

Study on Employee Engagement and Performance Appraisal Practices for Organizational Success: A Detailed Literature Review

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Abstract:

Organizational Success is the most important criteria for stakeholders in terms of productivity, profits, sustainability, Customer loyalty and employer branding. Employees contribute majorly in the success of organization. But due to some factors like disengagement, harsh appraisals, monetary aspects, forced distributions, the employees leave or prove to be incapable of contributing to criteria of organizational success. In this paper the contribution of employee engagement is studied as input and Performance appraisal as output for organization's performance. Total of 21 research papers are studied covering dimensions of performance appraisal and employee engagement in various industries across different counties. Various papers suggested the need for having employee engagement as an effective tool for better performance appraisal results.

Key words: employee engagement, performance appraisal, performance management system, bell curve.

Introduction:

As per the article by Harry Levinson in HBR (1976), Performance appraisal has three basic functions- Firstly to provide adequate feedback to each person on his or her performance, secondly to serve as a basis for modifying or changing behavior toward more effective working habits and thirdly to provide data to managers with which they may judge future job assignments and compensation. The performance appraisal concept is central to effective management. But according to him the appraisal system a very vital thing that is behavior of the employee while doing his work which is actually the "how" work is done. The organization is more concerned about "whether" the work is done or not. When this kind of appraisal happens normally employees get burn outs after repeated happenings results lead to separations which lead to turnover or attrition. Thus, Organizations are trying to develop Employee Engagement models which can make employees more emotionally involved in their ongoing jobs. In this paper various aspects of employee engagement and performance appraisal are studied to establish a relationship between the two.[20]

Research Problem: -

In the current scenario when employees are not satisfied with ongoing performance appraisal they feel disconnected and leave the organizations leading to attrition or turnover. There is a need for

involvement and attachment of the employee to the Organization they are working in. This can be done if the employee is engaged well. This paper is working on the aspects of performance appraisal of an employee with employee engagement to cover both emotional and performance need of the employee. Objectives of proposed research:

- To study the different practices of performance appraisal used in Industry.
- To study the various practices of employee engagement used in the industry.
- To study, if any, relationship exist between performance appraisal and Employee Engagement.

Operational definition of concepts: -

- Performance Management System: - A performance management system tracks the performance of employees in a manner that is consistent and measurable. The system relies on a combination of technologies and methodologies to ensure people across the organization are aligned with – and contributing to – the strategic objectives of the business.[16]
- Performance Appraisal: - Flippo (1976) defines performance appraisal as, “performance appraisal is the systematic, periodic and an impartial rating of an employee's excellence in the matters pertaining to his present job and his potential for a better job.[19]
- Employee Turnover:-It is the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period.[22]
- Employee Engagement: - According to Gallup, defines employee engagement is the involvement and enthusiasm of employees in their work and workplace. Employee engagement helps you measure and manage employees' perspectives on the crucial elements of your workplace culture.[18]
- Attrition: -A gradual reduction in work force without firing of personnel, as when workers resign or retire and are not replaced.[22]

Literature Review: -

Vaishnav et al. (2005) studied the draining impact of a rigid Bell curve. In the rigid setup only few gets the reward and others are left out. This cripples the employee base of the company leading to additional cost. They suggested a semi Bell curve with a softer approach to appraisals.[13]

Deshmukh & Patel (2019) studied the Bell Curve and suggested that this is more suitable for manufacturing Industry also suggested that Power law distribution is more relevant for knowledge workers.[2]

Kadam, (2021) made a study on advantages and disadvantages of Bell Curve. He found that due to its rigidity of dividing people in perfect ratios it is unable to satisfy employees, he concluded to be irrelevant when it comes to employee encouragement or team work.[14]

Dwomoh & Krankye, (2012) performed a study on banking employees of Ghana. The result was that labor turnover impacted performance of the bank and high turnover resulted in increased customer complaints [3]

Radha, (2014) studied the impact of better HR practices in banks resulted in less turnover resulting in better customer satisfaction.[9]

Kumar et al. (2017) emphasized in his research that Performance appraisals should be periodically done with a counselling of an employee it should not be an end but means for organizational development in the long run.[6]

Gupta & Kumar (2012) carried an empirical study between distributive & informational justice in implementing employee engagement it was concluded that both the justice Informational and Distributive have very strong impact on employee engagement.[5]

Rana (2018) in her research talked about the short and long term goals of the organizations on which employees work hard to achieve. All the employees are different to carry out their work thus while appraising them organization should consider their Competence, skills and abilities.[10]

Nkansah et al. (2023) carried an empirical study on 395 employees of Ghana's MSME I the post Covid scenario. They concluded that the employee engagement played a significant role in the performance of employees.[7]

Grumen & Saks (2011) emphasized the need of putting employee engagement as the base for achieving better level of performance by the employees instead of just doing performance appraisals.[4]

Rich et al.(2010) carried a research on 245 firefighters and concluded that engagement mediates relationships between value congruence, perceived organizational support, and core self-evaluations, and two job performance dimensions: task performance and organizational citizenship behavior. They found that employee engagement is the most important for employee performance over other factors.[11]

Sendawula et al. (2018) carried a research on 150 health workers of Uganda and found that training and employee engagement have positive correlation on performance of the employee. They suggested that the organizations instead of making policies and decisions in silos should employees too for the betterment.[12]

Zhu (2022) made post pandemic study on SMEs of China and found that employee engagement impacted the performance of the employees by 70 %. They suggested a four box model to be implemented by the companies at large for better productivity.[15]

Sing & Vadivelu (2016) have discussed on various types of performance appraisal methods with their limitations. This is basically in the Indian context.[21]

Khan et al. (2012) emphasized that the appraisal system should be online rather than off line for better control and assessment of the employee.[1]

Findings: -

Most of the researches across the globe have suggested that Performance appraisal methods like forced distribution Method (Bell Curve) are very rigid and demoralizes the employees in long run. They marginally differentiate amongst good performers and poor performers but instead if other factors like-commitment, emotions, participations, behavior, competence, skills and many more if taken into consideration while appraising the employees it helps the employee to stay for long and perform better in his organization.

Conclusion: -

After studying many research works carried out in many countries at different industries it is understood that people have experienced that only Performance Appraisal cannot help organizations to grow but if it is linked with employee engagement it becomes more effective as employee involvement and commitment to improve gets better.

Expected outcome: -

This research will lead to understand the relationship between Employee engagement and organizational

performance. From this research it is anticipated that Employee engagement has significant impact on Employee performance then a framework can be developed in which Employee Engagement of all types- Physical, Cognitive and Emotional can be made an important tool for organizations Performance.

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