

Factors determining Performance appraisal practices in Pharmaceutical Companies in Punjab: An Empirical Study

Dr. Deepti Kiran¹, Gurleen Kaur²

¹Assistant Professor, ICFAI Business School, The ICFAI University Dehradun, India, Email id: deepti.kiran1710@gmail.com

²Research Scholar, ICFAI Business School, The ICFAI University Dehradun, India, Email id: gurleenkaur8@yahoo.com

DOI: 10.47750/pnr.2023.14.03.226

Abstract

Performance Appraisal is the process where an organization assesses how the employees are performing in the company is called. The system of appraisal judges what an employee is doing for the company and what a company should give them in return as an appreciation for their good work and the dedication they have shown towards their job and company. The process can also be called a process that analyzes the capabilities of an employee to perform, and it also finds out the deficiencies or shortcomings that the capabilities can be appreciated and deficiencies can be overcome with the help of training and developments. This study follows a quantitative approach for analysis. Primary data have been collected from employees of pharmaceutical companies through a structured questionnaire. The sample size of the study is 390 respondents. The respondents were selected through judgmental sampling. For analysis of data, exploratory factor analysis was applied. The factors determining performance appraisal system are Planning and Goals, Feedback System, Employee benefits (non-tangible), Employee Benefits (Tangible), and setting the standards

Keywords: Performance Appraisal, Performance Appraisal Practices, Pharmaceutical Companies, Performance Assessment, Exploratory Factor Analysis (EFA).

1. INTRODUCTION

Performance appraisal (PA) is a systematic, periodic, and fair system of rating provided to a worker in their current job and shows the potential for future assignments. It tells about how well a worker is performing the job that is being assigned to them at their workplace. It also shows how well a worker is fulfilling the requirements of the company. Here the performance is about the level of achievement of the task that is making up a person's job. The system of Performance Appraisal is an ongoing process in every company that is constantly providing inputs for different decisions such as increments in salaries, transfers, promotions, payment of bonuses, training plans, etc. PA gives information about the strengths and weaknesses of a worker, the worker must have an understanding about it and without that, it is impossible to bring improvement in their performance. Many times, the process of appraisal is unsystematic and irregular and often viewed by personal influences necessitated by the company's concern to use confidential system of appraisal that hampers its fairness and purpose. Many times, the objectives of management and critical incidences are ignored by the company and this retrograded approach impacts the overall performance of an employee (Obisi, 2011). There is a much recognition that extraordinary skillsets are obtained by highly developed skills of an employee, culture of the organization, management process and the system. As a result of such recognition, Human Resources plays a vital role and major aspects of HR are affiliated with the above purpose is the process of PA. This study is conducted to understand the system of performance appraisal of pharmaceutical companies. In the present competitive and global market space, competitive advantage lies not only in differentiation of product or service of a company in becoming a low-cost leader in the market, but it lies on being able to click the special skills and core competencies of the company. Consequently, efficient, and skilled workers of an organization are considered as one of the major competencies for any company. Hence, the objective of performance appraisal might impact all the dimensions of the perception of an employee towards their performance appraisal, and that would directly impact the performance of the company (Long & Kowang, 2013). Performance Appraisal is a function of the Human Resources Department that provides valuable input that identifies the requirement of training and development of an employee. The two functions of Human Resources, Performance Appraisal and Training and Development, are closely associated with each other. The programs of training and development, an appraisal based on the performance, performance related to the payment of employees, feedback given by the managers are all important to bring improvement in the performance of employees (Rao, 2015). An indispensable role is played by the Performance Appraisal system in Human Resource Department. The process works as a tool that helps in determining the gap that exists

between the expected level of performance of an employee by the management and the actual performance of an employee. Performance appraisal helps the company to determine how impactful is the performance of any worker in terms of the requirement of the job for which they have been employed by the company. Performance appraisals are used to improve the performance of employees by improving their skills and talents that would help them to achieve their targets of the companies and their goals as well. PA system boosts the capacity of the workers by recognizing their capabilities (Sing & Vadivelu, 2016).

2. LITERATURE REVIEW

The design of performance assessment is an essential element of the HRM activity. The PA system includes a series of a continuous processes that consists of the planning of the performance, coaching of the undertaking, and the rewarding process of the employees. The system of PA has become a common phenomenon in almost every organization nowadays. The PA system is an essential tool that evaluates different aspects of employees in an organization. As it is a regular feature that assesses the performance of the employees many organizations have started adopting this system for their staff members. Many researchers have discussed and studied the system of performance appraisal, its length, and various dimensions (Khan, 2016). A study was conducted to analyze employees' perceptions with reference to the implementation of a performance appraisal system. Though the system of performance appraisal has been implemented in various organizations long ago this study was the first attempt the evaluation of employee's perceptions of the PA system. The overall outcome of the study shows that employees' expectation regarding the performance assessment is positive (Ledum, Onuoha, & Eke, 2020). For the employees to make them understand what and how they must do the work and give feedback for an effective appraisal system. During the PA process personal likes and dislikes must be ignored to make the program more effective as a motivational tool to understand one's capabilities and potential (Dilawari, 2016). It is said that even if employees are given opportunities for participation in the PA program while setting its standards, they must understand how the work that they are doing is related to the goals of the organization to make them understand the ownership of the agency goals and the objectives. The lack of clarity in jobs and goals on the part of employees might be harmful to the acceptance of the PA system. The findings of the study say that the developmental usage of the PA system, participation of employees in the setting of performance standards, the quality of links that they share with superiors and colleagues expected empowerment have positive association with the approval of the PA system with employees (Kim & Holzer, 2014). Though according to employees, training and development activities are essential for their development and better performance on the job, they found that the methods of training and development are not as effective. The reason behind it was the training and development program was not designed as per the performance of an individual. Furthermore, the promotion of employees must be based on their performances and achievement of their individual work targets (Eliphas, Mulongo, & Razia, 2017).

From the observations and hypothesis testing of the study it is found that most of the workers are happy with the present PA system in their company. Employees were found to be self-satisfied with their current profile of job, salary structure, and work conditions in the company. Employees are satisfied and happy with their colleagues, managers, and supervisors and the flexible work hours that are given to them at the workplace. Most of the employees feel that they have a lot of opportunities for growth and success in their organization (Rahman, 2021). General research was undertaken to apprehend the attitude of employees in the context of PA system of the company, and it is found to be positive, it is also found that the employees of higher age group do not consider rewards equal to the efforts that they are putting in achieving their goals. Such an attitude of employees suggests that the employees of high age group are targeting promotions and high salaries as a motivating factor for them to give their best efforts at work. Additionally, the attitude is that the system of performance appraisal must be used for the purpose of development. Indirectly, the workers in this department are more exposed to the difficult evaluation system. Thus, their attitude towards the assessment system is negative (Idowu, 2019). Analysis of employees based on their performance and understanding their capabilities to give them the opportunity to rise is the adequate method to improve their career opportunities. The work has a deep focus on the operative functioning of Human Resource Management department to evaluate their work with reference to the performance management system of the company. The purpose of this work is to evaluate the stage of awareness, the level of satisfaction, and the influence of performance assessment system on the performance of employees (Bhanawat, Kumari, & Sankar, 2021). The study shows that an important and strong role can be played by the performance appraisal system signaling the functioning that indicates to the employees the importance of their company. It is found that as compared to the informal feedback given to employees regarding their performance, the formal performance appraisal is more effective. It is suggested that the PA system that boosts the innovation level of employees at their workplace can also be used in digitalized organizations to foster the digitalization to a further level. It can also be used in the sectors that are lagging the digitalization to increase their potential (Curzi, Fabbri, Scapolan, & Boscolo, 2019). performance appraisals are perceived to be more supportive and whether such perception is in turn related to the stronger and improved performance of employees. By trying to spot strengths in an employee and to identify the applications of such strengths in the context of work, the superiors show their responsiveness and willingness to look at the world from employee's perspective and support them in their rapport-building process (Woerkom & Kroon, 2020). The supervisors in organizations are implementing appropriate support to their employees by listening to their problems, supporting them, giving appreciation to

their work, giving them constructive feedback, and helping them in improving their skills (Samsudin& Ismail, 2019). management sometimes fails to construct an environment in the organization that could motivate their workers in implementing a suitable PA system (David, Bakshi, Mittal, & Fahad, 2015). An attempt was made to identify the employee's understanding of the system of PA and define the perception of workers of PA system in their organization, and a favorable attitude is found towards the performance management system. Even the negative response of employees about the PA system does not agree with the view like saying performance management system is all about controlling people. Those employees whose managers support them and value their opinion is easily able to unlock their potential as they know that their opinion will be counted. One of the negative parts of the study is some of the employees feel that the PA system is unable to develop their careers. Thus, it is the responsibility of the managers to focus on the difficult areas (Jain & Gautam, 2016).

The future of performance management would include more place for feedback and the importance of the development of employees and the organization. And as the employees would become more efficient at their work it would be beneficial for both (Mufeed&Showkat, 2017).

3. OBJECTIVES OF THE STUDY:

- To explore the various performance appraisal practices of Pharmaceutical Companies in Punjab
- To measure and determine the factors of performance appraisal practices of Pharmaceutical Companies in Punjab

4. RESEARCH DESIGN

This study follows a quantitative approach for analysis Primary data have been collected from employees of pharmaceutical companies through a structured questionnaire. The sample size of the study is 390 respondents. The respondents were selected through judgemental sampling. For analysis of data, exploratory factor analysis was applied.

5. DATA ANALYSIS AND INTERPRETATIONS

5.1 Demographic Profile of the Respondents:

Table 1 shows the demographic profile of the respondents. Total 390 respondents were considered for study survey in which 69.5% are male and 30.5% are female. 32.6% of the respondents are below 30 years, 43.3% are from 31-45 years and rest 24.1% are 45 years and above. The above table shows the educational qualification of the respondents in which it is found that 27.9% of the respondents are graduate, 33.8% are postgraduates and rest 38.3% are having technical and professional degree. It is found that 33.1% of the respondents are working as functional area head in the pharmaceutical companies, 26.4% are team leader and equivalent, 24.4% are working at manager level and rest 16.1% are working at top level in pharmaceutical company. With respect to the department of the respondents, 26.7% of the respondents are working in the production department, 23.3% are in human resource management, 21.3% of the respondents are from administrative and finance department, 21.0% of the respondents are in sales and marketing department and rest 7.7% of the respondents in working in some other department of the pharmaceutical company.

Table 1 Respondents Demographics

Gender	Frequency	Percentage
Male	271	69.5
Female	119	30.5
Age		
Below 30 years	127	32.6
31-45years	169	43.3
Above 45 years	94	24.1
Educational Qualification		
Graduate	109	27.9
Postgraduate	132	33.8
Technical or Professional Degree	149	38.3
Designation		

Team Leader and Equivalent	103	26.4
Manager Level	95	24.4
Functional Area Head	129	33.1
Top Level	63	16.1
Department		
Production	104	26.7
Sales and Marketing	82	21.0
Human Resource Management	91	23.3
Administration & Finance	83	21.3
Others	30	7.7

Exploratory Factor Analysis

The KMO value is 0.899, which means that the sample size for Factor Analysis is adequate, and the “Bartlett’s Test of Sphericity” is also significant, which means that there is sufficient relation among variables to lead them for Factor Analysis.

Table 2 Total Variance Explained

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %
1	8.593	37.360	37.360	4.179	18.169	18.169
2	3.020	13.130	50.490	4.108	17.859	36.028
3	2.132	9.271	59.761	3.516	15.288	51.316
4	2.019	8.778	68.539	2.925	12.718	64.034
5	1.528	6.644	75.183	2.564	11.149	75.183
6	.742	3.224	78.407			
7	.638	2.775	81.182			
8	.542	2.355	83.537			
9	.457	1.987	85.525			
10	.422	1.834	87.359			
11	.399	1.733	89.092			
12	.370	1.611	90.702			
13	.339	1.474	92.176			
14	.302	1.315	93.491			
15	.284	1.234	94.725			
16	.229	.997	95.722			
17	.198	.859	96.582			
18	.181	.788	97.369			
19	.149	.648	98.017			
20	.140	.609	98.626			
21	.125	.543	99.169			
22	.111	.481	99.649			
23	.081	.351	100.000			

The “principal component analysis” method was applied to extract the factors and it was found that 23 variables form 5 Factors, based on the Eigen values (>1). The factors explained the variance of 18.169%, 17.859%, 15.288%, 12.718% and 11.149% respectively. The total variance explained is 75.183%, which is sufficient for the requirements of Factor Analysis (Table 2).

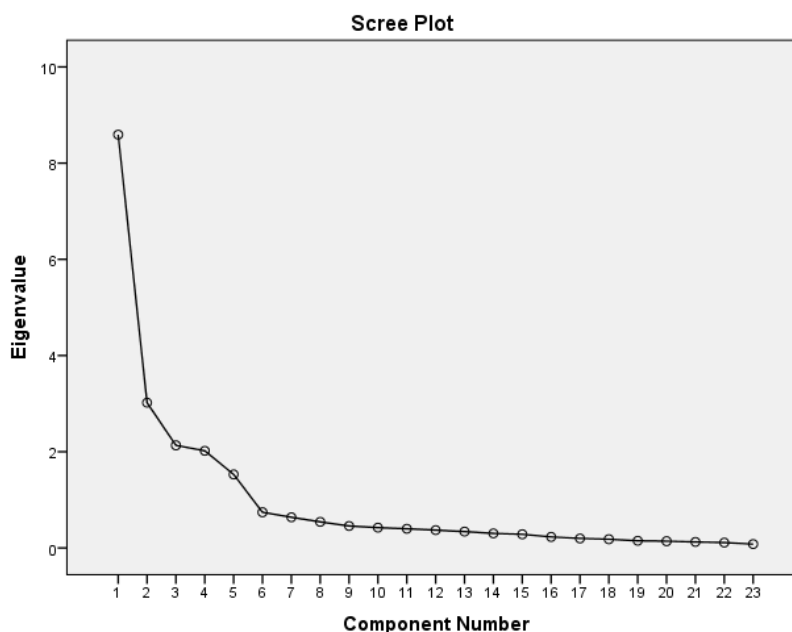


Figure 1 Scree Plot

Figure 1 is the graphical presentation of the Eigen values obtained from the Table 2 “Total Variance Explained.” The figure shows an elbow at 5 components. Hence portrays that total 5 Factors have been extracted.

Table 3 Factors, Factor Loading and Factor Reliability

S. No.	Statements	Factor Loading	Factor Reliability
	Planning and Goals		.944
1.	My company sets the goal for its workforce to be executed and achieved	.915	
2.	My company’s employee goals are specific and clear	.904	
3.	My company ask its employee to set his goals he wishes to achieve in the organization	.890	
4.	My company connects the employee with performance manager to monitor their goals and achievements	.883	
5.	Supervisors and managers convey their expectations to the employee	.777	
	Feedback System		.953
6.	My company focus on employee’s feedback and review process	.856	
7.	Feedback system from employees is taken on regular basis	.853	
8.	My company keep in touch with its workers and their performance	.836	
9.	My company had introduced Anytime Feedback Tool for their employees	.817	
10.	I can directly give feedback about my co-worker to the manager	.778	
	Employee benefits (non-tangible)		.890

11.	My organization praises its employees on good performance	.841	
12.	I got company wide recognition for my performance	.834	
13.	My company provides coaching programs for its employees	.825	
14.	My company offers flexible working hours to its employees	.745	
15.	My company gives responsibilities to its employees as per their capability	.703	
	Employee Benefits (Tangible)		.866
16.	My company offers good pay raise to its employees	.836	
17.	My company gives cash bonus to its employees	.814	
18.	My company gives gift cards on special occasions	.780	
19.	My company insurance cover to its employees	.768	
	Setting the standards		.783
20.	Performance appraisal system sets up a standard to be followed by the workforce in my company	.790	
21.	Company communicates and expects the employee to perform as per the plan	.762	
22.	Company compares my actual performance with their plan and standards	.750	
23.	Managers help employees to achieve the standard set by company	.736	

Construct wise reliability

The reliability of the factors was computed with the help of the “Cronbach’s Alpha”. The values of reliability for 5 constructs were found 0.944, 0.953, 0.890, 0.866 and 0.783 from construct 1 to 5 respectively. The criteria minimum value of “Cronbach’s” Alpha (>0.7) was fulfilled.

Table 4 Reliability Statistics

Cronbach's Alpha	N of Items
.916	23

The reliability of the factors was computed with the help of the “Cronbach’s Alpha”. The value of reliability for 5 constructs that includes a total of 23 numbers of items is 0.916. The criteria minimum value of “Cronbach’s” Alpha (>0.7) was fulfilled (Table 4).

6. FINDINGS AND CONCLUSION:

This study aims to find the various factors of the performance appraisal system. In this study 23 items were taken, which have been grouped into five constructs. Planning and Goals is the factor which includes the variables like My company sets the goal for its workforce to be executed and achieved, my company’s employee goals are specific and clear, my company ask its employee to set his goals he wishes to achieve in the organization, my company connects the employee with performance manager to monitor their goals and achievements and Supervisors and managers convey their expectations to the employee. Second factor is named as Feedback System which consist of variables like My company focus on employee’s feedback and review process, Feedback system from employees is taken on regular basis, my company keep in touch with its workers and their performance, my company had introduced Anytime Feedback Tool for their employees, and I can directly give feedback about my co-worker to the manager. Employee benefits (non-tangible) is third factor and the associated variables are My organization praises its employees on good performance, I got company wide recognition for my performance, my company provides coaching programs for its employees, my company offers flexible working hours to its employees and My company gives responsibilities to its employees as per their capability. Factor fourth is named as Employee Benefits (Tangible) which includes the variables like My company offers good pay raise to its employees, my company gives cash bonus to its employees, my company gives gift cards on special occasions and My company insurance cover to its employees. Fifth and the

last factor is Setting the standards which consist the variables like Performance appraisal system sets up a standard to be followed by the workforce in my company, Company communicates and expects the employee to perform as per the plan, Company compares my actual performance with their plan and standards and Managers help employees to achieve the standard set by company.

REFERENCES

1. Bhanawat, H., Kumari, G., & Sankar, B.P.B. (2021). The Satisfaction Level of Employees towards the Prevailing Performance Appraisal System, *Turkish Journal of Computer and Mathematics Education*, 12(11), 1508- 1514.
2. Curzi, Y., Fabbri, T., Scapolan, A.C., & Boscolo, S. (2019). Performance Appraisal and Innovative Behavior in the Digital Era, *Frontiers in Psychology*, 10, 1-12.
3. David, S., Bakshi, Y., Mittal, P., & Fahad, M. (2015). A Study of gender perception regarding Performance Management Systems in the organisations, *International Journal of Engineering and Applied Sciences*, 2(4), 28-32.
4. Dilawari, P.K. (2016). A Study to Assess Awareness and Perceptions of Employees towards Performance Appraisal System in a Corporate Super-Specialty Hospital in Amritsar, *International Journal of Science and Research*, 5(5), 315-319.
5. Eliphias, M., Mulongo, L.S., & Razia, M. (2017). Perception of public service employees on performance appraisal management in Muheza District, Tanzania, *Business Management and Economics*, 5(4), 60-69.
6. Idowu, A.O., (2019). Examining Employees' Attitudes towards Performance Appraisal and Its Impact on Performance and Motivation in a UK Information Technology (IT) Firm, *Journal of Economics, Management, and Trade*, 23(3), 1-14.
7. Jain, S., & Gautam, A. (2016). Employees' Perception towards Performance Management System: A Study of Selected PSUs of Uttarakhand, *International Journal in Management and Social Science*, 4(3), 235-245.
8. Khan, A.H. (2016). Employees Perception on Performance Appraisal System in a Public Limited Company in Pakistan, *International Journal of Learning and Development*, 6(3), 168-200.
9. Kim, T., & Holzer, M. (2014). Public Employees and Performance Appraisal: A Study of Antecedents to Employees' Perception of the Process, *Review of Public Personnel Administration*, 1-26.
10. Ledum, B.P., Onuoha, B.C., & Eke, B.C. (2020). Employee Perception And Performance Appraisal: An Evaluation Of Selected Deposit Money Banks In Port Harcourt, *International Journal of Economics, Business and Management Studies*, 7(2), 80-95.
11. Long, C.S., & Kowang, T.O. (2013). A Review on Performance Appraisal System: An Ineffective and Destructive Practice? *Middle-East Journal of Scientific Research*, 14(7), 887-891.
12. Mufeed, S.A., & Showkat, S. (2017). Employee's Perception Towards Performance Management System In Banking Sector-An Empirical Study, *International Research Journal of Human Resources and Social Sciences*, 4(12), 76-96.
13. Obisi, C. (2011). Employee Performance Appraisal and Its Implication for Individual and Organizational Growth, *Australian Journal of Business and Management Research*, 1(9), 92-97.
14. Rahman, K.M. (2021). An Analytical Study on Perceptions of Employees towards Performance Appraisal System, *PalArch's Journal of Archeology of Egypt/Egyptology*, 18(8), 4481-4487.
15. Rao, S.S. (2015). Performance Appraisal System and Its Impact on Employees, *International Journal in Management and Social Science*, 3(2), 128-133.
16. Samsudin, A., & Ismail, A. (2019). The impact of Supervisor Support towards Extra-Role Behavior, *International Journal of Recent Technology and Engineering*, 8(4), 5109-5113.
17. Sing, R. R. & Vadivelu, S. (2016). Performance Appraisal in India – A Review, *International Journal of Applied Engineering Research*, 11(5), 3229-3234.
18. Woerkom, M.V., & Kroon, B. (2020). The Effect of Strengths-Based Performance Appraisal on Perceived Supervisor Support and the Motivation to Improve Performance, *Frontiers in Psychology*, 11, 1-12.