

The Impact of Performance Appraisal on Employees Performance in Indus Motors Karachi, Pakistan

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Abstract:

Partnerships in the organization are adopted throughout the world for getting the best output from projects. Despite the worldwide experience has shown that partnerships can provide a variety of benefits to the government, to fully gain them performance appraisal technique need to be executed. Performance appraisal is a process to obtain, analyze and record the performance of the employee and taking corrective action if and when required. The purpose of conducting this research is to know whether performance appraisal system enhances or declines the performance of the employee in Indus Motors – Karachi. This study is quantitative as well as qualitative in nature due to which various techniques have been used to gather data and software SPSS to analyze data. Employee performance is dependent variable whereas manager biases, interpersonal affect and manager feedback are the independent variable in this study. On the basis of this, a questionnaire was designed on liker scale. Subjects were randomly

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selected to know the effect of performance appraisal on employee and it was found that feedback and employee performance is strongly positively correlated, however, manager biases and interpersonal effect does not show a strong correlation. It was also found that there is a direct relation between manager feedback and job performance and the relationship between manager biases and interpersonal effect has a negative relationship. On the basis of the outcome, it was suggested that certain measures should be taken into account to enhance job performance of the employees.

Key words: Joint venture partnership, Performance Appraisal

INTRODUCTION

Partnerships had turned into an ideal procurement technique for projects to present ideal public services, consist of shipment, education, water and energy supply, health, construction, (Junxiao et al., 2004). It is a cooperation of the government and private sector to present their corresponding skills and abilities to a venture, by using particular special tactics to provide their specialties more competently and effectively (Akintola A. M., 2015). Partnerships can merge the benefit of the private firm's financially, well organized managing and advanced equipment's to encourage the expansion of infrastructure (Yelin, et al., 2012). Organizational project development has acknowledged as a mechanism for the economic development. In advanced countries, the contribution of a private zone in the improvement of public services and facilities improved significantly in excess of the past period (Bing Li, 2007). Performance appraisal plays a wide role to accomplish Projects in partnership organizations (Junxiao et al., 2004). (Yong, 2010) States that to accomplish the well-determined benefits of projects in partnerships organizations, it is essential for the leader to focus on the problems concerning to performance measurement. Performance appraisal is a crucial factor for the

accomplishment of objectives of the company for both commercial or project level (H. A. Bassioni, 2007). Every organization strives to obtain the best performance which leads to organizational success. The adequate effort certainly not occurs spontaneously. The focus of this study is performance evaluation besides their impact on employee's motivation. The history of performance appraisal is quite brief. The origin was started from 20th era to Taylors pioneering period and motion studies. The evaluation method initiated primarily (Nadeem, et al., 2013). The performance of the employee is disappointing in many partnership organizations because of many reasons e.g. political issues, religious issues, ego clashes, stress, heavy workloads, poor planning, discrimination, working environment, organizational ethos etc. (Werther & Davis, 1995) argued that Performance appraisal is the procedure by which organizations may be able to access individual's job performance. This study states the influence of efficiency evaluation on performance at Indus Motors – Karachi which was established in 1990 in Pakistan. Secondary data is collected from previous researchers as Gomez Mejia (1993) argued that the performance appraisal increases the employee performance as they may receive rewards according to their performance. (Timperely, 1998) Argued that performance appraisal is threatening until they understand its values that it may help to actually enhance their task. This study is devised to figure out the impact of various factors that may help to increase or decrease employee performance.

Statement of the problem

Performance appraisal is applied somehow or mostly to every organization. The question to be answered is, whether the Performance Appraisal System is having advantages or disadvantages on the employee job as well as the relationship of the performance appraisal method to the job performance especially in Indus Motors – Karachi. The methods that are

being used for performance appraisal system, especially in Indus Motors, are effective or ineffective. The hypothesis of our study is

H1: Feedback has a big impact on employee performance

H2: Manager Biases has a negative impact on employee performance

H3: Interpersonal relationship has no impact on employee performance

OBJECTIVES OF THE RESEARCH

The determination of this study is to identify whether the performance evaluation system really impacts their employee's performance in a positive or negative way in organizations specifically, the objectives are as follows:

- To know whether performance appraisal system increases or decreases the performance of the employee at Indus Motors.
- To find out the connection between the performance assessment as well as the job performance of the employee.
- To discover the effect of performance evaluation on employee efficiency.

LIMITATIONS

The boundaries of our research are.

- The period spell intended for the study was less so I was unable to range everywhere.
- Financial plan was moreover a key matter which created hurdles for me to constantly range the place.
- Conveyance, as well as adding various expenditures, also forced me to behave in a very controlled fashion.

- The study was conducted on a small scale (sample size = 40).

Due to the above boundaries, it is hard to indicate the assumption of every industry.

LITERATURE REVIEW

In projects there are a lot of abstract in various dimension such as duration of a project, the life-cycle of a project, quality, financial budget, performance measurement. (Yelin, et al., 2012) . Partnership projects can financially help the private regions, well-organized performance measurement, as well as expertise provide the desired solution for the various problems and to develop the performance. Indus motors company (IMC) is a joint venture of the House of Habib, Toyota motors Japan (TMC) and Toyota Tsusho Corporation Japan (TTC). The company produces automobiles in Karachi Pakistan. The business intends to determine the whole spectrum of its actions and operation. The impact of environmental factors is examined in terms of four primary elements of Performance appraisal: the purposes of the appraisal, the criteria used, the procedures involved and the participants. Within each of these elements, significant environmental trends are identified and explored in terms of their implications for performance appraisal. (Beck & Beck, 1994) Has suggested that true productivity depends ultimately on self-fairness in the aspect of obligation, thoughtful and commitment to delivering standard performance. Primarily because of legal pressure on business to document performance, formal PAS will increasingly rely on a rating of skill areas to ensure that they are job relevant. (Gomes & Morgan, 1991) Asserted that “jobs are becoming a nexus of rights of a species of property” and because of this, “hiring, firing, promotion, and demotion must be subjected to pre-established, objective, public criteria.” (Prasad, 2015) argued that performance appraisal is very essential for the

employee itself because the employee may able to know about his work performance that how he is performing on a job, what are the deficiencies or need improvement and may able to meet the organization expectations. Furthermore, through performance appraisal manager may also able to know about employee skill and interest that they may also suitable for other jobs for the organization. So by finding strengths and weakness through appraisal, employee job performance may get polished and also good for employee and organization. In partnerships, business conflicts can minimize by standard performance appraisal system. Individual's feelings might high throughout the feedback summit. Though, an appropriately designed method and effective implementation will help avoid emotional outbursts. To confirm excellence worth of product and development, it may perhaps essential to let stuff that is operating appropriately and focus on the exception. Performance appraisal system focuses executives to spotlight because employees exactly follow the organization directions and the firm identifies as well as emphasizes their influences. (Greenberg, 1986) Recognized two aspects that matter employee opinions of distributive fairness. The first is the observed fairness of the evaluation assessment in connection to the employee's performance and secondly is the observed fairness of several appraisal-related salary raise, promotion, or additional organizational act in relation to the assessment. In both situations, the effort of employee observation depends on their performance (Pritchard & Angelo S. DeNisi, 2006). It has found that performance evaluation study has been censured for its extreme emphasis on psychometric problems and the researcher proposed that evaluation study should concentrate on designing efficient performance evaluation systems that can encourage employees to maximize their effort and efficiency. (Konovsky, 2000) Argues that primary role of organization value lies in its fairness and in understanding the significance of servant fairness observations. Research has proved that

perceptions of justice caused betterment in employee attitudes and performances. Evaluation process seems simple however it is used to identify the individual's strength and weaknesses (Zafinaz Zahi, 2005). Almost 74% to 89% industries used the performance appraisal process (Guinn & Corona, 1991). The evaluation method is used for several purposes such as HR decision making, assessment and opinion (Cleveland et al., 1989). The different work that was dominated by psychologists that concentrated on the psychometric characteristic of appraisal for supervisor in their performance evaluation (Nadeem, et al., 2013). Employee's response observed to assessment by psychologist and present best evaluation process for implementation (Williams, 2004). (Jabeen, 2011) Argued that essential key to getting the significance performance is appraisal method. A compensation scheme establish in performance appraisal that combines the struggle of the entire staff for particular goals of organization. (Cleveland et al., 1989) The evaluation process is an essential module of management for accomplishing the major objectives of an organization. Employees remain motivating and inspiring for appropriate remuneration system based on the performance appraisal system and demonstrate their concentration in training and development program (Nadeem, et al., 2013). The customary method of appraisal is recognized as "Free Form Method" it is merely involved in management and description of worker performance by superior (IJBMR, 2012). The nontraditional practice of evaluation is usually implementing from few years (Kumari, 2015). Commonly these practices are happening all over the globe for assessment method.

1. Assessment center
2. Behavioral anchored rating scales (BARS)
3. Human resource accounting method
4. 360-degree performance appraisal
5. Management by objectives (MBO)

Familiar procedures, test, and tasks are provided to the set of an employee to analyze their capabilities in assessment center (IJBMR, 2012). Behavioral anchored rating scales is a modern technique that predicts the significant regions of job potentials. The assessment of employee effort, participation in the task and cost are evaluating through Human resource accounting method (IJBMR, 2012). The 360 degree implicates response to worker's performance in the association. In 360 degree include the appraisal of the whole staff of the organization. These approaches are less designed than the traditional technique which concentrates and organize conferences among employees and administrator (Abraham, 2012). Performance evaluation is arisen aimed at improving structural development and professional progress (Sajuyigbe 2013) HRM concerning with the assortment, encouraging, training, valuation, and compensation of employees. Other function within HRM including administering organizational communication interpersonal and functional skills and flexibility, (Schuler & Rogovsky, 1998). A large number of employees are difficult for human resource department to train and not let them go to search for better opportunities. HRD should give them more incentives to keep them motivated and involves in activities for the enhance the productivity level and this will help them to increase their revenue. The more they will be involved in activities the fewer absentees will be found in the organization and they will be more loyal. (Hegde, 2016).

RESEARCH METHODOLOGY

This study is exploratory and quantitative in nature and we have used few techniques e.g. a questionnaire on liker scale and an interview session and MS Excel to analyze the data. A questionnaire consisted of 11 questions was designed and we kept a record of it. The next step was tabulation, analysis, interpretation and graphical representation, which we did with

the help of MS Excel. Correlation and regression analysis was also done with the help of MS Excel.

Research type

The study is quantitative in nature and descriptive statistics are used in this study to analyze the data. Since the impact of performance appraisal on the job performance of the employees is observed in this study due to that this research must be quantitative in order to get the level of measurement of increases and decreases in the job performance of the employee by the influence of the factors job performance. MS Excel is used to analyze the quantitative data which helped to correlate the variables.

Population

The population of our research was all the management staff of Indus motors.

Sample size:

The choosing of sampling set is to get facts about the population. In this case study, our sample size was 40.

Sampling Techniques

In this study, convenience and random sampling are applied.

Convenience sampling

Convenience sampling is any group of individuals that is conveniently available to be studied.

Random sampling

Random sampling is the process of selecting a sample in such a way that all individuals in a defined population have an equal and independent chance of being selected for the sample.

Data collection method

We used the following methods to collect the data for our research:

- Primary data was collected by surveys.
- Secondary data was collected through Research articles, books, Experts, Publish Reports and internet.
- We have also conducted face to face interview from the HR people in Indus motors

Questionnaire design

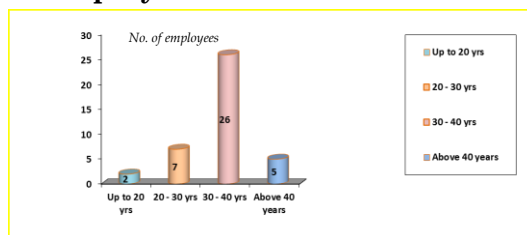
We have designed a set of close-ended questions for our study purpose. We have used Likert scale to collect data. The questionnaire was based on the independent and dependent variables. The scaling was from 1 to 5 which are from strongly agreeing to strongly disagree. The language of the questions was simple so that everyone could understand it without difficulty.

There were total 11 questions in the questionnaire in which 3 questions were designed on a demographic basis (age, gender and work experience) and the rest 8 questions were job-related.

STATISTICAL ANALYSIS

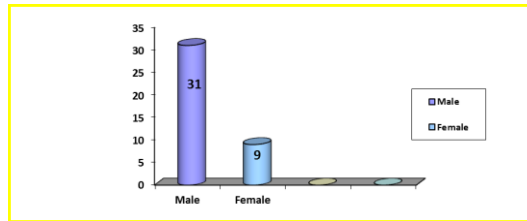
MS Excel was used for data analysis, graphical representation and interpretation, Correlation as well as regression analysis was also done through MS Excel.

1. Age of the employees



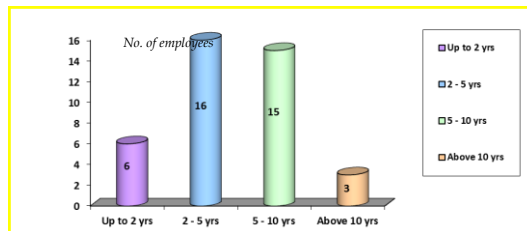
We can observe from the above figure that the majority of our sample i.e. 26 were aged between 30 – 40 years. There were 5 employees who were above 40 and 2 were teenagers, 7 employees were aged between 20 – 30 years. Further statistics possibly would easily be interpreted by studying deeper and taking a large sample.

2. Gender of the employees



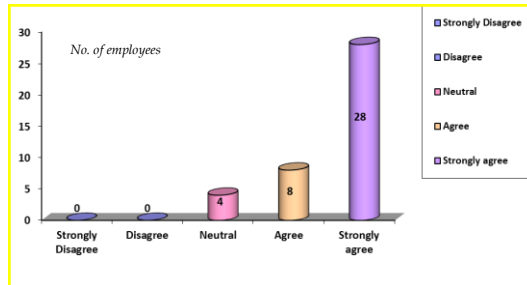
The majority of the employees in our sample were male i.e. 31 out of 40. The result of our research while analyzing the effect of performance assessment on staff efficiency in Indus Motors could vary by studying deeper and taking a larger sample.

3. Working experience an Indus motors



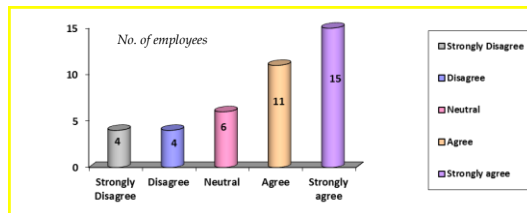
We can observe from our gathered data that 16 people have been working in Indus motors in between 2 – 5 years, whereas 3 people have been working there for more than 10 years. Work experience at Indus motors of 15 people range between 5 – 10 years, while there were only 6 in our sample group whose job tenure at Indus motors was below 2 years.

4. Importance of effective PAS in the organization



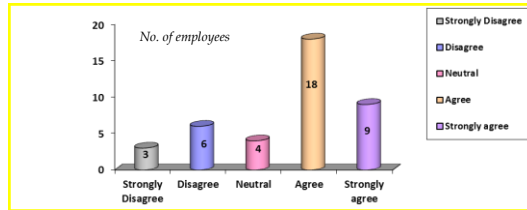
28 employees in our sample group were in view that PAS is very important for any organization. None of the employees showed any sort of disagreement with the above-mentioned proposition. 4 employees showed neutral response whereas 8 individuals agreed with the idea of having an effective PAS in the organization. Further statistics could easily be interpreted by studying deeper and taking a large sample.

5. Involvement of peer group in appraisal process



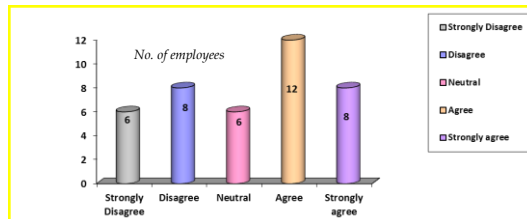
Most of the employees i.e. 26 out of 40 agreed with the idea that peer should be involved in appraisal process so that appraisal process can be more transparent; whereas 6 employees gave a neutral opinion about the mentioned question and 8 employees chose a negative option.

6. Feedback about job performance



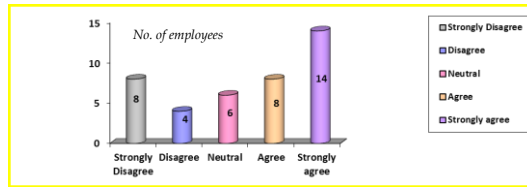
As we can observe from the above chart that most of the employee i.e. 27 out of 40 received a feedback from their bosses, however, 9 employees gave a negative response which showed that they normally did not receive any feedback from their managers or they have been ignored. 4 employees gave a neutral response to the asked question that means they sometimes received feedback from their managers.

7. Performance appraisal improves job performance



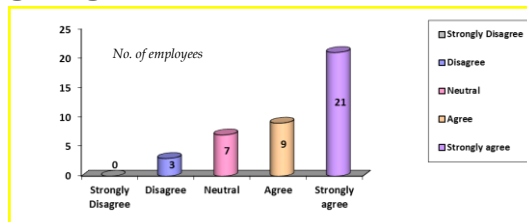
20 employees i.e. exactly 50% of our subjects believed that performance appraisal actually helps them in improving their organizational obligations. They believed that only PAS can guide them where they are and what are their deficiencies and thus they can improve themselves. 6 employees gave a neutral response which showed that they really don't know whether performance appraisal can help them, whereas 14 employees gave a negative answer and believed that PAS cannot help them in improving job performance. The result can vary if we take a large sample.

8. Interpersonal relationship between employee and manager helps in achieving goals



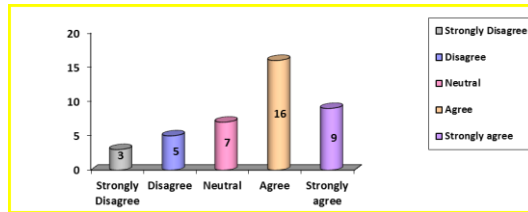
As we can see from the above graph that 22 of 40 employees believe that interpersonal relationship between the manager and employee play a key role in PAS. 12 employees gave a negative answer which means that they disagree with the idea and believe that interpersonal relationship between the manager and employee does not affect the employee performance. However, 6 subjects gave a neutral response regarding the question.

9. Is it energizing to receive feedback?



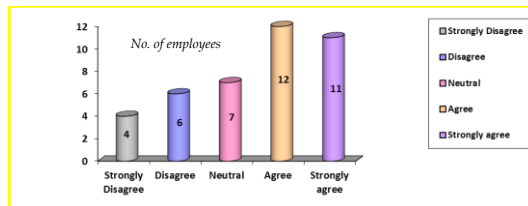
30 out of 40 i.e. almost 75% of our subjects believed that it is really energizing and helpful when they receive a feedback from their manager. They can achieve their objectives and targets effectively and efficiently only when they know where they are and this can happen only when they receive proper feedback from their managers. Only 3 of the employees disagree with the idea and 7 employees gave a neutral response regarding the question.

10: Biasness shown by managers



Most of the subjects (25 out of 40 i.e. more than 60%) of the employee considered that managers usually are biased during appraisal process and due to which a transparent result cannot be achieved. 8 employees believed that managers who are involved in their appraisal process are not biased. 7 people gave a neutral response regarding this question. Further statistics could easily be interpreted by studying deeper and taking a large sample.

11. Rating affected by interpersonal relationship between manager and employee



As we can see that 23 out of 40 employees have a firm belief that there is a role of the interpersonal relationship between the manager and the employee, as far as the employee rating is concerned. Managers usually give a better rating to those who have some good relations with them. 25% of the employees were against this thought whereas 7 employees chose a neutral option for this question.

CORRELATION AND REGRESSION ANALYSIS

Below are the graphs according to our hypotheses:

We can see a positive correlation in the above graph and thus we can conclude that the performance of employees would be better if they receive feedback from their managers. The regression equation shows that if we want to have 100% employee performance than 89% emphasis should be on the feedback on an employee. Thus our first hypothesis i.e. feedback has a significant impact on employee performance, proved to be true after the research and analysis.

The graph indicates a negative trend which denotes that the performance of the employees decrease if managers show biases in the appraisal process. Thus our second hypothesis i.e. manager biases has a negative impact on employee performance, also proved true.

CONCLUSION

This research focuses the influence of assessment on employee performance and the scope of the study was Indus Motors - Karachi. 36 out of 40 employees accepted the importance of performance appraisal and said that it must be an ongoing process. There were three assumptions, out of which two proved true and one was false. Certainly, there are other factors that have a bigger impact on employee performance e.g. job insecurity, stress, working condition, and environment etc. It was also found the direct concerning among manager feedback and task efficiency and the relationship between manager biases and interpersonal effect has a negative relationship. After conducting the research and critically analyzing the findings we are now in the position to give some recommendations to Indus Motors. First and foremost there must be continuous appraisal process and feedback must be provided to the employees so that that they can see where they

are, where they want to go and how can they improve themselves. A manager should be more employees centered and demonstrate the participative style of leadership. Peers should not be involved in the appraisal as most of the employees feel uncomfortable in commenting other people's work.

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