

An investigation into Performance Appraisal effectiveness from the perception of Employees in an Irish Consumer Services Company.

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Abstract

The focus of this dissertation is on the effectiveness of the Performance Appraisal system. Performance Appraisals are an imperative part of HRM systems within organisations. According to a study carried out by the Chartered Institute of Personnel Development (CIPD), 81.3% of organisations surveyed were carrying out performance appraisal in their organisation. Performance Appraisal is known to benefit organisations by helping them measure performance, motivate employees and most commonly help to make HR related administrative decisions such as promotions and rewards.

This study aims to investigate the effectiveness of Performance Appraisals from the perception of the employees. The study was carried out in a Consumer Services Organisation in Ireland. The research adopts a survey approach where self-administered questionnaires were issued to gather data from the employees to measure their opinions of the PA system and how successful they feel it is. The surveys were issued to a total of 72 employees within the company. A total of 60 completed surveys, 83% were returned completed.

The findings of the study revealed that overall the employees were happy with having to complete performance appraisal, but there is still some work to be done in improving the system and making it more successful and rewarding. There are a few elements of the current system that are limiting the effectiveness of the appraisal, the organisation is also missing some of the vital elements that are needed in an effective performance appraisal.

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Chapter 1: Introduction

1.1 Title

An investigation into Performance Appraisal effectiveness from the perception of Employees in an Irish Consumer Services Company.

1.2 Background

Throughout the current business environment there is rapid change, with globalisation comes international, deregulated markets, and competition is high. Businesses need to constantly evolve to maintain a competitive advantage and stay alive. In order to do this, organisations need to both improve and maintain strong levels of performance. Increasingly, an organisation's success depends on their workforce and their abilities. Good employees are a major asset to an organisation and are also a source of competitive advantage.

Human Resource Management is becoming more and more important in the strategy of a company and is seen as extremely vital for strategic success. When HR sits at the boardroom table, they add value by helping the business leaders achieve things that will make the company successful (Ulrich, 2011). 'Strategic Human Resources is the strategic management of human resources aligned with the organisation's intended future direction. It is concerned with longer-term people issues and macro-concerns about structure, quality, culture, values, commitment and matching resources to future need' (CIPD, 2012).

The role HR practices play in organisational performance is increasingly becoming more important, as it is known that the way an organisation manages its people can influence its performance. Many HR departments are taking more of a strategic view and ensuring its procedures are in line with the goals of the business. Strategic HRM is more so how Human Resources can affect the organisations performance and how

improving the HR strategies in the organisation will improve the company as a whole. It is concerned with the strategic choices associated with the workforce in companies and are inevitably connected to the performance. Strategic HRM is critical to the company's survival and success (Boxall & Purcell, 2003).

Only recently, the potential role of HRM in improving an organisations performance has been realised. HRM practices can develop the performance of an organisation by contributing to employee satisfaction (Zakaria, Zainal & Nasurdin, 2012). Among the HR practices that have been studied, performance appraisal is arguably one of the more crucial ones in terms of organisation performance and appears to be an indispensable part of any HRM system (Shrivastava and Purang, 2011). 'The success, survival and competing power of organisations depend on the commitment of their members, and this may, to a large extent, depend on how satisfied the employees are in respect of the organisation's appraisal mechanism' (Abdulkadir, Isiaka& Adedoyin, 2012, p.124).

Performance appraisal is one of the most crucial human resource tool and a vital part of every organisation. Nonetheless, the procedure continues to create dissatisfaction among subordinates and can often be seen as ineffective and unfair. Bretz, Milkovich and Read (1992) indicated that perceived fairness of the appraisal system has emerged as the most important issue to be faced by managers.

Performance Appraisal can be defined as a system that involves setting employee standards, looking at employees' actual job performance, assessing that performance against the standards, giving feedback to the employee on the performance, how to improve it in the future and setting new goals and expectations for another period (Dessler, 2008). Employee appraisal has been one of the most widely studied areas

within Human Resource Management literature. It's an essential component of HRM in most organisations and one of the most vital responsibilities for human resource and line managers.

The researcher will look at the performance appraisal system within the organisation and how the staff that are appraised feel about the system and whether they believe it is effective in managing their performance and for the organisation.

'Increasingly, companies are relying on their human assets - the knowledge, competence and capabilities of the workforce - as a source of competitive advantage' (Nolan 2002, p.89). The assessment of employees' performance is one of the most common practices in almost every organisation, and so performance appraisal is an essential procedure for the better performance of employees and the organisation itself (Karimi, Malik & Hussain, 2011). Many businesses regularly use performance appraisal scores to determine the distribution of pay, promotions, and other rewards; however, few organisations attempt to evaluate how employee perceptions of performance appraisal fairness impact employee attitudes and performance (Swiercz, Bryan, Eagle, Bizzotto & Renn, 2012).

It is vital that such appraisal systems are effective and for that reason the performance appraisal must be viewed as a tool for developing and motivating staff. The usefulness of performance appraisal as a managerial decision tool depends partly on whether or not the performance appraisal system is able to provide accurate data on employee performance (Poon, 2004).

The areas the research will focus on include how an effective performance appraisal is carried out and staff's opinion on how it affects their contentment in their roles.

The researcher will investigate what the main features of effective Performance Evaluation are and how employee behaviours and attitudes towards Performance Appraisal can affect the structure. Some research has been previously done on this area, but it has seemed to focus more on the angle of how the performance appraisal affects the organisations and not so much on the employee's perspective.

‘Organisations need to eliminate performance appraisals that are an exercise in going through the motions. They need to take time to question the way things are always done and build a performance appraisal methodology that is fair and effective’ (Pritchard, 2007, p.156).

1.3 Research Problem and Aims of Research

The topic the researcher conducted the dissertation on is how effective performance appraisals systems are according to the employees who are involved the appraisal. Whether an appraisal system is effective or not may have either a positive or negative effect on the employees and the organisation.

The overall aim of this study is to look at the performance appraisal system from employees' point of view. Do they feel it is an effective tool and does it do what it sets out to do? Throughout the literature it is evident that many academics feel performance appraisal is not as practicable as it is made out to be and has several flaws.

The research will examine what the employees of the organisation being studied feel about the Performance Appraisal system and if they believe it is an effective tool.

This study involves three objectives which the researcher will test to see if these are true:

- What elements of effective Performance appraisal exist in the organisations system?
- Does effective Performance Appraisal motivate employee to work harder and improve performance?
- Is Performance Appraisal a worthwhile tool and does it help to develop employees?

By surveying the staff on whether they feel Performance Appraisal is an effective management tool, the researcher will learn whether the elements of an effective performance appraisal are present in the company and examine if the Performance Appraisal does what it sets out to do for the organisation.

1.4 The Organisation

The company this research is carried out on is a Consumer Services business which provides emergency rescue and insurance in Ireland. They specialise in home, motor and travel insurance. The company employs around 480 people who are mainly based in Dublin. The company was established in 1910.

The company have a Performance Management system which includes a performance appraisal tool. Their appraisal meetings are held annually and are largely carried out by the Management. As an organisation with such a large work force, it is important that the employees feel this system is worthwhile and effective. Performance Appraisals, for the most part, are implemented as a way of advising employees what is expected from them in their roles and how well they are meeting targets and expectations.

Chapter 2: Literature Review

2.1 Introduction

Throughout this chapter, the researcher investigates the background of the research area. It will look at the Performance Appraisal, from its beginnings, where it originated, where it is today and how it has advanced over time into a key talent management tool. It will also look at the most important features of the performance appraisal system and what elements are essential in implementing a successful appraisal system.

It will then review the benefits of Performance Appraisal systems and how they can develop an organisation's workforce into a high performing labour force. As this study looks at employees' perceptions, the literature review will also look at how effective Performance Appraisal can be of value to them and also how ineffective Performance Appraisals occur.

2.2 Performance Appraisal

Performance can be defined as

“What is expected to be delivered by an individual or a set of individuals within a timeframe. What is expected to be delivered could be stated in terms of results or efforts, tasks and quality, with specification of conditions under which it is to be delivered” (Kumari & Malhotra, 2012, p.78).

Armstrong (2006) defined Performance Appraisal as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting. While The Chartered Institute of Professional Development (CIPD) have a more comprehensive and in-depth definition which argues that

‘Performance Appraisal is an opportunity for individual employees and those concerned with their performance, typically line managers, to engage in a dialogue about their performance and development, as well as the support required from the manager’ (CIPD, 2013).

Performance appraisal is not just about rating employees, Meenakshi (2012) identified that organisations carry out Performance Appraisal as a basis for administrative decisions such as promotion, allocation of financial rewards, employee development and identification of training needs. ‘Appraisal is preceded by establishing general objectives or a description for the job, identifying specific job expectations, providing feedback and, when necessary, coaching’ (Hillman, Schwandt & Bartz, 1990, p.20).

Fletcher (2004) believes that the general aims of Performance Appraisal also include Motivating staff, Succession planning and identifying potential, promoting manager-subordinate dialogue and formal assessment of unsatisfactory performance. However, Khan (2007) states that the fundamental objective of performance appraisal is to facilitate management in carrying out administrative decisions relating to promotions, firings, layoffs and pay increases. From carrying out the performance appraisal, management then have to make choices in relation to retention, future assignments and training and developmental needs (Hillman et al, 1990).

According to Obisi (2011, p.92), ‘Organisational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. This explains why almost every organisation carries out some form of performance appraisal either on its own or as part of their performance management system’.

2.3 History

‘Performance Appraisal became a widely used management tool in businesses around the 1980’s. Its modern uses had previously been restricted to Army Officers and Senior Management’ (Taylor, 2005, p291). However appraisal has been present throughout history and has advanced significantly over time.

Some of the earliest evidence of Performance Appraisal was seen in the 3rd century when a Chinese philosopher Sin Yu criticised a biased rater of the Wei Dynasty on the grounds that the Imperial Rater of Nine Grades rarely rates men by their merits but always rates them according to his likes and dislikes (Patten, 1977). Appraisal was seen further on, in 1648 when it was stated that the Dublin Evening Post evaluated legislators using a rating scale based on personal qualities (Hackett, cited in Wiese and Buckley, 1998). Appraisal then became a more formal process, firstly in the 1800’s when a General in the US Army submitted an assessment of his soldiers to the War Department. The Army General used a global rating, which defined his men as for example ‘a good-natured man’ or ‘a knave despised by all’ (Bellows and Estep, 1954).

The first recorded appraisal system in industry was by Robert Owen in New Lanark Mills, Scotland around 1800. He used character books and blocks to rate staff. The character book recorded each worker’s daily report. The blocks were coloured differently on every side to represent an assessment of the worker rating them from strong to weak. These blocks were then displayed in the employee’s workplace. Owen was happy with the how the blocks improved the workers behaviour (Cardy & Dobbins 1994).

Following the success of the appraisal system used in the Armed Forces, senior management of large US corporations wanted to test this technique within their

organisations and so hired many of these people who were associated with the practice used in the Army. The tools for rating evolved over time from Global Rating towards Man-to-Man Rating and then to Trait based Rating. These appraisal tools tended to exclude top management and also used the same forms for all workers regardless of skills and duties. They tended to focus on past actions instead of future goals and were always conducted by the supervisor with little input from the employee (Wiese & Buckley, 1998). Because of this a change was brought about in the tools used and consequently the critical incident and forced choice methods were introduced. These methods were more advanced and substantive than previous approaches, but their intricacy meant that they are not readily used in today's world (Flanagan, 1954).

The popularity of performance appraisal in an industry setting was growing and by the early 1950s, 61% of organisations carried out performance appraisals frequently, compared to only 15 per cent immediately after the Second World War (Spriegel, 1962).

Smith and Kendall (1963) created the Behaviourally Anchored Rating Scales (BARS) hypothesized to be superior to alternative evaluation methods in several. This replaced numerical or adjective ratings used in the graphic or trait rating scales, with behavioural examples of actual work behaviours. BARS meant supervisors could rate employees on observable behavioural elements, rather than on a scale. The major advantage of such measures is that the evaluator has to make fewer inferences about the employee. The evaluator is cast more in the role of observer and less in the role of judge (Schwab, Heneman, & DeCotiis, 1975). 'Numerous spin-offs to BARS have been developed since. The contribution of these developments has been an

emphasis on the behavioural bases of performance ratings' (Wiese & Buckley, 1998, p241).

One of the most influential events in the evolution of performance appraisal was the legal requirements that changed how appraisals could be carried out. The enactment of the 1964 Civil Rights Act in the United States, which prohibited administrative action on the basis of colour, religious beliefs, sex, etc., led to a legal use for Performance Appraisal. This legal constraint was the final blow to subjective, trait-based approaches (Banner & Cooke, 1984). This meant that the use of personality traits in Performance Appraisal and the links between appraisal and human resource consequences had become strictly regulated. This change has played an enormous part in the shift towards Performance Appraisals as they are now, where there are numerous ethical concerns to take into consideration.

2.3.1 Performance Appraisal Today

Performance Appraisal still plays a huge part in organisations today. A report carried out by the CIPD in 2009 found that 81.3% of organisations surveyed were carrying out performance appraisal in their organisation as part of their performance management.

In recent years, performance appraisals have been used in organisations for numerous reasons, as opposed to the historical method it was used for, making administrative decisions. According to Cleveland, Murphy & Williams (1989) there are four main uses for Performance Appraisal in organisations today. These are Between Individual Comparisons, Within Individuals Comparisons, Systems Maintenance and Documentation.

Between individuals relates to comparison of individuals in terms of performance, Within Individuals concentrates on identifying and developing individuals strengths and weaknesses. Systems Maintenance can mean using Performance Appraisal as a source to link company procedures and strategy with the performance of employees and the goals that they have achieved and are working toward. Linking Performance Appraisal to the business goals of the company has been seen as an innovative way of focusing employees' actions to the priorities of the business. The purpose of Documentation is the use of performance appraisal to document or justify personnel decisions and ensure they are meeting legal requirements (Cleveland et al, 1989; Wiese & Buckley, 1998).

Throughout the vast amount of journal articles and research on performance appraisal, there is a substantial view that while performance appraisal seems like a great tool and should be of huge benefit to every organisation, they can be moderately ineffective and so have taken a lot of criticism. Lawler (2012) discusses how a lot of literature poses the idea of dismissing performance appraisal completely, but he believes that Performance Appraisal is a vital procedure for effective talent management. He recommends that the way forward for Performance Appraisal is not to eliminate it but to work on making it an effective tool. 'The key is to make them part of a complete performance management system, which includes goal setting, development, compensation actions, performance feedback and a goals-based appraisal of performance' (Lawler, 2012).

2.3.2 360° Appraisal

360 degree appraisal is an approach to performance appraisal that involves gathering performance information from people on all sides of the manager – above, beside, below and so forth (De Nisi & Griffen, 2008). This approach allows management to

match the strengths and weaknesses from each perspective and gain a more accurate, rounded view of a person's true performance (Conway, 1996).

Rees and Porter (2003, p.83) define 360 degree appraisal as a process that involves the key people in a person's network of working relationships making assessments of a person's performance. The subordinate being appraised is then given structured feedback; this may involve feedback from subordinates and any key outside parties, if it is practicable.

Some of the subordinates that may give feedback are the immediate manager, other management in the organisation, peers, internal and external customers and suppliers.

360 degree appraisal can be used to reduce the bias of the appraisal process by removing top down ratings by managers. This is done by replacing them with a multisource assessment (Grint, 1993). However, Prowse and Prowse (2009, p.73) argued that a manager in 360-degree appraisal 'collates feedback rather than judges performance and summarises evaluations and so the validity of upward appraisal means the removal of subjective appraisal ratings'.

Using the 360 degree appraisal technique can mean there will be more negative feedback given, and this is known to demotivate staff. It is therefore vital that the managers are using the feedback received from the other raters wisely and ensure it is consistent and unbiased (De Nisi and Griffen, 2007, Prowse and Prowse, 2009).

De Cenzo and Robbins (2007) feel that appraisers should only rate in those areas in where they have substantial job knowledge. They should be as close as possible to the organisational level of the employee being evaluated. If the appraiser is not in

position where they can observe the persons work behaviour then there is a greater chance of inaccuracies.

2.3.3 Performance Appraisal and Performance Management

The majority of recent literature on Performance Appraisal states that it needs to be carried out as part of a whole Performance Management system and none solely on its own. Performance Management can be defined as a systematic process for improving organisational performance by developing the performance of individuals and teams (Armstrong, 2006). Walters (1995) defined Performance Management as the ‘process of directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organisation’. Williams (2002) believes the notion of Performance Management is creating a shared vision of the aims and purpose of the organisation, helping each individual employee to understand and recognise their part in contributing to them, and thereby managing and improving the performance of both individuals and the organisation.

Performance Appraisal plays a central role in Performance Management Systems; it is normally the vehicle behind which the organisational goals and objectives are translated into an individual’s objective. It also remains the primary way of discussing and acting on the development of the individual (Fletcher, 2004). When a part of performance management, appraisal is much more tightly linked with the larger business environment. De Nisi and Griffen (2008, p.318) state that Performance management refers to ‘a general set of activities which are carried out by the organisation to improve employee performance’. Although performance management is typically reliant on performance appraisals, performance management is a broader and more encompassing process and is the ultimate goal of performance appraisal activities (De Nisi & Griffen, 2008). Performance

Management has been seen to be more successful and brings a lot of benefits to an organisation. A study carried out by Fletcher and Williams (1996) in 9 UK organisations showed that features of performance management lead to organisational commitment and in particular, job satisfaction.

Performance management systems are effective when they are based on goals that are jointly set and are driven by an organisation's business strategy (Lawler, Benson & McDermott, 2012). Performance Appraisal from a social-psychological perspective as opposed to the traditional tool for measurement is becoming more popular, viewing Performance Appraisal as a communication and social process.

2.4 Effective Performance Appraisal

From reviewing the literature, there appears to be no one single best method of Performance Appraisal, although there are certain common elements throughout all effective methods. 'Effective performance appraisals are commonly associated with clear goals that are attached to specific performance criteria and are well-accepted by both appraiser and appraisee' (Mustapha & Daud, p.158). All effective performance appraisals include elements such as linking appraisal to rewards, the supervisor and employee working together to identify goals, performance goals clearly defined, feedback given to the appraiser on their effectiveness and compliance with legal requirements (Rankin & Kleiner, 1988).

2.4.1 Employee Perception

'The success of any HR intervention in organisation is heavily dependent on employees' perception of that intervention' (Rahman & Shah, 2012, p.11). For performance appraisal to be effective and useful, it is vital that those taking part, the appraiser and the appraisee, are both benefiting from it and find the procedure a productive tool, as without this, it would be impossible for the system to work.

Employees' thoughts of performance appraisal systems could be as important to the continuing success of the system as reliability and validity (Dipboye and Pontbriand, 1981). Employee perceptions of the fairness of their performance appraisals are useful in determining the success of performance appraisal systems (Erdogan, Kraimer & Liden, 2001). A vast amount of literature looks at whether performance appraisal is successful based on rating accuracy and qualitative aspects of the appraisal, but it is reasonable to suppose that employees' reactions to the appraisal system could have just as much influence on the success of an appraisal system (Cawley, Keeping & Levy, 1998). An organisation might develop the most precise and sophisticated appraisal system, but if the system is not recognised by the staff, its effectiveness will be limited.

Fletcher (2004) listed the three things that employees being appraised looked for in a performance appraisal, these are: perceiving the assessment as accurate and fair, the quality of the existing relationship with the appraiser and the impact of the assessment on their rewards and well-being.

According to Cawley et al (1998) subordinates reactions to Performance appraisal can be a way of measuring their outlook towards the system. The main reactions that can be assessed are their satisfaction from the appraisal, the utility, whether they felt they were fairly appraised, how motivated they were from the appraisal and the accuracy of the system.

Boachie-Mensah & Seidu (2012) advises that employees are likely to embrace and contribute meaningfully to the Performance Appraisal scheme if they recognise it as an opportunity for personal development, a chance to be visible and demonstrate skills and abilities and an opportunity to network with others, but if employees

perceive Performance Appraisal as an unreasonable effort by management to try to closer supervise and gain control over tasks they carry out, they won't welcome the scheme as easily.

“Performance appraisal isn't about the forms. The ultimate purpose of performance appraisal is to allow employees and managers to improve continuously and to remove barriers to job success, in other words, to make everyone better. Forms don't make people better, and are simply a way of recording basic information for later reference. If the focus is getting the forms "done", without thought and effort, the whole process becomes at best a waste of time, and at worst, insulting”(Bacal, 1999).

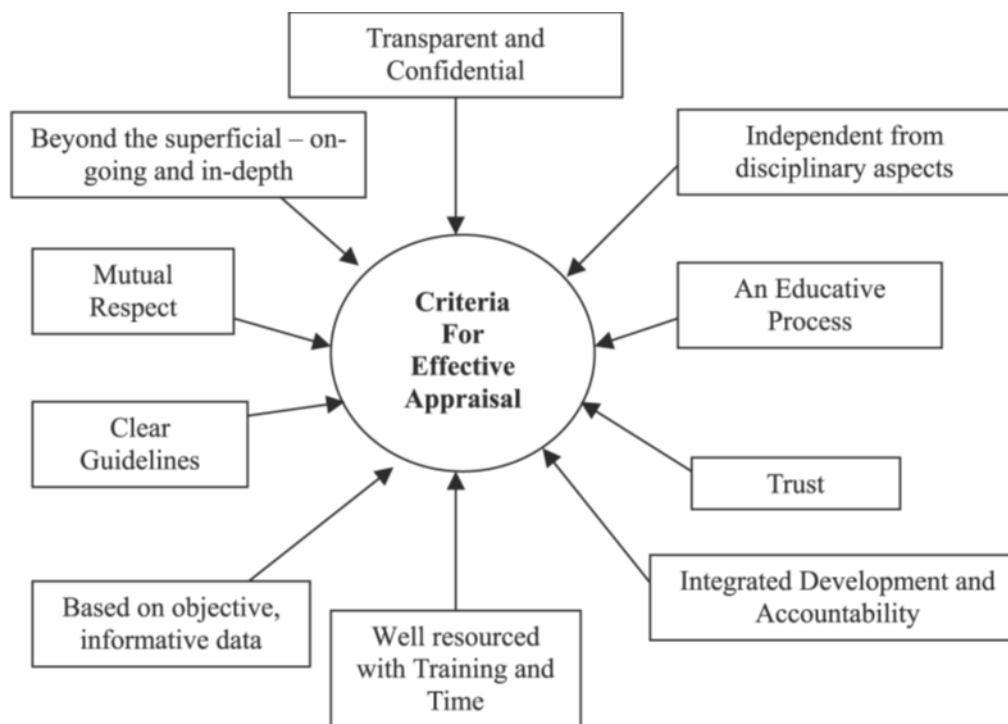


Figure 1-1: Elements of appraisal effectiveness by Piggot-Irvine (2003, p.173)

In Figure 1-1, we see the essential criteria for effective appraisal according to Piggot-Irvine (2003). From her studies, she found that for performance appraisal to be effective the system should be confidential, informative, have clear guidelines and be educative. In order to have effective appraisal, the process must be embedded completely throughout the organisation where the values shape part of the fabric of the everyday life of the workplace (Piggot-Irvine, 2003). As previously mentioned Rankin & Kleiner (1988, p.14) believed that effective performance appraisals have six key factors. These six factors are:

- Performance goals must be specifically and clearly defined.
- Attention must be paid to identifying, in specific and measurable terms, what constitutes the varying levels of performance.
- Performance appraisal programmes should tie personal rewards to organisational performance.
- The supervisor and employee should jointly identify ways to improve the employee's performance, and establish a development plan to help the employee achieve their goals.
- The appraiser should be given feedback regarding his/her effectiveness in the performance appraisal process.
- The performance appraisal system, regardless of the methodology employed, must comply with legal requirements (notably, Equal Employment Opportunities guidelines).

Ensuring that the performance appraisal ties in with organisational goals is pivotal to the effectiveness of the appraisal. If the goals of the performance appraisal process are in contrast with the organisational goals, the resulting performance appraisal

system could, in fact, be of harm to effective organisational functioning (Barrett, 1967).

Performance Appraisal is intended to gather crucial information and measurements about the actions of staff and the company's operations which are valuable to management for enhancing the employees' productivity, working conditions, their morale, and inner workings of the organisation wholly (Rahman & Shah, 2012). 'Effective managers recognise performance appraisal systems as a tool for managing, rather than a tool for measuring, subordinates. They may use performance appraisals to motivate, direct and develop subordinates' (Wiese & Buckley, 1998, p244).

Having both the manager carrying out the appraisal and the employee setting goals mutually is crucial for the effectiveness of the performance appraisal. This can ensure that the employee will work harder to reach these goals as they participated in setting them initially. The degree of involvement of subordinates in the appraisal has been seen to be of benefit to the success of the system. Cawley et al (1998) proved that subordinate participation in the appraisal procedure is related to employee satisfaction and their acceptance of the performance appraisal system. Employee Participation is a key element of intrinsic motivational strategies that facilitate worker growth and development (Roberts, 2003). Folger (1987), as cited by Roberts (2003) stated that the participation of employees in the appraisal system gives employees a voice and empowers them to rebut ratings or feedback that they are unhappy with. Greater employee participation is known to create an atmosphere of cooperation, which encourages the development of a coaching relationship, reducing tension, defensive behaviour and rater – ratee conflict which could be caused by the appraisal (Jordan, 1990).

Pettijohn, Pettijohn, Taylor & Keillor (2001) identify participation and perceptions of fairness as integral to employees' perceptions of job satisfaction and organisational commitment. They conclude that Performance Appraisal Systems can be used to actually improve employees' levels of job satisfaction, organisational commitment, and work motivation.

2.4.2 Appraisal Ineffectiveness

One of the major causes of ineffective performance appraisal is the dislike that both the appraiser and appraisee have towards the process. Performance Appraisal is one of the most emotionally charged procedures in management (Swan, 1991). Almost every executive has dreaded performance appraisals at some time or other. They hate to give them and they hate to receive them (Sims, Gioia & Longenecker, 1987). Many managers and supervisors are unwilling to make accurate evaluations of subordinates because they do not want them to be hurt. Where the consequence of a low evaluation is termination, no pay increase, an unpleasant work assignment, or no promotion, managers are reluctant to be precise (Kearney, 1978). Watling (1995) highlights the importance of giving appraisals based on facts, not just feelings and suggests the best way to do this is by measuring performance by surveys, on the job observation, peer group feedback and results against targets. This is important to consider in establishing what an effective performance appraisal is. The appraisal will not be accurate if the manager carrying out the appraisal is having difficulty in giving feedback honestly and truthfully. Because of the emotional variability involved in such processes, accuracy is something which will seldom be achieved. But is this a vital element for management, as it has been shown that executives giving appraisals have ulterior motives and purposes that surpass the mundane

concern with rating accuracy (Sims et al, 1987). One manager surveyed by Sims et al (1987) felt that accurately describing an employee's performance is really not as important as generating ratings that keep things going. Some other reasons for managements manipulation of the feedback in an appraisal setting is that they have to work with these people and do not want to create tension or hostility, also the element of there being a physical document from the appraisal recorded permanently on the employees record meant that the appraiser may soften the language used.

Unfair procedures used in performance appraisals create job dissatisfaction. A Performance appraisal system should be fair and must provide accurate and reliable data (Karimi et al, 2011). Therefore it is important that performance management systems are fair to staff so that the organisation can reap the benefits.

So many Performance Appraisal systems are solely used as a procedure to determine whether a promotion or raise will be given or as a way of communicating to staff what their role is. But instead of being used as a form of judgement, performance appraisal should be used for the benefit of both the employee and the organisation. Continuous assessment could possibly be used as a retention tool and as a system of determining what skills the organisation has and what ones it is lacking.

2.5 Benefits of Performance Appraisal

An effective performance appraisal system will bring benefits to the staff member being appraised, the manager completing the appraisal and the organisation as a whole.

For the Organisation, benefits include (Fisher, 1995):

- Improved Performance due to effective communication, increased sense of cohesiveness and better management-staff relationships

- Training and Development needs identified more clearly
- A culture of kaizen – continuous improvement
- Competitive Advantage in the Market place
- Employee Satisfaction as a sense that employees are valued is spread

For the staff being appraised, the benefits include (Fisher, 1995; Sudin, 2011; CIPD, 2012):

- Enhanced relationships with line managers
- Increased job satisfaction
- A better understanding of expectations
- Greater knowledge of strengths and weaknesses

For the Manager carrying out the appraisal, the benefits include (Fisher, 1995; CIPD, 2012):

- Better relationship with employees – trust.
- Stronger knowledge of what is going on in the organisation
- Better knowledge of employees – knowing their individual strengths and weaknesses
- Facilitate management in decisions including pay rises, promotions, redundancies etc.

2.6 Critics of Performance Appraisal

Both researchers and management have worked for many years to try to find better ways to improve performance in organisations, however managing and evaluating performance is still a major challenge for the majority of managers today (Armstrong, 1994).

Throughout the literature, there are many authors who feel that Performance Appraisal is a waste of time. Grint (1993, P.64) stated that 'Rarely in the history of business can such a system have promised so much and delivered so little'.

According to Redman and Wilkinson (2009) the critics of Performance Appraisal believe it is an expensive process, that it can cause conflict between the appraiser and appraisee, is not hugely valuable and might also be debilitating the development of employee performance. Carroll and Schneier's (1982) research established that Performance Appraisal ranks as the most unpopular managerial activity.

One thing that is common with the critics of Performance Appraisal is that they do not have a suggestion as to what should replace it, what can be introduced as an alternative.

Instead of eliminating Performance Appraisal, organisations need to work on improving their system and make sure that it is effective. They need to reinvent, update and renew their performance appraisal procedures so that they are more compatible with the organisation and its environment.

Wiese & Buckley (1998, p.256) state that 'often, the goal of the rater is not to evaluate the performance of the employee, but to keep the employee satisfied and not to deleteriously influence employee morale'. This can lead to confusion as the goals of the manager and the organisation are conflicting. If the manager is concerned with his own image and doesn't want to give negative rating then this is differing from what the organisation wants.

It is vital that when trying to find ways to improve Performance Appraisal in organisations that they look at making sure the Performance Appraisal system is used as it was intended to be and teaching this to the management involved.

2.7 CIPD viewpoint

As mentioned previously the CIPD (2012) define Performance appraisal as an opportunity for individual employees and those concerned with their performance to engage in a dialogue about each individual's performance and development, as well as the support required from the manager. They also state how important it is to recognise that performance appraisal is not just about assessing the past but also about driving behaviour that will sustain performance in the future.

The CIPD (2012) believe that Performance appraisal is an operational task, it is short to medium-term and mainly concerned with individual workers and their performance and development. While it is one of the elements of performance management, and the data produced can feed into other components of performance management, appraisal by itself does not constitute performance management.

2.8 Summary

The review of the literature of this study focused on the History of Performance Appraisal, how to make Performance Appraisal an effective system, the Benefits of Performance Appraisal for the organisation, management and employees and the arguments for and against Performance Appraisal. It also looked at the CIPD's view of the system. This chapter set out to show the evolution of performance Appraisal from when they first were introduced to the role they play in today's organisations.

From reviewing many authors research and their thoughts on Performance appraisal, the majority believe that they are here to stay, and the major focus is on improving them and making them fit in your organisation. The authors who are critical of

Performance appraisal systems do not offer us any alternatives and so have not given us any new information.

The aim of this study is to determine how the employees of the organisation perceive Performance Appraisal, the review of the literature has aimed to have shown how performance appraisals can be effective and beneficial and will give assistance in the evaluation of the employees' perception of the Performance Appraisal in their workplace.

For the most part, the literature looks at Performance Appraisal from the organisations point of view but what this study sets out to do is to look at performance appraisal from the view of the employees and whether they feel it is a worthwhile and effective exercise.

Chapter 3: Research Methodology

3.1 Introduction

This chapter will discuss the methodology used for the study and outline the key features of the research design. Using a framework for the research process, this chapter will look at the aims and objectives of the study, compare qualitative versus quantitative research methodologies and the selection of the quantitative approach. The chapter also contains a justification for the technique that was chosen for the research and looks at some of the alternative methods that could have been used, whilst also discussing the advantages and limitations for this study. The chapter goes on to look at the use of questionnaires, interviews, issues with reliability, sampling methods and ethical considerations of the research.

3.2 Research Framework

The researcher used a framework designed by Saunders, Lewis and Thornhill (2007) when designing the methodology of the study. This framework, known as the 'Research Onion' (see Figure 2-1) was adopted to give a structure to the research process that is carried out.

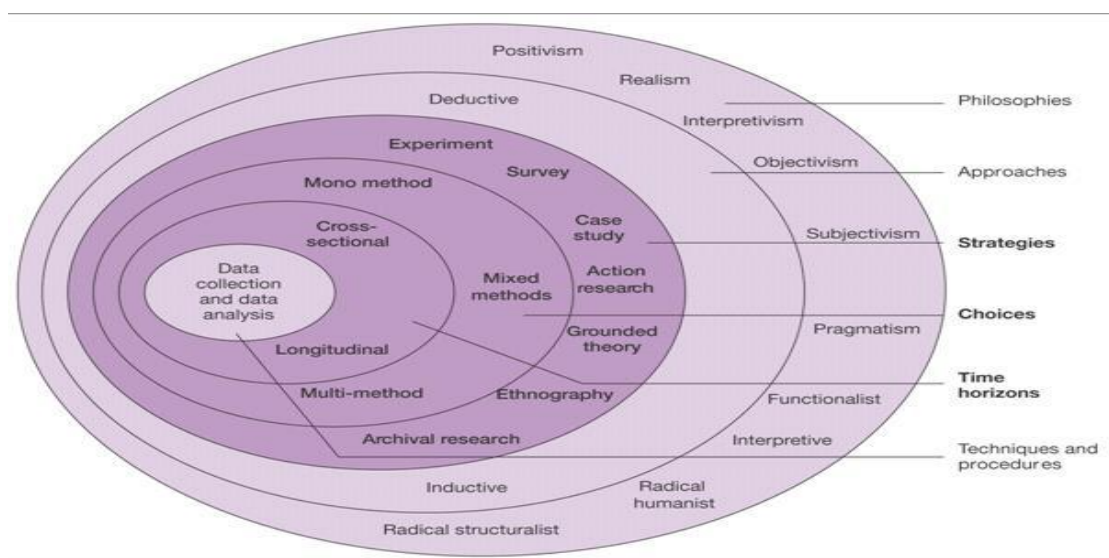


Figure 2:1 The Research Onion by Saunders, Lewis & Thornhill (2007, p.102)

3.3 Research Philosophy

‘The research philosophy you adopt contains important assumptions about the way in which you view the world, these assumptions will underpin your research strategy and the methods you choose as a part of that strategy’ (Saunders et al, 2007, p.101).

Epistemological Considerations

An epistemological issue concerns the question of what is or should be regarded as satisfactory knowledge in a discipline (Bryman & Bell, 2007). ‘It is a branch of philosophy that studies the nature of knowledge and what constitutes acceptable knowledge in a field of study’ (Saunders et al, 2007, p.597).

There are four epistemological positions: Positivism, Realism, Interpretivism and Constructionism. This research will take a positivistic approach. The positivism approach is where the researcher believes that only observable phenomena can provide credible data and facts (Saunders et al, 2007).

Phenomenology is a research philosophy that sees social phenomena as socially constructed, and is particularly concerned with generating meanings and gaining insights into those phenomena (Bryman & Bell, 2007). It is an anti-positivist approach that does not concern facts or measuring the consistency of events but rather tries to understand and explain people’s behaviour. Positivism involves using current theory to develop hypotheses that will be tested and confirmed or rebutted and will lead to more development of the theory (Saunders et al, 2007). Taylor (1989, p.23) describes positivists as having ‘detached the knowing subject from the social context and yet sought to validate knowledge by the analysis of the subject’.

3.4 Research Approach

There are two types of research approaches deductive and inductive. An Inductive approach is where the researcher collects data first and then develops theory as a result of the data analysis.

According to Robson (2002) deduction approaches have 5 stages:

- Deducing a Hypothesis
- Expressing the hypothesis in operational terms
- Testing the hypothesis
- Examining the outcome
- Modifying the theory in light of findings if necessary.

This research takes a deductive approach. The reason for this selection is that the researcher assumes that there are sufficient amounts of studies done in the area of performance appraisal. Performance Appraisal is one of the most heavily researched areas of Human Resource Management.

3.5 Research Strategy

The difference between quantitative and qualitative methods is a subject which is come across repeatedly in deliberations about the research method and design. The difference between qualitative and quantitative study is that qualitative study expresses human experiences and opinions into words that are descriptive, whereas quantitative research expresses them in to numbers (Duffy and Chenail, 2008) Qualitative research relates to the views, experiences and feelings of individuals and generating subjective data. It can be seen as an inductive view of the relationship between theory and research, whereby the former is generated out of the latter (Bryman & Bell, 2007). Quantitative Research is often described as a social research method that applies a natural science and positivist approach to social phenomena

(McGovern, 2009). Quantitative research can be used to measure attitudes, satisfaction, commitment and a range of other useful data and metrics that can be tracked over time and used as part of a wider business planning and business strategy process. Bryman and Bell (2007) describe quantitative research as the collection of data and exhibiting a view of the relationship between theory and research as deductive and a preference for a natural science approach.

According to Horn (2009), Quantitative research collects predominately numerical data and often relies on deductive reasoning. Deductive reasoning forms a view about the likely nature of a thing, and then tests whether the view is correct. It often reports findings in terms of the relationship between one variable and another. The main method of quantitative research is the questionnaire. The analysis of the data is mostly statistical.

Positivists state the advantage of the quantitative method is the objectivity, due to the distance maintained between the observer and the observed (McGovern, 2009). As this study will take a positivistic view, Quantitative methods are best suited. A quantitative method was selected for the research carried out in this study for numerous reasons.

Previous Research – From reviewing previous research that has been carried out on the area of Performance Appraisal, the vast majority involved carrying out quantitative methods of research. As quantitative research is known for measuring attitudes and opinions, this suits the aims of the research being carried out.

Time Constraints - Carrying out quantitative research suited the researcher due to time constraints. Qualitative research can be quite time consuming especially when it is vital that your research investigates opinions of a large group. As this study aims

to see employee's perceptions, it would be impossible to interview all employees, and so quantitative research is a faster way to reach a large amount of people to get their thoughts

Objectivity – Quantitative research is known for its objectivity. Quantitative methods look at the respondents' opinions and attitudes and compare them; they do not try to influence responses and ensure the researcher is detached from the respondents. It is essential that the investigator is completely objective and do not try to influence a study with their values and perceptions (Burns et al, 1993). As the researcher wants valid answers, quantitative research is best suited as it minimises the risk of bias, something which can seriously threaten the validity of a study.

3.6 Research Instrument

The researcher looked at numerous instruments that they could use to carry out the research, but after careful consideration, chose to use a survey/questionnaire as the design of the research carried out. She felt that it is best suited to the research plans as the research has to gather a large collection of data from a big population. This method of data research collection was also chosen as the researcher needed to ensure the answers were objective. It is vital that valid opinions and attitudes were given, and surveys are known for not influencing or manipulating answers given.

A questionnaire is a highly structured data collection technique whereby each respondent is asked the same questions (McColl, 1993). Surveys are popular as they allow the collection of a large amount of data in a highly economical way (Saunders et al, 2007). The researcher developed a survey for employees that receive performance appraisal; the surveys looked into how the employees felt about the performance appraisal systems and whether it is effective in their opinion.

There are numerous advantages for using a questionnaire to carry out research, Polit and Hungler (1999) state some of the advantages:

- They are less expensive than other data collection methods.
- Results are achieved quickly and questionnaires can be completed at the discretion of the interviewee.
- Questionnaires reduce bias or faults which could be caused by the researcher's attitude.
- They offer a considered and objective view on the research question.
- They are a stable and dependable measure without variation.

As time has been a constraint for me, using questionnaires is best suited as they are not as time consuming as other methods of research. One major advantage for me is that they are significantly less expensive to carry out as can be all done online. As the research involves measuring employees' perceptions and attitudes towards Performance Appraisal, Surveys give me a way to ask a large number of people, their thoughts and get a broad view of the work force's opinion.

There can also be some disadvantages to using questionnaires. According to Bryman and Bell (2007)

- Questionnaires don't have an opportunity for probing or exploration of questions asked and for the answers that are given.
- Questionnaires can be linked with a poor response rate because of a lack of respondent motivation in completing them.
- You can never be sure that the questionnaire is being completed by the right person; it could very well be completed by someone other than the desired respondent.

- There is a greater risk of missing data, where the respondent may not complete an answer or skip it entirely.

3.7 Survey Design

The first part of the survey was in relation to demographics. The researcher believed it would be beneficial to collect information in relation to employees' length of service, age group and gender. These questions are of benefit when analysing the data as they will show perspectives from staff in different lengths of services, or what may differ between male and female perspectives.

The next part involves questions in relation to the Performance Appraisal, gathering simple information like do they take part in performance appraisal, how often it is carried out, and if they feel it is necessary. The following part involves a series of statements about the process in relation to Pay, Goal Setting and effectiveness of the system. The respondent must rate on these statements on a scale. These are called Likert Scales. Likert Scales are a method of rating scales generally used to gather the opinions and attitudes of people. The respondent is given a series of statements and is asked to choose a position on a five point scale between strongly agree and strongly disagree (Fisher, 2004).

The objective of the questionnaire was to gather data in order to measure both the attitudes and the opinion of the employees in terms of the effectiveness of the performance appraisal system currently used in the company.

3.8 Population

The population is the "universe of units from which the sample is to be selected" (Bryman and Bell 2007, p.717). The target population for this research was the total work force of the insurance company. The insurance company has 480 staff including management. The researcher carried out the research on employees in the

differing departments of the organisation namely Finance, Marketing, Training, Operations and Information systems who are subjected to performance appraisal. The survey was not administered to the whole organisation due to restrictions from the HR department. They allowed for the surveys to be submitted to one building of the company, which houses the systems, training, and departments.

The survey was administered to a total of 72 employees of which the researcher received back a total of 60 completed surveys, 83.33% of the staff targeted.

3.9 Sample

A sample is a small subset of a population, said to be representative in some way of the population (Quinlan, 2011). Sampling can be a vital procedure when analysing data as it is a valid way of collecting data without using the entire population, in particular when both time and budget constraints exist for the researcher.

Due to the numbers that the survey was administered to, the researcher did not use a sample from the returned surveys, as previously mentioned the organisation only allowed for a certain sample of the staff for the survey to be sent to.

3.10 Ethical considerations

Ethical conduct states that it is the responsibility of the researcher to assess carefully the possibility of harm to research participants, and to the extent that it is possible, the possibility of harm should be minimised (Bryman & Bell, 2007, p.128).

When carrying out research it is important that participants are aware of why it is being carried out, and what will be done with the information they provide. If this is not made clear, the information given may not be entirely truthful or accurate. It is important to inform respondents that participants' identities will not be shared and that there is full confidentiality. It is also important that in quantitative research,

investigators must be completely objective and try not to influence a study with their own values and perceptions (Burns et al, 1993).

Permission was gained from the HR Department of the Insurance Company to allow the researcher to carry out the research. They allowed the researcher to distribute the questionnaire to the respondents in two ways, as a link from their bi-monthly newsletter and by dropping a number of surveys to each department. Due to security issues within the Insurance Company it was not possible for the researcher to send the surveys out through a personal email address.

Every questionnaire that was sent out was attached to a cover letter which clearly explained the purpose of the survey. The questionnaire didn't require the names of the respondents; this was to protect their identity and remain anonymous. As a result, the employees were aware from the beginning what the researcher was doing, why and where the information was going and why it was being gathered.

3.11 Analysis of Data

As previously mentioned, Quantitative research expresses human experiences and opinions into numbers (Duffy and Chenail, 2008). Once the surveys were completed and returned, the researcher put all the data into the system to begin the analysis.

To analyse the data collected from the questionnaires, the researcher used SPSS. SPSS is a system for statistical analysis and helps to display findings by creating charts and tables. It is one of the most widely used computer software packages for analysis of quantitative data for social scientists (Bryman & Bell, 2007, p.360).

In order to achieve the findings and results for the dissertation, the author used descriptive analysis to summarise the data. These methods will be numerical and/or

graphical. Graphical methods are known for recognising patterns in the data, while the numerical methods of analysis are acknowledged for giving precise measures.

The analysis will consist of graphs, tables and charts to outline the responses received which will be examined and discussed. The reasons for using this procedure are to make it easier for the reader to compare and understand the findings.

The aim of the analysis is to provide a run through of the opinions and perceptions of Performance appraisal from the employees surveyed. The analysis will look to address the objectives created by the researcher in Chapter One.

3.12 Limitations

One of the major limitations of this research was the scope that it covered. Due to time and access constraints, the researcher carried out the research in just one organisation. Because of this, the findings of the research are just based on one company in a particular industry. The research does not apply to all organisations and so are reasonably isolated.

Chapter 4: Findings

4.1 Introduction

This chapter will present the data collected from the surveys completed by the employees of the organisation and go on to discuss the research findings. The researcher used graphs and charts to display the findings in order to make it easier for the reader to analyse the results. The chapter will first look at the demographic statuses of employees surveyed their age, gender and length of service, it will then go on to examine and discuss the responses to the questions asked and the statements that were presented to the respondents in the questionnaire. The findings will look at how effective the appraisal is according to the employees, this will be measured using their answers to the survey questions.

The researcher laid out three objectives in Chapter One of the dissertation. These were:

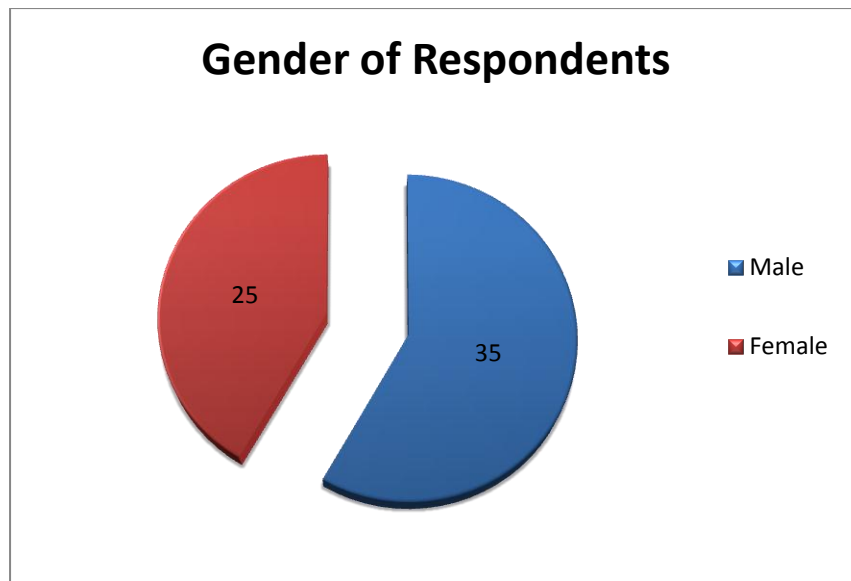
- What elements of effective performance appraisal are present in the organisation?
- Does Effective Performance Appraisal motivate employees to work harder and improve their performance?
- Is Performance Appraisal a worthwhile tool and does it help to develop employees?

4.2 Analysis of Results

Gender:

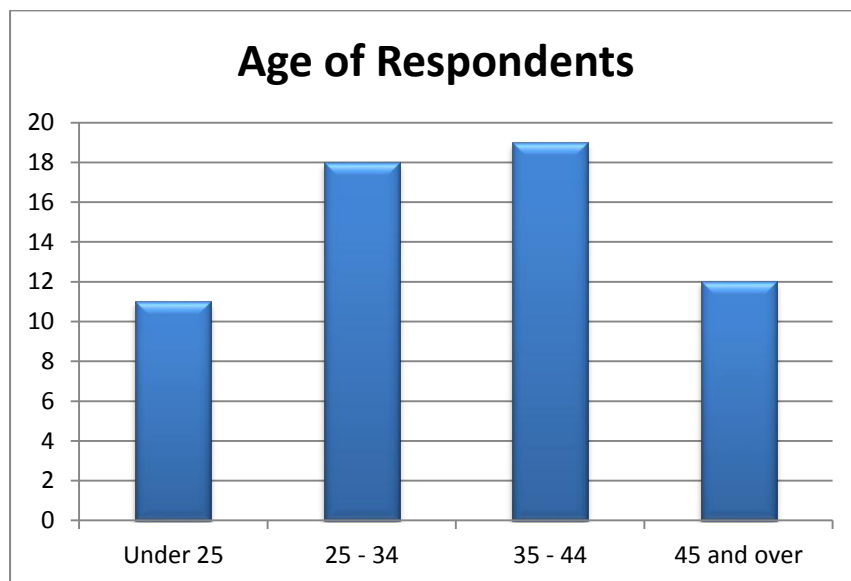
Of the 60 respondents, 35 or 58% selected male and 25 or 4% selected female.

Figure 4-1



Age of Respondents:

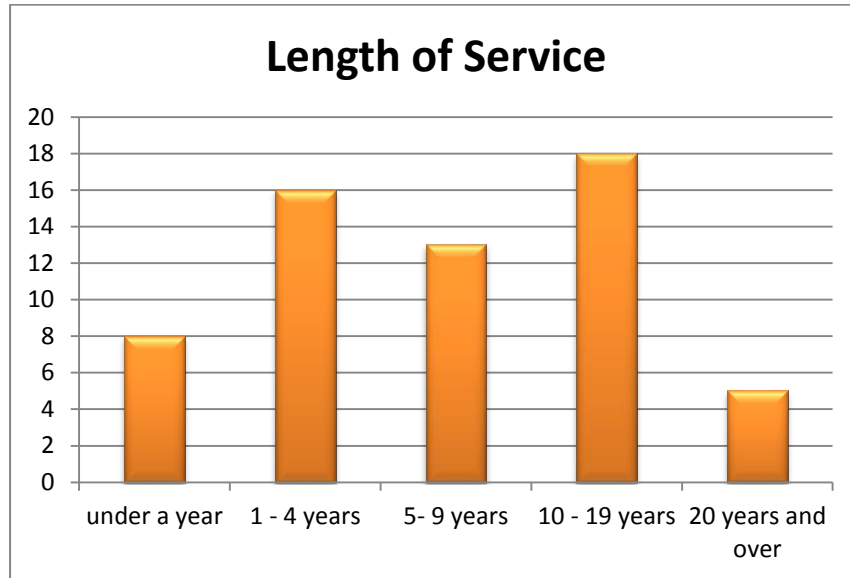
Figure 4-2



Most participants of the survey are aged between 35-44, totalling 19 or 32% of the respondents. The next most common age group was 25-34 which had a total of 18 employees or 30%. 20% of the respondents are 45 and over and 18% of them are in the 25 and under category.

Length of Service:

Figure 4-3



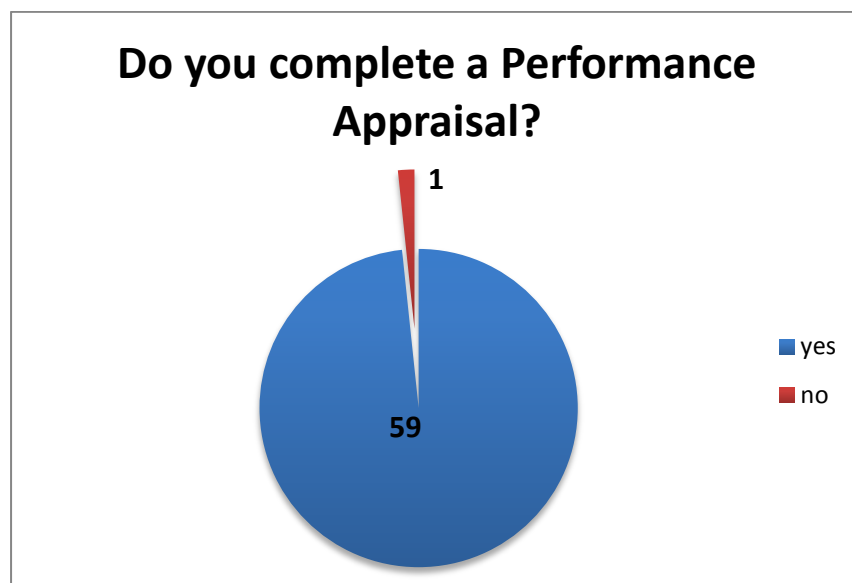
For this question, of the total 60 respondents, 8 of those are working in the organisation under a year, a percentage of 13. Sixteen respondents or 27% are working in the company between 1-4 years and 13 of the employees or 22% are there between 5-9 years. The largest section of employees are in the organisation 10-19 years, a total of 18 of the respondents, or 30%. The smallest category with 8%, 5 of the 60 staff surveyed are in the company over 20 years.

An employee's length of service can have a forceful influence on how they perceive Performance Appraisals. If an employee is with the company less than a year and has only has one appraisal meeting then they may have a different view on it that someone who is with the company over 20 years. This can be a problem in many elements of the appraisal, in particular when looking at whether the system is of benefit to the employees. Someone in the same position and in the same organisation for a long length of time may feel that there is not as much to gain from Performance

appraisal as someone who is new to the company. They may find it difficult to keep setting goals and may find the systems less valuable than others. As a result, they may have a negative view on performance appraisal. The researcher will later look at length of service and the need for appraisal simultaneously.

Question 1

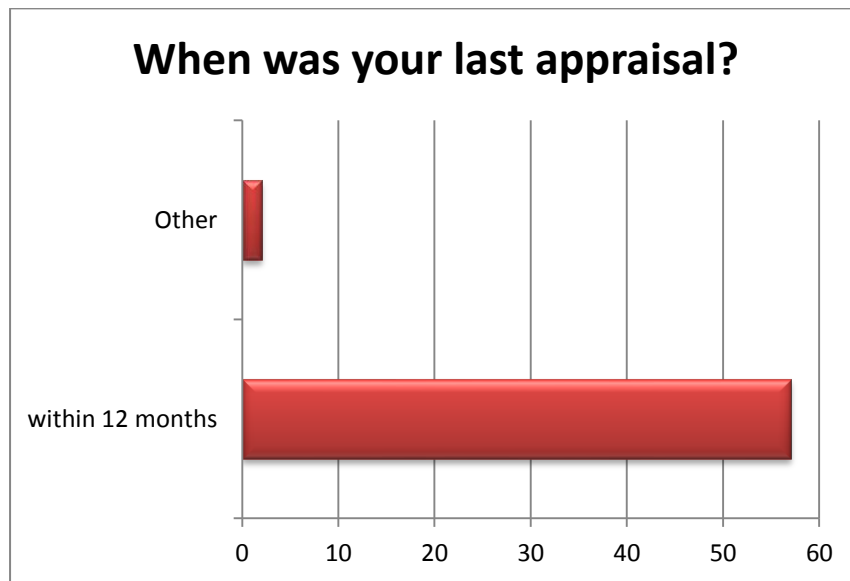
Figure 4-4



Of the 60 respondents, 59 answered yes to the question of whether they complete a performance appraisal. Therefore, only 1 employee surveyed advised they did not complete a performance appraisal process. The researcher found this interesting, as previously discussed it is vital that organisations involve as many employees as possible in the appraisal system. If the employees are not measured the same way then there may be some injustice in how employees are assessed. If injustice exists then employees may not have much confidence and trust in the appraisal system.

Question 2

Figure 4-5



Out of the 60 respondents, 57 stated that their last performance appraisal was within 12 months. 2 respondents selected other, 1 stating it was 14 months since their last appraisal and the other stated it had been 18 months. One respondent did not answer this question as they had advised they have not been appraised. This shows that 95% of the employees have been appraised in the last year. Fisher (1995, p.27) states that 'appraisals are held annually but some organisations prefer to have them twice a year or even more frequently'. Having 95% of staff appraised every year is a solid figure, but the fact that 2 employees surveyed did state that they had not been appraised in over a year could mean that the organisation may be slipping back. It is important that they hold an appraisal meeting at least once a year and may want to look into having them more frequently.

Question 3

Figure 4-6

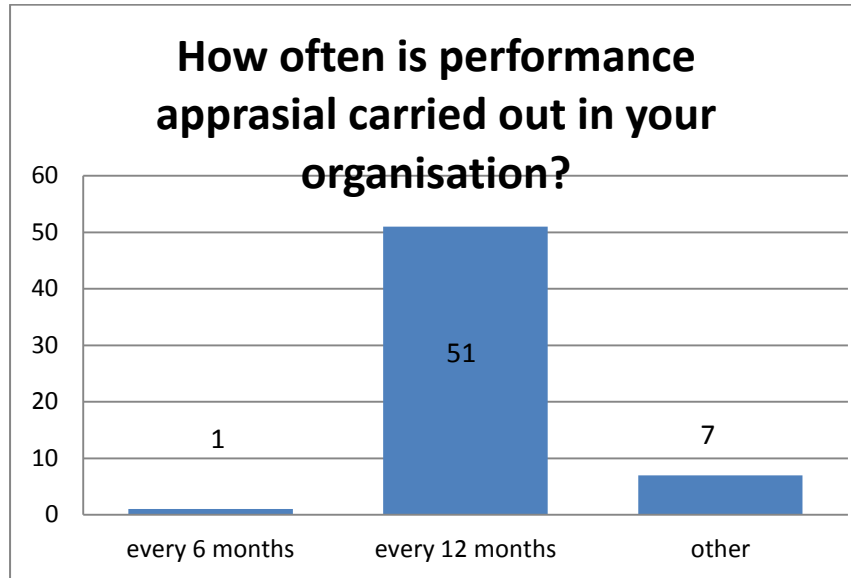


Figure 4-7

	Frequency	Percentage
Every 6 months	1	2%
Every 12 months	51	86%
Other	7	12%
TOTAL	59	100%

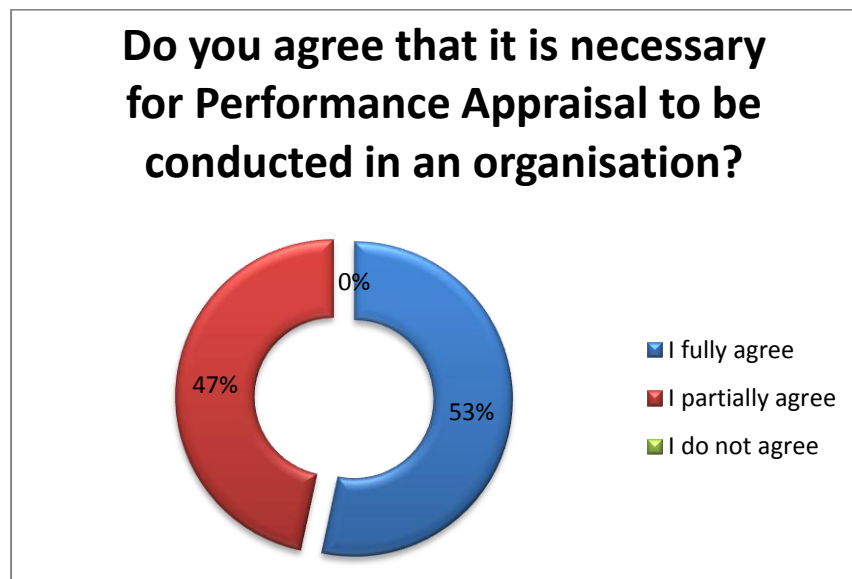
In order to further look into question two and the frequency of performance appraisal in the organisation, the researcher asked how often was Performance Appraisal carried out in the company. According to the responses of this question, 51 employees answered that performance appraisal is carried out every 12 months, 1 employee stated that appraisal was carried out every 6 months and 7 employees selected other. From the Other section, 6 employees stated that appraisal was carried out every 18 months and one selected every 3-4 months. One employee did not

complete this question as they had stated they do not complete performance appraisal.

This result shows that 10% of respondents affirmed that they are appraised once every 18 months, while 86% of respondents are appraised every 12 months. 2% of employees are appraised every 6 months and 2% are appraised every 3-4 months. These figures show some inconsistency in how often the appraisal is carried out. The majority of respondents are appraised every 12 months but, with some contradictory figures, the organisation needs to ensure that there is a level of consistency throughout the appraisal process.

Question 4

Figure 4-8

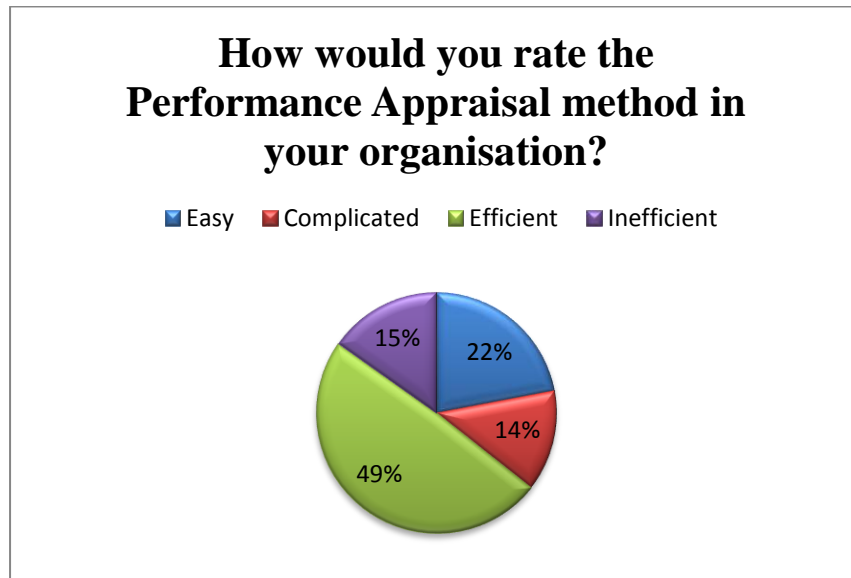


Out of the 60 respondents, 53% of them fully agreed that Performance Appraisal should be conducted, 47% of employees surveyed partially agreed that appraisal should be carried out. Not one respondent selected that they did not agree that they should be carried out. This is a good result as it means all the employees

have some understanding of the system and when the company carry it out. Although just less than half of them, 28 respondents only partially agree. This could be a worrying factor for the company, it is vital that employees are aware of the reasons why appraisal is carried out and is explained comprehensively to them.

Question 5

Figure 4-9



According to the responses of this question, 49%, or 29 respondents, rated the performance appraisal method as efficient. Thirteen, or 22%, of the respondents rated it as easy, 15% rated it as inefficient and 14% rated it as complicated.

Almost half of the employees surveyed feel the system is efficient, this is a positive result for the company, but having 36% of the respondents stating that it was either inefficient or complicated could have some implications. Employees' thoughts on the performance appraisal system are vital to the continuing success of the system (Dipboye and Pontbriand, 1981). Therefore if employees' opinions of the system are

not positive, then the system will not work as it is supposed to, as a tool to assess, motivate and develop employees.

Question 6

Figure 4-10



Performance Appraisal can be used for numerous reasons, the above 6 elements are the most common aims of performance appraisal. As previously mentioned Meenakshi (2012) identified that Performance Appraisals are used as a basis for decisions such as promotion, allocation of financial rewards, employee development and identification of training needs. Fisher (1995) states the objectives of Performance Appraisal are to review past performance, to assess training needs, to set targets for future performance and to help with disciplinary and other administrative decisions. A total of 93% of employees' surveys selected to Review Performance as what the company aims to achieve from the performance appraisal system. The next highest answer selected was to determine training and development needs, with 60% of respondents agreeing that this is what the organisation are striving to achieve. 57% of employees, 34 respondents, selected that their

organisation used performance appraisal to set targets for future performance while 53%, 32 respondents selected that the company's objective for Performance Appraisal was as a basis for disciplinary proceedings. The next most popular aim selected by respondents was that Performance Appraisal is used to determine upgrading and promotion. Exactly one third of all respondents selected this. The least popular selection by respondents was that Performance Appraisal was used to determine payments and rewards. Only 17% of respondents selected this is what the company are trying to achieve by having a performance appraisal system.

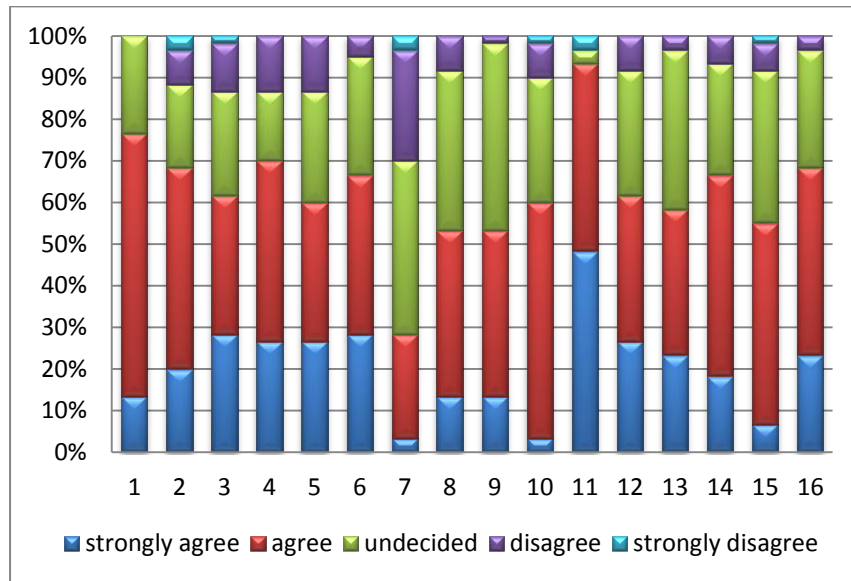
Many academics believe that one of the main purposes of Performance Appraisal is using it as a tool to determine rewards and benefits. Rankin & Kleiner (1988) understood that one of the key factors of performance appraisals is that the programme should tie personal rewards to organisational performance. However Fisher (1995) states that including pay and reward in the performance appraisal can cause problems. He believes that it can cause conflict between the developmental aspects of the scheme and the financial rewards aspects. If the two were to be mixed up in the one review, the parties may focus on the financial outcomes and neglect the more important developmental aspects. Based on this, many companies tend to have a separate meeting to focus on performance related pay.

The employees seem to be able to identify most of the objectives the company has for the Performance Appraisal process and have some idea as to why it is carried out. According to Longenecker and Fink (1999) the exact goals of the system must be identified and communicated clearly throughout the organisation. But what is demonstrated by the responses of the survey is that employees of the organisation do not acknowledge all of the performance appraisal goals, with both the rewards and promotion objectives receiving a poor number of votes.

Question 7

1. I take greater understanding of the results expected of me.
2. I receive specific and accurate feedback from my manager on my past performance.
3. I feel more motivated after performance appraisal.
4. It improves the relationship with my manager.
5. I feel that the time spent on PA is well worthwhile.
6. Performance Review improves job performance.
7. Promotion is purely based on Performance Appraisal.
8. Performance Goals are clearly defined in the appraisal process.
9. The Performance Appraisal process supports the Company's Strategy.
10. Performance Reviews provide me with the opportunity to set personal goals.
11. All the information obtained from PA is confidential.
12. Performance appraisal makes me better understand what I should be doing.
13. Performance appraisal in my company is fair.
14. I clearly understand the purpose of performance appraisal.
15. Since participating in the Performance Appraisal process, I have developed personally.
16. The Performance Appraisal System helps identify areas for development.

Figure 4-11



These 16 statements deal with to how the respondent feels about performance appraisal. This will help to identify whether the employees benefit from performance appraisals and how they feel about being completing them. The success of an organisation largely depends on the commitment of their members, and this may, to a large extent, depend on how satisfied the employees are in respect of the organisation’s appraisal mechanism (Abdulkadir, Isiaka& Adedoyin, 2012). Employees need to have both an understanding and a commitment to the appraisal procedure, but this is difficult if they do not feel they are benefiting from it and see it as a confidential and transparent process. The outcome of the performance appraisal should be a win-win situation for both the organisation and the employees.

When looking at the statements as a whole, the results seem to be mostly positive, with the majority of the respondents selected that they agreed or strongly agreed. There was also a significant amount of respondents who selected undecided. The figures for disagreeing and strongly disagreeing for the most part are low.

The statement with the highest volume of disagreement is statement seven, which relates to Promotion being based on performance appraisal. This echoes the results of Question 6 in where only 1/3 of the employees selected that they felt appraisal was used for a basis for promotion and also to Question 9 below. For the most part the organisation does not seem to base promotion and reward decisions on the results of the appraisal.

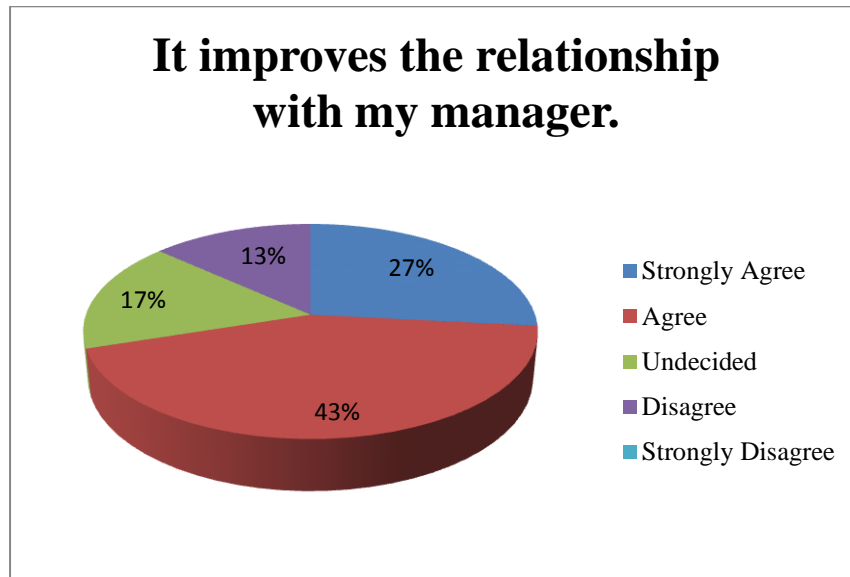
The statement with the lowest disagreement, where none of the 60 respondents selected disagree or strongly disagree was statement 1. This statement asked the respondents whether they take a greater understanding of the results expected of them from the appraisal. This is a good result for the company as Performance Appraisals cannot be successful without the staff taking part understanding the goals that are being set and knowing what level their performance needs to be at in future.

Statement eleven has the highest amount of strongly agrees: this was selected by 29 respondents, 48%. It also has the joint highest amount of strongly disagrees, with 2 of the 60 respondents selecting they strongly disagreed with the statement. This statement concerned whether the respondents felt the information gathered in the performance appraisal is confidential. While 3% of the respondents strongly disagreed, 89% of respondents agreed that it was confidential, so overall this is a good result for the company. The company need to ensure that the appraisal system is the same for everyone involved, and does not favour some employees over others. Piggot-Irvine (2003) listed confidentiality and transparency as one of the elements of effective performance appraisal.

One of the most important statements in this question is whether the appraisal improves the relationship between the employee and the manager carrying out the

appraisal. Statement 4 asked the respondents to rate whether they felt the system it improved the relationship.

Figure 4-12

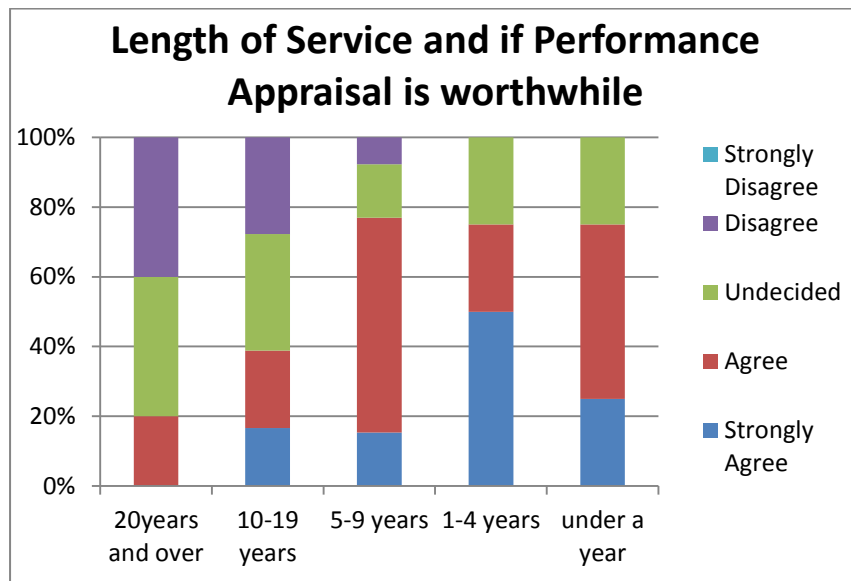


With 70% of the respondents selecting they agreed it improved the relationship, it is apparent that the organisations system is improving communications and building better relationships between the management and their staff. Fletcher (2004) listed that one of the three things that employees being appraised looked for in a performance appraisal is their relationship with the appraiser. In the eyes of the employee, the performance appraisal is not effective if there is not a good relationship between them and the appraiser.

Statement 5 looks at whether the respondents think appraisal is worthwhile. An interesting take on statement 5 is to look at it in terms the length of service of the respondents. The longer the employees have worked in the organisation, the lower the agreements with the statement are. 40% of the employees in the organisation over 20 years disagree that appraisal is worthwhile, while none of the staff in the

company under a year or there 1-4 years disagreed. The chart below shows both the percentages and the shift between the categories of length of service. This proves that employees' perception of performance appraisal is effected by their length of service.

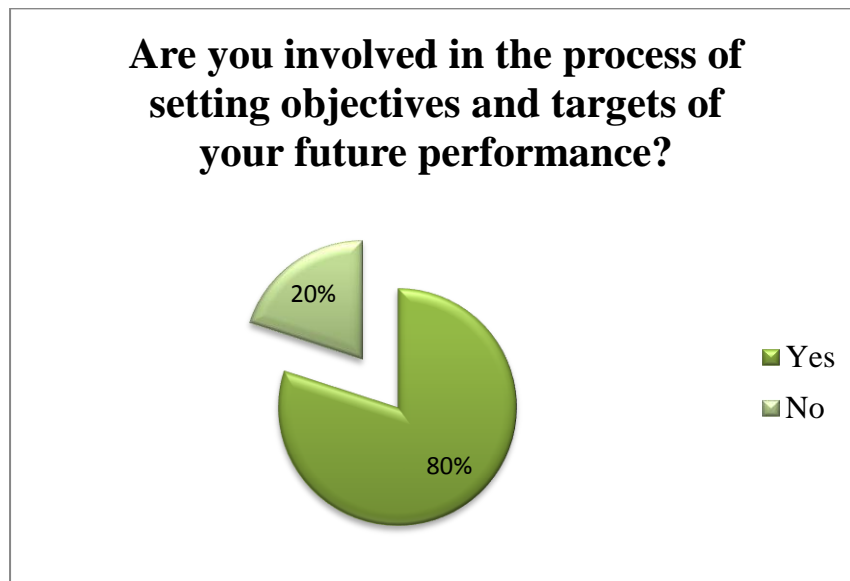
Figure 4-13



Question 8

A total of 48 respondents (80%) answered yes to this question that they are involved in setting the objectives and targets for their future performance. 12 respondents (20%) of the total, stated that they were not involved in this process.

Figure 4-14



Both Cawley et al (1998) and Roberts (2003) have previously highlighted the benefits of having the appraisee involved in the process of setting objectives and goals for their performance. They stated how it keeps employees interested in the procedure and helps them to understand it better. Having the employees involved in setting the objectives of the appraisal is linked to improved employee satisfaction.

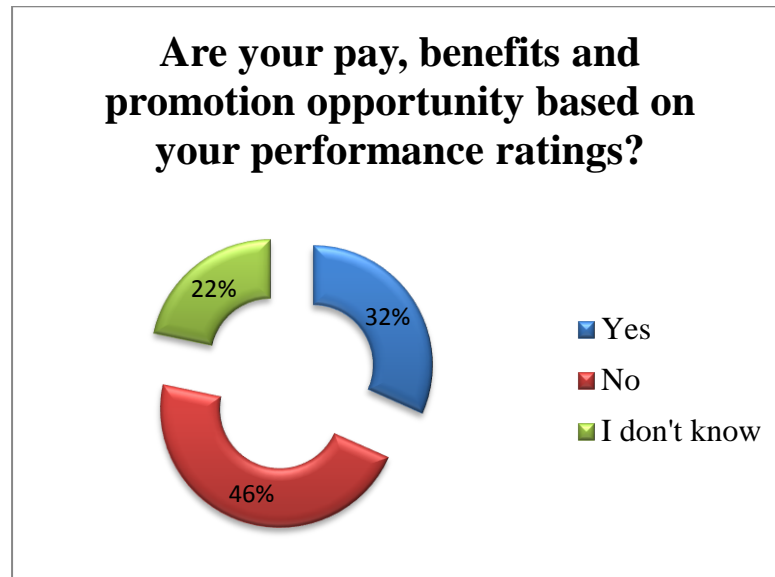
Nelson (2000) suggested that employees' involvement in the process of setting objectives for themselves is a motivator itself and can be a practical way of improving their performance.

Question 9

This question relates back to question 6 about the organisation's aims of performance appraisal. It asks the respondents directly whether their pay, benefits and promotion are based on their performance ratings. 46% of the respondents selected No, that they were not based on the performance rating; a total of 28

respondents. 32% of employees stated that these decisions were based on their performance ratings and 22% stated they did not know if they were or not.

Figure 4-15



The results show that there is a considerable amount of variety throughout the organisation as to whether rewards and promotion are linked to the results of the performance appraisal or not. While there are arguments both for and against using performance appraisal for pay and reward choices, there is a substantial percentage of respondents who are unsure if it is a part of their appraisal. A total of 22% of the staff surveyed said they did not know if such decisions were based on their performance ratings or not.

This again highlights that there is significant variety in how the performance appraisal are carried out in the organisation. Such inconsistency needs to be resolved and a Performance appraisal procedure that is used across the board needs to be considered.

Question 10

This question looks at who sets the goals in the appraisal meeting. Thirty eight or 63% of the respondents selected that both them and the managers set the goals together, while 22 or 37% of the respondents selected that it was solely the job of the manager to establish the goals. None of the respondents selected that they alone set the goals.

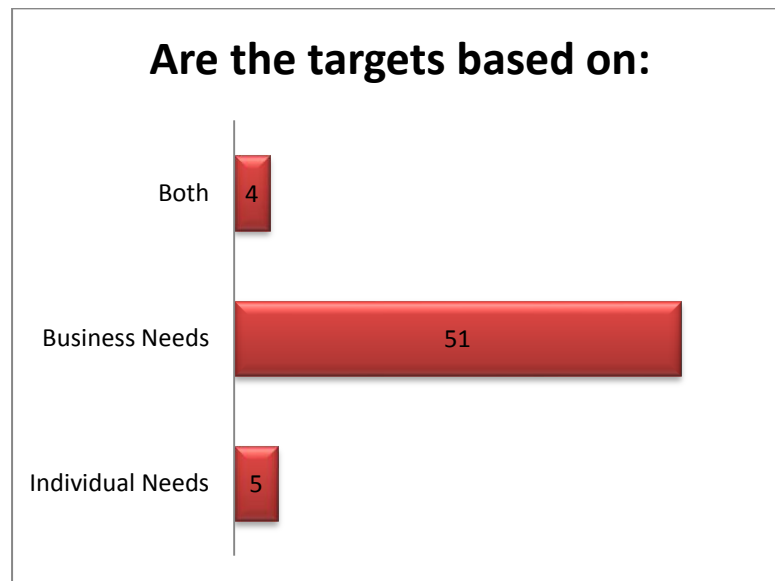
Figure 4-16



As discussed in the literature review, effective performance appraisals include a high level of employee participation. Lawler et al (2012) stated that Performance management systems are effective when they are based on goals that are jointly set and are driven by an organisation's business strategy. Rankin and Kleiner (1988) agreed that effective performance appraisals include elements of the supervisor and employee working together to identify goals. To ensure the employees have a connection with the procedure and feel involved in the appraisal is vital for the effectiveness of the system.

Question 11

Figure 4-17



Of the 60 employees surveyed, 85% stated that the targets were based on the business needs. Five (8%) of the respondents selected that they were based on individual needs and 4 employees, 7% of the total, stated that they were based on a combination of both needs.

One of the chief aims of performance appraisal is to set goals and targets for the person being appraised. These are the objectives which the appraisee has to meet and will be reviewed on at their next appraisal meeting. It is important that these targets are in line with the company strategy, As mentioned in the beginning of the dissertation, Strategic HRM is critical to the company's survival and success (Boxall & Purcell, 2003), because of this, ensuring performance goals are directly linked to the company strategy is imperative. From looking at the responses to this question, the large majority of targets are based on the company needs. While it is indisputable that the needs of the company are paramount, it is imperative to also have an element of individual needs encompassed in the appraisal. In total only 9 respondents stated that there is some form of individual needs involved in their targets.

4.3 Discussion

Objective One

In terms of measuring whether the performance appraisal process in the organisation is effective, the researcher will look into whether the process includes fundamental elements of an effective appraisal according to the literature. The elements that will be discussed are fairness, employee-manager relationship, rewards linked to appraisal, accurate feedback, clearly defined goals, confidentiality and mutually set goals.

- **Fairness**

According to the responses of the survey, 74% of employees agreed that the performance appraisal system is fair. Bretz et al (1992) stated that fairness of the appraisal system has emerged as the most essential issues to be faced by companies. Fletcher (2004) also listed fairness as a crucial element of effective appraisal. Overall, fairness of the appraisal is not a major issue for the organisation as it seems to be a vital part of their system and is an element of appraisal the company values.

- **Manager – Appraisee Relationship**

A total of 70% of the employees agreed that the system improves their relationship with the manager. 27% of these respondents strongly agreed, while 43% agreed. Fisher (1995) lists better relationships as a major benefit of performance appraisal for all parties involved. Having meetings with a manager in relation to performance, gives employees the opportunity to discuss past performance and new targets and can often be a chance to speak about employees are getting on in the role. This may not be something many

employees get the opportunity to do in larger organisations and consequently this can help build relationships and improve communication.

The respondents overall seem happy with the relationship with their manager as a result of the performance appraisal, and so this is not a concern for the organisation,

- **Rewards tied to appraisal**

Forty-six per cent of the employee's surveyed stated that their pay, benefits and promotion are not based on the performance appraisal. When employees were asked in question six to choose what they felt were the aims the company had for performance appraisal, 20% of the total respondents chose that it was to determine upgrading and rewards.

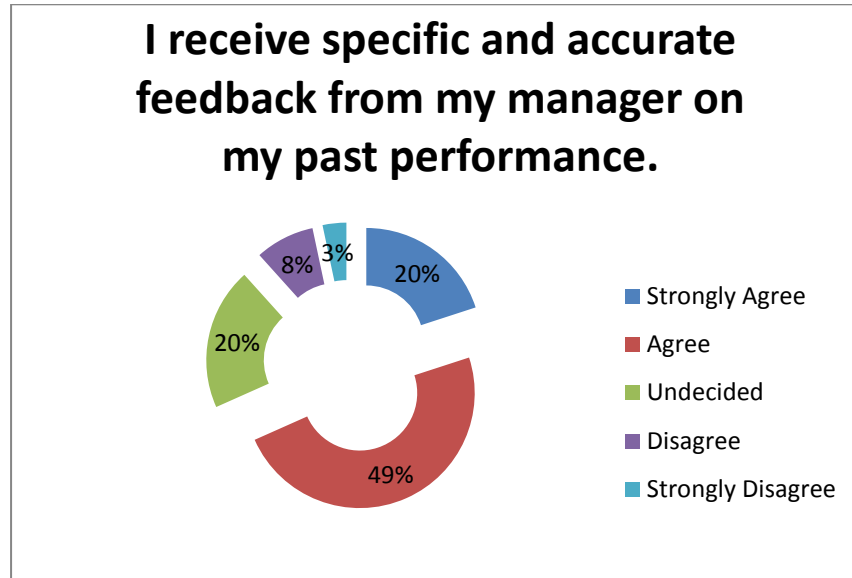
As previously mentioned, various organisations like to keep rewards and pay separate from appraisal as it can distract employees from the developmental elements of appraisal. Nevertheless, tying rewards to performance is commonplace across all industries and is widely recognised as an effective measure. From looking at the responses, the organisation in question does not appear to use the appraisal as a method for determining rewards and pay, this is not necessarily a negative, but it is important that the company makes participants aware of what they are using the appraisal for. 22% of employees stated they did not know whether appraisal results were linked to their pay and rewards. .

- **Specific and Accurate feedback**

As per below, the majority of the respondents either agreed or strongly agreed that the feedback received was accurate and specific, (69%). Fletcher

(2004) also noted that ensuring feedback is specific and accurate is one of the most important elements of performance appraisal.

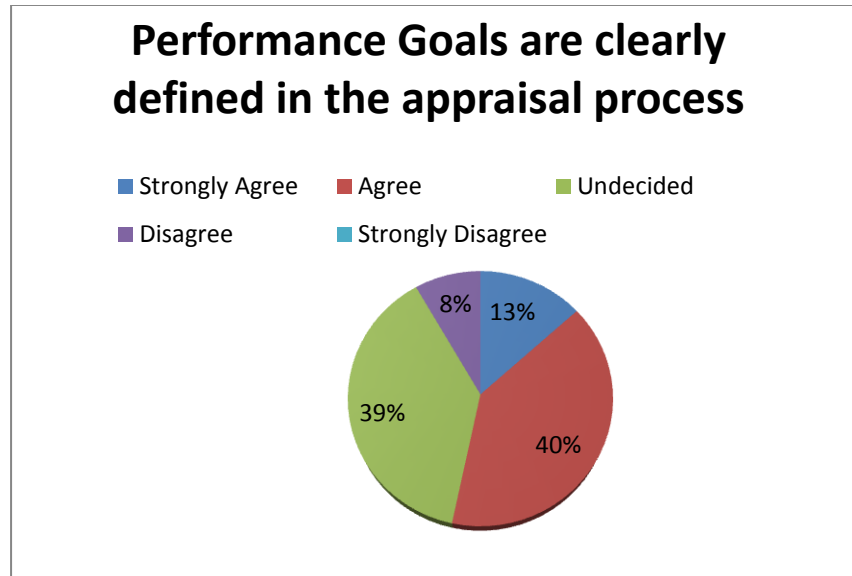
Figure 4-19



While a large volume of the respondents agreed feedback was specific, 8% disagreed and 3% strongly disagreed. This element seems to be present in some appraisals but not in others. Performance Appraisals need to be parallel across the board for the system to be effective throughout the whole organisation.

- **Clearly defined goals**

Figure 4-21



According to the results of the survey, 53% agreed somewhat with the statement that the goals are clearly defined for them in the appraisal meeting. 8% of the respondents disagreed; they felt the goals were not clearly defined in the appraisal process. But what is evident in these figures is that 39% were undecided whether the goals were clearly defined or not. This shows a lot of variation in how the appraisal is carried out by managers within the company, with some staff members agreeing strongly with how clear their goals are and some disagreeing.

- **Confidentiality**

As previously mentioned in the analysis of Question seven, Piggot-Irvine (2003) named confidentiality as a vital element for effective performance appraisal. The large majority of respondents (89%) agreed that performance appraisal is confidential process, while 3% strongly disagreed. A response of

89% is extremely strong and shows the organisation aim to ensure that the process is confidential at all times, although with a number of employees having disagreed, the organisation is not doing enough to ensure confidentiality is across the board.

- **Mutually set goals**

The importance of employee participation in performance appraisal is colossal for the effectiveness of the procedure. Cawley et al (1998) stated that staff participation in the appraisal procedure has a major consequence on employee satisfaction and their acceptance of the performance appraisal. Accordingly, including the employees in the process of setting goals is fundamental to the effectiveness of performance appraisal. When the respondents were asked whether they were involved in the process of setting goals, 38 of the 60 respondents (63%) stated that both they and the manager set the goals collectively. The remaining 37% of the employees surveyed stated that the manager set the goals alone. This is another strong response in terms of mutual involvement in the goal setting, but the inconsistency in how appraisal seems to be carried out is unmistakable, and needs to be dealt with.

Looking at the organisations appraisal in terms of the above elements, it is evident that all of them exist within the companies aims, but some more than other.

Fairness, confidentiality and the manager-appraisee relationship have been selected by respondents as being reasonably apparent in the appraisal process, while specific and accurate feedback, clearly defined goals and mutually set goals have more

variety in terms of the responses. The element with the weakest presence in the appraisal system is having rewards tied to the appraisal.

The literature in Chapter 2 looked at the critics of performance appraisal and appraisal ineffectiveness, it revealed that many academics viewed performance appraisal as an expensive process, something that can cause conflict between the appraiser and appraisee, of little value and debilitating to the development of employee performance (Redman and Wilkinson, 2009).

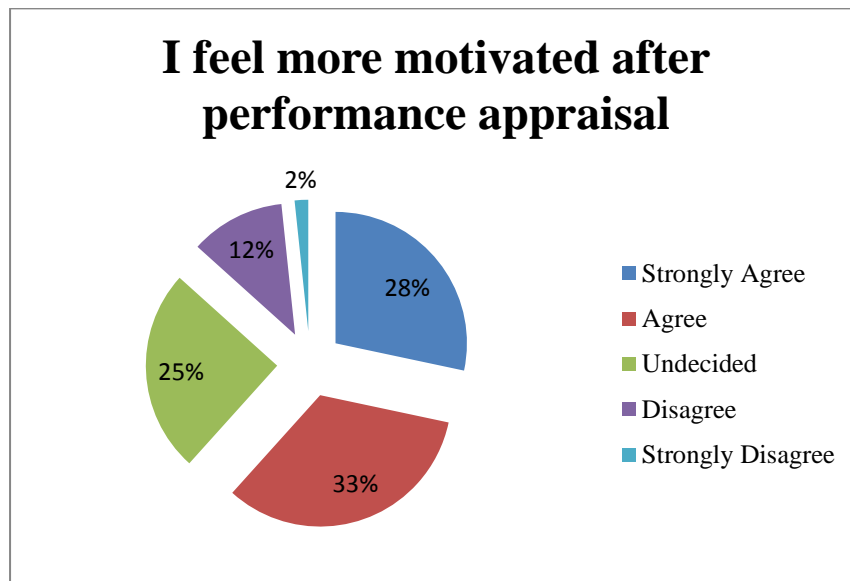
The organisation needs to clearly set out what they want to achieve from the appraisal and what it should encompass. At the moment there is huge variety in the appraisals and what they aim to do. Pritchard (2007) argued that organisations need to eliminate performance appraisals that just go through the motions. They need to take time to question the current procedure and the way things are done and build a performance appraisal methodology that is fair and effective.

Objective Two

- Does Effective Performance Appraisal motivate employees to work harder and improve performance?

From analysing the results of the survey, the performance appraisal system is doing a acceptable job of motivating the employees. The below diagram shows the breakdown of responses to how the employees rating the statement: I feel more motivated after performance appraisal.

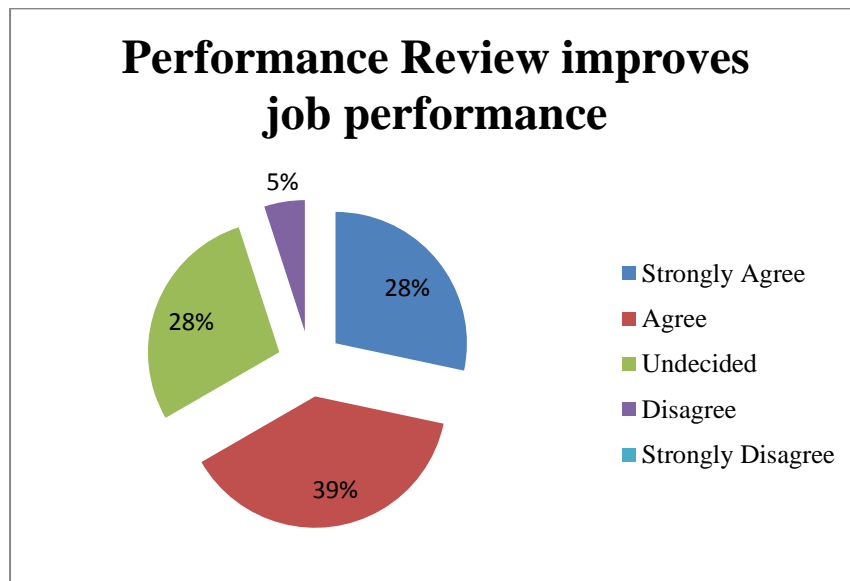
Figure 4-23



A total of 61% of the employees surveyed agreed that they are more motivated after performance appraisal. For employees to be motivated by something like performance appraisal they need to have a good understanding of the system and need to be benefiting from it. Thus the result of this question positively highlights how the company's appraisal system is effective in motivating their employees.

Statement Six of question seven shows how the respondents felt about performance review and if it improves job performance. Of the 60 respondents surveyed, 67% of them agreed that performance appraisal improved job performance. The main aim of Performance appraisal is to review previous performance, highlight the positives and set objectives to improve future performance. Having employees rate the appraisal system as a catalyst in improving their performance is a major benefit for the organisation.

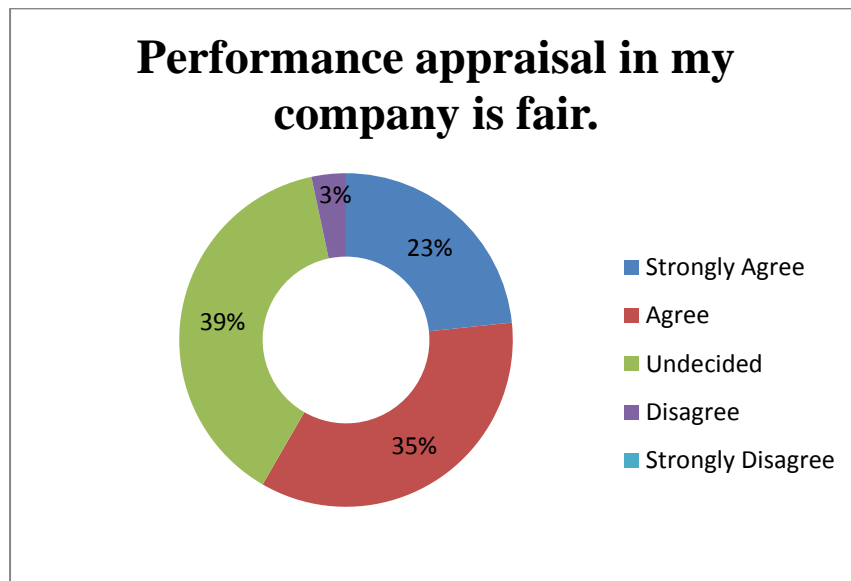
Figure 4-22



Research carried out on performance appraisal has demonstrated that features of performance appraisal can prompt positive employee reactions to performance appraisal which in turn can motivate employees to improve their performance (DeNisi and Pritchard 2006).

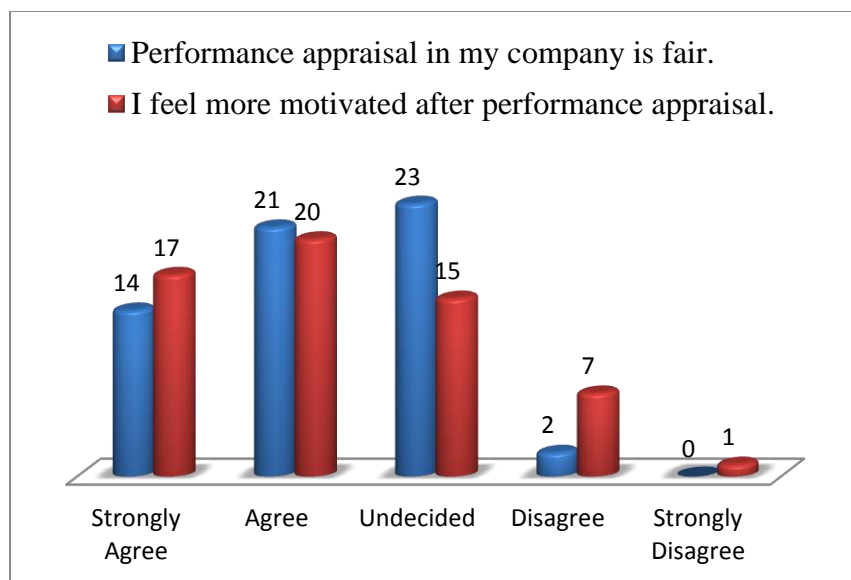
Selvarajan & Cloninger (2012) discussed how higher levels of perceived fairness and accuracy could lead to higher levels of employee appraisal satisfaction and motivation to improve performance in the future. The below donut chart looks at the percentages of votes the respondents gave to the Statement 13 in Question seven. In total, 74% of the employees agreed that the appraisal was fair, while only 3% disagreed with the sentence.

Figure 4-23



If you look at the results of both the statement on fairness of the appraisal and the statement on motivation from the appraisal system, there are some similarities with the percentage of votes they were given.

Figure 4-24



The figures for respondents who both agreed and strongly agreed to both these statements are very close, showing a strong comparison between the amount of

people who felt the system was fair also felt that the system motivated them. This agrees with Selvarajan & Cloninger (2012) hypothesis that employees' perception of fairness is linked to appraisal motivating employees.

From this, it is noticeable that Performance appraisal does motivate employees to improve their performance, but the organisation needs to do more to ensure this is the case with all employees.

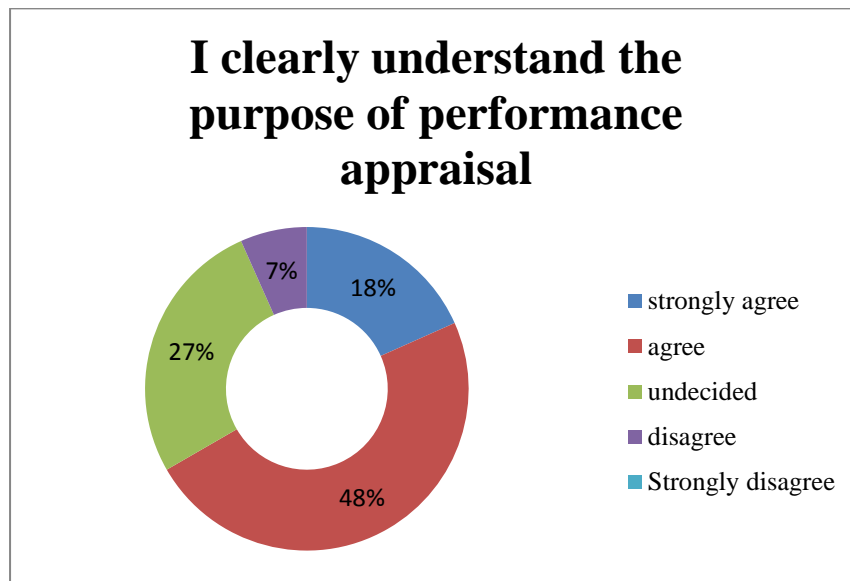
Objective Three

- Is Performance Appraisal a worthwhile tool and does it help to develop employees?

Question four of the survey asked the respondents if they agreed that it is necessary for Performance Appraisal to be conducted in an organisation. The result from this proved that all employees agree it is a necessary tool, 53% fully agreed and 47% partially agreed.

Statement 14 of question seven asked the employees to rate whether they agree or disagree that they clearly understood the purpose of performance appraisal.

Figure 4-25

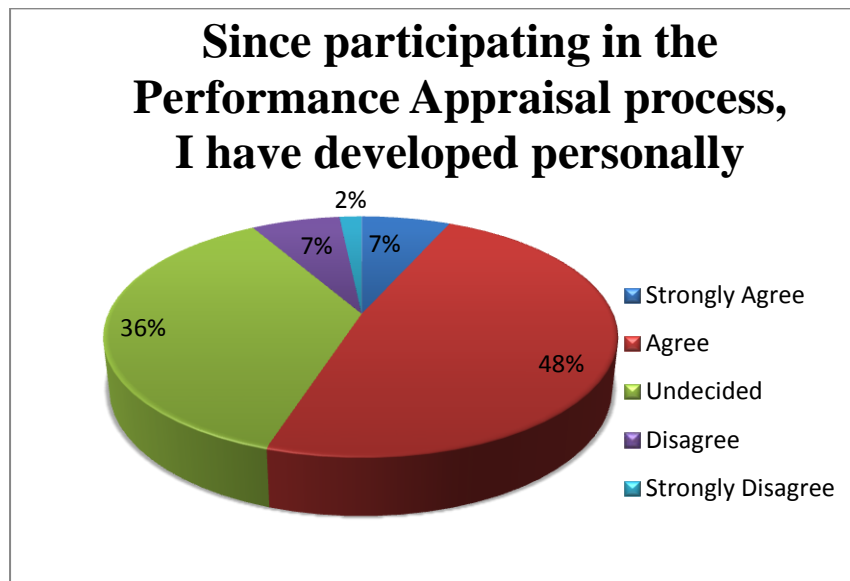


The results of this statement show that 64% of the respondents either agreed or strongly agreed that they understood the purpose of the performance appraisal.

The responses from these two questions display a positive result for the organisation. They demonstrate that the company has done a good job in highlighting the importance of performance appraisal to the employees and consequently the employees themselves can appreciate the reasons the tool is in force.

Question 7 also included this statement: *Since participating in the Performance Appraisal process, I have developed personally.* The respondents rated this question a little less positively than the two responses above.

Figure 4-26



While 55% of the population state they do agree with the statement, there are a higher number of respondents disagreeing than in previous statements. The responses show that 9% of employees disagree that performance appraisal has developed them personally, while 36% of them are undecided whether they have developed or not. Boachie-Mensah & Seidu (2012) previously stated that employees are likely to embrace and contribute to the Performance Appraisal scheme if they recognise it as an opportunity for personal development, but with result like this one, the system does not seem to be doing its job of helping to develop employees involved. Critics of performance appraisal Redman and Wilkinson (2009) also believed that Performance Appraisal can be debilitating towards the development of employee performance.

This objective looked at performance appraisal as a worthwhile tool and as a way of developing employees. The results have shown that the tool is definitely worthwhile, it may need some fine tuning but for the most part employees are happy to be involved in the appraisal and see the system as a vital part of managing performance.

However, in terms of developing employees, the organisation has a lot of work to do in order to ensure their staff are gaining from the system and are seeing some personal improvements.

Chapter 5: Conclusion

The aim of the dissertation was to examine the effectiveness of performance appraisal in the organisation according to the perception of the employees and in doing this establish:

- What elements of effective Performance Appraisal are present in the organisation?
- Whether effective Performance Appraisal motivates employees to work harder and improve performance.
- Whether Performance Appraisal is a worthwhile tool and helps to develop employees.

To complete this aim the researcher reviewed literature on the area of performance appraisal and related areas comprehensively and then conducted a survey with employees of the organisation. The survey analysed the current system in place in the organisation.

A vast amount of the literature on performance appraisal demonstrated the benefits of having performance appraisal systems in place and looked at how they can be used for a variety of purposes. More recent academics discussed the ineffectiveness appraisal processes can have and the negative impact on the system and the organisation as a whole. They also mentioned how important it is to have a good system in place so that it does do what it sets out to.

The research revealed that the majority of employees in the organisation complete performance appraisal and for the most part, have an appraisal meeting once a year.

The findings of the research have shown that the Performance Appraisal system in the organisation does contain many of the important elements that make the system effective, but these elements are intermittent and not present in every appraisal that is carried out.

The analysis of the survey responses has revealed that according to the employees, Performance Appraisal is effective. The system is a worthwhile tool; it motivates staff and improves their performance. The organisation's appraisal also includes the vast majority of effective performance appraisal objectives. While the system has its flaws and needs a lot of improving to get it to where it needs to be, it is going in the right direction and has some positive results.

5.1 Recommendations

The findings have revealed numerous potential weaknesses that are preventing the effectiveness of the system. A number of challenges have been identified and need to be manifested if the whole process is to be beneficial and fair to all involved. The organisation needs to improve the appraisal accordingly if it is to be successful in carrying out its objective. Below are the three recommendations the researcher has made for the organisation to make their appraisal system more effective.

- **Greater Employee Involvement**

For the appraisal to reach its potential and be of benefit to all involved there needs to be a higher level of employee involvement in the system than there is at present. Rankin & Kleiner (1988) specified that one of the key factors of Performance Appraisal was to have the manager and employee jointly identify ways to improve the employee's performance, and establish a development plan to support the employee in achieving their goals.

When employees are involved they take a greater interest as they are given more of a voice. Greater employee participation is known to create an atmosphere of cooperation, reduces tension and rater – ratee conflict which could be caused by the appraisal (Jordan, 1990).

- **More Development of employees in the appraisal**

With poor results from the research in terms of how the appraisal developed the employees being appraised and how it enhanced performance, the organisation needs to ensure the system spends more time helping to develop employees, from identifying training needs, providing coaching and giving more accurate, constructive feedback. The ultimate purpose of performance appraisal is to allow employees to improve continuously (Bacal, 1999).

- **A consistent, one-for-all appraisal structure companywide**

The most obvious issue with the current appraisal system in place in the organisation is the level of inconsistency that exists with how appraisals are carried out. The result of the survey showed that some appraisal are carried out more than once a year and yet others stated they have only one appraisal meeting every 18 months. There is also inconsistency in relation to who is setting the goals, what the goals are based on and whether employees feel the appraisal is efficient or inefficient.

The organisation should look to introduce a framework for Performance Appraisal within the company that sets out a number of important objectives such as fairness, confidentiality, employee development and mutual involvement. This framework would need to be explained to all involved in the process and training provided so as

to ensure managers and employees are aware of how the system works and can stick to the guidelines.

5.2 Limitations of research / Areas for Further Research

To carry out the research, the researcher used quantitative research methods alone; this was chosen as it suited the aims and objectives of the research. In hindsight, if the researcher was to carry this investigation again, they would look at using both quantitative and qualitative research methods in a combined approach

Combining both types of research methods is known to give a more rounded view and can look at the research aims more comprehensively.

The researcher would have like to look at the perspective of the managers carrying out appraisal also, but due to restrictions from the organisation involved, they were unable to get this access, for future research it may be interesting to look at both the manager and employee perspectives and analyse them in contrast.

The correlation between length of service and acceptance of performance appraisal systems showed up as area of interest which could be a subject for further examination.

Future research, by utilizing quantitative research techniques and a examining a greater population could investigate the effectiveness of performance appraisal across a larger industry and encompass more than one organisation. This would give the research more validity in the findings.

This research is accurate in terms of the organisation studied, but as the research was limited it cannot be applied to other organisations and industries. Each company has

its own way of measuring staff performance and so this research will not necessarily apply across the board.

It is the belief of the researcher that if the recommendations revealed above were to be implemented by the Consumer Services organisation, they would dramatically assist the organisation to ensure their appraisal system is of high quality and is effective for all parties.

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Appendices

Appendix One: Survey

Effectiveness of Performance Appraisal from perception of Employees.

I am a student of the National College of Ireland and am currently studying a Masters in Human Resource Management. I am writing my thesis on the Effectiveness of Performance Appraisal from the perception of Employees. I have designed this survey on issues related to this topic.

I would really appreciate if you could spend a few minutes of your time filling in this survey.

Your answers are very important for the proper analysis of the research. Your answers will be treated confidentially and anonymously. All information obtained from this survey will be treated in the strictest confidence, and will only be available to the researcher and her thesis supervisor.

I kindly request for you to complete this questionnaire honestly.

Thank you for your co-operation.

Length of Time in Company

- under a year
- 1 - 4 years
- 5 - 9 years
- 10-19 years
- 20 years or over

Are you:

Age Group

- Under 25
- 25 - 34
- 35 - 44
- 45 and above

Do you complete a Performance Appraisal Process?

If yes, when did you have an appraisal last?

- Within the last 12 months
- Other:

How often is appraisal carried out in your department?

- Every 6 months
- Every 12 months
- Other:

Do you agree that it is necessary for Performance Appraisal to be conducted in an organisation?

- I fully agree
- I partially agree
- I don't agree

How would you rate the Performance Appraisal method in your organisation?

- Easy
- Complicated
- Efficient
- Inefficient

In your opinion, what does your organisation strive to achieve through Performance Appraisal

Please select as many as relevant

- To determine training and development needs
- To determine upgrading and promotion
- To determine payment and rewards
- To review performance
- To set targets for future performance
- To provide basis for disciplinary actions
- Other:

Please rate the following statements from 1 to 5, 1 being strongly agree, 5 being strongly disagree.

I take greater understanding of the results expected of me.

1 2 3 4 5

Strongly Agree Strongly Disagree

I receive specific and accurate feedback from my manager on my past performance.

1 2 3 4 5

Strongly Agree Strongly Disagree

I feel more motivated after performance appraisal

1 2 3 4 5

Strongly Agree Strongly Disagree

It improves the relationship with my manager.

1 2 3 4 5

Strongly Agree Strongly Disagree

I feel that the time spent on PA is well worthwhile.

1 2 3 4 5

Strongly Agree Strongly Disagree

Performance Review improves job performance

1 2 3 4 5

Strongly Agree Strongly Disagree

Promotion is purely based on Performance Appraisal

1 2 3 4 5

Strongly Agree Strongly Disagree

Performance Goals are clearly defined in the appraisal process

1 2 3 4 5

Strongly Agree Strongly Disagree

The Performance Appraisal process supports the Company's Strategy

1 2 3 4 5

Strongly Agree Strongly Disagree

Performance Reviews provide me with the opportunity to set personal goals

1 2 3 4 5

Strongly Agree Strongly Disagree

All the information obtained from PA is confidential.

1 2 3 4 5

Strongly Agree Strongly Disagree

Performance appraisal makes me better understand what I should be doing.

1 2 3 4 5

Strongly Agree Strongly Disagree

Performance appraisal in my company is fair.

1 2 3 4 5

Strongly Agree Strongly Disagree

I clearly understand the purpose of performance appraisal.

1 2 3 4 5

Strongly Agree Strongly Disagree

Since participating in the Performance Appraisal process, I have developed personally.

1 2 3 4 5

Strongly Agree Strongly Disagree

The Performance Appraisal System helps identify areas for development.

1 2 3 4 5

Strongly Agree Strongly Disagree

Are you involved in the process of setting objectives and targets of your future performance?

- Yes
- No

Are your pay, benefits and promotion opportunities based on your performance ratings?

- Yes
- No
- I don't know

Who sets the goals that are put in place in the meeting?

- You
- Your Manager
- Both

Are the targets based on?

- Individual Needs
- Business Needs
- Other: