



**Research Article**

**PERFORMANCE APPRAISAL SYSTEM AS A FACILITATOR IN EMPLOYEE TRAINING AND DEVELOPMENT-A HOLISTIC STUDY IN SELECT ORGANIZATIONS**

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**ABSTRACT**

Performance is a relative term which determines the growth and improvement in an organization. This article provides an outline on employee Training and development, highlighting the importance of performance appraisal process, methods and channels. The present study has been conducted in twin cities of Hyderabad in Telangana State. The sample consists of 10 companies from Public and Private sector organizations. A detailed study has been made in both private sector and public sector organizations to find the role and importance of performance appraisal. The present research article aims to provide a scope for further investigations and future study. Both descriptive and inferential statistics were used in the analysis.

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**INTRODUCTION**

Human Resource Management's (HRM) notion stresses upon the aspect that human capital employed in any particular organization must be considered as the organization's asset instead of cost. Organizations, in general, employ a diverse set of human HRM policies and procedures specifically related to recruitment, training, development, appraisal and organizational commitment in order to synchronize the HRM policies with the core business objectives of the organization (Huselid, 1995; Meyer & Smith, 2000). Research and studies, pertaining to the (direct and indirect) effects of Human Resource Practices towards organizational performance, conducted in many developed countries exhibited indications of a noticeably encouraging relationship between the human resource management practices of an organization and the organization's overall performance (Applebaum, Bailey, Berg, & Kalleberg, 2000; Singh, 2004).

Most of the research and studies undertaken in the field of HRM in the past were conducted by asking the human resource related personnel to answer the questions related to the practices in place for the purposes of recruitment, training, development, retention and performance appraisal methods but very few studies had focused on the importance of an individual employee's perceptions regarding the effectiveness

of the devised HRM policies on the overall performance of an organization (Boselie & Wiele, 2002). Previously, studies conducted at organizational level had mainly focused the effects of the HRM practices on the numeric indicators (at organizational level) such as total production, increase in sales, revenue generation and others (Arthur, 1994; Huselid, 1995), whereas not much research had been conducted with the aim to determine how would an individual perceive and act upon the HRM practices with regards to his/her behavior and commitment towards the achievement of the goals of the organization (Batt & Valcour, 2003; Hemdi & Nasuridin, 2006). HRM practices that may be helpful in gaining commitment of the employees towards the organizational goals and the effect(s) of those practices in terms of reduction in employee turnover are the aim of this study.

One of the most critical HRM practices is performance appraisal. This is because the appraisal of an employee would either shape a satisfied frame of behavior after being appreciated or a frame of dissatisfaction after not being appreciated. In addition to performance appraisal, training and development of employees also shape their engagement and commitment towards the organizational development (Arthur, 1994; Huselid, 1995). Training and development programmes are undertaken to make the employees capable enough to perform the assigned tasks efficiently and effectively and thus, employees feel more involved towards their jobs. In addition to that employee turnover has become a major problem that faced by every organizations in many of the Asian country such as Malaysia, Singapore, Hong Kong, Taiwan and South

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Korea (Khatri, Budhwar, & Chong, 2011). Barnard and Rodgers (1998) states that the monthly average of resignation rates in organization in Malaysia, South Korea and Taiwan were 3.4%, 2.9% and 2.7% respectively. Moreover, employee turnover also incurs a huge burden to the organizations in terms of financial cost (Kaye & Jordan-Evans, 2005). The highest turnover crisis ever recorded in Malaysia was during the year period of 2009-2010 on average 18.3% which forced the entity to conduct multiple employee loyalty programs as consequences of failure to retain their valuable employees (Ken, 2013). Therefore, it is extremely important to address the problems above and to find out preventive reasons that initiates turnover intentions. To recapitulate, this study is intended to look at the effects of performance appraisal, and training and development on the behavior of individuals working in an organization and, in turn, how such behavior affects the organization as a whole and commitment of employees towards the organizational goals which leads to employee turnover.

## **LITERATURE REVIEW**

### ***Human Resource Management Practices***

Human resources are significant in establishing and sustaining competitive advantage for the enhancement of organizational effectiveness since both are priceless, unique and irreplaceable resources. The definitions of human resource can be categorized under two broad strands which are generalist and distinctive. Based on the generalist perspective, human resources refer to a group of human capital controlled in a straightforward manner through employment by the organization which constitutes a source of competitive advantage (Machado, 2015). Meanwhile, the distinctive approach emphasize on employee skills, knowledge, abilities, attitudes, experience and wisdom. Human Resource Management can be seen as the utilization of employees to gain competitive advantage, particularly through human resource practices (Dzansi & Dzansi, 2010). Majumder, (2012) regards HRM as organization's philosophy, policies, and procedures linked with the management of people HRM as a customer prioritized management practices which regards the employees as the essence of the organization that focuses on attaining organizational goals. According to Swathi, (2014), management is said to be responsible for all practices and decisions that directly affect the employment relationship. Essentially, the conduct of human resource management aims to optimize the effectiveness of its employees in order to maximize organization's productivity. Human resource practices is defined as the planned human resource deployment and the organization's progress is targeted towards reaching the goals through efficient management of human capital (Babu & Reddy, 2013). In overall, HRM practices can be concluded as a tool implemented by the organization that helps to motivate and retain them through efficient practices, policies and philosophy (Schuler & Jackson, 1987; Singh & Jain, 2014). Effective HRM will results in acquiring and retaining qualified employees, motivates them to optimize performance and assists them to meet their psychological and social needs. This leads to the establishment of long-term commitment among employees to maintain employment relationship with the organization.

### ***Performance Appraisal-Meaning and Definition***

Performance appraisal can be defined as method of systematic evaluation of an employee's performance and to determine the abilities, potentialities of an individual for further growth and development. Performance appraisal is done by the supervisors or superiors and help them guide for better performance.

Given the current circumstances, organizations are focusing and utilizing on one specific developmental HRM practice - Performance Appraisal that potentially affects organization's efficiency and performance (Ikramullah, Shah, Hassan, Zaman, & Khan, 2011) As a matter of fact, it has been used as tool in the process of performance appraisal for enhancing employees performance, distributing rewards and enhance competencies. In addition, organization is able to discover the employee strengths development needs (Moulik & Mazumdar, 2012). Although it is costly to conduct performance appraisal, organizations still adopt this practice as it serves as a fundamental organizational decisions in certain situations where promotions, bonuses and training needs are determined which potentially creates work motivation and commitment to the organization. Therefore the performance evaluation practice is an inherent and inseparable part of the organization (Poursafar, Rajaeepour, Seyadat, & Oreizi, 2014; Obeidat, Masa'deh, & Abdallah, 2014). This is in line with the statement in the study of Getnet, Jebena and Tsegaye (2014) which proposed that performance appraisal is commonly adopted by organization in order to incentivize and measure the performance of their employees. Furthermore it is also revealed that this performance evaluation practice can used to detect employee's perception, preferences, beliefs and developmental areas with regard to the organizational goals. As a results, they are valued and seen as part of organization team. Thus the employees may develop a greater commitment to their organization (Roberts, 2003; Ikramullah *et al.*, 2011). Several studies support the notion that perception of fairness of performance appraisal is closely related to employee's commitment to their organization (Ikramullah *et al.*, 2011; Getnet *et al.*, 2014; Bekele, Shigutu, & Tensay, 2014). If the employee perceive that the decision are fair, they would reciprocate with high commitment and would be willing to contribute more effort towards the attainment of organizational goals. Employees would reciprocate their perception in the form of low organizational commitment (Salleh, Amin, Muda, & Halim, 2013). Thus, it can be concluded that the perception of employee towards the performance appraisal activities is important since it determine employee acceptance and the development of commitment to the organization (Akhtar & Khattak, 2013). Therefore, it is vital for organization to be aware of employee's perception of the performance evaluation and make improvement on it in since performance appraisal has a predictive role in changing employee's attitude and affective commitment (Roberts, 2003). Thus, it can be concluded that the perception of employee towards the performance appraisal activities is important since it determines employee's commitment and acceptance to the organization.

### ***Training and Development- Meaning and Definition***

Training and development is important functions of human resource management which aims at improving the performance of an employees by creating opportunities for learning and growth. Training and development is necessary to

enhance the skills, knowledge and capabilities of employees in fulfilling their targets and plans.

In today's world, most of the organizations accentuates on the training and development programs to the employees as one of the human resource practices that is crucial for the evolvement of organizational commitment of the employees. Employee is considered valuable assets to an organization. Therefore it is fundamental for organizations to invest in programs like training and development to improve their competency and performance. Training and development deals with increasing and updating the skills, knowledge, competencies and experiences of an employee through a series of training and development programs (Obeidat *et al.*, 2014). It is crucial to equip employees with necessary skills and competencies in today's competitive environment in order to enhance productivity, organization competitiveness and performance. According to Ahmad and Bakar (2003), training can be described as a planned and systematic effort of employee to achieve effective performance in an activity or range of activities. On the other hand, Noe, Hollenbeck, Gerhart and Wright (2004) expressed that development prepares employees for different positions in the organization and builds their capacity to move into jobs in the future. Therefore, development is mainly about planning and preparing for the changes in the future in relation to unfamiliar jobs, requirements and responsibilities. As for (Lamba & Choudhary, 2013), development is a practical exercise of studying and development by which managerial staff acquire and employ knowledge, skills, attitudes and insights to handle their work efficiently and effectively. It is essential for the managerial staff as an effort to cope up with the complexity of organization and technological. The development also helps to recognize their social and public responsibilities. Kooij, de Lange, Jansen, & Dikkers (2008) suggested that career development could fit workers' needs by creating opportunities for new job and enhancing their skills (Riaz, Idrees, & Imran, 2013). This supports a comparative study has been done between Malaysia and European Union (EU) on various factors where the findings implicits that training aims to bridge the gap between job requirements and present competence of an employee in terms of job security and skills of employee's being employed (Ramendran, Supian, Kadiresan, Kumar, & Rethinam, 2014).

**Need for the Study:** The relation between performance appraisal and training and development is like two sides of a coin. Performance appraisal help to identify employees for promotions and also for identifying the areas of training and development for taking up the new assignments. Appraisals help in identifying the areas of need in training.

**Research Objectives:** The primary objective of this study is to assess the impact of performance appraisal on employee training and development are as follows:

1. To ascertain if performance appraisal affects employee training and development.
2. To determine empirically the relationship between performance appraisal and employee training and development.

**Research Methodology:** A structured questionnaire, using Likert five-point rating scale was prepared, which was administered as a schedule.

**Data Analysis and Interpretation**

**Table 1** Details of the respondents

Variables (n=60)	Number	%
Public sector	30	50
Private sector	30	50
Total	60	100

**Sample**

For the present study Sample size includes 60 employees [30 from public sector and 30 from private sector] constituted the sample on the basis of incidental sampling technique. The age ranges from 30 – 50 years. The study is limited to respondents selected from Hyderabad.

**Tools used:** The tools used for hypothesis testing Karl Pearson's Coefficient Correlation.

**Hypotheses:** Ho: Performance appraisal is not positively related to employee training and development.

Ha: Performance appraisal is positively related to employee training and development.

**RESULTS AND DISCUSSIONS**

**Table 2** Performance appraisal Constructs: Mean and Standard Deviation of Employees Agreeing and Disagreeing

S.N	Performance appraisal constructs	Mean	SD
1	Do you clearly understand the basis on which your performance is judged?	4.1	0.40
2	Do you have clarity of goals and objectives?	4	0.63
3	Do you feel employees are recognized as individuals?	4.5	0.54
4	How often does your team leader formally discuss your performance with you?	3.9	0.75

**Table 3** Performance appraisal Constructs: Frequency and Percentage of Employees Agreeing and Disagreeing

S.N	Performance appraisal Constructs	SDA	DA	N	A	SA
1	Do you clearly understand the basis on which your performance is judged?	0	0	0	0	1
2	Do you have clarity of goals and objectives?	0	0	1	4	1
3	Do you feel employees are recognized as individuals?	0	0	0	3	3
4	How often does your team leader formally discuss your performance with you?	0	0	1	3	2

**Table 4** Employee Training and development Constructs: Mean and Standard Deviation of Employees not sure and saying yes

S.N	Employee training and development Constructs	Mean	SD
1	Do you accept company's training policies help create a better corporate image?	4	1.09
2	Do you agree training aids in organizational development?	4	0.89
3	Do you agree training enhances personal sense of accomplishment of the trainee?	4.6	0.51
4	Do you accept company's training policies on personal learning and growth for trainees?	4.5	0.83

**FINDINGS AND DISCUSSIONS**

This presents the research findings and discussion of the results with reference to the specific research objectives.

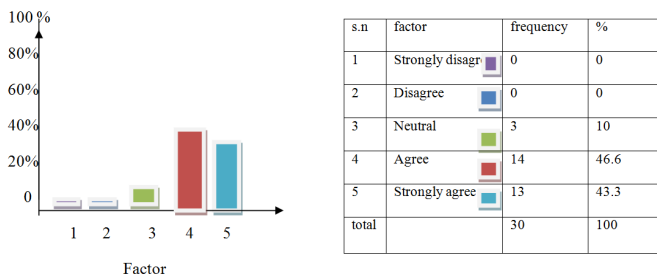
**Table 5** Employee Training and development Constructs: Frequency and Percentage of Employees not sure and saying yes

S.N	Employee Training and development Constructs	NS	N	RA	OF	Y
1	Do you accept company's training policies help create a better corporate image?	0	1	0	3	2
2	Do you agree training aids in organizational development?	0	0	2	2	2
3	Do you agree training enhances personal sense of accomplishment of the trainee?	0	0	0	2	4
4	Do you accept company's training policies on personal learning and growth for trainees?	0	0	1	1	4

**Impact of Performance appraisal on Employee training and development**

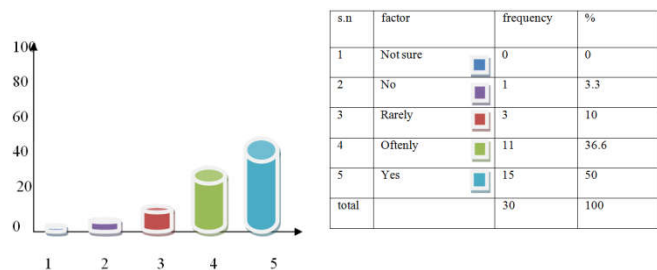
The study sought to find out the impact of performance appraisal on employee training and development. The results obtained were as shown in figure 4 1 below.

**Frequency of Performance appraisal [fig.]**



As shown in the above figure, A majority of 46.6% agree that their performance appraisal is efficient in encouraging employee development.

**Frequency of Employee training and development [fig]**



As shown in the above diagram, A majority of 50% of the respondents say yes their organizations do facilitate employee training and development.

Table 3 shows the Pearson correlation between performance appraisal and employee training and development.

**Table 3** Pearson Correlation between Performance Appraisal and Employee Training and Development

S.N	X	Y	X <sup>2</sup>	Y <sup>2</sup>	XY
1	26	24	0.36	4	1.44
2	25	24	0.16	4	0.64
3	24	28	0.16	4	0.64
4	27	27	2.56	1	2.56
5	25	27	0.16	1	0.16
	ΣX = 127	ΣY = 130	ΣX <sup>2</sup> = 3.4	ΣY <sup>2</sup> = 14	ΣXY = 5.44

$$r_{xy} = \frac{n \sum XY - \sum X \sum Y}{\sqrt{[n \sum X^2 - (\sum X)^2] * [n \sum Y^2 - (\sum Y)^2]}} \quad r=0.795$$

[1] coefficient of determination =  $0.795 \times 0.795 = 0.63$  [ $r^2$ ]; [2] coefficient of non-determination =  $1 - 0.63 = 0.37$  [ $1 - r^2$ ]; [3] determination of alienation =  $\sqrt{0.37} = 0.608$  [ $\sqrt{1 - r^2}$ ]; [4] significance of correlation = P.E. =  $0.6745 \times 1 - r^2 / \sqrt{N} = 0.6745 \times 0.37 / 2.23 = 0.11$ ;  $0.79 > 0.11$ ;  $r > P.E$ . Coefficient of correlation is certain; r is significant. The value 0.795\*\* shows the correlation is significant at 0.05 level. There is a significant association between performance appraisal and employee training and development. Hence, Ho is rejected. Ha is accepted.

This study suggests the possibility that commitment shown by organizations towards employee through investment of HRM practices allows employees to correspond by being more committed towards the organization. In other words, when employees are provided with better performance appraisal system and training and development, it will lead to higher organizational commitment. This high commitment would help employees to retain in the organization. The results derived from the data collected also indicated that performance appraisal factor contribute highly than Training and development where the beta value is 0.487. It means that 48.7% of commitment depends on a performance appraisal system. One of the implications for managers in this context of conducting performance appraisal and training and development programmes are that the managers should stay attentive to the fact that only those employees who perceive these HRM practices as fair and beneficial would tend to commit and, in turn, have lower turnover intention. This supports the study of (Abdullah *et al.*, 2011) where it is proven that performance appraisal motivates and contributes to turnover intentions of an employee. On the other hand, in the aspect of training, the study of Tannenbaum, Mathieu, Salas, and Cannon-Bowers in 1991 also supports the findings that the level of commitment escalates when they are exposed to trainings as they feel more confident about themselves. The more committed the employees were, the more they desired training. Thus, the performance appraisal and training and development programmes should be tailored in a way to attain maximum possible confidence of the employees. According to Li and Butler (2004), the confidence of employees in the performance appraisal can be gained by getting them involved in the process of making choices relevant to their tasks. In this way, employees would be able to autonomously participate (self-reported performance) in the overall performance appraisal process and would feel satisfied with the performance appraisal procedure (Cawley, Keeping, & Levy, 1998).

**Recommendations**

The findings also suggest that organizations may deploy HRM practices to employees by providing training courses and other career development programs to enhance their skills and abilities. To gain confidence of the employees in the performance appraisal system, their involvement in the performance management process should be encouraged and they should be well educated about how to monitor and evaluate their own performance. Moreover, provision and reception of feedback regarding performance appraisal should take place at all the superior-subordinate tiers and not only on top notches. Foon, Leong & Osman, (2010) explains further by reinstating employees' low commitment and its detrimental effect if proper strategies, practices are not at practiced which

subsequently increases the turnover intention in the organization. In addition, the findings of this study on organizational commitment and turnover is justified with several past studies where there is a negative relationship between organizational commitment and turnover intention (Salleh, Nair, & Harun, 2012; Beheshtifar & Allahyary, 2013; Park, Christie, & Sype, 2014). This means that by the turnover rate can be lowered through the development of committed workforce. The findings of this study explores and contributes to the understanding of the effects of the HRM practices of performance appraisal and training and development on the individual employees in terms of organizational commitment and their turnover intention, and the factors which may affect the perceptions of employees about the extent of fairness and justice in the policies deployed. One of the implications for managers is that how should they incorporate satisfaction factors within the processes of performance appraisal and training and development. Overall, the investigation regarding the effects of the HRM practices, namely performance appraisal and training and development, on the organizational commitment reveals that these two HRM practices do have a noticeable influence on the commitment of an individual employee towards the organization which, in turn, reduces the turnover intention of the employee to a great extent. Performance appraisal should be used as an important tool for evaluating, assessing and rewarding the performance of an employee. Appraisals have to be on timely basis to help the management in identifying the areas of strengths and weaknesses of the individuals and also they should aim at all round development and growth of the work force.

## CONCLUSION

In a nutshell, implementation of effective HRM Practices is imperative for both employee and organization which can lead to better productivity and performance. Future studies should be relatively focused on the effects of performance appraisal and training and development on the aspects such as job satisfaction, retention and other suitable variables. Studies should also be conducted to further test the empirical evidence and the intrinsic relationship between the HRM practices and organizational commitment highlighted in this study and how the evaluative performance appraisal gets affected by the development procedures devised by an organization. Researchers can include other relevant variables such as organizational rewards, support from supervisor, work-family support, and favourable condition of job and career development in examining the organizational commitment of employee (Haq, Jindong, Hussain & Anjum, 2014). Moreover, researcher can estimate a wide range of targeted respondents in order to get more accurate and reliable result. Although this study has drawn attention towards the relationship that exists between the HRM practices and behavior of the employees but the scope of this study is limited.

One of the limitations is the sample used, i.e. the group of employees is mainly from Klang Valley. Furthermore, this research was conducted across a large number of organizations and thus, it is difficult to determine the distinct factors of the HRM practices devised by various organizations which may affect the perception of employees towards the equity of the performance appraisal schemes. Another limitation being the variables which have been reported by the employees themselves and the possibility of bias and the resulting distortion in the overall inference cannot be ignored. Performance appraisal is an important component of human resource management practices. In absence of modern methods of performance appraisal the organization may risk losing efficient employees to their competitors. Various resources such as men, money, materials, methods play a significant role in influencing an organization. It must be noted in this context that among the above mentioned resources men are the most competent and precious and hence it becomes mandatory for the managers to take utmost care to preserve them.

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