

## **Performance appraisal System of cooperative banks in pune region: Its implication to employee's performance.**

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### **Abstract**

*A performance appraisal is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives. It is a vital tool to measure the frameworks set by any organization to its employees. It is utilized to track individual contribution and performance against organizational goals and to identify individual strengths and opportunities for future improvements and assessed whether organizational goals are achieved or serves as basis for the bank's future planning and development. This study examined the status of the performance appraisal system of cooperative banks and its implication to employee's performance.*

*The respondents of this study were tenured employees. The purposive sampling technique was used in the selection of respondents. Interviews, focus group discussion and survey questionnaires were the main instrument used in this study. The result of the study showed that the performance appraisal system of the company are in place, and is accurate in terms of content and purpose. On the other hand, the results reflected that the performance appraisal system of cooperative banks has brought about both positive and negative impact on the employees performance. Further, the respondents identified some major gaps in the implementation of the bank's appraisal system: no appropriate rewards are given to best employees, appraisal system was not fully explained to employees, no feedback of results and employees do not participate in the formulation of evaluation tools. It is recommended that the bank should revisit and redesign its appraisal.*

Keywords: Cooperative banks, Employee Efficiency, Employee Motivation, Employee Reward System,

## **Introduction**

Organizations vary on a wide array of factors (including for example size, product market, technology, culture, competitive environment, strategy, and union representation) that are likely to affect performance appraisal practices. Performance appraisal and evaluation has repeatedly been a central and sensitive area of these changes, and this has been so mainly because new accountabilities and "visibilities" of employees have often been deemed essential to the success of the business innovations concerned. The success of any organization depends on the quality and characteristics of its employees. The employees become a significant factor in any organization since they are the heart of the company. Organizations simply cannot achieve their goals and objectives without them. However, it is a fact that any employee for that matter needs something to induce him or to look forward to so that he is motivated to work at the best interest of the company.. This indeed was indicative of the more strategic approach to Human Resource Management (HRM) policies which sought to connect the aims of the organization to the performance of the individual.

Performance appraisal is viewed and conducted solely in terms of its evaluative aspect thereby overlooking its use for facilitating growth and development in employees through training, coaching, counseling and feedback of appraisal information.

To understand the definition of performance appraisal would enable us to lay a solid foundation to capture what the concept of performance appraisal is all about. Alo (1999) defines performance appraisal as a process involving deliberate stock taking of the success, which an individual or organization has achieved in performing assigned tasks or meeting set goals over a period of time. It therefore shows that performance appraisal practices should be deliberate and

not by accident. It calls for serious approach to knowing how the individual is doing in performing his or her tasks.

Normally, performance appraisal has been restricted to a feedback process between employees and supervisors. However, with the increased focus on teamwork, employee development, and customer service, the emphasis has shifted to employee feedback from the full circle of sources depicted in the multiple-input approach to performance feedback is sometimes called “360-degree assessment” (McLean, VA, U.S., 1997)

Organizations usually have annual performance reviews with the supervisor providing comments on employee’s performance. However, leading Indian companies are adopting a very progressive approach to performance management by adopting a 360-degree approach or management by objectives (MBO). Wise ( 2005) also said that performance appraisal system helps an employee discover his strengths and weaknesses and would help him in decision making about his career choices.

Performance appraisal is one element of the performance management process which involves different measurements throughout the organizations but it is the element which is important if organization is to take advantage of their most important asset employees and gain human capital advantage. There are other processes within the organizations such as technology and design but it is the human factor which is the most difficult to replicate and therefore the most valuable (Armstrong & Baron 2005) strategy implementation and delivery of the organizational strategic target is the best accomplished through high performance people (Michlitsch 2000)and it is the development of these people which performance appraisal seek to advance. This is not the only Identified purpose for performance appraisal.

Many organizations have adopted the Performance Appraisal Process as one of the main methods used for teachers’ development, hence, business performance improvement. A direct outcome of that massive adoption was the recognition and understanding of the dependency between accuracy, effectiveness, quality of the Performance Appraisal Process and organizational human resource development. Performance appraisal is very important within an organization that will help to evaluate the staff according to their tasks in order to ensure they conduct their job at a required standard which will effect on the compensation. In addition, it's

significant to identify their skills, performance and to know their weakness and how to improve it within the department target. The appraisal system should be up-to-date with the improvement of the company and to satisfy the company goals. In the appraisal system, managers are conducting employee evaluation according to their work then forward to HR department to collect the performance rating and to decide the compensation package. Every organization may be it educational or non-educational have their own strategy on how to evaluate if their vision and mission is achieved or not. Likewise, annual evaluation is being conducted to evaluate employee's performance so that continuous improvements must be effected in order to meet the demands of the changing environment.

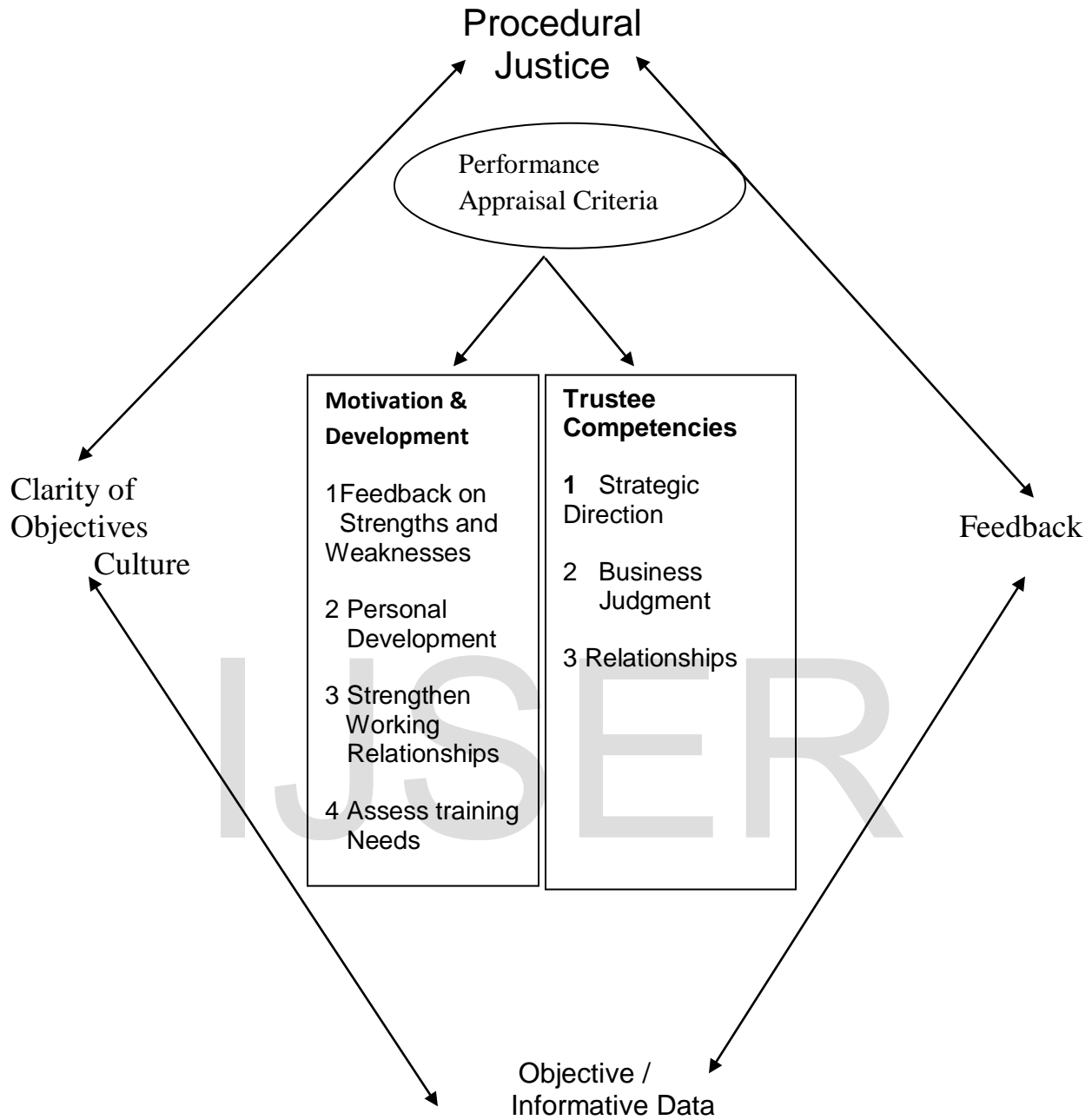
This study aimed to assess the performance appraisal system and its effect on the performance of employees of Cooperative banks in Pune Region.

The study attempted to determine the following:

1. Status of the performance appraisal system in terms of : reliability and validity, quality and Effectiveness.
2. The impact of the performance appraisal system towards the performance of the respondents in terms of commitment, skills and responsibilities.
3. Gaps in the implementation of the appraisal system in selected cooperative banks.
4. Recommendations proposed by the respondents to improve the appraisal system of the selected cooperative banks.

### **Conceptual Framework.**

The conceptual framework itself is intended to demonstrate the interaction between the functional criteria for Sabbatical Officer appraisal, framed by a set of enabling criteria to guide the style of the appraisal.



### Conceptual Framework

The framework enables analysis of the research objectives in a number of ways. The “Motivation and Development” aspect proposes elements of the Sabbatical role that could be appraised outside of the democratic processes, taking into account a focus on the developmental dimension

of Performance Appraisal. Additionally, the “Trustee Competence” dimension allows a critical evaluation of whether these elements constrain performance management for the Sabbatical Officers or whether they add value to the role. Finally, the research phase will test the suitability of the functional criteria, together with whether the enablers deliver an appropriate form of appraisal.

## **Review of literature**

The performance evaluation has to be done for every organization and the proper evaluation for the employees is necessary for the better performance of employees within the organization. The human resources are very critical for any organization and the management performance can be improved by the accomplishment of objective of the organization through the performance of employees within the organization. The correct evaluation of the performance of employees can be done by the performance management system and performance evaluation system which can be used effectively in the organization (Stone, 2005).

The main objective of performance management system is to utilize the resources of the company and better implementation of performance appraisal system so as to spread the awareness of performance in the employees. The performance measure of the employees also indicates the path to the movement of employees so as to achieve the objectives of the organization. The problem areas of the employees will be known to the employees by the feedback given to the employees so that they can work upon it and work hard to improve the overall efficiency of the organization. This particular process will help the employees in knowing their problems as well as to know their potentialities which will help them in achieve the desired improvements and also, the goals of the organization can be achieved in a better manner (Trott, 2003) The training and development activities are also to be carried out for the performance assessment of the employee’s performance and at the same time, various rewards and incentives can be provided to the employees for the achievement of employees on the basis of performance evaluation. The employee will be encouraged to work in a better manner and give the best to the organization. The rewards can be provided in any form such as salary increment, promotion, recognition, etc. There are various performance evaluation techniques which can be provided by

the managers at the top level management. The performance of employees has to be judged on an individual basis for the better improvement in the performance of employees. The evaluation of performance has to be done a then, the decisions have to be taken for the improvement in the achievement of the organizational goal. (Kalsicas, 2009) According to Bobko&Collela (1990) the standards of performance evaluation are very external to the organization and the evaluative purpose for the employees of the organization is to be considered for the performance appraisal management system. The goals of employees and organization are interrelated to the organization. In the performance appraisal system, there are several aspects of employee reaction and performance of employees (Aryee, 2001) which can hamper the overall system of performance management system.

## **RESEARCH METHODOLOGY**

This study is a qualitative and quantitative research which aimed to assess the status and impact of the performance appraisal system on employees. The purposive sampling technique was utilized in the selection of 35 respondents. The survey consisted of three steps: Step1 focused on the assessment of the status of the performance appraisal system in terms of reliability and validity, quality and effectiveness of the tool. Step II dealt on the impact of the appraisal tool on the respondents' performance. The third step focused on the problems that the respondents encountered in the implementation of the appraisal system.

## **DISCUSSION**

### **A) Reliability and validity of the appraisal system**

It is observed that performance appraisal system should bring a positive experience and contribute to the overall development of the organization. If done properly, it is a very effective tool to improve performance and productivity and for developing employees of that organization. As gathered from the table, the respondents affirmed that the performance appraisal system is aligned with the vision and mission of the institution, and the appraisal system is accurate in terms of content and purpose. However, the respondents moderately agreed that the performance appraisal system is relevant and reliable, the result of the evaluation are not openly explained and discussed to the employee concerned and conducts of evaluation are not honestly and fairly done

Results of the study imply that the performance appraisal system of the company needs further review and revision so as to serve the main purpose of the evaluation. This is evidenced by the respondents claimed that the appraisal system is not reliable and valid and not honestly and fairly done.

## **B) Quality of the Performance Appraisal**

No evaluation system will achieve its objectives unless there is some consequences to the evaluation. It is of no value, just a waste of effort, time and money. It should serve as a standard to plan promotions, empowerment, salary revisions and training and development. The success of every appraisal system depends on the key results of such tool. Good result is impossible without giving importance to employee value. Evaluation without appropriate action and results is useless it will only create more problems in the organization. Employee will always look forward to finishing a job with enthusiasm if they are given appropriate recognition or reward for doing a good job. People will be more creative and willing to extend a mile of their time and will always work at their best.

The findings of the study reflect that the objective of the appraisal tool is appropriate to the needs of the staffs and faculty and the appraisal system is effective in encouraging teachers to work hard. However, the respondents disclosed that the appraisal of the company is not designed to motivate them as reflected in their responses. This indicates that the quality of the performance appraisal system of the company needs to be redesign that is appropriate and align to the vision and mission of the company.

## **c) Effectiveness of the Appraisal System**

The effectiveness of any endeavor depends on how it is correctly done and implemented to serve the highest value of the organization as a whole. Possibly the most crucial element of an effective performance appraisal system is the development of an employee. While it is a fact that the appraisal system identifies the weakness of an employee, the employee development part of the overall performance appraisal system is utilized to identify the best way to bring improvement to success. As reflected in the table, the respondents moderately agree that the



appraisal system of the company is motivating to the employees and is effective in encouraging employees to work hard. From the output it shows that the employees who got the highest rank are not given any reward that is why the employees are not satisfied with the way they are being evaluated and ranked and employees don't take part in the formulation of the appraisal system. The results imply that the employees are not convinced and happy about the implementation of the appraisal system of the company

### **Suggestions from the survey**

The following are the recommendations from the survey

- Employees should be evaluated on the basis of the requirements of their job, their duties and Responsibilities
- The evaluation of employees must have fair and respectful treatment.
- Proper feedbacks should be done with proper documentation.
- Employees should be involved in the formulation of appraisal tool.
- Give appropriate rewards to employees who have shown an exemplary performance.
- The assessment tool should measure the diversity function of the employees.
- Appraisal system must have a clear sense of direction.
- Provision of corrective mechanism is vital.

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