

Impact of Performance Appraisal on Employee Motivation (With Special Reference to Indian Steel Industry)

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Abstract: The performance management system (PMS) aimed at driving forward the improvement in public service and enhancing the sustainability of service quality. The performance agreement (PA) has played a crucial role in improving and evaluating performance, driving public sector development, and linking performance with the monetary incentive schemes. However, the study also finds a limitation of the PA execution in relation to its linkages with incentive distribution to individuals. This study was to investigate the effects of performance appraisal (PA) on employee productivity and motivation in Indian steel Industry. Simple random sampling was used to select 150 employees. The research instruments used for data collection were the questionnaires and interview schedules. Descriptive analysis and inferential statistic i.e. regression analysis and t-test were used. Results indicated that there was a positive and significant effect between performance appraisal and employee efficiency in the Indian Steel Industry.

Key words: Performance Appraisal, Employee Productivity, internal Customer Satisfaction and motivation

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I. Introduction And Need of The Study

The performance appraisal is the periodic evaluation of an employee's performance measured against the job's stated or presumed requirements (Terry and Franklin, 2003). Mullins (1999) substantiates the necessity of an effective appraisal scheme by saying that it can identify an individual's strengths and weaknesses and indicates how such strengths may best be utilized and weaknesses are overcome. A generation ago, appraisal systems tended to emphasize employee traits, deficiencies and abilities. With the development of the employee/organization relations modern appraisal philosophy emphasizes on the present performance and future goals. Modern philosophy also stresses on employee participation in mutually set goals with the supervisor. The underlying philosophy behind mutual setting of goals is that people will work harder for goals or objectives that they have participated while setting them up. The assumption is that people want to satisfy some of their needs by performing work activities that provide them with a supportive environment. They also need to perform meaningful tasks, share the objectives setting, share the rewards of their efforts and continued personal growth (Dechev, 2010).

The evaluation of job performance has been called by many different names throughout the years a tool of management, a control process, a critical element in human resource allocation and many others. The first appraisal systems have been just methods for determining whether the salary of the employees in the organizations was fair or not. Later, some empirical studies have shown that reduction or future pay were not the main effects of the process.

Many researchers and reputable sources criticize the importance of the performance appraisal process. They have expressed debates about the authenticity of the process. (Daniels 1999), even called it useless and evil. He couldn't see how the appraisal improves performance and characterizes it as a step of firing process. He suggests that "the best performance appraisal is one that is done every day". Another critic, (Derven 1990), explains that if the manager or supervisor is unskilled or couldn't give accurate feedback, then the appraisal process will have only a negative effect on the employees. Because of this, every organization has to design and train the supervisors, managers to use the appraisal systems effectively so that the business performance could be enhanced. On the other hand, some of the defenders, such as (Lawrie 1990), describe the process as "the most crucial aspect of organizational life".

Most public sector businesses have failed because of ineffective and inefficient performance appraisal system (Esu and Inyang, 2009). In most of the public sector, the performance of staff of executing agencies or public enterprises is limited to budget monitoring and annual performance evaluation (Idemobi and Onyeizugbe,

2011). These organizations are required to give adequate attention to performance appraisal reviews and utilize the information obtained from the appraisals to enhance productivity.

Records also show that only a few organizations in the public sector are making efforts to embark on a performance appraisal review with the commensurate reward system. Some informed authorities blame this on managers who do not have adequate information on performance review techniques that could have significant impact on employees' performance for greater organizational effectiveness (Esu and Inyang, 2009). The literature review has also confirmed that there is little empirical evidence on the relationship between performance appraisal and employee productivity and motivation in the Indian Steel Industry. This formed the main concern of the study.

II. Research Objectives

- To investigate the effect of performance appraisal on Employee motivation.
- To find out the effect of performance appraisal on internal customer satisfaction

III. Research Hypothesis

Ho₁: Performance appraisal has no significant effect on Employee motivation.

Ho₂: Performance appraisal has no significant effect on internal customer satisfaction

IV. Methodology

The study was carried out in Indian steel industry. The study targeted a total of 150 employees. Stratified and simple random sampling techniques were used to categorize and select 150 employees (Supervisory, middle level employees and top level management). Primary data was obtained from the questionnaires and interview schedules. Secondary data were obtained through study of available data from books, articles, company websites etc. The researcher personally filled the interview schedules.

The pre-test retest was done in an area within the study location. This area was avoided during the actual research undertaking. The questionnaire and interview schedules were used to collect the data. To establish the reliability of the study, Cronbach's Alpha Coefficient was computed and yielded an alpha of 0.875. The results of the pilot study revealed that the research instruments were adequate in content, reliable and valid to measure the opinions of the respondents. The researcher then analysed the data using descriptive and inferential statistical tools. The researcher ensured that the respondents were made aware of the intended use of the data and that the information obtained was confidential and was not being disclosed or discussed with any unauthorized persons. An effort was made to ensure that the respondents were protected from any psychological harm during data collection. Punctuality was observed to avoid any inconveniences to the respondents.

V. Data Analysis

5.1. Effect of Performance Appraisal on employee motivation

Null Hypothesis: Ho: There is no significant difference between respondents with respect to the effect of performance appraisal on employee motivation.

TABLE 5.1: T- Test For Respondents With Respect To The Factors Influencing The Employee Motivation

Dimensions of Performance Appraisal	Sample Units		t-value	P-value
	Mean	SD		
Process of the system	4.71	0.565	4.123	0.000**
Interpersonal factors	4.40	0.568	2.879	0.220
Rater accuracy	4.38	0.821	5.886	0.298
Informational factors	4.09	0.928	0.195	0.804
Rewards and Recognition	4.01	0.996	0.512	0.251
Training and development	4.11	0.996	3.652	0.000**

Since p value is less than 0.01, the null hypothesis, There is no significant difference between respondents with respect effect of performance appraisal on employee motivation is rejected at 1% level of significance. Hence, it is inferred that, there is a highly significant difference sample respondents with respect to the effect of performance appraisal on employee motivation in Indian steel industry. Based on the mean value, it is noted that, steel industry better in terms of Executive performance appraisal system practice in the sample.

5.2 Impact Of PAS Practices On The Internal Customer Satisfaction In Indian Steel Industry

Null Hypothesis: Ho: There is no significant difference between respondents with regard to the impact of PAS practices on the internal customer satisfaction in Indian Steel industry.

Impact of PAS practices on the performance employees (internal customer satisfaction) in Indian steel industry.	Sample Units		t-value	P-value
	Mean	SD		
Increased the employee Rewards and Recognition	3.45	1.443	2.660	0.008**
Providing employees Training and development	3.46	1.413	3.640	0.000**
Increased internal employee engagement feedback scores,	3.27	1.413	3.728	0.000**
Increased internal employee Promotion and demotion	3.31	1.365	3.473	0.000**
Improved Employee attitudes	3.51	1.317	3.207	0.030*
Increased degree of employee commitment and revenue per employee	3.29	1.424	3.992	0.000**
Positive response for the changes in employee targets	3.45	1.407	2.924	0.004**
Increased degree of internal Customer satisfaction ratings	3.52	1.369	2.375	0.018*
Improved internal employee service quality ratings	3.57	1.400	3.607	0.000**
Reduced compliant clearing time and service gaps of the employees	3.57	1.364	2.274	0.023*

TABLE 5.2: T– Test For The Respondents Of Indian Steel Industry With Regard To Impact Of Performance Appraisal Systempractices On The Performance Employees (Internal Customer Satisfaction) In Indian Steel Industry.

Since p value is less than 0.01, the null hypothesis, there is no significant difference between respondents with regard to the impact of PAS practices on the internal customer satisfaction in Indian Steel industry is rejected at 1 % level of significance.

Based on the same, it is concluded that, there is a highly significant difference among respondents with regard to the dimensions of Increased the employee Rewards and Recognition, Providing employees Training and development, Increased internal employee engagement feedback scores, Increased internal employee Promotion and demotion, Increased degree of employee commitment and revenue per employee, Positive response for the changes in service targets and Improved Employee attitudes, Positive response for the changes in employee targets, Increased degree of internal Customer satisfaction ratings, Improved internal employee service quality ratings, Reduced complaint clearing time and service gaps of the employees.

VI. Findings and Suggestions

1. There is a highly significant difference sample respondents with respect to the effect of performance appraisal on employee motivation in Indian steel industry. Based on the mean value, it is noted that, steel industry better in terms of Executive performance appraisal system practice in the sample.
2. There is a highly significant difference respondents with regard to the dimensions of Increased the employee Rewards and Recognition, Providing employees Training and development, Increased internal employee engagement feedback scores, Increased internal employee Promotion and demotion, Increased degree of employee commitment and revenue per employee Positive response for the changes in service targets and Improved Employee attitudes, Positive response for the changes in employee targets, Increased degree of internal Customer satisfaction ratings, Improved internal employee service quality ratings, Reduced compliant clearing time and service gaps of the employees.

VII. Conclusion

EPAS effects on employee motivation and internal customer satisfaction. Indian Steel Industry has moderately applied Performance Appraisal System (PAS) practices. The performance agreement (PA) has played a crucial role in improving and evaluating performance, driving public sector development, and linking performance with the monetary incentive schemes. However, the study also finds a limitation of the PA execution in relation to its linkages with incentive distribution to individuals. Furthermore, several incentive schemes are available for different groups of people and it causes some misunderstanding and creates demotivating effect which, in turn, has impacted on the PMS as a whole.

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