



---

**IMPACT OF PERFORMANCE APPRAISAL ON EMPLOYEE WELL – BEING**

---

Mr. Nanduri Anil Kumar<sup>1</sup> Ms. Ch. Kavya<sup>2</sup>

<sup>1</sup>Research Scholar, Department of Commerce, Annamalia University, Chidambaram, Tamil Nadu.

<sup>2</sup>Assistant Professor, Department of Commerce, Avinash College of Commerce, Kukatpally, Medchal.

*Corresponding Author- Mr. Nanduri Anil Kumar*

*Email- [nandurianilkumar1980@gmail.com](mailto:nandurianilkumar1980@gmail.com)*

---

**Abstract:**

*The performance appraisal identifies performance problems to improve employee productivity and motivation. A performance appraisal tries to understand the aspects of individual employees such as organizational citizenship behavior, accomplishments, potential for future improvement, strengths and weaknesses, etc. Performance Appraisal shows an impact on the wellbeing of the employees, as in it effects them psychologically, thereby reducing the productivity in due process. Studies have shown a clear impact of employees not interested in taking the burden of peers amongst the employees and also has an adverse effect on the wellbeing of the employees. According to the previous researchers' views and opinions express clearly that there is no relation or effect of performance management system on employee performance, there is a strong positive correlation between PA and employees' productivity. Last but not least a clear indication of Performance appraisal*

**Key Words:** PA- Strength and Weakness- Psychological Effect- Productivity- Employee Motivation- Employee Well Being.

---

**I. Introduction:**

A **performance appraisal**, also referred to as a **performance review**, **performance evaluation**, (**career**) **development discussion**, or **employee appraisal**, sometimes shortened to "PA", is a periodic and systematic process whereby the job performance of an employee is documented and evaluated. Performance appraisals are a part of career development and consist of regular reviews of employee performance within organizations.

The performance appraisal **identifies performance problems to improve employee productivity and motivation**. Peers or co-workers often know the job of the individual employee better than the supervisor does and they are more directly affected by the employee's actions, either positive or negative.

Performance appraisals are most often conducted by an employee's immediate manager or line manager.

A performance appraisal is a systematic, general and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives. Other aspects of individual employees are considered as well, such as organizational citizenship behavior, accomplishments, potential for future improvement, strengths and weaknesses, etc.

To collect PA data, there are three main methods: objective production, personnel, and judgmental evaluation. Judgmental evaluations are the most commonly used with a large variety of evaluation methods. Historically, PA has been conducted annually (long-cycle appraisals); however, many companies are moving towards shorter cycles (every six months, every quarter), and some have been moving into short-cycle (weekly, bi-weekly) PA. The interview could function as "providing feedback to employees, counseling and developing employees, and conveying and discussing compensation, job status, or disciplinary decisions". Performance management systems are employed "to manage and align" all of an organization's resources in order to achieve highest possible performance and to eliminate distractions procured from individual agents that neglect the companies' goals. "How performance is managed in an organization determines to a large extent the success or failure of the organization. Therefore, improving PA for everyone should be among the highest priorities of contemporary organizations".

Numerous researchers have reported that many employees are not satisfied with their performance appraisal (PA) systems. Studies have shown that subjectivity as well as appraiser bias is often a problem perceived by as

many as half of employees. Subjectivity has been associated with supervisor-subordinate conflict, psychological empowerment and subordinate performance. Appraiser bias, however, appears to be perceived as more of a problem in government and public sector organizations. Also, according to some studies, employees wished to see changes in the PA system by making "the system more objective, improving the feedback process, and increasing the frequency of review. "In light of traditional PA operation defects, "organizations are now increasingly incorporating practices that may improve the system. These changes are particularly concerned with areas such as elimination of subjectivity and bias, training of appraisers, improvement of the feedback process and the performance review discussion."

Most managers prefer to begin with positive information and then add bad news or suggestions for improvement at the end. However, employees are most satisfied when bad news is addressed early in the interview and positive information is saved until the end, so that the meeting ends with a positive feeling.

#### 1.1 Objectives of the study:

1. To analyze the importance of Performance Appraisal on employees productivity.
2. To study the impact of Performance Appraisal on employees psychological state.
3. To identify the factors affecting employees well-being.

#### 1.2 Hypothesis of the study:

H<sub>0</sub>: There is no relation between performance appraisal and employee well-being.

H<sub>1</sub>: There is a relation between performance appraisal and employee well - being.

#### 1.3 Scope of the study:

1. This Study is limited to analyze only the psychological state of employees under employee well – being and not considering any other indicators or factors.
2. The study is not in relation to any organization.

### III. Data Analysis and Interpretation:

**Table 3.1 Respondent's opinion on impact of performance appraisal on employee productivity**

No.	Statement	Scale	Frequency	Percentage
1.	Do you think that performance appraisal help to provide an atmosphere where all are encouraged to share one another burden?	YES	22	22%
		NO	78	78%
2.	Do you think performance appraisal give constructive criticism in a friendly and positive manner?	YES	36	36%
		NO	64	64%
3.	Do you think that the performance of employees improves after the process of performance appraisal?	YES	52	52%
		NO	48	48%

Mr. Nanduri Anil Kumar Ms. Ch. Kavya

3. The study is trying to show the relation between performance appraisal and employee well-being but is not indicating any analysis of the same.

#### II. Review of literature:

**Santi, M. A., & Rahim, A. (2021).** The study aimed at knowing the effect of performance management system which in short is called as PMS on employee performance. The authors restricted the study to consumer food products ltd. only. The entire research is based on primary source and the data was collected by administering questionnaires to the staff which consisted of 30 questions. The analysis was supported by major statistical tools like structural model and standard deviation. The study found that there is no relation or effect of performance management system on employee performance.

**Ugoani, John,. (2020).** The research was done on the basis of exploratory research design and 109 respondents were considered to analyze the effect of performance appraisal on employees' productivity. The study aimed at knowing the effect only with respect to charitable organizations only. The paper suggested that the employee should be carefully reviewed under performance appraisal and the employees' strengths and weakness should be considered for evaluation against their responsibilities. The study also found that there is a strong positive correlation between PA and employees' productivity.

**Idowu, A. (2017).** The work signified the importance and effect of performance appraisal system on employee motivation. The study found that if the performance appraisal system is used as a motivation tool there is significant positive outcome from the employees. It also suggested that more than one appraisal tool and its usage will lead to more motivation among the employees.

4.	Do you think performance appraisal improves motivation and job satisfaction?	YES	54	54%
		NO	46	46%
5.	Do you think performance appraisal helps to change the behavior of Employees?	YES	55	55%
		NO	45	45%

Source: Primary data

#### Interpretation:

1. According to the responses from the respondents its clear that the employees are not very much towards sharing the burden of work and also are not towards taking a constructive criticism in a friendly and positive manner.
2. Major respondents have agreed on that after the process of appraisal the performance of employees increases and improves moderately
3. A mixed opinion has be observed on the PA affecting the motivation and job satisfaction of employees.
4. It's very quite common according to the respondents that there will be behavioral changes in the mindset of Employees after the performance appraisal.

**Table 3.2 Respondent's opinion on impact of performance appraisal and employee well - being**

	Strongly Agree	Agree	Disagree	Strongly Disagree
Performance appraisal will lead to employee productivity.	80%	14%	2%	4%
Performance appraisal leads to psychological stress among employees.	38%	36%	14%	10%
Performance appraisal affects the employee well – being.	54%	28%	12%	6%

Source: Primary Data

#### Interpretation:

1. Majority of the respondents have accepted that the PA leads to increase in employee productivity.
2. Moderate observations are experienced in relation to psychological stress among the employees.
3. More than average respondents have expressed that PA affects the employee well-being.

#### 3.3 CHI – SQUARE TEST:

##### Step1: Determining Null Hypothesis and Alternative Hypothesis

**Null Hypothesis (H<sub>0</sub>):** There is no relation between performance appraisal and employee well-being.

**Alternative Hypothesis (H<sub>1</sub>):** There is a relation between performance appraisal and employee well - being.

##### Step2: Determining Calculated Value

	No. Of Respondents	O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
Strongly disagree	54	54	25	29	841	33.64
Disagree	28	28	25	3	9	0.36
Agree	12	12	25	-13	169	6.76
Strongly disagree	6	6	25	-19	361	14.44
Total		100				55.2

Source: Primary Data

##### Step3: Considering 5% Level of significance

##### Step4: Calculation of Degree of Freedom when n = 4

Degree of freedom	(n-1)
	(4-1)
	3

##### Step5: Decision Making

Calculated Value	55.2
Chi - Square Table value	7.815

\*Chi - Square table value at 5% level of significance and Degree of freedom (df) being 3.

So, from the above calculations, it can be interpreted that **H<sub>0</sub>** is **rejected** as the Calculated

Mr. Nanduri Anil Kumar Ms. Ch. Kavya

Value (55.2) is greater than the Table value (7.815).

**Inference:** There is a relation between performance appraisal and employee well-being.

#### **1.7 Findings & Conclusions Of The Study:**

**Objective 1** – It was analyzed that performance Appraisal of employees is important in order to enhance the level of productivity. 80% of the respondents strongly say that PA leads to employee productivity. 52% of the respondents opine that performance of the employees generally increases after the process and implementation of performance appraisal. 55% of the respondents feel that there is a change in the behavior of employees and Performance Appraisal also leads to motivation and job satisfaction.

**Objective 2** – 38% of the respondents strongly agree to the statement “Performance appraisal leads to psychological stress among employees”. So, an inference can also be drawn through the statistical analysis (Chi – Square Test) that there is a relation between performance appraisal and employee well-being.

**Objective 3** – Apart from the Performance appraisal, the other factors which contribute towards the employee well-being are determined to be Organizational environment / climate, infrastructure, flexible working hours, psychological support from peer groups and management, recognition and rewards, non-monetary benefits.

#### **Bibliography:**

- 1.Santi, M. A., & Rahim, A. (2021). The Effects of Performance Management System on Employee Performance: A Study. International Journal of Scientific and Research Publications (IJSRP), 11(8), 491–501. <https://doi.org/10.29322/ijsrp.11.08.2021.p11661>
- 2.Ugoani, John, Performance Appraisal and its Effect on Employees’ Productivity in Charitable Organizations (2020). Business, Management and Economics Research Vol. 6, Issue. 12, pp: 166-175, 2020, Available at SSRN: <https://ssrn.com/abstract=3790733>
- 3.Idowu, A. (2017). Effectiveness of Performance Appraisal System and its Effect on Employee Motivation. Nile Journal of Business and Economics, 3(5), 15. <https://doi.org/10.20321/nilejbe.v3i5.88>
- 4.[https://en.wikipedia.org/wiki/Performance\\_appraisal](https://en.wikipedia.org/wiki/Performance_appraisal).