

# To Study the Relationship between Performance Appraisal and Employee Performance in Telecom Sector

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**Abstract** The study aims at developing a strong impact of perceived fairness of performance appraisal on employee performance. It is a descriptive research. Data was collected from the respondents through a standardized questionnaire. The sample size consists of 80 employees from Vodafone and Tata Docomo. Analysis of data is done through quantitative method that is numerical figure. Instrument used for data analysis is SPSS. The analysis of responses was done by using correlation and regression analysis. Correlation analysis says that there exists a relationship between perceived fairness of performance appraisal and employee performance. In regression analysis, the nature of the relationship between the dependent and the independent variables was analyzed and the result was that there exists a significant impact of perceived fairness of performance appraisal on employee performance.

**Keywords:** *appraisal system, expected performance, role and targets, self review, and training & development needs*

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## 1. Introduction

Globalization is being experienced by most of the organizations in India. The Opportunities and Challenges of Leadership and Management are significantly different from that of the past and the last decade in particular. There have been transformational management initiatives all over the world. Assessment and development centers, HRD scorecard, human capital index and 360-degree feedback are some of the major HR initiatives. To walk shoulder-to-shoulder with the fast pace of development it is important to adopt the latest trends and techniques. The feedback forms include questions that are measured on a rating scale and it also asks the respective raters to provide written comments for their colleagues. The person, who receives the feedback, fills a self-rating survey. It includes the same questions that others receive in their respective forms. The managers in the organization use the feedback process to get a better picture of their strengths and weaknesses. The results are automatically tabulated in a proper format thus it helps in creating a development plan. The responses that are received from individual and other people are combined in the same category in order to preserve the anonymity and provide the employees an understanding of his or her strengths and weaknesses. There is immense competition but opportunities are also high. Performance is the key word hence the evaluation should be on the basis of performance. Thus, with so many challenges it becomes important to have a fair evaluation system. With the focus on customers (both

internal and external) and emphasis on softer dimensions of performance (leadership, innovation, team work, initiative, emotional intelligence, entrepreneurship, etc.) it has become necessary to get multiple assessments for a more objective assessment. Almost every Fortune 500 company is using this in some form or the other. In this system, the candidate is assessed periodically (once in a year and sometimes even half yearly) by a number of assessors including his boss, immediate subordinates, colleagues, and internal and external customers. The assessment is made on a questionnaire specially designed to measure behavior considered critical for performance. The appraisal is done anonymously and the assessment is collected by an external agent (consultant) or specially designated internal agent (for example the HRD department). The assessment is consolidated; feedback profiles are prepared and given to the participant after a workshop or directly by his boss or the HRD department in a performance review discussion session. Due to the innumerable variations possible in the 360 Degree Feedback and Appraisals, and its potency as a competency identification and development tool, it is important to understand the process and its dynamics.

## 2. Literature Review

Brockner (2002) reviewed studies on the effects of outcome favorability and procedural fairness on people's support for decisions, decision makers and the organizations. The interactions found indicated that high procedural fairness reduces the effect of an outcome's

favorability or people’s support, relative to when procedural fairness is low. He suggested that it is not the procedural fairness that interacts with the outcome favorability but rather it is the degree of trust resulting from procedural fairness of others that interacts with outcome favorability to influence employee support.

Coens and Jenkins (2000) suggest that performance appraisal is a mandated process in which, for a specified period of time, all or a group of an employee’s work behaviors or traits are individually rated, judged, or described by a rater and the results are kept by the organization.

Roberts and Reed (1996) found evidence of a positive relationship between satisfaction and acceptance of performance appraisal outcomes with employee perceptions that their supervisors encouraged participation, assisted in goal setting and provided frequent feedback.

Cobb and Frey (1996) studied the effects of procedurally fair leadership and payment outcomes on subordinate reactions to the supervisor. Subordinate’s reactions were measured for perceptions of supervisory fairness (both procedural and distributive) and the subordinate’s relationships with the supervisor. The results indicated that procedurally fair leadership was linked to subordinate perceptions of leader fairness and on their relationships with the leaders. Subordinates discerned differences in leadership behaviors that enact procedural fairness. These behaviors affected subordinate assessment of supervisor fairness and relationships with the supervisor. The researchers found some evidence that unfair behavior can have negative effects on favorable outcomes. When leaders act unfairly their decisions are seen as unfair even when subordinates benefit from them.

Karol (1996) considered performance appraisal to include a communication event scheduled between a manager and an employee expressly for the purposes of evaluating that employee’s past job performance and discussing relevant areas for future job performance. He indicated that performance appraisal is an exercise in social perception and cognition embedded in an organizational context requiring both formal and implicit judgment.

Bernardin and Beatty (1984) suggested that relative measures of the attitudinal kind may ultimately prove to be better measure and predictors of rating validity than such traditional psychometric variables as leniency, halo, and discriminability. A performance appraisal system can be psychometrically sound in design and construction but

still wholly ineffective in practice due to resistance or lack of acceptance on the part of users. Thus, the effectiveness of a system is particularly contingent on the attitudes of the system users, both raters and rates.

Landy, Barnes, and Murphy (1978) studied employee perceptions of the fairness and accuracy of a performance appraisal system. The researchers found that frequency of evaluation, identification of goals to eliminate weaknesses, and supervisory knowledge of a subordinate’s level of performance and job duties were significantly related to perceptions of fairness and accuracy of performance appraisal. The results confirmed traditionally held perceptions that performance appraisal should be done as frequently as possible, that the supervisor should work with the subordinate to agree on responsibilities; and, that the supervisor should devote sufficient time to observe and evaluate and employee’s performance.

### 3. Research Methodology

Research Objectives: To study the impact of perceived fairness of Performance Appraisal on employee performance.

Major Hypothesis (s):

H1- Performance Appraisal satisfaction has a significant impact on employee’s performance in Telecom Sector.

H0- Performance Appraisal satisfaction does not have a significant impact on impact on employee’s performance in Telecom Sector.

Research Design: Descriptive research design was used.

Data Analysis Technique: Analysis of data is done through quantitative method that is numerical figure.

Data Analysis Instrument: Instrument used for data analysis is SPSS

### 4. Data Analysis and Interpretation

#### 4.1. Correlation Analysis

Q1. The PPR process requires that performance expectations be set for me during a planning session at the start of a rating period \* I feel my performance has increased because of the practice of OCB in the organization.

Table 1. Symmetric Measures

		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Interval	Pearson's R	.168	.094	1.508	.057 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	.118	.106	1.048	.098 <sup>c</sup>
N of Valid Cases		80			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

#### INTERPRETATION

From the above (The PPR process requires that performance expectations be set for me during a planning session at the start of a rating period \* I feel my performance has increased because of the practice of OCB in the organization) it is seen that the significant value is .057 which is lesser than 0.1. Thus, the null hypothesis

is negative and there exist a positive relation between the two variables.

Q-2 The PPR process makes sure that my performance expectations measure what I really do for the organization \* I feel my performance has increased because of the practice of OCB in the organization.

**Table 2. Symmetric Measures**

		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Interval	Pearson's R	.595	.053	6.542	.000 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	.664	.064	7.841	.000 <sup>c</sup>
N of Valid Cases		80			

- a. Not assuming the null hypothesis.
- b. Using the asymptotic standard error assuming the null hypothesis.
- c. Based on normal approximation.

**INTERPRETATION**

From the above (The PPR process makes sure that my performance expectations measure what I really do for the organization \* I feel my performance has increased because of the practice of OCB in the organization) it is seen that the significant value is .00 which is lesser than

0.1. Thus, the null hypothesis is negative and there exist a positive relation between the two variables.

Q-3 The expectations set during the planning session reflect the most important factors in my job \* I feel my performance has increased because of the practice of OCB in the organization.

**Table 3. Symmetric Measures**

		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Interval	Pearson's R	.237	.080	.154	.034 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	.200	.105	1.800	.076 <sup>c</sup>
N of Valid Cases		80			

- a. Not assuming the null hypothesis.
- b. Using the asymptotic standard error assuming the null hypothesis.
- c. Based on normal approximation.

**INTERPRETATION**

From the above (The expectations set during the planning session reflect the most important factors in my job \* I feel my performance has increased because of the practice of OCB in the organization) it is seen that the significant value is .034 which is lesser than 0.1. Thus, the

null hypothesis is negative and there exist a positive relation between the two variables.

Q-4 My organization makes sure that I am assigned a rater who is qualified to evaluate my work \* I feel my performance has increased because of the practice of OCB in the organization.

**Table 4. Symmetric Measures**

		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Interval	Pearson's R	.281	.083	2.581	.012 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	.226	.105	2.045	.044 <sup>c</sup>
N of Valid Cases		80			

- a. Not assuming the null hypothesis.
- b. Using the asymptotic standard error assuming the null hypothesis.
- c. Based on normal approximation.

**INTERPRETATION**

From the above (My organization makes sure that I am assigned a rater who is qualified to evaluate my work \* I feel my performance has increased because of the practice of OCB in the organization) it is seen that the significant value is .012 which is lesser than 0.1. Thus, the null

hypothesis is negative and there exist a positive relation between the two variables.

Q-5 My organization makes sure that I am assigned a rater who knows how to evaluate my performance \* I feel my performance has increased because of the practice of OCB in the organization.

**Table 5. Symmetric Measures**

		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Interval	Pearson's R	.300	.097	2.775	.007 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	.310	.117	2.877	.005 <sup>c</sup>
N of Valid Cases		80			

- a. Not assuming the null hypothesis.
- b. Using the asymptotic standard error assuming the null hypothesis.
- c. Based on normal approximation.

**INTERPRETATION**

From the above (My organization makes sure that I am assigned a rater who knows how to evaluate my performance \* I feel my performance has increased because of the practice of OCB in the organization) it is seen that the significant value is .007 which is lesser than

0.1. Thus, the null hypothesis is negative and there exist a positive relation between the two variables.

Q-6 My rater clearly explains to me what he or she expects for my performance \* I feel my performance has increased because of the practice of OCB in the organization.

**Table 6. Symmetric Measures**

		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Interval	Pearson's R	.051	.134	.451	.053 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	.090	.129	.799	.027 <sup>c</sup>
N of Valid Cases		80			

- a. Not assuming the null hypothesis.
- b. Using the asymptotic standard error assuming the null hypothesis.
- c. Based on normal approximation.

**INTERPRETATION**

From the above (My rater clearly explains to me what he or she expects for my performance \* I feel my performance has increased because of the practice of OCB in the organization) it is seen that the significant value is .053 which is lesser than 0.1. Thus, the null hypothesis

is negative and there exist a positive relation between the two variables.

Q-7 My rater clearly explains to me the standards that will be used to evaluate my work \* I feel my performance has increased because of the practice of OCB in the organization.

**Table 7. Symmetric Measures**

		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Interval	Pearson's R	.657	.052	7.706	.000 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	.660	.049	7.760	.000 <sup>c</sup>
N of Valid Cases		80			

- a. Not assuming the null hypothesis.
- b. Using the asymptotic standard error assuming the null hypothesis.
- c. Based on normal approximation.

**INTERPRETATION**

From the above (My rater clearly explains to me the standards that will be used to evaluate my work \* I feel my performance has increased because of the practice of OCB in the organization) it is seen that the significant value is .000 which is lesser than 0.1. Thus, the null

hypothesis is negative and there exist a positive relation between the two variables.

Q-8 My rater frequently lets me how I am doing \* I feel my performance has increased because of the practice of OCB in the organization.

**Table 8. Symmetric Measures**

		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Interval	Pearson's R	.629	.073	7.148	.000 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	.610	.087	6.807	.000 <sup>c</sup>
N of Valid Cases		80			

- a. Not assuming the null hypothesis.
- b. Using the asymptotic standard error assuming the null hypothesis.
- c. Based on normal approximation.

**INTERPRETATION**

From the above (My rater frequently lets me how I am doing \* I feel my performance has increased because of the practice of OCB in the organization) it is seen that the

significant value is .000 which is lesser than 0.1. Thus, the null hypothesis is negative and there exist a positive relation between the two variables.

**REGRESSION ANALYSIS**

**Table 9. Model Summary**

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	.870 <sup>a</sup>	.750	1.000	.00000	1.000	5.568E16	11	68	.000

**INTERPRETATION**

Value of R Square should range from -1 to 1. Closer to 1 means strong the relationship between two variables. A negative value indicates an inverse relationship. From the above it can be interpreted that there exist a strong relationship between performance appraisal satisfaction and employee performance as the value of R square is closer to 1.

**5. Results and Findings**

The survey supports that perceived fairness of performance appraisal (which includes setting performance expectations, rater confidence, providing feedback, accuracy of rating, explaining rating decisions etc.) has a very strong impact on employee performance. Similarly we also find that most of the people agree to the fact that perceived fairness of performance appraisal behavior plays a very important role in determining performance.

Thus the null hypothesis is negative and there exist a positive relation between the two variables. Therefore it can be said that there exist a strong impact of perceived fairness of performance appraisal on employee performance.

**6. Conclusions**

Organizations want and need employees who will do those things that aren't in any job description. And the evidence indicates that those organizations that have such employees outperform. The rationale of this research was to test the impact perceived fairness of performance appraisal behavior on employee performance. It basically tested as to how the perceived fairness of performance appraisal behavior can lead to a better performance of the employee.

The analysis of responses was done by using correlation and regression analysis which supported that perceived fairness of performance appraisal has a very strong impact on employee performance. Thus the null hypothesis that there is no impact of perceived fairness of performance appraisal behavior on employee performance was rejected and therefore it can be said that there exist a strong impact of perceived fairness of performance appraisal on employee performance. Research has shown that perceived fairness of performance appraisal behavior plays a very vital role in contributing to organizational functioning and performance thereby giving a better

clarity to the relation between employee performance and perceived fairness of performance appraisal.

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