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Awareness and Perceived Significance of Performance Appraisal in Indian Pharmaceutical Industry

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Abstract:

This study aimed to understand the performance appraisal practices in Indian pharmaceutical industry. The study examined the awareness and perceived significance of performance appraisal practice in relations to demographics. Structured questionnaire was administered on a sample of 250 employees of 5 pharmaceutical companies in India. Simple random sampling was used for the selection of the sample. Descriptive Statistics (mean and standard deviation), correlation, tabulation and one way ANOVA were used for the analysis of data. The study found that there is a significant difference in the awareness and perceived significance of performance appraisal of employees in pharmaceutical industry with respect to their demographic variables.

Keywords: *Performance appraisal, awareness, demographic variables, perceived significance, pharmaceutical industry*

1. Introduction

The purpose of this research was to investigate the awareness and perceived significance of the employees with regard to existing performance appraisal in pharmaceutical companies. Performance appraisal is one tedious exercise any organisation has to undergo in any particular review period (Davis and Paul, 2011). Therefore, it is very important for any organization to know that the employees' to be appraised are actually aware and perceive it significant the way appraisal is conducted.

Formal performance appraisal is a human resource management (HRM) practice that has attracted considerable attention from both practitioners and scholars (Fletcher, 2001). Performance appraisal is a continuous process through which performance of employees is identified, calculated and improved in the organization. This process includes various practices like recognition of employees' accomplishment, providing them regular feedback and offering career progression (Aguinis, 2007). These functions may include the monitoring of employees', communication of organisational goals and values, the evaluation of hiring and training practices (Baron and Kreps, 1999). In addition, system of performance appraisal is complex due to its multiple dimensions and also because of several reasons to conduct the performance appraisal. That's why; Research on the performance appraisal is wide spread and has aimed on a vast range of system (Levy and Williams, 2004). To evaluate employee performance is considered as a key activity within human resource management (McKenna, Richardson, and Manroop, 2011), and performance appraisal has become a fixed instrument in many organisations (Bach, 2009; Zeitz et al, 1999).

Many academicians and practicing managers consider performance appraisal as one of the most valuable human resource tools in which employee job performance is rated on regular basis. To understand the employee attitudes towards the performance appraisal in organizations is important as it can determine its effectiveness (McDawall and Fletcher, 2004). Involving employees will make them understand management goals and also let the employee know the expectation from them (Bertone et al, 1998).

Performance appraisal perceived and believed to be biased, unsuitable or political, can be a source of dissatisfaction among the employees; unfairness and inequality in the ratings may lead to the failure of the system (Cardy & Dobbins, 1994; Murphy & Cleveland, 1995). Issues of employee satisfaction with performance appraisal were explored by Boswell and Benson (2000) and Brown and Benson (2003), who both argued that individual involvement and development opportunities played an important role for the success ratio of performance appraisal. Shiri (1996) conducted a study in Iran, demonstrated that teachers were relatively satisfied with the appraisal system. Majority of the respondents believed that an effective performance appraisal can enhance positive perception of raters and ratees for each other. Janice et al (1996) found that the victory of any performance appraisal system depends largely on employee or appraisee perception. Gupta and Agarwal (2006) examined the relationship between the performance appraisal and employees' effectiveness. The result shows that the system facets like system openness and system commitment were significantly correlated with the perceived effectiveness of the performance appraisal. The organization management must

communicate to all employees the objectives and specific goals of the appraisal system (Longenecker and Fink, 1999). Employees and managers must also know that how the process operates and must understand their job description. Wilson (2005), considered performance appraisal as a tool that give knowledge to employees that what their supervisor expect of them, serve as motivation to perform well, mentoring and evaluation of their performance aimed at identifying areas where the improvements are needed.

Geddes, Deanna and Konrad (2002), conducted a study on “demographic differences and perceptions of performance appraisal and found that employees would react more favourably to performance evaluations from “high status” management groups, including males, white managers.

Various researchers have highlighted the need of performance appraisal. Longenecker (1999) found that there are many reasons, why an organization needs a formal performance appraisal system; it is needed to take several decisions like salary increases, planning, promotions, transfers, demotions, layoffs. Similarly, Vallance (1999) advocated another major need that performance appraisal system is a tool that can assess and suggest improvements in employee productivity. Cokin (2004) put his opinion that performance appraisal system is important for organizations, as it mainly focuses on employees to develop their potential. Also, it does not only do potential building but it helps managers in timely predictions and taking actions promptly to uncertain changes.

2. Objectives of the Study

The study has been carried out with the following objectives:-

1. To study the employees’ awareness and perceived significance of the existing performance appraisal in pharmaceutical industry.
2. To examine the variance in awareness and perceived significance of existing performance appraisal in pharmaceutical industry.

3. Hypotheses

The following hypotheses were formulated for the achievement of the research objectives:-

- Ho (1): There is no significant difference in awareness of employees’ with existing performance appraisal with respect to demographic variables in pharmaceutical industry.
- Ho (2): There is no significant difference in perceived significance of employees’ with existing performance appraisal with respect to demographic variables in pharmaceutical industry.

4. Methodology

4.1. Research Design

The present study is descriptive in nature.

4.2. Sample and Sampling Technique

250 employees’ of selected five pharmaceutical companies served as the sample for the study. A list of top twenty Indian pharmaceutical companies in terms of market capitalization was prepared and 5 pharmaceuticals companies were randomly selected for the purposes of selection of sample for the study. A sample of 250 employees was taken from five pharmaceutical companies by using simple random sampling technique.

4.3. Measures

A structured questionnaire (Prof. B. K. Punia, 2009) was used to measure the awareness and perceived significance of selected employees of pharmaceutical industry. A section of the questionnaire sought demographic information of the respondents. The instrument consisted of 6 items for awareness dimension and 7 items for perceived significance. The scale employed 5 point likert scale ranging from 1=strongly disagree to 5=strongly agree.

The internal reliability of the scale was measured by Cronbach’s alpha. The awareness dimension attained alpha coefficient of .737 and the perceived significance dimension attained the alpha coefficient of .884.

4.4. Administration

The questionnaire was administered on sampled employees of 5 pharmaceutical companies.

- Statistical Techniques: Descriptive statistics like average, standard deviation, percentage and one way ANOVA were used for analysis and interpretation of data.

5. Analysis and Interpretation

5.1. Awareness of the Existing Performance Appraisal

Awareness of any existing phenomenon is a testimony of its effective implementation and success propensity. To what extent a pharmaceutical employee is aware of existing performance appraisal has been discussed in this part of the research under the following three distinct sub heads:-

5.1.1. Awareness of the Existing Performance Appraisal: Statement Wise

Six statements constitute the awareness dimension for the present study and the results of the same have been shown as per Table 1.

S.N.	STATEMENTS	RESPONSE					VALUE	
		SD	D	N	A	SA	MEAN	S.D.
		1	2	3	4	5		
1	The existing system of performance appraisal in my company is quite easy to understand and implement.	0 (0)	28 (11)	34 (14)	159 (64)	29 (12)	3.76	0.802
2	The objectives of existing performance appraisal system are clear to the employees.	3 (1)	22 (9)	98 (39)	111 (44)	16 (6)	3.46	0.792
3	Employees have clear understanding of their expected performance in the company.	3 (1)	39 (16)	49 (20)	132 (53)	27 (11)	3.56	0.922
4	Periodic awareness programs are organized by the organization for its employee's performance management	21 (8)	54 (22)	59 (24)	113 (45)	3 (1)	3.09	1.02
5	Employees are helped by the administration in planning their performance in advance.	13 (5)	47 (19)	77 (31)	102 (41)	11 (4)	3.20	0.971
6	The employees work regularly on reviewing and analyzing the factors affecting their performance.	11 (4)	64 (26)	76 (30)	69 (28)	30 (12)	3.17	1.08

Table 1: Awareness of the Existing Performance Appraisal (Statement - wise)

Note: Figures in the parenthesis shows the percentage.

Table-1 shows that 76 percent of respondents have been found agreeing or strongly agreeing to the statement that “the existing performance appraisal is quite easy to understand and implement”, which in turn is supported by the highest mean score i.e.3.76, followed by the statement that “employees have clear understanding of their expected performance in the company” both in terms of percentage (64%) and means score (3.56). Wherein statement like “periodic awareness programs are organized by the organization for its employee’s performance management” has secured the lowest means score i.e. 3.09.

5.1.2. Variations in the Awareness Level across Demographic Variables

Variations in awareness level have been analysed by applying one way ANOVA and the results have been presented as per Table-2.

Dimensions of Employee Demographics		Count (%)	Mean	F value	P value
Age Category	20-30 years	144 (58)	2.04	9.471	0.000
	30-40 years	38 (15)	1.58		
	40-50 years	42 (17)	2.19		
	above 50 years	26 (10)	2.15		
Gender	Male	200 (80)	2.01	0.011	0.0916
	Female	50 (20)	2.00		
Qualification	12	37 (15)	1.86	5.743	0.000
	ITI/Diploma	35 (14)	2.43		
	Graduation	112 (45)	1.94		
	Post Graduation	60 (24)	1.98		
	Doctorate	6 (2)	2.00		
Status	Top	33 (13)	1.85	2.132	0.097
	Middle	54 (22)	2.00		
	Junior	91 (36)	1.97		
	Operative	72 (29)	2.14		
Total experience	below 5 years	71 (28)	1.99	2.137	0.096
	5-10 years	74 (30)	1.97		
	10-15 years	42 (17)	1.88		
	above 15 years	63 (25)	2.16		
Organisation Experience	below 5 years	121 (48)	2.04	1.578	0.195
	5-10 years	62 (25)	1.94		
	10-15 years	28 (11)	1.86		
	above 15 years	39 (16)	2.13		

Table 2: Variations in the awareness level across employee Demographics

Note: Significant at 5 percent value if p-value < .05

According to the analysis of variance, there was significant difference for age and qualification, $F=9.47$, $p < .05$ and $F= 5.74$, $p < .05$ respectively. When the mean scores are compared, respondent at age group 40-50 years with ITI/diploma holder exhibited highest mean score. Wherein gender, status, total experience and organisation experience did not find to be significantly different ($p=0.91$, $p=0.97$, $p=0.096$, $p=0.195$ respectively).

5.2. Perceived Significance of the Existing Performance Appraisal

5.2.1. Perceived Significance of the Existing Performance Appraisal: Statement-wise

The respondents were asked to mark their significance level on seven statements concentrating on the dimensions on a five point likert scale and the results are presented as per the table-3.

S.N.	STATEMENTS	RESPONSE					VALUE	
		SD	D	N	A	SA	MEAN	S.D.
		1	2	3	4	5		
1	The existing performance appraisal system promotes open communication to assist employees' performance.	10 (4)	41 (16)	78 (31)	101 (40)	20 (8)	3.32	0.974
2	The existing appraisal system provides scope for self Appraisal developmental needs and improvement in the employee performance.	3 (1)	30 (12)	85 (34)	114 (46)	18 (7)	3.46	0.841
3	The existing appraisal system facilitates the growth and learning of both employees and the company.	10 (4)	65 (26)	33 (13)	121 (48)	21 (8)	3.31	1.071
4	The existing appraisal system encourages understanding of the factors affecting employees' performance.	3 (1)	77 (31)	60 (24)	100 (40)	10 (4)	3.15	0.947
5	The existing appraisal system aims at strengthening the relationship within employees and the management.	10 (4)	71 (28)	85 (34)	72 (29)	12 (5)	3.02	0.963
6	The system helps the employee and the company in taking corrective actions for need based improvements.	10 (4)	34 (14)	112 (45)	81 (32)	13 (5)	3.21	0.887
7	The appraisal data is used for recognizing and encouraging high performance employees.	26 (10)	52 (21)	77 (31)	75 (30)	20 (8)	3.04	1.117

Table 3: Perceived significance of Existing Performance Appraisal (Statement - wise)

Note: Figures in the parenthesis shows the percentage.

Table 3 shows that 53 percent of respondents have agreed or strongly agreed to the statement that “the existing appraisal system provides scope for self appraisal, developmental needs and improvement in employees’ performance” and it attained highest mean score of 3.46. The respondents have viewed the existing performance appraisal system promotes open communication to assist employees’ performance and the concerned statement has secured second highest mean score (3.32). Statement “the existing appraisal system aims at strengthening the relationship within employees and the management” obtained the least mean score (3.02), also statement that “the appraisal data is used for recognizing and encouraging high performance employees” had also secured the second least mean score (3.04).

5.2.2. Variations in the Perceived Significance across Demographic Variables

The statistical significance for variations in perceived significance was tested by applying ANOVA and results of the same have been presented as per the table 4.

Dimensions of Employee Demographics		Count (%)	Mean	F value	P value
Age Category	20-30 years	144	2.05	5.095	0.002
	30-40 years	38	1.68		
	40-50 years	42	2.13		
	above 50 years	26	2.12		
Gender	Male	200	2.08	2.347	0.127
	Female	50	1.92		
Qualification	12	37	1.73	3.507	0.008
	ITI/Diploma	35	2.03		
	Graduation	112	2.05		
	Post Graduation	60	2.22		
	Doctorate	6	2.17		
Status	Top	33	1.88	5.263	0.002
	Middle	54	2.28		
	Junior	91	2.10		
	Operative	72	1.88		
Total experience	below 5 years	71	2.13	0.779	0.507
	5-10 years	74	1.97		
	10-15 years	42	2.00		
	above 15 years	63	2.06		
Organisation Experience	below 5 years	121	2.10	2.207	0.088
	5-10 years	62	1.92		
	10-15 years	28	1.89		
	above 15 years	39	2.18		

Table 4: Variations in the Perceived Significance across Employee Demographics

Note: Significant at 5 percent value if p-value < .05

According to the analysis of variance, there was significant difference for age, qualification and status, $F=5.09$, $p < .05$; $F= 3.50$, $p < .05$ and $F=5.26$, $p < .05$ respectively.

When the results were compared on the basis of mean score it was found that respondents of 40-50 years of age with postgraduate qualification at middle level have the highest mean score within their respective categories.

Wherein gender, total experience and organisation experience did not find to be significantly different ($p=0.127$, $p=0.507$, $p=0.088$ respectively).

6. Results

On the basis of data analysis it can be clearly indicated that there is significant difference in the awareness level of employee with respect to age and qualification. Respondents with age of 40-50 years, ITI/Diploma holder found to be more aware about the existing performance appraisal; hence we do not accept the first null hypothesis H_0 (1) of the study.

Further, Respondents also have shown significant difference for the significance of existing performance appraisal with respect to age, qualification and status. Respondents at 40-50 years of age, post graduated and serving at middle level perceived existing performance appraisal more significant; hence we do not accept the second null hypothesis H_0 (2) of the study.

7. Discussion

This study revealed that there is a statistically significant difference in the employees' awareness and perceived significance of performance appraisal with respect to demographic variables in pharmaceutical industry. Earlier researches supported this finding where demographic variables like age, qualification and status demonstrated a significant variation in the awareness and perceived significance of performance appraisal of employees (Punia and Siwatch, 2009; Geddes and Konards, 2002). However, there was a study which revealed that demographic variables show no significant difference with respect to performance appraisal (Jain and Garg, 2013).

8. Implications

The findings of this study have implications for different plans and programs designed for improving effectiveness of performance appraisal of employees in pharmaceutical industry. The study reported that there is a difference in employees' awareness and perceived significance of performance appraisal hence periodic awareness programs which include objectives, method and criteria of performance appraisal must be organized by the management which will enhance the understanding among the employees with respect to performance appraisal. The study also indicated that employees above 40 years of age, having more than 10 years of

organisational experience are more aware about the performance appraisal, this shows that they gained the knowledge due to the periodic exposure of the performance appraisal cycle. This implies that HR manager must incorporate topics related to performance appraisal in induction training so that newly recruited employees can have clear understanding about the existing performance appraisal.

Further, results indicated that the current performance appraisal in pharmaceutical industry does not recognize and encourage high performance employees. Hence management of pharmaceutical industry must pay attention and link performance appraisal to the performance pay, promotion, reward practices so that employees can perceive the existing performance appraisal more effectively.

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