

## A Review on Performance Management System (PMS) Methods for Employees Appraisal in an Organization

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### Abstract

**Purpose:** In this extreme competition, various organizations use the strategies to attract the employees and retaining the employees to have good workforce around. Human Resource department plays a very important role in the organization to analyze the performance of the employees by newer methods such as Performance Management System (PMS). By this PMS, employee's performance can be determined and organizational goals can also be achieved.

**Method:** There are various methods of conducting Performance Management Appraisal System for the employees. This study explains the methods for PMS evaluation process based on various literature reviews. The company must choose the effective method for evaluation process to know the performance of the employees. Status of the employee's performance in the organization can be revealed.

**Findings:** The study findings revealed that the most appropriate appraisal method for conducting the Performance Management System for the employees in a company is 360 degree feedback method. The results achieved would be accurate by this method.

**Research limitations/implications:** This study focuses on the methods of performance management system

**Originality/value:** This study provides a review on methods of performance management appraisal system for evaluating the work performance of the employees in organizations. The goals of organization can be achieved by using different appraisal methods.

**Keywords:** Performance Management System; Employees performance; 360 degree feedback; Evaluation process; Appraisal method

### Introduction

Performance Management Appraisal System is known as the process of evaluating the performance and progress of an employee or a group of employees on a given job and his / her potential for future development. It consists of all formal procedures used in working organizations and potential of employees.

Performance Appraisal System is a process to evaluate the work performance of the employees in a company. It is the systematic evaluation of the strengths and weakness of an employee in the company about his/her job. Systematic procedures are used in the study. It is an ongoing and continuous process wherein the evaluations are performed periodically according to an appropriate method. The main purpose of conducting Performance Appraisal System is to know the employees performance and to set goals to achieve the targets of company.

Performance Appraisal Systems are most effective in motivating the employees and resolves the employee's performance problems in organizations. Giving feedback for the employees results in achieving the goals of the companies. In many organizations Performance management system is used for giving the rewards, promotions, bonuses, salary hike etc. for the employees. It also helps in retaining and terminating of the employees in organizations [1-5].

### Objectives

- To increase the Employee's work performance
- To set goals for the employee's
- To train the employees for desired needs
- To retain good Employee performers

- To improve communication between Employees and Management
- Rewarding the Employee's

### Literature Background

The Performance Management System on Employee Performance in Banks was focused in this research. Data collected by questionnaires, data processing and Analysis process. It was found that performance appraisal system enhanced employee performance by providing staff competency and realization of set targets. This research concluded that adopting the performance appraisal system enhances the employee performance by setting objectives that are derived from overall company's goals. The management should make their employees aware of appraisal system.

The effects of performance appraisal system on employees and commitment among Enterprises was focused in this study. Survey by questionnaires, SPSS, sample size-63%. It was observed that Appraisal Management System relate to organizational performance. Empowering through fairness in appraisal process in PMS is a strategic investment. Sample population can be increased for the research process.

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Employee's perceptions towards performance Appraisal system in an organization was studied in this research. Questionnaires were distributed, Data analysed by Mean, Standard deviation. This research revealed an effective PMS can be made by the organization plan for PMS by an active role of HR department. Appraisal system plays a very important role in any organizations, as it helps the organization for recognition of the performers and gaps in employees performance.

### Methods of Performance Management System (PMS)

There are various methods for conducting the performance management system. Every method of the performance management appraisal system has its weaknesses and strengths that may suits for one organization and not suitable for other organizations. There is no single performance appraisal method or process accepted and used by the organizations to determine their employees work performance [6-11].

The methods are divided into two categories.

- Conventional methods
- Recent methods

#### Conventional methods

**Essay appraisal method:** It is the simplest method for PMS evaluation process, the appraiser writes a detailed paragraph about an employee's strengths, weaknesses, potential, capabilities, training needs and so on. It is a time consuming process. Accurate results may not be obtained by this method (Table 1).

**Forced choice method:** This type of method was developed to reduce the bias among the results. It has a bunch of statements and the appraiser decides that which statement is false or true. It contains both positive and negative statements. The rater/appraiser is forced to make a choice about an employee.

- Positive statements
  - ◇ Decision making
  - ◇ Team work
- Negative statements
  - ◇ Negligence
  - ◇ Over promised

**Field review method:** In this method, any person from HR department goes near employee's work place and examines them. The evaluating person may not be familiar with the work responsibilities of an employee.

- Evaluates employee work
- Direct communication with the employee
- Initiative

**Rating scale method:** This method consists of categories such as work skills, behavior, communication, attendance for evaluating the employees. The appraiser should rate these categories based on employee's performance (Table 2).

**Ranking method:** In this method, Appraiser gives the rank to the employees based on their job responsibilities. Ranking consists of poor to excellent categories. It is an easy process for conducting the performance management system in organizations (Table 3).

**Checklists method:** This is a method where HR department prepares a list of Yes or No type of questions. The appraiser chooses the option for appraise based on their work performance. This is an easy method. In this HR people prepares the questions where an appraiser chooses the option (Table 4).

**Confidential report method:** In this method, superior who makes the final decision rates the employee based on his/her work abilities like team work, leadership, skills, leaves, behavior. It will be secret and confidential.

- Promotions
- Transfers

**Paired comparison ranking method:** Appraiser rates the employee by comparing to other employees. It will be rated as pairs. Bias can be seen in the results. Appropriate results may not be obtained in the organizations. Appraiser rates based upon work knowledge, Behavior, communication skills

$$N(N - 1)/2$$

Where N= Total No. of Employees

For example: 4 employees

- 1 - 2      2 - 3
- 1 - 3      2 - 4
- 1 - 4      3 - 4

**Critical incident rating method:** If any incident happens during work for an employee, the appraiser remembers it strongly and rates according to it. If the incidents were negative than the rating can be

Traits	Discussion
Work knowledge	
Negotiation skills	

Table 1: Essay Appraisal Method.

	Excellent	Good	Bad	Poor
Dependability				
Job knowledge				
Communication skills				

Table 2: Rating Scale Method.

1	2	3	4	5	6	7	8	9	10
Bad				Average					Excellent

Table 3: Job knowledge: Ranking Method.

Areas	Yes	No
Employee Attendance		
Behavior		
Discipline		

Table 4: Checklists Method.

Public speaking	Honesty	Decision making	Initiative	Team building	Stress management

Table 5: Behavior Rating Method.

expected as lower. Appraiser forgets past work of an employee. This feedback is very easy in companies

### Recent methods

**Management by objectives method:** In this method, the management sets the objectives to the employees. They compare the past objectives of an employee as achieved or not. They set the objectives to the employees and give certain time to achieve. After that time period, they analyze the employee's performance of actual goals and further assigning goals. They establish the new goals and objectives to increase their performance and output of the company. It may not be applicable to all job positions.

**Behavior rating method:** In this method, appraiser gives the rating according to the behavior of the employees. Each employee is different from others. Appraiser chooses the behavior of employee's performance. Points are given to them as low to high. Errors may not be seen in this process (Table 5).

**360 Degree feedback method:** The 360 Degree Appraisal system involves appropriate peers, supervisors, head of the department and customers. To know the overall performance of the employees, complete survey and questionnaires were prepared. Not only one appraiser gives the rating but all the supervisors who are appropriate can evaluate the employee's. Self appraisal is present in this method. Once the evaluation process starts, the results were compared with one another and communicate to the concern manager without bias. In this method, the appraisal system is based on all around feedback. An employee should answer carefully to the supervisors. It measures the employee's skills, work knowledge, behavior, team involvement etc.

**Cost accounting process:** In this process, the management evaluates the employee's performance based upon the monetary benefits which yields her/his to the organization. It calculates the costs between retaining of the employees and derived from the employees.

- Products produced
- Damages done by employees
- Customer focus

### Discussion

The performance of the organizations and individuals mainly depends on the relationship between the Management and the Employees. Employees should understand their job/work responsibilities and have the sufficient knowledge for performing their duties. By Performance Management System process, the employees can receive the accurate feedback. Corrective action can be made for employees by the help of training needs. Salary increments can be done by the PMS process for the employees. In consideration of effectiveness, this study used the 360 degree Appraisal method for offering a comprehensive analysis of the employee's performance. In terms of motivation for the employees, the communication between the employees and management plays a key role [12-15].

The Appraisal system must be designed to create the fair treatment among the employee's and their expectations. Employees will be different from other employee's in their preferences. The organizations should choose a suitable method of Performance Appraisal System to award the salary increments and rewards to the employees. This results in boosting the employees and increases their satisfaction levels. Poor performers can be identified by these methods. Human Resources Management plays a very important role in managing the organization and sets the principles for the employees. By these methods both the

organization and the employees can be benefited. Salary hike, rewards, promotions etc. can be made for employees by using these methods.

### Conclusion

The companies must evaluate the employees work performance effectively and fairly. The evaluating members should have enough knowledge to analyze the employee's performance. The organizations should retain the good performers. Employees need regular and quality feedback to increase their skills, abilities. Recognition of employee's helps them to retain and balance their career. The management should conduct the performance management system for the employees frequently to obtain good results. Salary hikes and rewards motivates the employees in achieving the company goals. Human Resources department should select an effective method of Performance Appraisal System to derive the appropriate results. The employees must take their feedback in a positive way.

The organizations should know the various methods of performance management system process correctly to evaluate their employees. The key to success for organizations is to select a right method of performance management system. Proper communication between employees and management about evaluation process should be present to increase the output of the companies. It is concluded that choosing an appropriate performance management appraisal method is a strategic tool in organizations to achieve the goals.

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