



A Study on Performance Appraisal System in Shanthi Gears Private Limited, Coimbatore

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ABSTRACT

A performance appraisal is a systematic and periodic process of measuring an individual's work performance against the established requirements of the job. It's a subjective evaluation of the employee's strengths and weaknesses, relative worth to the organization, and future development potential. The objective of the study is to analyze the performance appraisal system in Shanthi Gears Private Limited, Coimbatore. The study based only on the opinion and expectation of consumer. Total number of samples taken for the study is 120 respondents. Convenience sampling techniques were used for the study. Primary data and secondary data have been used in the study. Simple percentage analysis, chi square analysis and correlation analysis have been applied in this study to reach the finding of the study. It is found that there is no significant relationship between educational qualification of the respondents and appraisal process is fair. It is suggested that the company should make necessary modification in performance appraisal process to motivate the employees to identify their potential. It is concluded that the performance appraisal is effective in the Shanthi Gears Private Limited, Coimbatore company but the company has to improve the existing system, and also it has to take effective measures to improve the standard of appraisal system

KEYWORDS: Appraisal, Performance, Development, Leadership

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I. INTRODUCTION

Appraisal means evaluation about the worth of an object or person and performance appraisal means evaluation of employees' worth in terms of organisational performance. Judgment of employees' performance at work can be done formally and informally. Informally, superiors continuously judge the performance of employees on a subjective basis. It may have an element of bias towards employees.

Informal evaluation, however, is not enough to arrive at realistic and correct assessment of the worth of employees in absolute or relative terms. The ultimate goal of evaluation programme is to make the employees more valuable to the company. A proper evaluation and appraisal system can be valuable to the company. For this, performance evaluation programme should involve the study of employees (their habits, aptitude and skills) and their work record (efforts and accomplishments).

In the organisational context, performance appraisal is done in a more formal way through formal appraisal techniques which are objective in nature. Objective appraisal aims at systematic and

accurate measurement free of bias and prejudice.

Performance appraisal is, thus, more of a formal exercise where managers evaluate the employees, in terms of their contribution towards organizational objectives. It evaluates their strengths and weaknesses in terms of attributes and behaviours to meet the organisational objectives. It appraises the performance of employees on continuous or intermittent basis and provides them feedback about their performance.

ADVANTAGES OF PERFORMANCE APPRASIAL

Performance appraisal has several advantages for both the employees and organization

- Feedback: Performance appraisal provides feedback to employees on their work, which can help them identify strengths and areas for improvement
- Goal setting: Performance appraisal allows organization to set goals for the employees and track progress towards those goals. This can help employees focus on what is expected of them and improve their performance
- Recognition and Rewards: performance appraisal can be used to identify high performing



employees who deserve recognition and rewards. This can help motivate employee to continue performing at a high level.

➤ **Career Development:** Performance appraisal can be used to identify areas where employee need to improve their skills and provide opportunities for training and development. This can help employee progress in their careers.

➤ **Evaluation of organizational effectiveness:** Performance appraisal can help organization evaluate the effectiveness of their policies, procedures, and management practices. This can help identify areas where the organization can improve.

Overall, performance appraisal can help organization improve their performance, identify areas for improvement, and motivate and develop their employees

DISADVANTAGES OF PERFORMANCE APPRAISAL

➤ **Biases:** Performance appraisal can be influenced by biases such as the halo effect, leniency or severity biases, and recency bias. This can lead to inaccurate evaluations of employees and unfair treatment

➤ **Subjectivity:** Performance appraisal is often subjective and based on the perceptions of the evaluator. This can lead to inconsistencies in evaluation and can create disagreements between employees and managers.

➤ **Administrative burden:** Performance appraisal can be time consuming and require a significant amount of administrative work. This can be a burden for managers and HR professionals.

➤ **Demotivation:** If employees feel that their performance appraisal is unfair or inaccurate, it can lead to demotivation and disengagement.

➤ **Lack of employee involvement:** Performance appraisal is often seen as a top-down process, with manager evaluating employees without much input from the employees themselves. This can lead to a lack of engagement and ownership from employees.

Overall, organizations should be aware of the potential disadvantages of performance appraisal and take steps to minimize bias, increase objectivity, and involve employees in the process to mitigate these risks.

OBJECTIVES

➤ To study on performance appraisal system in Shanthy Gears Limited., Coimbatore

➤ Secondary objectives

➤ To analyses the performance appraisal systems and procedures at the company

➤ To assess employees' perception of the appraisal system at the company

➤ To examine Performance Appraisal Process in the company

➤ To assess the effectiveness of performance appraisal in the company

➤ To identify the challenges of performance appraisal in the company

II. REVIEW OF LITERATURE

Cummings (2015) in an article titled, "A Field Experimental Study of the Effects of Two Performance Appraisal Systems", reported the results of a field experiment designed to test the effects of manipulating several elements of an operative level performance appraisal system. First, the multipurpose nature of appraisal in formal organizations is discussed. This is followed by a brief overview of the literature on performance appraisal. The design and results of the study at hand are then discussed.

Patton (2015) in his paper on "Does performance appraisal work?" states that performance appraisal can be a powerful force for performance improvement at both the individual and the corporate level, but few companies in the US and even fewer in Europe have learned to tap its full potential. Examining the differences between European and US performance appraisal practices, the author finds that some European companies have more than caught up with their American counterparts. He offers guidelines to overcome some difficulties prevalent on both sides of the Atlantic.

Randell (2015) in his paper titled "Performance appraisal: purposes, practices and conflicts", discusses the collection of information from and about people at work. It attempts to structure the field, define key problems, expose sources of conflict and point the way to resolving major difficulties.

III. RESEARCH METHODOLOGY

The sample size of the study is 120. Descriptive research method and convenience sampling technique have been adopted in the study. Primary data and secondary data have been used to collect the data. Questionnaire has been framed to collect the primary data. Data is collected only employees of the company. Sampling unit is Coimbatore. Simple percentage analysis, Chi square analysis and correlation have been applied to reach the findings of the study.



RESEARCH DESIGN

A research design is the specialization of measures and procedures for the information needed to solve the problems the overall operation pattern of the frame work of the project that stipulates what information is to be collected from which source and by what procedure. This needs formulating hypothesis, collecting data on relevant variables, analyzing and interpreting the results and reaching conclusion either in the form of a solution or certain generalization. A research design is the arrangement of conditions, collections and the analysis of data from the employees in a manner that aims to combine relevance to the research purpose with economy in procedures.

SAMPLING METHODS

Sampling means the method of selecting a sample from a given universe with a view to draw conclusions about the universe. Sample means representative of universe selected for the study. Sampling is a process of units (e.g., People) from the population of the interest.

Sampling method is divided into two types

1. Probability Method
2. Non-Probability Method

The sampling method that was chosen is entirely non probabilistic in nature. In non-probabilistic method the researcher has adopted convenience sampling method. In this method, the researcher selects the accessible population members from which to get information and the items selected are easy to approach or to measure.

SAMPLE SIZE

Here sample is taken from 120 employees

STATISTICAL DESIGN

The commonly used statistical tools for analysis of collected data are:

1. Percentage analysis
2. Chi Square.
3. Correlation

PERCENTAGE ANALYSIS:

The Percentage method was extensive used for finding various details as mentioned in the chapter of analysis and interpretation. It can be calculated as follows.

$$= \frac{\text{No. of Respondents favourable}}{\text{Total Respondents}} \times 100$$

CHI – SQUARE ANALYSIS

Chi –square analysis in statistics to test the goodness of fit to verify the distribution of observed data with assumed theoretical distribution. Therefore, it is a measure to study the divergence of actual and expected frequencies. It makes no assumptions about the population being sampled. The quantity χ^2 (chi-square) describes the magnitude of discrepancy between theory and observation. If χ^2 is zero, it means that the observed and expected No. of Respondents completely coincides.

The formula for computing Chi – Square (χ^2) is as follows.

$$\chi^2 = \sum \{ (O-E)^2 / E \}$$

The calculated value of χ^2 is compared with the table of χ^2 for given degrees of freedom at specified level of significance. If the calculated value of χ^2 is greater than the table value then the difference between theory and observation is considered to be significant. On the other hand, if the calculated value of χ^2 less than the table value then the difference between theory and observation is not considered to be significant. The degrees of freedom is $(n - 1)$ where 'n' is number of observed frequencies.

CORRELATION

Correlation is a statistical technique that can show whether and how strongly pairs of variables are related. For example, height and weight are related; taller people tend to be heavier than shorter people. The relationship isn't perfect. There are several different correlation techniques. The Survey System's optional Statistics Module includes the most common type, called the Pearson or product-moment correlation. The module also includes a variation on this type called partial correlation. The latter is useful when you want to look at the relationship between two variables while removing the effect of one or two other variables.

$$\frac{\sum xy}{\sqrt{\sum x^2 * \sum y^2}}$$

Formula for Karl Pearson's coefficient $r =$

$$\frac{\sum xy}{\sqrt{\sum x^2 * \sum y^2}}$$



DATA ANALYSIS AND INTERPRETATIONS

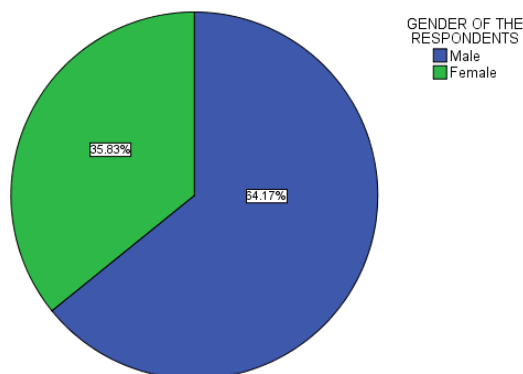
GENDER OF THE RESPONDENTS

| Gender | No. of Respondents | Percentage (%) |
|--------|--------------------|----------------|
| Male | 77 | 64.2 |
| Female | 43 | 35.8 |
| Total | 120 | 100.0 |

INFERENCE

The above table clearly indicates that 64.2% of the respondents are male and 35.8% of the respondents are female. Most of the respondents are male.

GENDER OF THE RESPONDENTS



CHI-SQUARE ANALYSIS

RELATIONSHIP BETWEEN EDUCATIONAL QUALIFICATION OF THE RESPONDENTS AND APPRAISAL PROCESS IS FAIR

Null Hypothesis: H_0 :

There is no significant relationship between educational qualification of the respondents and appraisal process is fair.

Alternate Hypothesis: H_1 :

There is significant relationship between educational qualification of the respondents and appraisal process is fair.

Significance level 5%



| EDUCATIONAL QUALIFICATION OF THE RESPONDENTS * APPRAISAL PROCESS IS FAIR | | | | | | | |
|--|----------------|---------------------------|-------|---------|----------|-------------------|-------|
| Cross tabulation | | | | | | | |
| Count | | | | | | | |
| | | APPRAISAL PROCESS IS FAIR | | | | | Total |
| | | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | |
| EDUCATIONAL QUALIFICATION OF THE RESPONDENTS | Metric & below | 1 | 5 | 5 | 0 | 1 | 12 |
| | Diploma | 5 | 12 | 10 | 5 | 4 | 36 |
| | Under-Graduate | 16 | 14 | 6 | 7 | 9 | 52 |
| | Post-Graduate | 5 | 7 | 3 | 4 | 1 | 20 |
| Total | | 27 | 38 | 24 | 16 | 15 | 120 |

| Chi-Square Tests | | | |
|--|---------------------|----|-----------------------|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 15.119 ^a | 12 | .235 |
| Likelihood Ratio | 16.732 | 12 | .160 |
| Linear-by-Linear Association | .345 | 1 | .557 |
| N of Valid Cases | 120 | | |
| a. 11 cells (55.0%) have expected count less than 5. The minimum expected count is 1.50. | | | |

INFERENCE

From this test, the minimum expected count is 1.50. But more cells have expected count more than 5. Pearson Chi-Square 'P' value is 15.119. So null hypothesis is accepted, reject the alternative hypothesis. There is no significant relationship between educational qualification of the respondents and appraisal process is fair.

CORRELATION ANALYSIS

RELATIONSHIP BETWEEN MONTHLY INCOME OF THE RESPONDENT HELPS IN IDENTIFYING SYSTEMIC FACTORS THAT ARE BARRIERS TO EFFECTIVE PERFORMANCE

Null Hypothesis: H₀:

There is no significant relationship between monthly income of the respondent helps in identifying systemic factors that are barriers to effective performance

Alternate Hypothesis: H₁:

There is significant relationship between monthly income of the respondent helps in identifying systemic factors that are barriers to effective performance.



| Correlations | | | |
|--|---------------------|----------------------------------|--|
| | | MONTHLY INCOME OF THE RESPONDENT | HELPS IN IDENTIFYING SYSTEMIC FACTORS THAT ARE BARRIERS TO EFFECTIVE PERFORMANCE |
| MONTHLY INCOME OF THE RESPONDENT | Pearson Correlation | 1 | -.031 |
| | Sig. (2-tailed) | | .737 |
| | N | 120 | 120 |
| HELPS IN IDENTIFYING SYSTEMIC FACTORS THAT ARE BARRIERS TO EFFECTIVE PERFORMANCE | Pearson Correlation | -.031 | 1 |
| | Sig. (2-tailed) | .737 | |
| | N | 120 | 120 |

INFERENCE

From this test, Pearson Correlation value is -0.031. It has a negative correlation. So that, there is negative and no significant relationship between monthly income of the respondent helps in identifying systemic factors that are barriers to effective performance.

IV. FINDINGS

- 64.2% of the respondents are male.
- 45.8% of the respondents are in the age group of 31 to 40 years.
- 43.3% of the respondents belong to under graduate education.
- 35.0% of the respondent's income level is Rs.10,001 - Rs.15,000.
- 41.7% of the respondents are non-executive.
- 36.7% of the respondents are working in 1-5 years.
- 72.5% of the respondents said that the company conducted performance appraisal annually.
- 47.5% of the respondents said that ranking method of performance appraisal conducted in the company.
- 32.5% of the respondents are strongly agree towards the key performance criteria have been clearly identified in the appraisal system.
- 34.2% of the respondents are neutral towards the criteria have been developed in consultation with workers and appraisers.
- 30.8% of the respondents are strongly agree towards the necessary resources are available to implement an effective performance appraisal system.

- 27.5% of the respondents are strongly agree towards the performance criteria have been extracted from an up-to-date job description.
- 33.3% of the respondents are strongly agree towards the assessment tools are structured, with clear explanations about the criteria to be assessed, and performance standards.

V. SUGGESTIONS

The company should make necessary modification in performance appraisal process to motivate the employees to identify their potential. Using advanced methods of training program, the employees will be fully satisfied. If the company gives more concentration on current performance appraisal system, they can increase the satisfaction level of employees. The company should take steps to improve the performance appraisal system to provide proper feedback to the employees. The company can reduce the duration of performance appraisal system for easy analyses of employees. Using of 360 degree and grading method, the company can easily motivate the employees to do their work in effective manner



VI. CONCLUSION

This study is an attempt to find out the effectiveness and perception of present appraisal system of workers and to find out the opinion of workers regarding satisfaction level of performance appraisal. I conclude that most of the workers are satisfied with the present appraisal system of Shanthi Gears Private Limited, Coimbatore. The performance appraisal is professionally designed and monitored by HRD. The implementation is the responsibility of each and every employee along with the management. There should be adequate training given to the employees that will help them to answer the qualities of performance appraisal. Performance appraisal is very important tool used to influence employees. A formal performance review is important as it gives an opportunity to get an overall view of job performance.

Performance Appraisal helps to evaluate employee's performance level and identify the gap. It plays a vital role in the company because performance appraisal feedback motivates the employees to do his work in an effective manner and also to smoothen the relationship between management and employees. The Performance appraisal determine who is the needy person, what kind of training is needed for the employee and makes the training and development programmed successful in the company. It is concluded that the performance appraisal is effective in the Shanthi Gears Private Limited, Coimbatore but the company has to improve the existing system, and also it has to take effective measures to improve the standard of appraisal system

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