. This design was considered the most appropriate and helpful in determining the perception of respondents on the variables which were studied (Gay, 1992; Newman, 2003).

Data Collection Instrument

- The data for the study were gathered through an undisguised questionnaire during the period June 2013- August 2013.
- The questionnaire used for the sample survey is a structured and non-disguised questionnaire and consisted of two major sections. The first section intended to capture the demographic profile of the respondent, the second part concerned the outcomes of effective and fair performance appraisals as well as the constraints to effective implementation of performance appraisal in packing industry. The scale used for collecting data was 'Five Point Likert Scale' ranging from 5 for 'strongly agree' down to 1 for 'strongly disagree'. The different statements were generated based on literature survey in an iterative manner.

- Data analysis was done using SPSS software. The statistical analysis method employed is Descriptive analysis, One-way ANOVA and Z-test to identify the significance difference in the average employee perception towards performance.

Sampling Design

- The sample was collected using Non-Probability Convenience Sampling Technique for the current research.
- **Sampling Unit:** The sampling unit consists of the employees (male and female both) in the age group ranging 20-50 years in packaging industry. However, the eligible population of the study included all those staff who had worked in this industry for at least two consecutive years.
- **Sample Size** - Primary data were collected with a sample size of 100 respondents from packaging industry in and around the National Capital Region and Delhi. The choice of this geographical area has been done with this assumption that Delhi being the capital city of our country may be a suitable representative of the expected data.

DATA ANALYSIS

Socio-demographic characteristics of respondents

Table1: An overview of Respondents Demographic Profile

Age			
	Frequency	Percent	Cumulative Percent
20-30 yrs	17	17.0	17.0
30-40 yrs	53	54.0	70.0
Above 40 yrs	30	29.0	100.0
Gender			
Male	50	50.0	50.0
Female	50	50.0	100.0
Work Experience			
up to 2 yrs	15	15.0	15.0
2-6 yrs	12	12.0	27.0
6-10 yrs	45	45.0	72.0
Above 10 yrs	28	28.0	100.0

Table 1 summarizes the frequency distribution of the age of respondents. There was equal distribution of male and female respondents (50%). The result shows that the majority of the respondents (54.0%) were between the ages of 30 -40 years. A few of them (17.0%) were 20-30 years and 29.0% were above 40 years. This distribution shows that majority of the employees were relatively youthful.

There is equal number of respondents in terms of gender as the sample was collected in view of equal representation of both male and female staff.

Majority of the respondents (45%) had worked in the institution for between 6 and 10 years, and 28 % had worked for more than 10 years. Most of the respondents (72%) had worked in the institution for at least 6 years consecutively. This group of employees most certainly might have gone through the PA process several times, and could be considered to have gained greater insight into the system. Therefore, they might be better placed to provide relevant information to facilitate fairer assessment of the PAP.

FINDINGS AND DISCUSSIONS

Cronbach's coefficient alpha was computed to assess the reliability of the items used to measure the perceptions of the respondents. A satisfactory coefficient of 0.711 was attained. The questionnaire consisted of 14 items related to various aspects of the performance appraisal system.

Table2: Means and Standard Deviations

Variables	Mean	SD
Outcomes of Effective Performance Appraisal (Overall)	4.15	.218
Improves job performance	4.16	1.012
Motivates to work harder	4.03	1.000
Goals are clearly defined.	3.87	.872
Adequately monitored	4.25	.833
Contributes to improvement employee performance.	4.38	.693
Encourage career growth	4.27	.863
Help me to find out my performance	3.91	.866
Appraisal enhance the chances for promotion	4.44	.795
Proper assessment of my contribution	3.86	.829
Improving personnel skill	4.33	.667
Constraints of Effectiveness of Performance Appraisal (Overall)	4.14	.234
Not helpful in reducing grievance among the employees	3.79	.844
Irritation increases due to performance appraisal.	4.28	.817
Increases competition between employees.	4.22	.811
Appraisals are largely influenced by personal relationships.	4.27	.664

Table 2 indicates the means and standard deviations which were intended to determine the opinions of respondents concerning the nature of their perceptions of performance appraisal techniques in their workplaces, (n = 100 in all cases).

Mean scores were calculated by awarding a point's value to each response; from 5 for 'strongly agree' down to 1 for 'strongly disagree.' The higher the mean score, therefore, the

more that respondent agreed with the statement. The figures for standard deviation (SD) indicate the degree to which responses varied from each other; the higher the figure for SD, the more variation in the responses and, therefore, the more disagreement there was among respondents. So, a score such as .664 for 'Appraisals are largely influenced by personal relationships.' indicates that nearly all respondents agreed with the mean score of 4.27. In contrast, the SD of 1.012 for 'Improves job performance' indicates a comparatively wide range of opinions and, presumably, experiences.

On the whole, the respondents agreed quite strongly with the issues surrounding the outcomes of positive performance appraisals, with a mean score of 4.15, which is slightly higher than the mean score of 4.14 concerning the constraints to the effectiveness of performance appraisal, which shows the drawbacks of performance appraisal. There is always a possible issue with groups of respondents who have been only rarely if ever asked for their opinions that they will feel suspicious or uncertain about how their responses would be received. In any case, people tend to be more positive in public discourse than they may occasionally be in private because of, in this case, gratitude for keeping the job involved or reliance upon it. One important factor that emerges from these results is from the case of 'Appraisal enhances the chances for promotion' (4.44) since this is a germane measure of how people envisage the future and their role in the organisation. Regular and accurate feedback during the non-evaluation periods provides deeper insights into the performance of employees. Employees perceive that the effective implementations of appraisals can increase the confidence of those employees, which will lead to more accurate performance. The mean value for 'improvement in employee's performance' was 4.38, which may be considered to be a high score in this regard. Organisations provide training to motivate their employees but the results of this study show that effective implementation of performance appraisals can increase the motivation and morale of the employees which can help in developing a pool of productive employees in the workforce over all.

Despite the positive outcomes of performance appraisals, there are some detriments which can affect the implementation of performance management systems. The statement like 'Not helpful in reducing grievance among the employees' (mean value of 3.79) indicated as some employees may be favoured unduly over others by exhibiting negative biases. Competition among employees is considered as a detriment by the functional managers as it can reduce the coherence among the working groups. The competition among employees was presented (mean value 4.22). 'Irritation increases due to performance Appraisal' (mean value 4.28); this factor grabs the high attention in the list of constraints to the effectiveness of appraisals. Simultaneously 'Appraisals are largely influenced by personal relationships' (mean value 4.27) also grab high attention. When these employees were

asked to suggest the way to improve the existing performance appraisal system in their organisation 75 % of them suggested that there should be certain well define criterion and standards to evaluate the performance. They were also of the opinion that these parameters should be known to everyone.

In order to have an in-depth understanding of the opinion of the employees, following hypotheses were tested.

HYPOTHESES

H1₀: There is no significance difference in the average employee perception towards performance appraisal among different age groups.

H1_A: There is a significance difference in the average employee perception towards performance appraisal among different age groups.

To test the above hypotheses, One- way ANOVA has been used. The result shows that there is a significance difference in the average employee perception towards performance as p value is .018 which is lower than .05 (Table 3).

Table 3: Average Perception among Different Age Group

ANOVA					
Age					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	11.396	14	.814	2.119	.018
Within Groups	32.644	85	.384		
Total	44.040	99			

H2₀: There is no significance difference in the average employee perception towards performance appraisal among different genders.

H2_A: There is a significance difference in the average employee perception towards performance appraisal among different genders.

The result of Z-test for the second hypothesis is shown in Table 4. This indicates the p value is .000. Thus, the null hypothesis has been rejected. This means, there is a significance difference between the average perception of male and female employee.

Table 4: Average Perception among Different Genders

	N	Mean	Std. Deviation	Z-Test	df	Sig. (2-tailed)
Sex	100	1.50	.503	29.850	99	.000
Avg perception	100	4.0960	.35389	115.743	99	.000

H3₀: There is no significance difference in the average employee perception towards performance appraisal among different experience categories.

H3_A: There is a significance difference in the average employee perception towards performance appraisal among different experience categories.

To test the above hypotheses, One- way ANOVA has been used. The result of this analysis shows that there is a significance difference in the average employee perception towards performance as p value is .000 (Table 5).

Table 5: Average Perception among Different Experience Categories

ANOVA					
Years of services					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	39.832	14	2.845	4.155	.000
Within Groups	58.208	85	.685		
Total	98.040	99			

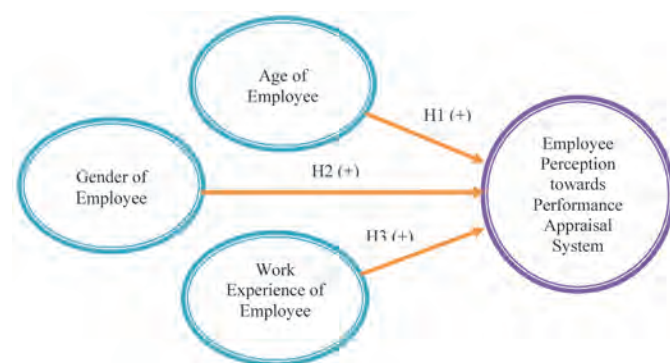


Figure 2: Relationship Model between Employee Perception and Demographic Variables

CONCLUSION

Based on the findings, very interesting information have been observed. It indicates that there is significant difference in employee perception towards performance appraisal program amongst different age group as well as among male and female. The perception has also been found to differ with the tenure of experience.

This interpretation also justifies the strategic role of the performance appraisal program and provides a strong reason to why companies must focus on the effective execution of performance appraisals. Research reveals that employees become aware of their performance after passing through the mechanism of performance appraisal. The condition for such positive outcomes is that the performance appraisal system must be effective. The results are very much encouraging from the employee's perspective as most of the respondents have this realization that effective execution of performance appraisal systems can benefit them in many ways. But some corrective majors are required to be done in minimizing the detriments to the efficiency of performance management systems. The market competition has injected a culture of competing against each other among employees. The organisations should focus on the principle of 'justice' and 'fairness' while designing and implementing performance appraisal programs for employees by ensuring that only 'good performers' are rewarded. The management of the packaging industry must also consider the fact that there must be standard criteria for performance rather than inconsistencies which limit the employee's ability to work for the organisation with full zeal and zest. The developmental plans must be communicated to the employees to ensure proper coordination as doing this will reduce the negative reactions among employees when their performance is appraised at regular intervals. This also entails that proper communication of the performance appraisal programs must be there so that employees are able to understand the importance of performance appraisal programs in better manner.

HR IMPLICATIONS OF THE RESEARCH

The demography-specific differential perception demands, development of a new strategy by HR professionals in the packaging industry. Good appraisal system can be a significant contributor towards involvement and motivation. HR professionals must realise that employee engagement and commitment is directly proportional to performance appraisal system.

FUTURE SCOPE

The area of performance appraisal is so enormous and omnipresent that there is no end to the research dimensions associated with this. The same research can be extended to explore new degrees and levels of performance appraisal. We may analyze the workplace factors contributing to employee perception and their impact on performance levels of the employees in packaging industry. This research explores the outcomes and constraints of effective Performance Appraisal Program from employees' point of view; the future research may investigate these dimensions from managerial point of view.

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