MEASURING THE EFFECT OF PERFORMANCE APPRAISAL ON JOB SATISFACTION

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ABSTRACT

Performance is not a choice but a must do practice for organizations. The current study is an effort to study the performance evaluation practices of pharmaceutical companies of Punjab. The variables of performance measure have been identified through literature and were grouped into various factors through factor analysis. The impact of performance appraisal practices has been measured on the job satisfaction of lower and middle level employees through regression analysis. The results suggest a strong association between performance appraisal and job satisfaction. The results also highlight that fair the system of appraisal, more is the job satisfaction which improves the productivity of employees.

Key words: Performance appraisal, pharmaceutical, Punjab, job satisfaction

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1. INTRODUCTION

Performance evaluation is to access an employee's present and past performance with reference to their standard. Appraisal of performance is a vital activity of human resource department of any company and it's one of the most complex processes. It becomes more complicated if the performance standards are not objective and not communicated clearly to the employees (rate). Performance appraisal (PA) is a controlled formal communication amid an assistant and manager. It, by and large is a type of a periodic meeting (yearly/half yearly), where the job related performance of the subordinate is checked and discussed. It is done to identify the weaknesses and strengths along with opportunities for overall development.

Performance Appraisal is a tool to measure the gap in the actual performance of the employee and the expected performance by the management. It allows the companies to know the effectiveness of an employee related to job requirements for which he is hired. The

appraisals decides that what the employee has done/doing for the organization and what they deserve in return in terms of appreciation for their worth and dedication towards his job.

Generally people take performance appraisal as appraisal tools. Performance assessment presumes that the employees are aware of the performance criteria and received the opinions required to eliminate the performance deficiencies. The aim is to develop the employee's, and, thus the organization (Garry Dessler 1999). Best groups a formal assessment method as they contemplate performance appraisal as essential for organization's success.

The idea behind performance appraisal process is to make employees future centric rather than past oriented. Performance assessment is vital for both the employee and the organization. The employees on the basis of appraisals can alter the work behavior and enhance their efficiency which further increases the probability of receiving rise in compensation and/or recognition. It's a continuous process which regularly offers inputs on decisions like increments, promotions, transfers, training, bonus etc. The organizations find it important, because of its wide use in making decisions on promotion, transfer, rewards etc. and to give feedback to individuals which help in their personal and career progression which further assures organizational effectiveness (Kane and Lawler 1979).

The Indian Pharmaceutical Industry starting from scratch in 1970s became one of the major and extremely progressive industry of the world. It generated employment to billions and makes sure the availability of the necessary medicines to Indians and foreigners at reasonable prices. A number of manufacturing plants have been approved by US FDA. Indian medicinal industry sells around 85% formulations produced in own country in the national market, whereas 60% of India's wholesale drug production is exported. A pharmaceutical industry requires skilled and efficient workers as its highly technology oriented and there believe in zero tolerance in terms of quality of products and services. It is the human resource that plays a major role and the most important tool to ensure skilled and efficient employee is performance appraisal.

2. LITERATURE REVIEW

The researches in past analyzed the influence of the social context of performance appraisals on employee reactions towards such appraisals. A few study related to the appraisal and its direct or indirect effect on job satisfaction have been briefed here.

Poon (2004), studied the response of workers to different characteristics of the appraisal procedure. The study found significantly positive connection between performance appraisal with the job satisfaction among employees in multinational companies in Malaysia.

Bhatti and Qureshi (2007) found an affirmative relationship amid performance appraisal with job satisfaction which increases employee efficiency. How (2011) also found an affirmative association amid performance appraisal and job contentment amongst employees in domestic companies of Malaysia. It means satisfied employees contribute towards accomplishments of organizational objectives in effective manner.

Bekele, Shigutu and Tensay, (2011) studied employees views on the prevailing performance evaluation system in the organization and its association with intentions to quit, commitment towards goals of organization and work performance. The study found that the employees with a positive view on performance assessment system demonstrated superior performance, greater commitment & have lesser turnover intentions.

Shrivastava and Rai (2012), considered performance evaluation practices in various Indian banks and found performance appraisal as an important factor in improving organization's ability. It also suggested that though every bank considers performance assessment as a crucial activity in order to increase organizational ability but each bank has its own way of measuring employee performance. Bhatia and Jain (2012), examined the perception of employees towards

prevailing performance appraisal procedures in Telecom companies and its association with organizational effectiveness in Bhopal city of India. The study found that the employees are dissatisfied with the system as it is not motivational or reward centric and no post appraisal interview was conducted.

Mahajan and Raheja (2013), studied the association of job satisfaction with performance appraisal process and fairness of the system. The study found a positive association amid employee satisfactions with performance assessment system and fairness of the system.

Marawar (2013) studied the performance evaluation system in two construction based companies of Pune and proposed a different evaluation system which may remove the shortcomings of the prevailing system.

Deepa and Kuppusamy (2013) assessed the performance evaluation methods followed in oil and refinery industries in Coimbatore city and analyzed the employee's views on the existing performance appraisal system. The study revealed that if employee's have positive views towards performance assessment system, their potential capabilities are improved. Mondy & Mondy, (2014) defined performance appraisal as a process which evaluates employee's performance and in the meantime supervisors may improve their skills and the organization's performance simultaneously.

Rao and Rani (2014) examined the grading mistakes in the current appraisal process in the banks with focus on employee satisfaction. The study was done in Chennai city. The study found that rating mistakes significantly affect the performance appraisal which in turn influences employee satisfaction.

Agyare et. al. (2016) investigated the impacts of performance appraisal on the job-satisfaction and commitment of employees of Microfinance organizations in Ghana. The study using Regression Analysis and correlations discovered that the job satisfaction of employees has positive and significant fairness of the appraisal process, connecting appraisals with advancement in career, provides role clarity and feedback about their performance.

In the light of above discussion this study attempts to study the impact of performance appraisal process on the job satisfaction of employees of pharmaceutical companies in Punjab.

3. RESEARCH DESIGN

3.1. Variables for Study

Job satisfaction is a vital subject for all organization nowadays. The reason for it is that satisfied employees perform better. Job satisfaction is measured by the variables such as salary, nature of job, management, advancement, co-worker and work atmosphere. It indicates about employees' perception about their job and demonstrates the level to which employees are satisfied with their jobs. The contentment level of the workers is also shown by growth in organization's productivity. A few statements considered for the job satisfaction of employees are:

- My organization believes in ability utilization and achievements.
- There are enough activities which bring out my creativity and help in career advancement.
- I get authority, independence in my area within the company policy.
- The compensation and co-workers are descent.
- I get responsibility as per my skills and I am recognized if I perform well.
- My job gives me social status and a sense of security.
- My supervisor believes in human relations and helps me technically as well.

- The working conditions are appropriate.

The statements related to performance analysis are:

- The organization evaluates the performance on regular basis.
- The procedure of performance assessment is transparent.
- The process of performance assessment is fair.
- The goals of performance assessment are briefed before the commencement of the evaluation period.
- Performance evaluation goals are mutually decided.
- The performance management process helps in setting and achieve significant goals.
- The weights set for each activity to be performed in the stated period by performance management system (pms) are agreeable.
- The process of performance appraisal is unbiased.
- The process of performance appraisal gives enough scope to measure the goals set and achieved.
- The performance appraisal methods are modified from time to time as per requirements.
- The performance appraisal methods are flexible enough to accommodate the modifications if required.
- The performance appraisal method is efficient enough to measure the ability utilization.
- The performance appraisal method takes care of the biasness of rater.
- The performance appraisal method takes care of the limitations of rater.
- The performance appraisal method takes care of the reasons between performance expectations and actual performance.
- The PMS applied in organization generates a participative atmosphere.
- The promotions are stringently on the basis of PMS.
- The increments are strictly based on PMS.
- The job performance of employees has shown improvement due to the existing PMS.
- The disagreement regarding the appraisal decisions can be freely expressed to the appraiser.
- The performance assessment gives positive criticism in a friendly way.
- The performance assessment increases motivation to perform.
- The existing Performance Management System is overall satisfactory.

3.2. Methodology

Sample: The current study collected responses from 484 respondents working in three pharmaceutical companies in Punjab. Originally 500 questionnaires were circulated but finally 484 responses were complete in all the aspects out of which 355 were male and 129 were female respondents. Data was collected from employees on a random basis.

Instrument: The present study is based on the primary data collected through a close ended questionnaire which had 35 items. Among them four items measured demographics, twenty three items measured employee appraisal system used in the company and eight items measured employee's satisfaction with their job in the selected company. The questions were adopted from past researches. Apart from demographics, the items were marked on five point Likert scale of "1 to 5", where 1 denoted strongly disagree or strongly dissatisfied and 5 denoted strongly agree or strongly satisfied for employee performance assessment method and job related employee satisfaction respectively.

4. RELIABILITY ANALYSIS

4.1. The Reliability Analysis of the Questionnaire was Conducted through Cronbach Alpha

Table 1: Reliability Statistics

Variable	No. of items	Cronbach's Alpha
PA	23	0.79
JS	8	0.83

The value is sufficiently large to believe the reliability of the questionnaire.

A factor analysis of variables of performance appraisal was conducted to group the variables of performance appraisal as they are more in number. When the exploratory factor analysis was conducted, it was found that they group into seven categories.

Table 2: KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Value.		.767
Bartlett's Test of Sphericity	Approx. Chi-Square	5399.035
	Sig.	.000

Table 3: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.338	14.514	14.514	3.338	14.514	14.514	2.871	12.482	12.482
2	2.827	12.293	26.807	2.827	12.293	26.807	2.103	11.142	23.624
3	2.557	11.118	37.925	2.557	11.118	37.925	2.069	10.997	34.621
4	1.995	10.675	48.600	1.995	10.675	48.600	2.052	9.920	44.541
5	1.780	9.739	58.139	1.780	9.739	58.139	2.025	9.803	54.344
6	1.394	7.061	65.200	1.394	7.061	65.200	1.924	8.467	62.811
7	1.383	6.003	71.203	1.383	6.003	71.203	1.678	8.392	71.203

Table 4: Rotated Component Matrix

	1	2	3	4	5	6	7
VAR00001						.804	
VAR00002						.841	
VAR00003						.648	
VAR00004		-.676					
VAR00005			.442				
VAR00006			.734				
VAR00007		-.784					
VAR00008	.825						
VAR00009			.876				
VAR00010	-.608						

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VAR00011				.781			
VAR00012			-.614				
VAR00013				.676			
VAR00014				.546			
VAR00015	.491						
VAR00016	-.445						
VAR00017							.823
VAR00018							.781
VAR00019					.498		
VAR00020				.599			
VAR00021					.804		
VAR00022					-.589		
VAR00023	-.508						

On the basis of the grouping the groups are named as:

Table 5: Names of Factors

1-Process of PA	2-Fairness of PA	3-Goals of PA	4-Characteristics of Rater	5-Reasons of PA	6-Characteristics of PA	7-Outcomes of PA
Variable 8	Variable 4	Variable 5	Variable 11	Variable 19	Variable 1	Variable 17
Variable 10	Variable 7	Variable 6	Variable 13	Variable 21	Variable 2	Variable 18
Variable 15		Variable 9	Variable 14	Variable 22	Variable 3	
Variable 16		Variable 12	Variable 20			
Variable 23						

A regression analysis has been conducted to see the influence of performance assessment system on the job satisfaction level of employees. Here the factors of performance appraisal system are independent variables and job satisfaction is dependent variable. The model used for study is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + e$$

Where Y is job satisfaction and X1 is process of PA; X2 is Fairness of PA; X3 is goals of PA; X4 is characteristics of rater, X5 is Reasons of PA; X6 is Characteristics of PA; X7 is outcomes of PA and e is error term. The b are the coefficients to measure the sensitivity of job satisfaction towards the particular factor.

Table 6: Model

Model	R	R ²	Adj R ²	Std. Error of the Estimate	R ² Change	F Change	p-value
1	.843 ^a	.711	.707	.80640	.711	146.355	.000

Table 7: Regression Coefficients

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
	(Constant)	3.248	.037	88.610	.000
	REGR factor score 1	.108	.037	2.949	.003
	REGR factor score 2	.133	.037	3.615	.000
	REGR factor score 3	.030	.037	.809	.419
	REGR factor score 4	-.107	.037	-2.924	.004
	REGR factor score 5	-.171	.037	-4.669	.000
	REGR factor score 6	1.196	.037	32.600	.000
	REGR factor score 7	.208	.037	5.675	.000

The regression analysis found that the factors achieved through factor analysis are appropriate as the F value which indicates model fit is significant at 1 percent level of significance. The value of adjusted R square is also 70.7 percent which suggests that the independent variables are able to explain around 7 percent of variation in job satisfaction.

The results of regression coefficient table found the process of performance appraisal, fairness of performance appraisal, characteristics of rater, reasons, characteristics and outcomes of performance appraisal have significant relationship with job satisfaction. However the coefficient of characteristics of rater and reasons of performance appraisal turned out to be negative which suggests that if the reasons of PA are not clear or if the rater has limitations, the job satisfaction will be not there.

5. CONCLUSION

The analysis found a significant association amid employee performance, appraisal system and job satisfaction. The probable reason could be that the business nowadays practices the policies in a fair manner due to the strict labour laws. It endorses that performance evaluation system in practice should be fair and transparent in order to the employees satisfied. The results of the study are in line with Khan (2007) but dissimilar to that of Bricker (1992) which specified that employees were discontented with the performance appraisal systems embraced by their organizations. However numerous researchers confirmed that the satisfied employees are the key to better individual and/or organizational performance (Schneider, Hanges, Smith, and Salvaggio 2003; Ostroff, 1992; Schneider et al. 2003).

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