



## **A STUDY ON PERFORMANCE APPRAISAL SYSTEM AND EMPLOYEES PRODUCTIVITY OF SOFTWARE INDUSTRIES IN HYDERABAD CITY**

**Dr Ch Ananda Kumar**

*Professor and Head, Department of MBA, SSN Engineering College, Ongole, AP.*

### **Abstract**

*The purpose behind this paper is to investigate the connection between impression of execution examination framework and worker efficiency in the business association setting. In this quick cycle economy, business pioneers realize that having a high performing workforce is basic for development and survival. They perceive that a profoundly drew in workforce can build development, profitability, and main concern execution, while lessening costs identified with employing and maintenance in exceedingly focused ability markets. The work climate and job characteristics have a differential effect on employee productivity.*

**Keywords:** *Performance Appraisal, Employees Productivity, Software Industries, Hyderabad City.*

### **Introduction**

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows: The supervisors measure the pay of employees and compare it with targets and plans. The supervisor analyses the factors behind work performances of employees. The employers are in position to guide the employees for a better performance. Performance Appraisal can be done with following objectives in mind. To maintain records in order to determine compensation packages, wage structure, salaries raises, etc. To identify the strengths and weaknesses of employees to place right men on right job, to maintain and assess the potential present in a person for further growth and development, provide a feedback to employees regarding their performance and related status and feedback to employees regarding their performance and related status. It serves as a basis for influencing working habits of the employees. It is said that performance appraisal is an investment for the company which can be justified by following advantages

**Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.

**Compensation:** Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. A compensation package which includes bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.

**Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyse strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.

**Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.

**Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:

1. Through performance appraisal, the employers can understand and accept skills of subordinates.
2. The subordinates can also understand and create a trust and confidence in superiors.
3. It also helps in maintaining cordial and congenial labour management relationship.
4. It develops the spirit of work and boosts the morale of employees.
5. All the above factors ensure effective communication.



Motivation: Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

Performance appraisal is one of the basic tools that make workers to be very effective and active at work. A critical look out on this may bring about the need for motivation, allowances, development, training and good human relationship in an organization. Performance appraisal is defined as "a structural formal interview between subordinate and supervisor, that usually takes the form of periodic interview (annually or semi-annually), in which the work performance of the subordinate is examined and discussed, with the view of identifying the weaknesses as strengths as well as opportunities for improvement and development" The essence of performance for most organizations is delivering products and services that meet or exceed customer expectations, thereby creating a competitive advantage so that customers are retained and market share is increased. Another view is that a performing business is one that maximizes shareholder value, thus maximizing the difference between input costs and revenue. In these two dimensions lies the essence of productivity, namely that productivity is normally calculated as output divided by input ( $\text{Productivity} = \text{Output}/\text{Input}$ ) such as number of products delivered in relation to resources used.

Hyderabad was conferred the title the 'software training capital of India-and rightly so. The role played by the city of Hyderabad to train the number of software professionals, who get sent to different parts of the country and around the world, have enabled the boom in the software industry in India that we see today. Since 1990, Hyderabad has seen an upward surge in the number of multinationals and tertiary sector services, making the city a tough one to beat, in terms of IT advancement. Many domestic firms and multinational companies have established their headquarters in this city and have contributed to the steady growth of the tertiary sector in Andhra Pradesh.

There are three main types of IT companies in Hyderabad. They are IT companies, ITES companies and Computer Hardware companies. The IT companies handle the various software development programs for the multiple industrial sectors in Hyderabad and the rest of the world. In this category, Hyderabad has a colossal number of domestic and international companies to its credit. This segment of the Hyderabad IT industry earns the maximum export revenue for the Indian government. The ITES companies (IT enabled services) deal largely with BPO companies and support services. This segment also forms a major chunk of the IT industry in Hyderabad. The third and the final segment of IT companies are the computer hardware companies. Several brands of computer hardware companies provide support to multinational companies and domestic ones and are in the bid to expand their network to the rest of the country.

The government has done much to support the development and the growth of the IT industry in Hyderabad. Many multinational companies receive invitations from the Government of Andhra Pradesh and India to come and set up their headquarters/ base for operations in the country. The Government also provides support in the land allocations aspect in the event of building an IT park or establishing a single office. Many companies benefited from the building of the first IT Park in the city, HITEC City. Apart from land allocation aid, the government also helps domestic and international companies avail state-of-the-art facilities with modern offices and international styled architecture. Hyderabad provides an encouraging environment, getting various IT companies to establish their bases, grow and network with one another across the world. One of fastest growing economies owing to the IT sector, Hyderabad is home to some of the biggest multinational companies, BPO's and lavish IT parks. The future of the IT industry in Hyderabad promises growth and success stories along with expansion and further technological development. It is said that Hyderabad is also known as the second Silicon Valley of India, after Bangalore. Widespread investments, digital infrastructures and training centers are aiding the growth of the number of IT parks around the city. The city has also been selected to house India's first silicon developing facility known as Fab City making Hyderabad truly India's high-tech city.



## **Review of Literature**

Alma M. McCarthy, Thomas N. Garavan, (2001) 360° feedback processes have gained popularity as a performance management and career development tool in contemporary organisations. This monograph explores the nature of 360° feedback, investigates the factors which have influenced its emergence and contrasts it with more traditional performance management processes used by organisations. It specifically identifies the benefits and problems associated with 360° feedback in the context of management of performance and employee career development. The monograph considers the issues surrounding different sources of feedback, i.e. peer, subordinate and self. The monograph concludes with a discussion of the issues pertaining to the use of multi-rater feedback as a tool for performance improvement and career development.

Ling Suan Choo, Norslah Mat, Mohammed Al-Omari, (2013) The three dimensions of organizational practices, namely organizational communication, reward and recognition and employee development, explained 43.2 percent of the variance in employee productivity. This study also evidenced the significant relationship between organizational practices and employee productivity.

Mike Bourne, Mike Kennerley, Monica Franco-Santos, (2005) the findings suggest that current research into the impact of performance measurement on performance may be too simplistic in its approach as much of the research relies on studying the physical and formal systems used, ignoring the types of factors found to be important in this study. The differences observed between the high and average-performing cases were in the way they managed with the measures. Average-performing business units used the performance measurement system as a simple control system, whereas, high performing business units were using the measurement system much more interactively.

Shweta Shrivastava, Anupama Rajesh, (2017) this paper aims to discuss the importance and impact of performance appraisals on morale and productivity of employees while describing one of the most popular tools for appraisals, the bell curve. It draws attention to how owing to the various flaws of the bell curve system, few organizations, such as Infosys, are now adopting alternative systems of appraisals. Organizations are now questioning the effectiveness of the bell curve, as a performance management tool, in light of its drawbacks. Infosys Limited has, therefore, moved to an alternative system named iCount, which is expected to be more effective and to enhance the morale of its employees.

Vishal Gupta, Sushil Kumar, (2012) Performance appraisal is one of the most important human resource management practices as it yields critical decisions integral to various human resource actions and outcomes. The purpose of this paper is to explore the relationship between perceptions of performance appraisal system and employee productivity in the Indian business context. The study findings suggest a significant positive association between distributive and informational justice dimensions and employee productivity. Distributive justice and informational justice dimensions were found to have a stronger impact on employee productivity conceptualized as antipode of burnout. Psychometrically valid scales for performance appraisal justice and productivity were developed and tests of relationships between them have been established. The study suggests that distributive and informational justice perceptions during a performance appraisal session lead to enhanced productivity among employees.

Yong Zhang, Lirong Long, Junwei Zhang, (2015) The results suggest that for employees with low procedural justice perception or low willingness to take risks, PFP was negatively related to creative self-efficacy and creativity; where procedural justice or willingness to take risks was high, those relationships were positive. In addition, moderated path analysis revealed that when procedural justice or willingness to take risks was high, PFP had a positive indirect effect on creativity via creative self-efficacy, whereas when procedural justice or willingness to take risks was low, the indirect effects of PFP on creativity via creative self-efficacy were negative.



### **Statement of the Problem**

Low efficiency is typically the negative impact of absence of execution examination; non attendance of execution evaluation realizes staff low occupation execution. Worker's organization dependably get into the issues of representatives prosperity at work and furthermore in their own lives with the goal that they can give their full at work. Be that as it may, some time it negatively affects execution evaluation and the administration to give advancement or ascend in the compensation on the bases of position. The essential point of each business association is to accomplish its destinations, objectives or targets effectively. Objectives set by association might be futile if much consideration is not paid to representatives' exertion or execution for fruitful achievement. In other to accomplish set objectives and goals effectively, there is the need to concentrate on execution examination. Execution Appraisal ought to be connected to appealing motivator to representatives, empowering specialists to exhibit higher efficiency. Most associations in the aggressive market fall flat since their laborers perform underneath standard for they are not urged to work harder. Supervisors and representatives are the life blood of each business association. In the event that administration does not put much into the welfare of their specialists, issues will undoubtedly raise prompting mechanical strike activities, low sense of duty regarding work, low assurance and low efficiency of products and enterprises. Alluring examination frameworks are set up by some business associations to encourage inspire their representatives to strike hard to be perceived and compensated. When workers are roused, their execution ponders profitability. Consequently the embodiment of this paper is to discover the part played by execution evaluation.

### **Research Methodology**

Research Design: Descriptive  
Data Collection: Primary and Secondary data  
Scaling: Nominal and Interval  
Sampling: Simple random  
Size: 219 and Hyderabad city in various software industries

### **Objectives of the Study**

The aims of this study are;

1. To inspect the association between performance appraisal and employees' productivity
2. To scrutinize the ways in which performance appraisal has impacted employees performance
3. To know if performance appraise enhances productivity.

### **Research Question**

1. Does performance appraisal have positive impact on employees' performance?
2. How often are employees appraised at the work place?
3. Is performance appraisal an ongoing process in the company?
4. Is feedback information received after performance appraisal?

### **Significance and Scope of the Study**

Help directors in different associations in defining objectives and focuses for workers to accomplish through legitimate supervisory control by line administrators. Distinguishing and enhancing the preparation and improvement needs of specialists. Help with inspiring representatives who contribute viably to the accomplishment of hierarchical objectives and destinations. This examination work is restricted the effect of execution evaluation on laborers execution and thusly prompting hierarchical execution and efficiency, utilizing programming enterprises, Hyderabad City. This in this way implies the investigation range in which information were acquired is software industries, Hyderabad City.

### **Limitation of the Study**

This research would have been easier if not for these imitating factors:

Time factor: time was not on the researchers to consult various sectors of the economy to review employees or given out questionnaire to various institutions on the effect of government revenue policies. Finance: this is another barrier that limited the researcher's work.



**Research Hypothesis**

H<sub>0</sub>1: There is no positive relationship between performance appraisal factors and employee productivity

**Results and Discussions**

**Table 1: Employees Personal Profile**

		Frequency	Percentage
<b>Gender</b>	<b>Male</b>	184	84.0
	<b>Female</b>	35	16.0
Age	<= 20 to 30 Yrs	186	84.9
	31 to 40 Yrs	16	7.3
	> 41 Yrs	17	7.8
Education	<=UG	75	34.2
	PG	144	65.8
Marital Status	Married	175	79.9
	Unmarried	44	20.1
Income	<=20k per Month	186	84.9
	21k to 40k per Month	16	7.3
	> 41k per month	17	7.8
Level of Management	Operational	75	34.2
	Business	144	65.8
	<b>Total</b>	<b>219</b>	<b>100</b>

**Table 2: Mean and SD for Performance Appraisal Factors**

Performance Appraisal Factors	Mean	SD
Identify learning and development needs	3.58	1.07
Align individual and business goals	3.45	1.02
Compliance	3.84	0.95
Manage under performance	3.89	0.96
Identify talent	3.47	1.08
Employee productivity	3.79	1.06
Reward	3.70	1.10
Target future performance	3.72	1.05
Assess past performance	3.63	1.03

H<sub>0</sub>1: There is no positive relationship between performance appraisal factors and employee productivity

**Table 3: Regressions Analysis**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.739 <sup>a</sup>	.546	.526	.70638	.546	27.911	9	209	.000

a. Predictors: (Constant), Assess past performance , Align individual and business goals, Compliance , Manage under performance , Reward, Employee productivity, Identify learning and development needs, Identify talent, Target future performance





This table provides the R and R<sup>2</sup> values. The R value represents the simple correlation and is 0.739 (the "R" Column), which indicates a high degree of correlation. The R<sup>2</sup> value (the "R Square" column) indicates how much of the total variation in the dependent variable, employee productivity can be explained by the independent variable, performance appraisal system.

The next table is the ANOVA table, which reports how well the regression equation fits the data (i.e., predicts the dependent variable) and is shown below:

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	125.341	9	13.927	27.911	.000 <sup>b</sup>
	Residual	104.285	209	.499		
	Total	229.626	218			
a. Dependent Variable: Employees Productivity						
b. Predictors: (Constant), Assess past performance , Align individual and business goals, Compliance , Manage under performance , Reward, Employee productivity, Identify learning and development needs, Identify talent, Target future performance						

This table indicates that the regression model predicts the dependent variable significantly well. How do we know this? Look at the "Regression" row and go to the "Sig." column. This indicates the statistical significance of the regression model that was run. Here,  $p < 0.0005$ , which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable (i.e., it is a good fit for the data).

The Coefficients table provides us with the necessary information to predict price from income, as well as determine whether income contributes statistically significantly to the model (by looking at the "Sig." column). Furthermore, we can use the values in the "B" column under the "Unstandardized Coefficients" column, as shown below:

Coefficients <sup>a</sup>						
Performance Appraisal Factors		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.977	.267		3.660	.000
	Identify learning and development needs	.135	.059	.141	2.291	.023
	Align individual and business goals	.074	.056	.074	1.321	.188
	Compliance	.088	.060	.081	1.467	.144
	Manage under performance	.220	.062	-.207	-3.551	.000
	Identify talent	.260	.063	.273	4.124	.000
	Employee productivity	.294	.064	-.304	-4.602	.000
	Reward	.078	.054	.084	1.452	.148
	Target future performance	.326	.067	.333	4.839	.000
	Assess past performance	.322	.071	.324	4.508	.000
a. Dependent Variable: Employees Productivity						



to present the regression equation as: Employee productivity =  $0.9797 + 0.135 + 0.074 + 0.088 + 0.220 + 0.260 + 0.294 + 0.078 + 0.326 + 0.322$  (Performance Appraisal Factors), If you are unsure how to interpret regression equations or how to use them to make predictions, we discuss this in our enhanced linear regression guide. We also show you how to write up the results from your assumptions tests and linear regression output.

### **Conclusion and Recommendation**

This study confirms that total rewards structures, programs and policies influence employee productivity. However, what is also evident is that the majority of compensation professionals do not necessarily consider how total rewards programs affect employee productivity in the design of rewards structures, policies and programs. The lessons learned from this study and the recommendations for supporting employee productivity through total rewards programs include the following:

Organizations that encourage managers to engage employees by making it a performance criteria and rewarding productivity through incentive programs indicate that their organizations more effectively foster employee productivity and motivation than those organizations that do not. As such, if compensation professionals wish to encourage employee productivity, they should: Develop performance metrics that measure the extent to which supervisors or managers encourage productivity among their subordinates. Reward supervisors and managers for developing employee productivity among their subordinates and peers. Specifically define employee productivity and include it as goal in the strategic plan.

When the impact of different categories of rewards programs on productivity was studied, it was discovered that base pay and benefits had the overall weakest relationship with the organization's ability to foster high levels of employee productivity and motivation compared to incentives, intangible rewards and quality of leadership on productivity. Quality of leadership had the strongest relationship with effectively engaging and motivating employees. As a result, compensation professionals should: Use pay packages to attract leaders who have demonstrated their ability to engage employees. Think in terms of total rewards and not just financial rewards. Develop employee productivity resources that are directed toward work environment or organization climate, work-life balance and the nature of the job and quality of the work, and career opportunities.

Opinion surveys were included in this study because they are often associated with efforts to enhance employee productivity and because they are a mechanism for obtaining employee feedback on a variety of work-related issues, including total rewards programs. Respondents indicated that employee surveys were used by 70% of the organizations they represented. Although more frequent use of employee opinion surveys was associated with effectiveness in fostering high levels of employee productivity and motivation, the relationship was much stronger for organizations where employee opinion survey results generate action and change. As such it is not enough to conduct employee opinion surveys; management must respond to input and suggestions with concrete actions and change. Employees should be involved in those change efforts.

The study indicated this was true for the design, implementation and assessment of total rewards programs. Although supervisors and managers are involved in the design, implementation and assessment of rewards programs more frequently than employees, their involvement is still relatively infrequent. Thus, involvement in the design, implementation and evaluation of total rewards programs offers a direct way for compensation professionals to enhance employee productivity. Because of length constraints of the total rewards and productivity survey, there was no opportunity to more fully explore the impact of pay communications and openness on employee productivity. However, previous research indicates that compensation professionals appreciate the importance of pay communication as a means for aligning pay programs with the business strategy and the interest employees have in understanding how they were paid Employee understanding of compensation strategy, programs and policies assuming compensation is based on common notions of system provide a foundation for engaging employees. The articles noted above offer a fuller discussion of communication methodologies and recommendations as to how total rewards programs should be communicated.



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