

# Factor Affecting Performance Appraisal of Employees: A Study of Life Insurance Company

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**Abstract:** *This research is an attempt to explore the factors affecting the performance appraisal of employees. All measures were tested for reliability through computation of Cronbach's Alpha. The Alpha coefficient value was found 0.781 for performance appraisal variables like Education Experience, Targets achieved, Position in the organization, Influence of the senior, Targets achieved by the employee, Attendance & regularity of the employee, Vacant position if any to be filled, Rapport of the employer & employee and Past negative or positive experience of the employee etc. Factor Analysis was used to assigned loads to each factor that affects and has impact on the performance appraisal system. Further, the effect of age group and target achieved of the employees were evaluated using chi-square test and it was found that there is no association of targets achieved with the age of the employees. This shows that the performance/output of the employees is not affected by the age.*

**Keywords:** Human Resource Management, Performance Appraisal

## 1. Introduction

The term 'performance appraisal' cannot be generalized. Instead, it alludes to the relative thinking of the person concerned on the basis of the parameters he has chosen. This is because identification of what is good, better or best can only be a decision of individual concern. As we know the performance of a person cannot be determined by single yardstick as because whether the performance is good or bad has to be decided by the user or beneficiary. Therefore the appraisal is based on the assessment made by the individual who can be named as a judge in correlation with the particular appraisal of performance to be undertaken.

Traditionally, the approaches to performance appraisal have been based on almost exclusively unilateral and subjective judgment, which have ignored the importance of relationships between appraisers and the appraisee.

In India, the scheme was formally introduced during the colonial regime and was known as 'Character Rules', with the main emphasis being on personality traits such as loyalty, integrity, obedience, etc, to suit the specific requirements of the government of the day.

However with the emergence of professional management in both the public and private sectors, the focus has been more on performance and the results achieved and the scheme is known as 'Performance Appraisal'.

## 2. Literature Review

Hemingway(2005) describes various dimensions and levels of values. The values are often loosely referred to as norms or a set of standards. Hitlin and Piliavin(2004) identifies the major difference between norms and values and posited that norms capture an "ought" sense and tend to be situated based in the other hand, values captured a personal or cultural ideal. Therefore, situational constraints cannot change the way the person will act if the person has strong values; they remain true to personal standards of conduct. Apart from of the differing, perspectives, personal values are the catalyst

for our behaviors; with the result being a reinforcement of our senses of personal identity.

Spector (1985) evaluated the relationship between values and management practices and suggested that identification of a set of shared values are important, particularly the ones that are relevant and support the concerns of both the organization and the employee. Organization need to pay special attention to embedding performance appraisal while developing that job satisfaction is not possible without the workers' perception that the organization has taken care of their important job values during job design. Karl & Sutton(1998) identifies the major difference between individualistic and collective values describe individualistic values as ambitions or pleasure whereas responsibilities and helpfulness demonstrate collective values.

Hemingway's (2005) presented in this paper incorporates elements of both value perspectives and researcher definitions in the nonprofit sector. We should note that in selecting studies to include in this review it was sometimes difficult to separate values as modes of behavior (e.g., achievement) from values as outcomes (e.g., the feeling of achievement associated with a particular job). In such cases, we relied on the context to make this distinction. That is, we included studies where the context indicated a mode of behavior characteristic of an individual, but then when the value was descriptive of an object (e.g., a job).

Cranny Smith & Stone (1992) reported the history of job appraisal stems back to the early 1900's with the situation perspective on job satisfaction. This perspective states that appraisal is determined by certain characteristics of the job and characteristics of the job environment itself. This view has been present in the literature since the first studies by Hauser, Taylor and the various projects at the Western Electric plants in the Hawthorne.

Brockner (1988) explored second aspects that are supervision, measured in such ways as how supervisor provide feedback, assess employee's performance ratings and delegate work assignment. Co-workers, Cranny MSit

and Stone(1992) measured third aspect in terms of social support, networking and possible benefits attached to those relationships. Bruckner (1988) explored the fourth aspect that is Pay; pay is an important source of satisfaction because it provides a potential source of self-esteem as well as the generic opportunity for anything money can buy.

### 3. Research Objective

To study the factors affecting performance appraisal of employees

To study the association between target achieved and different age group

Hypothesis to be tested

Null (H0) : There is no association between age group and targets achieved

Alternate (H1): There is association between age group and targets achieved

### 4. Research Methodology

The population for study was employees of life insurance organization located in Mumbai. Individual employee was being considered as sample elements for the study. The sample size for the study was 80 employees. Non-Probability Purposive sampling technique was being used to select sample elements. Standardized questionnaire were being used to collect responses of the employees on performance appraisal. Data was collected on a Likert type scale, where 1 stand for strongly disagree and 5 stands for strongly agree. The variables considered for study were Education, Experience, Targets achieved, Position in the organization, Influence of the senior, Targets achieved by the employee, Attendance & regularity of the employee, Vacant position if any to be filled, Rapport of the employer & employee and Past negative or positive experience of the employee etc. The reliability of the questionnaire was re-established through computation of internal consistency reliability using Croanbach's Alpha Coefficient. Factor Analysis was used to extract the factors of variables and communalities used as a weight in the present research. Further, the effect of age group and target achieved of the employees were evaluated using chi-square test.

### 5. Results and Discussions

#### Reliability Measure

Reliability test was carried out by using SPSS software and the reliability test measure is given below

**Table 1.1:** Reliability Statistics

Variable	Cronbach's Alpha Based on Standardized Items	No of Items
Job Appraisal	0.781	18

It is being considered that reliability value should be more than 0.781, and it can be seen that reliability value is higher than the standard value, so all items in the questionnaire are reliable.

#### Factor Analysis:

Kaiser-Meyer-Olkin measure of sampling adequacy was applied to check the sample adequacy.

**Table 1.2:** KMO Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.688
Bartlett's Test of Sphericity	Approx. Chi-Square	135.520
	df	91
	Sig.	.002

**Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy:** The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is an index used to examine the appropriateness of factor analysis. High values (between 0.5 and 1.0) indicate factor analysis is appropriate. Value below 0.5 implies that factor analysis may not be appropriate. Kaiser-Meyer-Olkin measure of sampling adequacy value for the measures were found more than 0.6 indicating that the sample was adequate to consider the data suitable for factor analysis.

**Bartlett's test of Sphericity:** Bartlett's test of sphericity is a test statistics used to examine the hypothesis that the variables are uncorrelated in the population. In other words, the population correlation matrix is an identity matrix; each variable correlates perfectly with itself ( $r=1$ ) but has no correlation with the other variables ( $r=0$ ). The Bartlett's test of Sphericity was tested through Chi-Square value having a value of 135.20, which is significant at 5 % level of significance. Therefore, the above hypothesis is rejected, indicating that the data was suitable for factor analysis.

#### Factor Analysis Table for Performance Appraisal Factors

In this study the researcher has assigned loads to each factor that affects and has impact on the performance appraisal system. Principal component factor analysis was applied with varimax rotation. The factor analysis resulted in 10 important factors. KMO value is 0.688 which shows the sample adequacy. The details about factors, the factor name, Eigen value, variance % and loading (communalities) are given in table no. 1.3

Using tools like SPSS the data further calculated and found that maximum load is assigned to experience (0.800), education (0.786), references (0.632) and vacant position (0.537). Further, target achieved by employees and attendance regularity and social conduct of employee registered lowest weights i.e 0.022 and 0.253 respectively.

**Table1.3:** Factor Analysis for performance appraisal statistics

Variables	Eigen values	% Variances	Item Loading
Educational Qualification	2.294	28.673	0.786
Experience in Current Organization	1.178	14.725	0.8
Target Achieved By The Employees	1.063	13.29	0.022
Reference/Influence Os Superior	1.026	12.819	0.632
Vacant Position To Be Occupied	0.903	11.283	0.537
Attendance-Regularity & Social Conduct Of The Employee	0.736	9.206	0.253
Understanding & Rapport Of Employer-Employee	0.509	6.359	0.093
Past Negavtive Or Positive Incident Has A Great Impact On The Current Appraisal Process	0.292	3.645	0.026

**Chi Square Test**

Chi square test has been used to analysis if there is association between the targets achieved by the different age group of the organization.

The value of computed Chi square is 5.255, which is not significant at 5% level of significance. This is so because the p value for this problem is 0.812 as shown in the significance (2sided) in the computer printout, which is above 0.05, the assumed level of significance. Since the chi-square value is not significant it means we can accept the null hypothesis. This means that there is no association between targets achieved and the age of the employees in the organization.

**Table 1.4:** Test between Target Achieved and Age Group

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.255	9	0.812
No of Valid Cases	60		

Further to see the association between target group and age group we used Cramer’s V statistics and it shows that there is a weak relationship (0.22) between target achieved and different age group.

**Table 1.5:** Symmetric Measures

	Value	Approx. Sig.
Cramer's V	0.2	0.812

**6. Implications**

It is expected that the result of this study can be used by the director to structure there organization strategies to best benefit their organization. First any action taken to enhance the Performance Appraisal can subsequently improve job satisfaction. Alternatively, given limited resources, higher priority should be given to experience and educational qualification.

Thus management should improve the Performance Appraisal system to improve the efficiency and the production level of the employees will increased with better Performance Management system.

If the job environment and basic amenities are poor it is unlikely that the Performance Appraisal can be improved dramatically.

To avoid this problem this study emphasis on those factors that enhance the Performance Appraisal system to bring out the most beneficial outcome.

**7. Limitations**

Though our research validates the model in Life Insurance environment, there is a need for cross cultural work in the field because of the importance of performance appraisal and employee abilities. This study can be used as a benchmark for studying the impact of performance appraisal in different sectors like IT, Operations, Finance etc.

Though our sample seems relatively small, it meets the minimum sample size requirement necessary for the statistical analyses.

**8. Conclusions**

Since all the employees work with the same aim in mind to grow with the level and designation step by step in the organization they are working with ; they have to gracefully pass the levels of Performance appraisal which is possible with a mix of various qualities in an individual and the opportunity available.

By Factor analysis the present researcher has attempted to explore the relation between Performance Appraisal with respect to different variable like experience, education, references of the seniors, vacant position in the organization and various other factors (in decreasing order) particularly in life insurance sector which is consistently changing and involves a task in holding the employees in the organization so that they bring business to the company and the company can get back the returns invested in those employees.

By appropriately utilizing the most closely related factors the management can make changes to make the Performance Appraisal System the most Effective system in the organization.

The Chi Square test gives the result that there is no association of targets achieved with the age of the employees. This shows that the performance/output of the employees is not affected by the age. This further explains that irrespective of the age an individual can put efforts to gain output that ensures appraisal on regular system without breaks in consecutive cycles.

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