

Performance Appraisal: Building Trust among Employees or not-the Dilemma Continues

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Abstract- Performance appraisal has increasingly become part of a more strategic approach to integrating HR activities and business policies and may now be seen as a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards (Fletcher, 2001). Thus, both practice and research have moved away from a narrow focus on psychometric and evaluation issues to developmental performance appraisal (e.g., Fletcher, 2001; Lefkowitz, 2000; Levy and Williams, 2004; Waal, 2003), which may be defined as any effort concerned with enriching attitudes, experiences, and skills that improves the effectiveness of employees (Boswell and Boudreau, 2002). Performance appraisal is a widespread, very expensive, counterproductive exercise. It is typically conducted with good intentions to manage and improve the performance of individual employees, and lead to enhanced overall organizational efficiency, effectiveness, and productivity. Unfortunately it is an exercise in futility. This paper explores why formal performance appraisal and performance pay fail in their objectives as components of an organization's performance management program, and why they should be abolished. In recent years it is necessary to find more scientific, effective & fair assessment method, to examine the current performance appraisal for the success & failure of the organization.

Index Terms- Performance appraisal, performance management, organizational efficiency, employee.

I. INTRODUCTION

Performance appraisal has been considered as the most significant and indispensable tool of an organization. It is highly useful in making decisions regarding various personal aspects such as promotion and merit increase. Performance measures also link information gathering and decision making process which provide a basis for judging the effectiveness of personnel's functions. In the eyes of the employees, the purpose of performance appraisal system is to describe their level of performance to determine the required output from them and also to provide them constructive suggestions which eventually improves their performance. From the organization's view point, one of the most important reasons for having a system of performance appraisal is to establish and maintain the 'principle of accountability'. Performance appraisal system was started as a method for the justification of salary and wages. Every organization desires to develop a performance appraisal system, which consists of an established procedure for evaluating the

work of employees on a regular basis. In simple terms, appraisal may be understood as the assessment of an individual's performance in a systematic way, the performance being measured against such factors as job knowledge, quality, and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility, health, and the like. Assessment should not be confined to past performance alone. Potentials of the employee for future performance must also be assessed. A formal definition of performance appraisal is: **"It is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development."** It is a structured formal interaction between a subordinate and supervisor, that 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 weaknesses and strengths as well as opportunities for improvement and skills development. Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. The purpose of the performance management system is to ensure that the work performed by employees is in accordance with the established objectives of the organization. Employees should have clear understanding of the quality and quantity of work, expected from them and should also receive the information about how effectively they are standing with the expected standard. Due to effective performance management system opportunities for employee development are identified and it encourages and facilitates employee development also resolves performance pay disputes. Performance appraisal is intended to engage, align, and coalesce individual and group effort to continually improve overall organizational mission accomplishment. It provides a basis for identifying and correcting disparities in performance. Thus, it is activities oriented. It also may provide the basis for other personnel actions which typically include: (1) performance pay, (2) training and career development, (3) promotion and placement, (4) recognition and rewards, (5) disciplinary actions, and (6) identifying selection criteria. Its success depends primarily on the (1) system and measures (criteria), (2) culture, and (3) the perceived attitudes and needs of participants—i.e., their degree of "engagement" with their jobs. (Vance, 2006).

Some perceive that performance appraisal typically directs focus on the wrong things, at the wrong time, in the wrong way and as a result serves to increase costs and lower organizational efficiency and productivity. The wrong things are: (1) "performance pay" based on individual performance rating,

rather than group coordination and organizational productivity (Kerr, 1995; Kohn, 1993); (2) individual weaknesses, rather than the net combination of an individual's strengths and contributions to the team and organization (Buckingham, 2005).
b. The wrong time is at scheduled periodic intervals (e.g. anniversary date), rather than on-going and at project completion (Lee, 2006).
c. The wrong way is supervisory judgement using a standard form and criteria, rather than mutual involvement with the employee and coaching for improved performance and contribution (Lee, 2006). Additionally, performance appraisal presumes a behaviorist view of extrinsic motivation, i.e., that people will improve to attain rewards. Further, it is based on the assumption that if you merely tell employees what they are doing wrong, they can and will want to correct their performance in order to receive more money, recognition or a promotion. It accepts the idea that people want to be bribed and held hostage. It ignores the impact of intrinsic motivation—the idea that people ultimately want to feel good about themselves; they want to learn, grow, and master their craft, which generally also means earning the respect of their peers (Herzberg, 1968). Extrinsic motivation generated through performance pay can decrease the intrinsic motivation from, and interest in, doing the job itself (James, 2003). Virtually all performance appraisal programs have the following characteristics:

1. outside Judgment. Using the performance standards, each employee's individual actual work performance, behaviours, production, or traits are compared with the performance standards by someone other than the employee.

2. Specified Time Period. Employee ratings, judgments, and assessments relate to a specific time period rather than a particular work product or project (typically quarterly and/or annually).

3. Standardization. The process is systematically applied to all employees or class of employees.

4. Mandatory. The process is typically mandatory although certain upper-level executives may be excluded.

5. Documented. The results of the ratings, judgments, or assessments are recorded and preserved by someone in the organization other than the rated employee.

II. PURPOSES OF APPRAISAL: WHY DO IT?

(1) to promote organizational efficiency and effectiveness; (2) to enhance individual employee performance and satisfaction; (3) to simplify administrative processing (4) to ensure management retains control of employee behaviours and attitudes. (5) To review the performance of the employees over a given period of time. (6) To judge the gap between the actual and the desired performance. (7) To help the management in exercising organizational control. (8) Helps to strengthen the relationship and communication between superior – subordinates and management – employees. (9) To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future and also to provide feedback to the employees regarding their past performance. (10) Provide information to assist in the other personal decisions in the organization. (11) Provide clarity of the expectations and responsibilities of the functions to be performed by the employees in order to reduce the grievances of the

employees. (12) To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.

Everyone must play their assigned roles for the organization to function as prescribed by the top managers.

To control performance: Essentially management really does not trust the capability or commitment of employees to carry out their assigned duties without providing them a clear job description and performance standards, and then holding them accountable for performance—with clear consequences.

Because everyone else does it. It's "tradition." It is "scientific management," the industrial era thinking promoted by Frederick W. Taylor (1911). Even when one privately sees its folly and high financial and psychological costs, one is very reluctant to contest its use publicly in the face of its wide acceptance and company policy. Because people have been conditioned to believe it works and is the best way to manage people.

III. PURPOSES OF PERFORMANCE APPRAISAL

Performance appraisal of employees is needed for the following two broad purposes:

- (A) Administrative purposes
- (B) Self-improvement/Self-development of employees.

(A) ADMINISTRATIVE PURPOSES

(1) Promotion and Placement of Employees: One major administrative purpose of performance appraisal is to promote employees as per their competence and performance in the previous period. Quality of performance serves as a base for promotion particularly when promotions are given by merits. Appraisal indicates whether the employee can contribute still more at a higher level job and accordingly decision about his promotion is taken. This promotion on appraisal basis is in the *interest* of both-the management and employees. Performance appraisal is useful for the selection of right person for the right type of promotion. This is because it clearly distinguishes between effective and ineffective performers of jobs assigned. Placement of an employee in the right department and also at the right position is possible through performance appraisal as such appraisal suggests the position at which an employee can give his best performance.

(2) Transfers and Demotions: In an organization, certain personnel actions such as transfers, demotions, disciplinary actions and discharges are required to be taken by the management. Such actions need to be taken in a fair and impartial manner. Here, performance appraisal reports can be used for taking final decisions.

(3) Wage and Salary Payment: Wage/salary payment is normally linked with the performance appraisal. Wage increase (yearly increment or special increments) is based on the performance appraisal reports. It also provides the rational foundation for the payment of wages, bonus, and etc. It is also useful for allocating rewards to deserving employees.

(4) Training and Manpower Development Programmes: Performance appraisal indicates the strengths and weaknesses of an employee. It acts as a performance feedback of employees

which can be used for different purposes. This information can be used fruitfully for formulating a suitable training and manpower development programmes to improve the performance of employees in their present jobs. Such appraisals also suggest the areas of skills where numerous employees are not up to the mark.

(5) Personnel Research: Performance appraisal serves as a feedback to the management in the field of personnel research. It serves as a base for the conduct of research activities in personnel management.

(6) Favourable Impact on Employees: Performance appraisal creates a favourable impact on the employees. It serves as an incentive to the employees who feel assured of the management's continued interest in them and of their continuous possibility to grow/develop. Employees feel that they are given attention by the management.

(7) Miscellaneous Administrative Purposes:

(a) To confirm the services of probationary employees after the completion of probationary period successfully.

(b) To improve internal communication. It provides a format for dialogue between the superior and subordinates.

(B) SELF IMPROVEMENT OF EMPLOYEES:

Along with the administrative purposes, performance appraisal facilitates self improvement and self development (career development) of an employee. In fact, this purpose is more important as it relates to human resource development in an organization. Such appraisal suggests the weaknesses and shortcomings of the rates. It serves as a feedback to the employee. This is followed by discussion between the rater and the ratee in a spirit of co-operation and mutual understanding. Counselling of employees for improving their performance is always through such post appraisal interviews. This gives opportunity to an employee to overcome his weaknesses and to improve his skills, abilities, performance, and behaviour and so on. Guidance is offered to an employee for his self-development and also for improving his overall performance in the job assigned.

IV. IMPORTANCE OF PERFORMANCE APPRAISAL IN TODAY'S ORGANISATION

Performance appraisal should be a positive experience and contribute to the overall welfare of the organization. If done properly, performance appraisal is a very effective tool to improve performance and productivity and for developing employees. It helps individuals to do better, raises self-esteem and motivation. Above all it strengthens the management/subordinate relationship and fosters commitment. Performance evaluation is not a process to be avoided; rather it should be implemented in all organizations and promoted as a key management activity. The benefits to be realized from a proper evaluation system far outweigh the time and effort required to develop, implement and maintain the process. There is much research to show that individuals have a strong need to know how they are doing and where they stand in the eyes of their supervisor. Recognizing the importance of performance feedback, it follows that discussions of performance should take place more than once a year. Frequent, regular discussions of

performance should occur on an on-going basis and be seen as an opportunity for useful communication between the individual who assigns work and those performing it. These regular meetings serve to provide feedback so good performance is recognized and performance problems are nipped in the bud. The more formal periodic reviews can then simply be a summary of what has occurred throughout the reporting period recorded on the official performance evaluation form. Performance appraisal is a most valuable human resource tool. It is a vital component for the development of company as well as for individual employee. The system of performance appraisal motivates the sincere employees and in certain cases it punishes the dishonest employees. This is benefited to employees as well as for the organization. Productivity increases if there is a fair performance appraisal system implemented in the organization. Performance appraisal plays critical role in organizations ability to achieve its strategic goals. Organisation and the HR department have to design and implement Performance appraisal system in an organization is a core managerial function. The challenges faced by the present day's organization are absolutely depending on the effectiveness of its performance management system which ultimately acts as a catalyst for Employee's effective performance. The true goal of performance appraisal is employee's development & organizational improvement. Ultimately competitive asset of any organization is its human resources, thus organization should develop employee competencies which should be aligned with the organizations business goals. This can be achieved through performance management system which also acts as behavioural change tool and it can also enable performance management system which can improve overall organizations performance.

V. CONFLICTS INHERENT IN PERFORMANCE APPRAISAL

Performance Appraisal is an important, if not essential, managerial responsibility. Yet all too often it is not done well if at all. There are a number of reasons why performance appraisal is not as effective as it could be. The first is that many organizations do not have clearly established corporate objectives for undertaking performance reviews. Many managers, particularly in large organizations, routinely complete the required forms which are then filed and the subject not mentioned again until the next review period, usually a year hence. To be effective, there should be clear objectives for doing performance appraisals and everyone in the organization should understand why it is being done. Performance appraisal, as a process, will fail if it is not linked to a common philosophy of good personnel management and its purpose is not clear. The effort should do more than meet the need of a Personnel Department's view of a sound personnel management practice; it has to be of value to the organization as a whole. Another problem in many organizations is that the process of performance evaluations lacks credibility. This is usually due to the failure of management to spell out clearly what aspects of the job are to be evaluated and to define the standards against which performance is to be measured. It is simply unfair to appraise performance if it is not made clear to employees at the start of the reporting period what aspects of the job will be rated and what standards will be

used to measure performance. Lack of clearly defined measurements can lead to intellectual dishonesty in the evaluation, unfair ratings and loss of credibility of management and the appraisal process.

1. Employee Intrapersonal conflict. There is a conflict between an individual's desire for personal growth and the wish to have one's self-image affirmed. People want to feel good about them; they naturally strive for personal excellence—for what they believe will work best for them. Individuals want constructive feedback about their performance (Lee, 2006). If the feedback is positive, it affirms their self-concept of competence and success. Positive

Feedback serves to reinforce the current performance. If the feedback is unfavourable, to minimize its importance they may engage in defensive behaviour: (a) not "hear" it (denial), (b) become demoralized, and (c) apportion blame elsewhere.

2. Employee-Employee conflict. With a system of few winners and many losers, interpersonal competition for limited "Outstanding" ratings necessarily reduces cooperation and organization citizenship behaviour (OCB). Attitudes are Contagious, so conflict and less than full cooperation spreads among employees. (James, 2003; Behn, 2000 and 2003.)

3. Employee-Supervisor conflict. Performance appraisal requires supervisors to simultaneously play two incompatible roles—judge (evaluator) and helper (developer). Supervisors want to maintain good relations with their employees;

They realize it ultimately depends on trust. They also believe they should honestly let people know where they stand and help them improve. But they also realize that giving employees critical feedback may seriously de-motivate them, as it Attacks their self-esteem. So supervisors may reluctantly withhold negative information from an employee because they would rather have a low producing worker than a demoralized one who could then spread dissatisfaction to others.

4. Supervisor-Leadership conflict. Performance appraisal is a tool designed to control the job behaviour of employees. It sets forth the expectations and standards for satisfactory performance of assigned job duties. It is designed to treat Employees as part of the productive machinery of the organization. It serves as a substitute for, and discourages leadership behaviour. If an organization desires and expects its supervisors to behave as leaders, it should abolish its formal performance appraisal program (Lebow & Spitzer, 2002).

5. Employee-Organizational conflict. In using performance appraisal, the organization establishes the conflicting objectives of (a) employee evaluation and (b) employee development. To develop employees, the organization wants them to be open to, and even supply, negative information about themselves so the organization can help improve their performance. But documenting this information ("keeping book") on the employee's performance evaluation may adversely impact the performance rating and hence any performance pay or promotion consideration, and consequently the employees self-esteem. . Performance appraisal ratings serve to set up competition (rather than cooperation) among employees and serve to label employees as winners or losers, not only for pay increases but also for training, development and promotion opportunities (Buckingham, 2005). Attitudes are contagious. As employee dissatisfaction spreads, a disaffected cultural climate

will grow and employees will leave the organization—even despite good supervision.

6. Supervisor-Organizational conflict. Performance appraisal disempowers and demotivates supervisors by requiring that they obtain employee performance through control and documentation rather than by leadership. As supervisors, they are also appraised by the system and experience many of the same conflicts as their own employees. They don't like conducting performance appraisals on their employees, and don't like having them conducted on themselves by their managers.

7. 360-degree appraisals are often viewed as a cure for many of the conflicts and concerns rose by traditional top-down appraisals. Unfortunately, upon closer examination, use of multi-raters typically serves to compound the conflicts and Concerns for validity and reliability

VI. PROBLEMS IN PERFORMANCE APPRAISAL

The performance appraisal systems tend to have several problems. Raters' evaluations are often subjectively biased by their cognitive and motivational states (DeNisi & Williams, 1988; Longenecker et al., 1987), and supervisors often apply different standards with different employees which results in inconsistent, unreliable, and invalid evaluations (Folger et al., 1992). In order to create better systems, researchers have traditionally focused on validity and reliability (Bretz et al., 1992) by designing newer "forms" of performance appraisals (e.g., behavioral-based systems that better define specific essential job functions of employees or 360-degree feedback mechanisms that allow for cross-validation via multiple raters). However, despite these recent advances in evaluation design, critics continue to argue that performance appraisal systems are not consistently effective (Atkins & Wood, 2002; DeNisi & Kluger, 2000). Thomas and Bretz (1994) argue that evaluations are often perceived by employees and supervisors with "fear and loathing." Two possible explanations for the fear and loathing are the absence of a "sense of ownership" and an absence of rewards for properly completing the process. Cardy (1998) describes the appraisal process as "a difficult and error-ridden task." However, Cardy also points out that it is an important task that affects both the individual and the organization. As suggested by Drenth (1984), evaluation is a sensitive matter, often eliciting negative psychological responses such as resistance, denial, aggression, or discouragement, particularly if the assessment is negative. Thus high perceptions of evaluative performance appraisal use may result in negative feelings about the appraisal. The employee reactions to appraisals can be an important condition to improve the employee's performance. Recently, scholars have begun to argue that employee emotions and perceptions are important in determining the efficacy of performance appraisal systems. In fact, appraisal reactions such as satisfaction, acceptability, and motivation to use feedback, are cited as an important trend in the appraisal research during the past ten years in a recent review of that literature (Levy and Williams, 2004).

VII. OUTCOMES OF EFFECTIVE PERFORMANCE APPRAISAL

Common outcomes of an effective performance appraisal process are employees' **learning about themselves**, employees' **knowledge about how they are doing**, employees' learning **about 'what management values'** (Beer, 1981). According to Stephan and Dorfman (1989) outcomes of effective performance appraisal are improvement in the accuracy of employee performance and establishing relationship between performance on tasks and a clear potential for reward. Dobbins, Cardy and PlatzVieno (1990) told five outcomes i.e. use of evaluations as feedback to improve performance, reduced employee turnover, increased motivation, existence of feelings of equity among employees, linkage between performance and rewards. Nurse (2005) viewed provision of information for the development of managerial strategies for training and development as an outcome. Teratanavat, Raitano and Kleiner (2006) found outcomes like reduced employee stress, review of overall progress, linkage between current performance and employee's goals, and development of specific action plans for future.

VIII. DETRIMENTS TO EFFECTIVENESS OF PERFORMANCE APPRAISAL

Literature uncovered following aspects that can make harm to the effectiveness of performance appraisal: exemptions to the highly visible employees, conduct of performance appraisal to punish the low performers, rewards on non-performance, doubts in the mind of performers about appraisal's after effects, organization's politics that leads to disturb performance of targeted employee (Deluca, 1993); use of fundamentally flawed appraisals, focus on encouraging individual, which automatically discourages teamwork/collaboration, inconsistencies in setting and applying appraisal criteria, focus on extremes (exceptionally good or poor performance), appraisal's focus on achievement of short-term goals, support to autocrat supervisors, subjectivity of appraisal results and creation of emotional anguish in employees (Segal, 2000); use of vague qualities and irrelevant measurement criteria, use of useless checklists for evaluation, monologues instead of dialogues in feedback sessions, reluctance of appraisers to offer feedback, supervisor's misguidance to appraiser (Nurse, 2005); inaccuracies at supervisor/organization's end (Horvath & Andrews, 2007).

No evaluation system will achieve its objective unless there is some consequence to the evaluation. It is of no value, and simply adds to the administrivia of any organization, to evaluate employee performance, record the information on a form and file it away. This is the norm in many organizations and is a waste of time. Unfortunately the participants often believe they are doing the right thing. Yes an evaluation was done on each employee - but to what end? If an employee is rated outstanding for example, what is the consequence of that effort? Does it result in a raise, a promotion, and increased responsibilities? Also if an organization rewards high performers, an effective evaluation process is needed to differentiate those high achievers from others in a credible way. Similarly, if an employee is rated as a marginal performer, there must be some consequence to that low

standard of performance. Ignoring poor performance or assigning higher than earned ratings to avoid unpleasantness is poor management and does a great disservice to the organization and to the individual concerned. Communicating performance in an interview is an essential part of the process. Anyone who directs the activities of others should be capable of conducting an effective performance review meeting. An appraisal interview should not be adversarial nor meaningless chit chat. It should be approached by managers and subordinates as an opportunity for a serious discussion about present performance and future goals. It should be a planned structured event and follow a prescribed agenda.

IX. RECOMMENDATIONS

Here are some of the recommendations that can provide for developing an effective performance appraisal system:

- 1) The program is well thought out and tailored for the firm.
- 2) The managers are trained in the appraisal process.
- 3) The appraisal process must be viewed as a continuous activity rather than a one-a year event.
- 4) Performance expectations and actual performance must be discussed often and regularly.
- 5) Employees must be given specific instruction on how performance can be improved and must have short- and long-term goals set to show incremental improvements.
- 6) Management expectations should be realistic; problem employees do not become star performers in a matter of weeks.
- 7) Performance expectations and developmental targets and activities should be set through mutual agreement with employees.
- 8) Employees should be full participants in the performance appraisal process.
- 9) During the feedback session, the appraiser should make sure that the employee has the resources required to do his job and must understand the nature of the existed barriers that might prevent the employee success.
- 10) A 360 degree feedback could be an interesting performance appraisal approach especially for the most senior levels.
- 11) Gain support of both human resources and top management.
- 12) Use qualitative versus quantitative criteria.
- 13) Allow for input when developing performance standards and criteria.
- 14) Make sure the performance appraisal system is not outdated; Ensure managers take ownership of the performance appraisal system.
- 15) Attempt to eliminate internal boundary spanning by creating direct reporting relationships where possible.
- 16) Utilize performance targeting (Halachmi, 1993) to appraise PMs.
- 17) Be aware and act on environmental forces as they affect the organization.
- 18) Improve self-efficacy and motivation (Margolis & McCabe, 2006; Livingston, 1969).
- 19) Mutually set learning goals rather than outcome goals so people focus attention on discovering effective strategies to attain and maintain results desired (seijts & Latham, 2006).
- 20) Recognize that individuals succeed based on their unique combination of strengths, despite their weaknesses. So focus on finding, developing, and capitalizing on people's unique traits. Focus on strengths, not weaknesses (Buckingham, 2005).
- 21) Clarifying organizational goals, objectives, and progress by openly posting them and degrees of achievement (numerically where possible), along with individual accomplishments (where they can be clearly identified). This serves to focus attention on organizational objectives and outcomes, and to engage all employees in coaching one another toward improvement

(Latham, 2004).**22)** Building an organizational culture of openness, honesty, and fairness to facilitate good communication.**23)** “Poor performers” are often competent people in the wrong jobs or organizational setting. Educate supervisors on origins of poor performance and importance of good fit (with strengths) and ways to work with people in need of special help—and ways to document unacceptable performance.**24)** Adverse and disciplinary action should be based on a “corrective discipline” approach with written documentation specifically developed to support the corrective action necessary. Use corrective discipline rather than progressive discipline for misconduct (Campbell et al, 1985; Huberman, 1964 and 1975).**25)** Base pay should be fair and reflect individual competence. **26)** Bonuses, company stock awards, and/or profit sharing should be based on group/team/unit accomplishments to promote employee cooperation, organizational citizenship behaviour, and alignment with overall organizational goals and objectives (Organ, 1988).**27)** Focus on the system. Make continuous improvement an everyday matter. Engage employees in a collaborative network focused on improving the systems of production. Major efficiencies and production breakthroughs come primarily through systems improvements, where everybody wins. (Crosby, 1984; Deming, 1994; Juran, 1993.)**28)** Build a community culture based on honest, ethical treatment of all employees and managers. Promote an ethic of caring and good community citizenship. **29)** Performance appraisal represents a “push” and control approach. Develop an organizational culture with practices that present a “pull and empowerment” approach; one where managers engage in collaborative influence, not control, practices. The environment and system determine one’s ability to maximize his/her behaviour and performance. **30)** Promote an organizational culture of leadership and coaching; one focused on developing people, not one of using people as instruments.**31)** Train and hold supervisory group reinforcement meetings to ensure common understanding and alignment; and ability to lead and coach employees

X. CONCLUSION

Performance appraisal is the process of reviewing employee performance vis-à-vis the set expectations in a realistic manner, documenting the review, and delivering the review verbally in a

face-to-face meeting, to raise performance standards year over year through honest and constructive feedback. The principal purpose of an appraisal system should be to improve the employee and the organizational performance. The system must be based on a deep regard for people and recognize that employees are the most important resource. The system should first of all contribute to the satisfaction of all the employees. This tenet will require a continuous effort in counselling, coaching and honest, open communications between the employee and supervisors. Performance appraisal is very appealing in theory. But in practice, it typically does not produce the results intended and expected, and it is disliked by many employees and managers alike. Indeed, this paper presents evidence that performance appraisal, as commonly used, can reduce employee productivity, satisfaction, and engagement. Improving the organization’s techno-structure and implementing the suggestions proposed above will prove far more effective than individual performance appraisal in improving individual and organizational performance. Performance appraisal looks to the past, not the future.

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