

“A STUDY ON DIFFERENCE IN OPINION BETWEEN RATER AND RATEE TOWARDS EFFECTIVENESS OF PERFORMANCE APPRAISAL SYSTEM”

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ABSTRACT

Effectiveness of Performance Appraisal System is very essential in ensuring the growth of the organization. It is essential to determine the difference in opinion of demographic, rate and rater group of employees towards the effectiveness of performance appraisal system. Hence, this study is seeking to understand the difference in opinions of demographic, ratee and rater group of employees towards effectiveness of performance appraisal system (EPA). The study follows descriptive research design, non-probabilistic convenience sampling method in collecting the opinions from raters and rates working in medical device companies through a structured questionnaire. Independent sample t-test and Analysis of Variance ascertained that raters and rate are indifferent in opinions regarding the effectiveness of performance appraisal system. The following study gives significant insights to the body of knowledge and managerial implications such as the opinions of the rater and ratee towards the effectiveness of performance appraisal system.

KEYWORDS: *Effectiveness of Performance Appraisal System, Independent Sample t-test, Analysis of Variance and Medical Device Companies*

INTRODUCTION

Once an employee is selected, trained and motivated, he is then appraised for his performance. It is the step where the management finds out how effective it has been at hiring and placing employees. If any problems are identified, steps are taken to communicate with the employee and to remedy them. A performance appraisal is a process of evaluating an employee's performance of a job in terms of its requirements. Performance appraisal, also known as employee appraisal, is a method by which the job performance of an employee is evaluated (generally in terms of quality, quantity, cost and time). Performance appraisal is a part of career development. It may be defined as any procedure that involves:

- Setting work standards
- Assessing the employee's actual performance relative to the standards.
- Providing feedback to the employee with the aim of motivating that person to eliminate the deficiencies.

Performance Appraisal Contains Three Steps

- Define the jobs
- Appraise performance
- Provide feedback to employees.

Performance appraisal has been considered as a most significant and indispensable tool for an organization, for the information it provides is highly useful in making decisions regarding various personal aspects such as promotions and merit increases. The information provides a base for judging the effectiveness of personnel subdivisions such as recruiting, selection, training and compensation. Accurate information pinpoints weak areas in the primary systems. (e.g. Marketing, finance and systems). It is easier to see which employees need training or counseling.

Mc Gregory says "Formal performance appraisal plans are designed to meet three needs, one of the organizers and other two of the individual, namely:

- They provide systematic judgments to back up salary increases, transfers, demotions or terminations.
- They are means of telling a subordinate how he is doing, and suggesting needed in his behaviour attitudes, skills, or job knowledge
- They are used as a base for coaching and counseling the individual by the superior.

Features

- Improved feedback from more sources.
- Team Development.
- Personal & organizational performance development.
- Responsibility for career development.
- Reduced discrimination risk.
- Improved customer services.
- Training needs assessment.

PERFORMANCE APPRAISAL METHODS

There are Two Methods of Appraisal Methods

- Traditional Appraisal Methods
- Modern Appraisal Method

Traditional Appraisal Methods

The history of Performance Appraisal is quite brief. Its roots in the early 20th century can be traced to Taylor's pioneering Time and motion studies. But this is not very helpful, for the same may be said about almost everything in the field of modern Human Resources Management.

During First World War, appraisal concept was adopted by the US Army which was in the form of merit rating. It was man to – man rating system for evaluation of Military Personnel. From the Army this concept entered the business field as was restricted to hourly paid workers were adopted in Industrial units and each worker was used to be rated in comparison to other for determining wages rates. This system called merit rating.

The process was primarily linked to material outcomes. If an employee's performance was found to be less than ideal, a cut in pay would follow. On the other hand, if their performance was better than the supervisor's expected, a pay rise was in order.

Little considerations, if any were given to the development possibilities of Appraisal. It was fact that a cut in pay, or rise, should provide the only required impetus for an employee to either improve or continue to perform well. Sometimes this basis system succeeded in getting the results that were intended; but more often not, it failed.

These observations were confirmed by empirical studies. Pay rates were important, yes; but they were not the any element that had an impact on employee performance. It was found that other issues, such as morale and self-esteem, could also have a major influence.

As a result, the traditional emphasis on reward outcomes was progressively rejected. In the 1950s in the United States, the potential usefulness of appraisal as a tool for motivation and development was gradually recognized. The general model of Performance Appraisal, as it is known today, began from their time. Interest in performance appraisal at the federal level increased with the passage of the Civil Service Reform Act of 1978, the most sweeping reform of the federal civil service since the Pendleton Act of 1883. The Civil Service Reform Act mandated merit pay for mid-level managers, and called for "periodic appraisals of the job performance of employees," and to "encourage employee participation in establishing performance objectives." Since its implementation at the federal level in 1981, performance management has gone through several reforms in the search for the "holy grail" of performance management system. What has been the experience? In studying the immediate period between 1979-1986, Dennis Daley found that "the percentage of (federal) employees who indicated that they had participated in the setting of their performance objectives has markedly declined. In fact, a majority now claims not to share in this task." It should be no surprise that even then Daley concluded.

The objectives based performance appraisal system mandated by the Civil Service Reform Act was to be the foundation upon which many of the other reforms were to be built. Yet, public employee attitudes hardly differ from those held previously. In fact, if anything, perception of the performance appraisal process has gotten worse. As with previous attempts at implementing participative mechanisms, success appears to have eluded the federal system.

Success may be elusive until the importance of face-to-face communication is recognized. Gary E. Roberts' research at the municipal level of government led him to conclude that the second most important factor leading to employee acceptance of performance appraisal is the face-to-face communication that he defines as "employee voice." ...the degree of perceived employee participation in the appraisal interview and goal setting. Goal setting and participation grants the rate an opportunity to rebut inaccurate performance appraisal information, to present new information, to present alternative explanations (attributions), to increase the concurrency of performance appraisal information, interpretation, and to develop more valid measures of performance ... employee participation is critical in gaining the initial acceptance and understanding that is essential for effective implementation.

Some of the Traditional Methods are

- Graphic Rating Scales
- Ranking Methods
- Forced Distribution Method
- Check List Methods
- Confidential Reports
- Free form appraisals
- Group Appraisals
- Comparison Method

Modern Performance Appraisal

Performance Appraisal may be defined as a structured formal interactions between a subordinate and superior, then usually takes the form of a periodic interview (Annual or Semi Annual) in which the work performance of the subordinate is examined and discussed, with a view to identifying weakness and strengths as well as opportunities for improvement and skill developments.

In many organizations – but not all – Appraisal results are used, either directly or indirectly, to help determine reward outcomes. That is, the appraisal results are used to identify the best performing employees, who should get the majority of available merit pay increases, bonuses and promotions.

By the same token, appraisal results are used to identify the poorer performers who may receive some form of counseling, or in extreme cases, demotion, dismissal or decreases in pay. (An organization needs to be aware of the laws in their country that might restrict their capacity to dismiss employees or decrease pay).

Whether this is an appropriate use of the Performance Appraisal – the assignment and justification of rewards and penalties – is a very uncertain and contentious matter.

Some of the Modern Methods are

- Management by Objectives
- Behaviorally Rating Scales
- HR Accounting
- Psychological Appraisals

Hence, this study is sought to understand the difference in opinions between demographic groups, ratee and rater towards the effectiveness of performance appraisal system in the context of employees working in medical device manufacturing companies operating in Bengaluru, Karnataka. The following section discusses the methodology and analysis of the opinions collected from the employees.

REVIEW OF LITERATURE

Clinton Longenecker, Laurence Fink, (2017) in their research article "Lessons for improving your formal performance appraisal process" has examined the various alternatives that an organisation can pursue which can enhance the appraisal system. The authors have developed from 30 years of their research, including adequate focus groups and surveys with managers at all levels, in identifying various specific steps organizations can implement to develop a value-added appraisal system. The authors have concluded the study by explaining ten key lessons for improving any organization's performance appraisal system. It is opined that the principles stated in this paper can be implemented in all kinds of organizations and not following, can attract ineffective and potentially destructive appraisal practices. The paper provides a unique set of lessons that organizations can use to design or re-design their performance appraisal systems and practices.

Anshu Sharma, Tanuja Sharma, (2017) in their paper titled "HR analytics and performance appraisal system: A conceptual framework for employee performance improvement" has examined with an objective to explore the function of human resource (HR) analytics on employees' willingness to improve performance. In order to understand the above, the researcher has examined various issues related to performance appraisal system that affects the willingness to improve performance and how HR analytics be a solution to deal with the issues. The study has developed theoretical framework with key propositions by incorporating the insights drawn from academic and practitioner's literature, in the area of HR analytics and performance management.

The study advises that the use of HR analytics will be negatively associated to subjectivity bias in the PA system, thereby positively affecting employees' perceived accuracy and fairness. This further positively affects employees' satisfaction with the PA system, which subsequently increases employees' willingness to improve performance. The paper has valuable insights for both researchers and practitioners in the performance management area for improving employees' performance by applying HR analytics as a strategic tool in the PA system. It also provides implications for future researchers to empirically test the conceptual framework in different organizational settings. The paper offers insights into how the use of HR analytics can deal with issues of subjective bias with the PA system and positively affects employees' willingness to improve performance.

Elaine Farndale, Veronica Hope Hailey, Clare Kelliher, (2011) in their paper on "High commitment performance management: the roles of justice and trust" has been initiated with an aim to explore the association between employees' perceptions towards performance management and their commitment to the organization. In addition the study seeks to explore the mechanisms by which these perceptions translate into employee attitudes and behaviors. The study is conducted among 524 employees working in four organizations operating in the UK. The study results confirm that association between employee experiences of high commitment performance management (HCPM) practices and their level of commitment is strongly mediated by related perceptions of organizational justice. In addition, the level of employee trust in the organization is a significant moderator. Cross-sectional study design is employed based on self report data which has limitations on reliability of the findings. The study is also confined to the particular context. However the results by company can be generalized. The present study has contributed to significant implications such as it is necessary to observe the actual experiences of HCPM practices and outcomes at the employee level, and to consider the broader organizational context, if one is to understand their effects on performance. When exploring the impact of high

commitment work practices on firm performance, little attention has been paid to the employee perspective: employees ultimately are the recipients of an organization's HRM practice, and as such their perceptions of these practices affect their attitudes and behavior in the workplace.

Ashutosh Muduli, (2015) in their paper on "High performance work system, HRD climate and organisational performance: an empirical study" is aimed to study the association between high-performance work system (HPWS) and organizational performance and to determine the role of human resource development (HRD) Climate in mediating the relationship between HPWS and the organizational performance in the context of the power sector in India. The opinions of employees working in power based companies in India is been collected to examine the strength of the proposed hypothesis. The study results ascertain that HPWS is found to be positively related with organizational performance. It is also found insignificance of HPWS research conducted in Asian countries. Taking clues from "Black Box" approach, the role of HRD Climate as a mediating factor has been studied. The result confirms that HPWS influences organizational performance through a supportive development environment (HRD climate) based on openness, confrontation, trust, authenticity, proaction, autonomy, collaboration and experimentation (OCTAPAC). Designing and implementing HPWS requires the organization to nurture and develop a suitable HRD climate through development of organizational culture based on OCTAPAC. Implications for HRD-HPWS practices such as group-based pay, decentralized participative decisions, self-managed work teams, social and family events, and appraisal based on team goals along with OCTAPAC culture can significantly contribute to the transfer climate by influencing both peer and supervisor. It can significantly contribute to training motivation by influencing both career and job attitudes, and organizational commitment of trainees.

Mika Vanhala, Riikka Ahteela, (2011) in their paper on "The effect of HRM practices on impersonal organizational trust" has opined corporate face a growing necessity to elicit trust. However, there are fewer avenues in mounting interpersonal trust and an apparent need to establish complementary forms. The objective of this paper is to determine the effects of various human resource management (HRM) practices on impersonal dimensions of organizational trust.

The opinions of 715 employees working in large organizations in ICT and forest industries in Finland are collected to ascertain the hypothesis through structural equation modeling. It is opined that perceptions of fairness and functioning of HRM practices are connected to employees trust. Consequently, such practices can be utilized in order to build impersonal dimensions of organizational trust. It is advised that future studies should focus on the interpersonal dimensions of organizational trust. HRM practices which are employee friendly could offer best solutions to the problems in gaining and retaining the trust without developing special systems and specific methods. The present study contributes significant insights to the body of knowledge on the role of trust in the context of organizational relationships.

Objectives

- To understand the demographics of employees working in the medical device of companies.
- To examine differences in opinions of rate and rater regarding the effectiveness of performance appraisal system.
- To examine the difference in opinions between demographic groups regarding the effectiveness of performance appraisal system

Hypothesis

- **H1:** There is significant difference in opinions of raters and ratee towards effectiveness of performance appraisal system.
- **H2:** There is significant difference in perception of effectiveness of performance appraisal system among diverse groups such as i) age ii) gender iii) designation iv) experience and v) qualification

RESEARCH METHODOLOGY

The present study is sought to understand the difference in opinion of demographic, rater and ratee groups regarding effectiveness of performance appraisal system. Consequently the study adopts descriptive study design to describe the relationship and levels of perceptions of the study variables. The descriptive study also involves collecting the opinions of employees through structured surveys. The major purpose of descriptive research is description of the state of affairs as it exists at present. In social science and business research we quite often use the term Ex post facto research for descriptive research studies. The main characteristic of this method is that the researcher has no control over the variables; he can only report what has happened or what is happening. Most ex post facto research projects are used for descriptive studies in which the researcher seeks to measure such items as, for example, frequency of shopping, preferences of people, or similar data.

Population of the Study

The study is intended to examine the effectiveness of performance appraisal practices among the employees working in Medical devices companies working in Bengaluru, Karantaka, India. Medical Devices companies are those which are into manufacturing of equipments and machines used in operation theaters, laboratories, Intensive care units and Incubation centers. The products such as such companies Ventilators, Microscopes, X ray Machine, Cath Lab equipments, CRT Machines and so on. There are 40 medical device companies operating in Bengaluru, information collected from the employees working in medical device companies.

The study has identified the most prominent and focused companies in manufacturing of medical devices in Bengaluru. The companies identified based on their volume of business, listing in stock exchanges and overall best companies. There could be other companies in operating in the above industry, but not considered due its low prominence in the industry. These medical device companies are having operations confined to India and some extended to foreign operations.

Among the above organizations around 1500 employees are been expected working at managerial level. The organizations might be having branches in other parts of India and Foreign nations, but our study is confined to examine the employees working in above company branches operating in Bengaluru.

Sample Design

The present study follows **non probabilistic – convenience sampling method**. The study is interested to collect the primary data from the raters and ratee's working in medical device manufacturing organisations operating in Bengaluru. The reason to select Bengaluru city is due its wide density operations of medical device companies comparatively to other places in our country.

The study selects two companies for collecting the opinions of the rater's and ratee's due to unwillingness of companies, time and financial constraints. The following ten companies were selected

- Forus Health Private Limited
- Neokraft Medical Private Limited
- Biorad Medisys Private Limited
- Neurosynaptic Communications Private Limited
- Relief Orthotics
- V Smart Health Care Device
- Futura Surgicare – Factory
- Aster Medispro Private Limited
- Browndove Healthcare Pvt.Ltd.
- Olympus Medical Systems India Pvt. Ltd.,

The above ten companies have given full support by giving information to conduct the survey. The researcher visited to the above companies for collection of primary data from employees. The study distributes the questionnaire to the employees who has participated in performance practices (Ratee's) and who has conducted performance appraisal for their employees (Rater's).

Sample Size

The sample size of the study is calculated using www.raosoft.com website. The inputs to be given for calculating sample size are i) Margin of error accepted ii) Confidence level iii) Population size and iv) Response distribution. Finally the calculated value of sample size is 306. The study considers taking greater than calculated value of 306 i.e. 310 by rounding to the nearest value of calculated sample size.

Data Source

The study collects both primary and secondary data; the primary data is collected through structured questionnaire. The questionnaire is administered personally to employees and their opinions are collected through the questionnaire instrument. The primary data is collected for the purpose of analysis of variables of study.

The secondary data is collected through Journals, Books, dissertations and conference papers. The secondary is collected for the purpose of literature collection and for planning the study. The following sections will discuss the questionnaire design and variables of the study.

Questionnaire Design

The study designs a structured questionnaire with a covering letter to administer to employees working in multinational corporations as shown in appendix. The questionnaire consists of two sections i) Demographic characteristics and ii) Variables of study. The demographic question like i) Age Group, ii) Gender iii) Year of

Experience iv) Educational Qualification and v) Designation are present.

The second section consists of questions regarding the variables of study like i) Perception towards Performance Appraisal ii) Trust and iii) Organisational Commitment.

ANALYSIS

Independent Sample Test and Analysis of Variance Between Demographic and Performance Appraisal System

The following table discusses the results of the independent sample t test between employee category, gender and effectiveness of performance appraisal system. The results indicate that rater has weighted mean score of 3.64 and ratee has weighted mean score of 3.74. Further, the results indicate that the difference in means between the rater and ratee on effectiveness of performance appraisal system is insignificant ($t = 1.397, p > .05$). Hence it can be concluded that rater and ratee are indifferent in perceptions of effectiveness of performance appraisal system.

The following table also reveals the results of independent sample t-test for gender and effectiveness of performance appraisal system. The weighted mean score of male employees is found to be 3.74 and female employees has weighted means score of 3.69. Further the test results reveal that difference in means between male and female employees on performance appraisal system is insignificant ($t = .692, p > .05$). Hence it can be understood that male and female employees are indifferent in their opinions regarding performance appraisal system.

Table 1: Independent Sample T-Test on Effectiveness of Performance Appraisal System

SL.No	Variable	Variable	Sample	Mean	t value	p Value (Sig 2-tailed)
1	Employee Category	Rater	70	3.64	1.397	.163
		Ratee	230	3.74		
2	Gender	Male	191	3.74	.692	.489
		Female	109	3.69		

Test variable = Effectiveness of Performance Appraisal System

The following table discusses the results of analysis of variance between the demographic variables like age group, years of experience and designation and study variable effectiveness of performance appraisal system. Age group is categorized into four groups likewise 25-35, 36-45, 46- 55 and 55 above years of age. The weighted mean score of the respective age groups in order is 3.70, 3.75, 3.66 and 3.73. The results also indicate that the difference in mean scores of age groups regarding effectiveness of performance appraisal system is found to be insignificant ($F = .430, p > 0.05$)

The employees are categorized into three groups such as 0-10 years 11-20 years and 20 years above based on their years of experience. The study has employed analysis of variance to understand the difference in means in the above groups regarding the effectiveness of performance appraisal system. The study results indicate weighted means scores of 0-10 years group is 3.75, 11-20 years group is 3.74 and 20 and above years is 3.65. It also understood from the following table that employee groups based on their experience are indifferent in their opinions regarding effectiveness of performance appraisal system ($F = .843, p > .05$).

Further the study has analyzed the opinions of employees regarding appraisal system by categorizing based on their designations. The study categorized into four groups likewise Assistant Manager, Manager, General Manager and Heads of Department. The weighted mean scores of these groups are as follows, Assistant Managers have obtained a weighted mean score of 3.709, Manager’s 3.75, General Manager 3.67 and Heads of Departments 3.70. Further the study

results also reveal that employees in various designations are indifferent in their opinions regarding the effectiveness of performance appraisal system ($F = .435, p > .05$).

Hence it can be concluded that demographical factors has no influence on effectiveness of performance appraisal system. In other words the various demographic groups are indifferent in their opinions regarding performance appraisal system.

The study has hypothesized that *H1: There is a positive perception towards performance appraisal system followed by the organisations among raters and ratee's*. The above weighted mean score results reveal that the employees have positive perceptions towards performance appraisal system with trust and organisational commitment. Hence **H1 is accepted**.

H2: There is a difference in perceptions among rater's and rates towards a performance appraisal system. The above independent sample t-test results reveal that rater's and rates are indifferent in their opinions regarding effectiveness of performance appraisal system. Hence **H2 is rejected**.

Table 2: Analysis of variance (ANOVA) on Effectiveness of Performance Appraisal System

SL. No	Variable	Variable	Sample	Mean	F Value	p Value (Sig 2-tailed)
1	Age Group	25-35	96	3.70	.430	.731
		36-45	126	3.75		
		46-55	54	3.66		
		55 and above	24	3.73		
2	Years of Experience	0-10 Years	100	3.75	.843	.431
		11-20 Years	132	3.74		
		20 above Years	68	3.65		
3	Designation	Assistant Manager	94	3.70	.435	.728
		Manager	136	3.75		
		General Manager	52	3.67		
		Heads of Department	18	3.70		

Test variable = Effectiveness of Performance Appraisal System

The study has hypothesized that *H1: There is significant difference in opinions of raters and ratee towards effectiveness of performance appraisal system and H2: There is significant difference in perception of effectiveness of performance appraisal system among diverse groups such as i) age ii) gender iii) designation iv) experience and v) qualification*. The above results indicate that employees in various age, gender, designation, experience, qualification, rater and ratee groups have indifferent in their opinions regarding performance appraisal system. Hence **H1 and H2 are rejected**.

CONCLUSIONS

The study has ascertained that perceptions of employees in various demographic groups such as age, gender, experience, designation, ratee and rater found to have indifferent in their opinions regarding the effectiveness of performance appraisal system. The study has given significant insights to literature and for future studies in the context of medical device companies.

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