

Impact of Demographic Variables on Performance Appraisal Outcomes in

Organisations:

A Comparative

1. Name of the author: Mr.N C Panda

Designation: Research Scholar in Management.

Institute name: Biju Patnaik University of Technology, Odisha

2. Name of the Co-author: Dr. Itishree Mohanty

Designation: Professor cum Admin. In-charge

Institute name: Kanak Manjari Institute of Pharmaceutical Sciences, Odisha

Abstract

The latest mantra being followed by organisations across the World is – **“Get paid according to what you contribute”**. Organisations are paying more attention to performance management and especially to individual performance. So, if the process of performance appraisal is properly structured, it will help employees understand their roles, responsibilities, and enable them to align their individual performance with the organisational goals and also help review their performance. The common benefits of performance appraisal in the steel industry are improved employee motivation; enhanced communication and collaboration; increased productivity and profitability and improved organisational performance. In this current environment, a satisfied employee is not necessarily the best employee in terms of loyalty and productivity that can be realised by most of the organisation. This paper focuses on the impact of demographic variables on performance appraisal outcomes in organisations that leads the importance of performance appraisal in achieving organisational success.

Keywords: Performance, productivity, appraisal, process, development etc.

Introduction

Performance appraisal is a critical Human Resource practice to assess employee contributions and align individual goals with organisational objectives. However, appraisal outcomes may not always be objective and can be influenced by demographic variables such as age, gender and work experience etc. Understanding this impact is important to ensure fairness, equity and effectiveness in appraisal systems.

In the Steel industry, Performance appraisal is a structured process for evaluating employee performance, identifying areas for improvement and supporting career

development as it involves regular reviews, feedback and goal- setting to align individual performance along with organisational objectives and to enhance overall productivity and profitability. The key aspects of performance appraisal in the steel industry is regular evaluation; feedback and development; goal setting; administrative decisions; training needs and organisational performance. It is only an engaged employee who is intellectually and emotionally bound with the organisation and very passionate about its goals as well as committed towards its value. As we know employee engagement is a powerful retention strategy so steel industry focus on improving the employee engagement aspects. And an engaged employee gives his organisation his 100 percent. Employee engagement is a barometer as employee is effectively and positively engaged with the organisation that determines the association of a person with the organisation. A formal performance review has been done using expert consultation and questionnaire that gives an opportunity to get an overall view of job performance and staff development. A systematic and regular planning for the future has been done to not just summarize the past but also to determine future performance of employees.

Performance appraisal is a systematic and regularly to discuss past and present performance issues and to agree what future is appropriate on both sides. The adoption and implementation of this above five –stage performance appraisal process is a wonderful opportunity for the process is a wonderful opportunity for the human resource professionals in Rourkela Steel Plant (RSP) as it challenges the creativity and improves the ability to influence and allow the real change in an organisation. In case of executive performance appraisal system, the performance factors are quantity of output, quality of output, cost control, job knowledge and skill, team spirit and lateral co-ordination, discipline, development and quality of assessing subordinates' special relevant factors. Here, the potential factors mainly include initiative, communication, commitment and sense of responsibility, problem analysis and decision making, management of human resources. But in case of non-executive performance appraisal system ratings are given by both reporting and reviewing officers on the basis of performance of the appraisal depending upon performance factors are performance on the job, job knowledge and skill, multi-skill utilisation, conduct and behaviour, innovativeness, punctuality and availability on job, initiative and capacity to assume higher responsibility, housekeeping and safety consciousness etc. The general constraints for assessment of employee's performance are speed i.e., process performance, accuracy and productivity of each process.

The appraisal process mainly comprises:

- Establishment of performance standards
- Communicate performance expectations to employee
- Measures actual performance
- Compare actual with standard performance
- Discuss the appraisal with the employees.

Performance appraisal plays a vital role in human resource management strategy at Rourkela Steel Plant. The objective is to recognise and reward good performance as there are varying perceptions among employees regarding its transparency and effectiveness. The main focus of RSP is emphasizes employee empowerment, career development and culture of continuous quality improvement. RSP mainly focus on communicating organisational objectives as well as individual job roles and how employee work aligns with the organisational goals. They use a structured system to evaluate job related behaviours and outcomes. Also, they focus on recognising and rewarding good performance by employees. RSP also invests in career development plans for its employees and to empower employees through information sharing, knowledge development and rewards. RSP has already implemented initiatives to foster a culture of continuous quality improvement through training and cross-functional team work. Also, RSP holds annual performance review and award functions to recognise outstanding achievements by individuals and departments. Performance appraisal process is the driving force behind the RSP's success as it enables effective engagement of employees. The performance appraisal process is designed in such a way so as to improve the performance of the employees by assigning various objectives such as:

- To assess the individual performance indicators with its mission and vision.
- To establish two-way communication between the employees and the managers.
- To find out the values shared along with practiced by the employees.
- In relation to managerial competencies always focus on technical competencies.
- To emphasize on competence and performance to excel in one's job.

Basically, there are two types of performance appraisal system is to be followed. They are

- Executive performance appraisal system
- Non-executive performance appraisal system.

But in both cases, the five-stage performance appraisal process of RSP is as follows:

1. Performance planning

The key performance areas are identified by self appraisal performance review.

Here, the various measures that should be taken as well as the competencies required for fulfilling them are also considered.

2. Mid-year review

A joint review on competencies measures on key performance areas etc. are held and it is well documented.

3. Annual assessment

Here the reporting officer identifies the value/potential and then if required, plans for a training programme which is subsequently reviewed by the officer.

4. Normalisation process

Integrity is maintained while ensuring the transparency of this process and handling variation across the departments

5. Feedback

Feedback is provided to improve performance which is based on discussion. Also, various developmental programs are arranged to enhance the skill levels of the employees.

Generally, a good performance by the employees creates a culture of excellence that benefits the organisation in the long run. The activity includes career planning, devising methods of employee satisfaction and evaluation of both the jobs and people are to make to generate the individual's aspirations with the objectives of the organisation.

Summary of Indian Organisation regarding the implementation of Performance

Appraisal

Sl.No.	Name of the organisation	Year of starting	Reason for starting PAS	Indicators of success
01.	Telco (Tata Engineering Locomotive Company Ltd.)	1966	To identify work output and development of subordinates and coordination with others	Continuation of new appraisal by emphasized on career development
02.	C.F. Ltd (Coromandel Fertilisers Ltd.)	1968	To assess productivity and quality of work	Needs improvement in work output and performance
03.	L & T (Larsen & Toubro)	1975	Change of appraisal and to assess a person ability	Continuation of new appraisal and performance appraisal system is at

			potentially	a very high level.
04.	BOB (Bank of Baroda)	1978	Competency development and preparation to meet challenges	Increased in investment for training programme
05.	SBI (State Bank of India)	1979	Recognition of importance and meeting new challenges	Many decisions being taken using data generated from PAS. Using PAS for promotion decisions, continued involvement of top management
06.	BHEL (Bharat Heavy Electricals Ltd.)	1981	Problem solving and competency development along with preparation for better future	Continued supports of top management, correction and regulation of employee behaviour through training involvement
07.	Voltas	1982	Growth	Involvement of top management
08.	TVS	1983	Meeting challenges of environment and preparation for new challenges	Greater employee involvement and better quality of work life. Several suggestions implemented.
09.	IOC (Indian Oil Corporation)	1983	Problem solving and meeting challenges	Continued support of top management
10.	Modi xerox	1990	To identify training needs, to have a clear linkage with succession plant	Provided direction for improvement and channelizing the potential
11.	Hindalco	1992	To ensure fairness objectivity and un ambiguity in performance appraisal system	Increments and rewards linked with appraisal system
12.	Eicher	1997	Achieve high team spirit to contribute to employee development	Improved customer service and quality
13.	Grasim industries	1999	Drive for creativity, innovation and continuous improvement	Participative culture and large training efforts. Special training and professional satisfaction.

14.	UTI(Unit Trust of India)	1980	Training needs assessment and provide inputs for rewards	Moved ahead from a totally closed system
15.	SAIL (Steel Authority of India Ltd.)	1985	Focus on quality and clear role and T&D needs identification	Professional satisfaction through training. Enhancement in HRD climate.

Literature review

In 1980s when many of studies in this area were conducted in the laboratory and focused on the cognitive processes in appraisal and evaluation was most obvious practice. They also observed that there are clear opportunities for good research practice linkages. Accordingly, Banks and Murphy (1985), emphasised that personnel evaluation also shows a substantial gap between research and practice in performance appraisal.

Campbell et. al., proposed a view of job performance as multi dimensional in nature and comprised of an eight-factor latent structure. They also proposed several broad individual determinants of performance.

Viswesvaran (1996) suggested that there is a general factor underlying most common performance measures but there are also important sub factors, including task specific as well as conscientiousness –oriented factors.

Conway (1996) used confirmatory factor analysis to support the validity of task and contextual performance as separate domains. Further the distinction was more pronounced for non managerial than for managerial jobs.

Waldman and Splanger (1989) also developed an integrated model of job performance focusing on characteristics of the individual, outcomes and the immediate work environment.

Hazucha et.al. (1993) also found improvements in managerial skills as evidence by peers, subordinates and supervisor's ratings of change.

As per Ebrahim Soltani (2002) in some situation certain flexibility has been given to the respondents with respect to the response format.

Bretz et.al. (1992) noted that researchers have not typically asked what practitioners and managers regard as the most important questions and that the result of performance appraisals research have had impact on the practice of appraisal in organisations.

Cleveland, Murphy and Williams (1989), suggested that development and evaluation may appear interdependent. However, previous research suggests that although developmental performance appraisal strongly correlates with evaluative performance appraisal use, the uses are emphasized differently across organisations and differentially relate to organisational characteristics.

According to Penny (2001), focus on 360-degree feedback that depends upon a careful formulation of criteria. He said whatever reason one group of rates interprets the text of an item or a set of items differently from another group, the resulting difference in ratings may be the result not only of observations of the rates but also of the interpretative difference elicited by the item.

Ganguli (1982) observed that many appraisers prefer to appraise by taking into consideration only the performance during special incidents which are critical.

Moreover, Atwater et.al., (2002), in their study observed that the potential value of 360-degree feedback over the traditional superior to subordinate feedback is twofold. First feedback from constituencies other than supervisors may provide new information that captures complexities of an individual's performance in multiple roles, second feedback from multiple sources may reinforce and support the feedback provided by the supervisor, thus making it harder to discount negative feedback as just one person's view point.

Objectives of the Study

1. To find out the current practice of performance appraisal process being followed in achieving organisational success at Rourkela Steel Plant.
2. To examine the relationship between demographic variables and employee performance appraisal outcomes.
3. To suggest measures to improve fairness and transparency in the appraisal system.

Methodology

Data source and Method of collection

In this present study, a self developed questionnaire in the form of statements used as the tool for primary data collection. Secondary data were collected from leaflets, magazines and journal in relate to this.

Sample Size and Sampling

A sample size of 150 employees of different service unit is taken of both executives and non-executives have been included in the study.

Tools and Techniques used

Chi-square test is used as statistical tools in this study.

Results and Discussion

The objective is to find out the performance appraisal of different strata of employees at Rourkela Steel Plant. There is also possibility that the demographics characteristics like age, gender and experience may also affect their views on the dimension of performance appraisal. Such variables included in the study to examined their impact on the perception towards work culture. The tabulated description of demographic details of the sample is presented in the Table-1.

Table-1: Frequency distribution of sample demographics

Frequency distribution of sample demographics			
Sl.no.	Variable	Number	Frequency
01.	Gender		
	Male	105	70
	Female	45	30
02.	Age		
	Less than 25	42	28
	25 to 30	35	23.33
	31 to 40	25	16.66
	Above 40	48	32
03.	Experience		
	Less than 10 years	35	23.33
	10-20 years	85	56.66
	Above 20 years	30	20

Chi-Square Test of Independence (Gender and Performance Appraisal)

Hypothesis:

H0: Performance appraisal and gender are independent (Null Hypothesis)

H1: Performance appraisal and gender are dependent (Alternate Hypothesis)

Level of significance=1%

Table-2: Cross-tabulation on performance appraisal in relate to gender

Contingency table for gender * efficacy Gap Cross-tabulation				
		Gap	No Gap	Total
Gender	Male Count	35	70	105
	Expected Count	33.6	71.4	

Female Count	13	32	45
Expected Count	14.4	30.6	
Total	48	102	150

Table-3: Results of Chi-square analysis for gender

	Value	df
Chi-Square	0.285	
N	150	01

The calculated Chi-Square statistic sample value is 0.285 where as the value of Chi-square statistic obtained from the Chi-square distribution table is 6.63. Thus, the null hypothesis is accepted because the table value is more than calculated value and hence it can be concluded that performance appraisal and gender are independent on the basis of statistical evidence at 1% level of significant. In this study, the gender has no influence on the level of performance. In other words, gender is not a determining factor on performance appraisal of employees.

Chi-square Test of Independence (Age and Performance appraisal)***Hypothesis:***

H0: Performance appraisal and age are independent (Null hypothesis)

H1: Performance appraisal and age are dependent (Alternate Hypothesis)

Level of significance=1%

Table-4: Cross-tabulation on performance appraisal in relate to age

Contingency table for age * efficacy Gap Cross-tabulation				
		Gap	No Gap	Total
Age	Less than 25 Count	16	26	42
	Expected Count	13.72	28.28	
	25 to 30 Count	10	25	35
	Expected Count	11.43	23.56	
	31 to 40 Count	7	18	25
	Expected Count	8.16	16.83	
	Above 40 Count	16	32	48
	Expected Count	15.68	32.32	
Total		49	101	150

Table-5: Results of Chi-square analysis for age

	Value	df
Chi-Square	1.08	
N	150	03

The value of Chi-Square statistic obtained from the Chi-Square distribution table is 11.3 and the calculated Chi-Square statistic sample value is 1.08. Thus, the null hypothesis is accepted because the table value is greater than calculated value. So now we conclude that performance appraisal and age are independent on the basis of statistical evidence at 1% level of significant. This implies as age of the employees increases the individual's performance level of productivity increases proportionately. So, in this study the level of performance of senior employees are more than the less age employee. As a result, the senior employees are more capable to guide their subordinates in their respective department.

Chi-Square Test of Independence (Experience and Performance appraisal)

Hypothesis:

H0: Performance appraisal and experience are independent (Null hypothesis)

H1: Performance appraisal and experience are dependent (Alternate Hypothesis)

Level of significance=1%

Table-6: Cross-tabulation on performance appraisal in relate to experience

Contingency table for experience * efficacy Gap Cross-tabulation				
		Gap	No Gap	Total
Experience	Less than 10 years Count	05	30	35
	Expected Count	6.53	28.46	
	10 to 20 years Count	20	65	85
	Expected Count	15.86	69.13	
	Above 20 years Count	03	27	30
	Expected Count	5.6	24.4	
Total		28	122	150

Table-7: Results of Chi-square analysis for experience

	Value	df
Chi-Square	3.251	
N	150	02

The value of Chi-Square statistic obtained from the Chi-Square distribution table is 9.21 and the calculated Chi-Square statistic sample value is 3.251. Thus, the null hypothesis is accepted because the table value is greater than calculated value and hence it can be concluded that performance appraisal and experience are independent on the basis of statistical evidence at 1% level of significant. This implies that on the basis of experienced person is more matured that influences their work style and professionalism. The objective of the study was to examine how the demographic characteristics like gender, age and experience of the employees has impact on the performance of employee that can influence organisational effectiveness.

Table-8: Results of Chi-Square Analysis

Sl. No.	Demographic variables	Chi-Square statistic
01.	Gender	0.285(Insignificant)
02.	Experience	3.251 (Insignificant)
03.	Age	1.08 (Insignificant)

The value of Chi-Square statistics obtained from the Chi-Square table for all three combinations are: 6.63, 11.3, 9.21 and the calculated Chi-Square statistic values are 0.285, 3.251 and 1.08. However, it can be concluded that efficacy gap and age, gender as well as experience are independent on the basis of statistical evidence at 1% level of significance.

Conclusion

Performance appraisal is an ongoing exercise not a “one shot” function which is concerned with developing the potential of the employees in order to provide maximum satisfaction to all the players. Now a day with increased competition, organisations face many challenges. So, organisations must understand the importance of human resource and constantly focus on improving its performance, which will result in the overall improvement in the organisation’s performance.

It acts as the central pillar, which is directly related to the organisational performance and has a direct impact on it. It tells employee what they have to do and how well they have to do it. With effective feedback, employees can see their progress which motivates them to reach their performance goals successfully. So, performance appraisal is the strength, which affects organisational performance and helps employees to overcome the problems faced while performing their tasks. Demographic variables play a significant role in shaping performance appraisal outcomes.

Recommendations

- To ensure that all employees feel their contributions are recognised and rewarded.
- Regarding the perception of transparency in the performance appraisal system needs to be addressed.
- To ensure that employees understand how their work contributes to the overall organisational goals and vision this is possible through more effective communication.
- HR must conduct rater training programs to reduce demographic bias.
- Policies ensuring diversity, equity and inclusion (DEI) in appraisals should be implemented.
- Recognising and addressing all variables including educational qualification ensure fairness, boost employee morale, and improve overall effectiveness.

References

1. Atwater, L.E., Waldman D.A., and Brett, J.F., (2002), "Understanding and optimising multi-source feedback", *Human Resource Management*, 41, 193-208.
2. Banks, C.G., Murphy K.R., (1985), "towards narrowing the research-practice in performance appraisal", *Personnel Psychology* 38(2), 335-45.
3. Bretz R.D., Milkovich G.T., Read W., (1992) "The current state of performance appraisal research and practice: Concerns, directions and implications", *Journal of Management*, 18(2), 321-52.
4. Campbell J.P., Mc Cloy R.A., Oppler S.H., (1993), "A theory of Performance ", *Personnel Selection in Organisations*, an Francisco: Jossey –Bass.
5. Cleveland, J.N., Murphy, K.R., and Williams, R.E., (1989), Multiple uses of performance appraisal: Prevalence and correlates, *Journal of Applied Psychology*, 74, 130-135.
6. Conway J.M. (1996), "Analysis and design of multitrait-multirater performance appraisal studies", *Journal of Management*, 22(1).
7. Ebrahim, S., (2002), "Towards a TQM driven HR performance evaluation", *Employee Relations*, vol.25, No.4.
8. Ganguli, S. (1982), "The changing trends in performance appraisal ", *The Management Accountant*, March, 115-116.
9. Hazucha, J., Hezlett, S., and Schneider, R., (1993), "The impact of 360-degree feedback on management skills development", *Human Resource Management*, 32, 2-3), 353-372.

10. Penny (2001), "Differential item functioning in an International 360-Degree Assessment: Evidence of Gender Stereotype, Environmental Complexity and Organisational Contingency", *European Journal of Work and Organisational Psychology*,10(3): 245-271.
11. Viswesvaran , C., (1996), "Modelling Job Performance: Is there a general factor? "Presented at Annual Meeting of Social Indian Organisational Psychology, 11th, San Diego.
12. Waldman D.A., and Sprangler W.D., (1989), "Putting together the pieces: a closer look at the determinants of job performance", *Human Performance* 2(1): 29-59.