
PERFORMANCE APPRAISAL'S ROLE IN EMPLOYEE DEVELOPMENT: A STRUCTURED EQUATION MODELING PERSPECTIVE AT ETICO LIFE SCIENCE PVT LTD

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ABSTRACT

This study explores the critical role of performance appraisal in employee development at Etico Life Science Pvt Ltd through a Structured Equation Modeling (SEM) approach. By analyzing the relationships between performance appraisal systems and various development outcomes, the research aims to identify key factors that influence employee growth and satisfaction. Data were collected from a diverse group of employees, and SEM was utilized to assess the direct and indirect effects of performance appraisals on employee development. The findings highlight the importance of transparent, fair, and constructive feedback mechanisms in enhancing employee skills, motivation, and overall performance. This study provides valuable insights for HR practitioners and management to refine appraisal systems and foster a more productive workforce.

Keywords: Performance Appraisal, Employee Development, Feedback Mechanisms Employee Growth, Employee Satisfaction, Organizational Performance.

I. INTRODUCTION

A performance appraisal system is a structured framework used by organizations to assess and document the job performance of employees. The primary objectives of such systems are to evaluate employees' work efficiency, provide constructive feedback, identify areas for improvement, and facilitate employee development and career growth. Below is a detailed outline of the components and processes involved in an effective performance appraisal system.

In the modern business landscape, the development and optimization of human capital are essential for organizational success. Performance appraisal systems are pivotal in this regard, providing a structured approach to assessing employee performance, offering constructive feedback, and fostering professional growth. This project aims to comprehensively evaluate the impact of performance appraisal systems on employee development, focusing on how these systems can be optimized to better support individual and organizational goals.

Background

Performance appraisals have evolved from simple evaluative tools into comprehensive systems that contribute to the strategic management of human resources. These systems are designed to align employee performance with the overall objectives of the organization, ensuring that each employee's efforts contribute to the company's success. However, the effectiveness of performance appraisals in promoting employee development varies widely across organizations, often influenced by the design and implementation of the appraisal process.

An efficacious performance appraisal mechanism is pivotal to nurturing employee growth and propelling organizational success. The correlation between performance appraisals and employee advancement is profound, as these assessments are fundamental in sculpting effective workforce dynamics within any business. This investigation spotlights the significance of performance appraisals for employee development specifically within the context of Etico Lifesciences.

Etico Life sciences, a distinguished player in the pharmaceutical sector, has carved a niche for itself through its pioneering research and development of pharmaceuticals in a fiercely competitive landscape. Since its inception in 2016, the company has operated as a non-government entity with a global ambition.

NEED OF THE STUDY:

Evaluating Etico Life Science's performance appraisal system is crucial to ensure it aligns with employees' career goals and accurately assesses necessary skills and behaviors. This study aims to identify gaps in training needs, improve the quality of feedback and coaching, and enhance support for developmental opportunities like mentoring and promotions. Understanding employee perceptions of the system's effectiveness and fairness will provide insights to boost satisfaction, engagement, and motivation. The findings will help refine the appraisal system, fostering better employee development and overall organizational performance.

SCOPE OF THE STUDY:

The scope of this study is to provide a comprehensive assessment of performance appraisal systems' effectiveness in promoting employee development and organizational success. This study encompasses several key aspects like performance appraisal practice, evaluation criteria and metrics, feedback and communication and organizational culture and context related to performance appraisal system and their impact on employee development within organizations. By examining these key areas, the study aims to generate insights into best practices for designing, implementing, and evaluating performance appraisal systems that effectively support employee growth and contribute to organizational effectiveness.

OBJECTIVES OF THE STUDY

The research objectives of this study are,

- To gain a comprehensive understanding of the performance appraisal system within the organization.
- To evaluate the impact of the performance appraisal system on employee development.
- To assess the effectiveness of performance appraisal processes in enhancing employee productivity.
- To identify and explore the challenges associated with implementing performance appraisal systems in the organization.

HYPOTHESES FORMULATION

- H01: The performance appraisal system has no significant impact on employee development.
- H02: Performance appraisal processes do not significantly affect employee productivity

II. REVIEW OF LITERATURE

1. **Franco-Santos, M., Lucianetti, L., & Bourne, M. (2012). Contemporary performance measurement systems: A review of their consequences and a framework for research. Management accounting research, 23(2), 79-119.**The evidence from the review of 76 empirical studies suggests that CPM systems significantly affect people's behaviour, organizational capabilities, and performance. More specifically, the data support the claim that CPM systems play a key role in strategy, communication, and management processes, generating organizational capabilities that enable the organization to excel
2. **Diamantidis, A. D., & Chatzoglou, P. (2019). Factors affecting employee performance: an empirical approach. International journal of productivity and performance management, 68(1), 171-193.**The results indicate that job environment and management support have the strongest impacts (direct and indirect) on job performance, while adaptability and intrinsic motivation directly affect job performance.
3. **Almatrooshi, B., Singh, S. K., & Farouk, S. (2016). Determinants of organizational performance: a proposed framework. International Journal of productivity and performance management, 65(6), 844-859.**The findings of the study have been weaved together in a proposed framework for the role of cognitive, emotional, and social competencies on leadership competencies that in turn influence both employee and organizational performance.
4. **Ferreira, A., & Otley, D. (2009). The design and use of performance management systems: An extended framework for analysis. Management accounting research, 20(4), 263-282.**It is believed that the PMSs framework represents a considerably improved tool to that originally developed by Otley (1999) for describing many important aspects of PMSs design and use. Nevertheless, it is acknowledged that despite our belief, empirical evidence, especially (but not exclusively) from case study research, is required to assess its robustness and validate its adequacy. The fact that the issues addressed by the PMSs framework have been informed by our experience in conducting case

III. RESEARCH METHODOLOGY

The basic principle in the research has been adopted in the overall methodology. The following methodology has been used for meeting the requirements,

3.1 Sources of data:

Primary Data: A structured questionnaire was used for collection of data. The questionnaire contained questions on the following aspects:

- Personal Data
- Knowledge and awareness on performance appraisal system.
- Opinion on performance appraisal system
- Suggestions

Secondary Data:

The secondary data is collected through various research publications like Articles, journals, conference proceedings and other publications in both print and offline publications.

Data Analysis: Quantitative data would be analyzed using statistical methods such as ,SPSS smart PLS, and possibly factor analysis to identify underlying dimensions affecting employee development through performance appraisals.

3.2 Sampling technique: Simple Random Sampling

This method involves randomly selecting employees from the entire population of interest. It ensures every employee has an equal chance of being selected, thereby reducing bias. For instance, you could use a random number generator to select employees from a list.

3.3 Statistical tool used: Excel, SPSS, SmartPLS

3.4 Sample Size:63

3.5 LIMITATIONS OF THE STUDY:

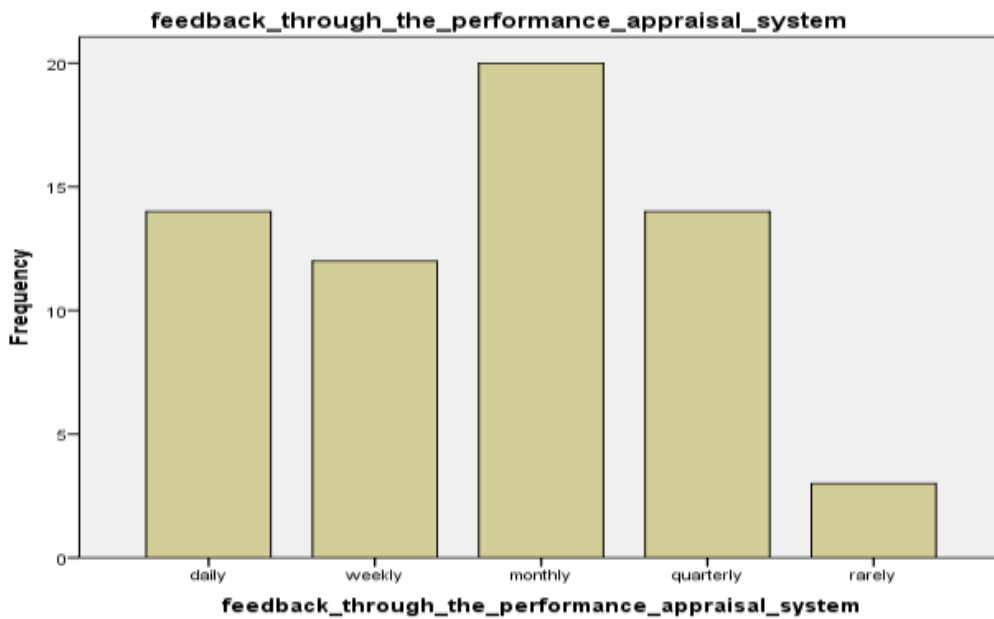
- **Sample Size and Diversity:** The study might have a limited sample size, which can affect the generalizability of the findings. Additionally, if the sample lacks diversity (e.g., in terms of department, role, tenure), the results might not be representative of the entire organization.
- **Cross-sectional Design:** If the study is cross-sectional rather than longitudinal, it only captures data at one point in time. This makes it difficult to assess the long-term impact of performance appraisals on employee development.
- **Measurement Error:** The accuracy of the study relies heavily on the quality of the measurement instruments used. Any errors or biases in survey questions or rating scales can impact the validity and reliability of the results.
- **Self-reported Data:** Much of the data in such studies is often self-reported, which can introduce biases such as social desirability bias or inaccurate self-assessment by employees.

IV. DATA ANALYSIS AND INTERPRETATION

Data Analysis is the process of systematically applying statistical and/or logical techniques to describe and illustrate, condense and recap, and evaluate data.

• How often do you receive feedback through the performance appraisal system?

S.no	perception	Respondents	percentage
1	Daily	14	22
2	Weekly	13	20
3	Monthly	20	31
4	Quartely	14	22
5	Rarely	3	5

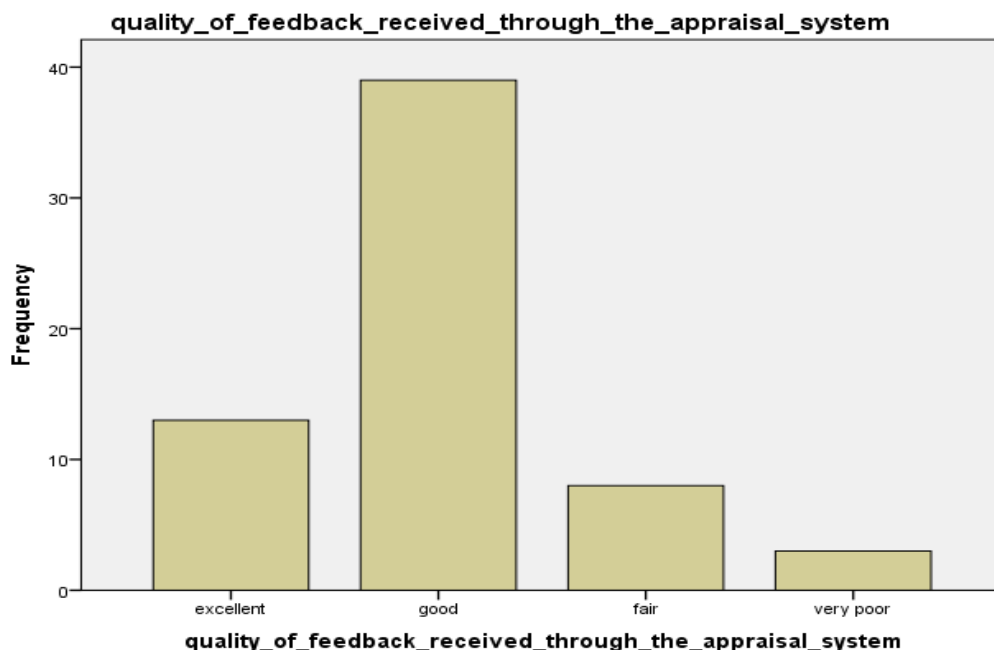


INTERPRETATION:

Overall, the perception of the event or phenomenon varies significantly among respondents, with monthly being the most common frequency, followed by daily and quarterly perceptions. The least common frequency is "rarely," showing that only a small fraction of respondents perceive it infrequently.

- **How would you rate the quality of feedback received through the appraisal system?**

S.no	Perception	Respondents	percentage
1	Excellent	13	20%
2	Good	39	62%
3	Fair	8	13%
4	Poor	0	0%
5	Very poor	3	5%

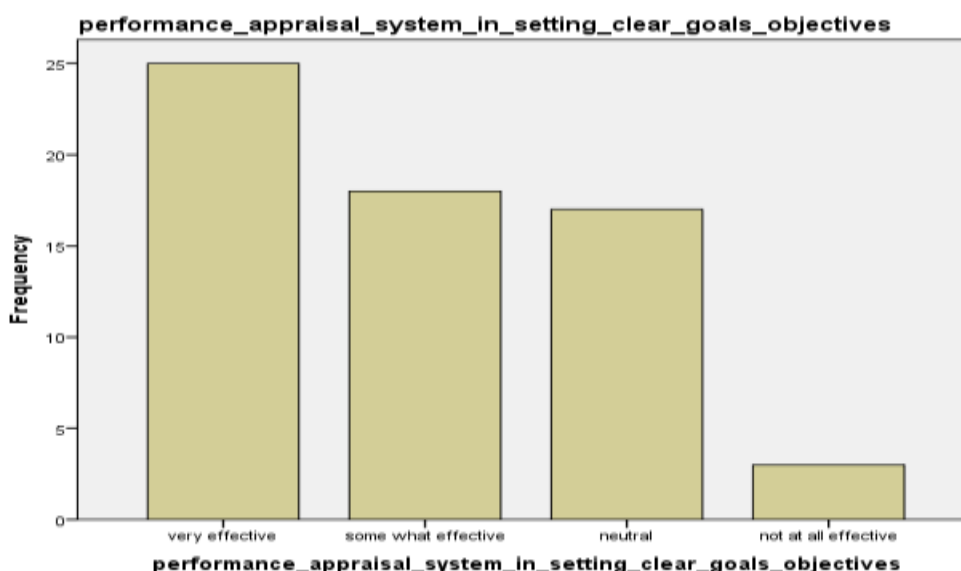


INTERPRETATION:

Overall, the majority of respondents view the subject positively, with 62% rating it as good and 20% as excellent. A smaller group finds it fair, and an even smaller group finds it very poor. Notably, no respondents rated the subject as poor, highlighting a general baseline of satisfaction or adequacy among the respondents.

- **How effective is the performance appraisal system in setting clear goals and objectives?**

S.NO	Perception	Respondents	percentage
1	Very Effective	25	40%
2	Somewhat Effective	18	28%
3	Neutral	17	27%
4	Somewhat Ineffective	0	0%
5	Not at All Effective	3	5%

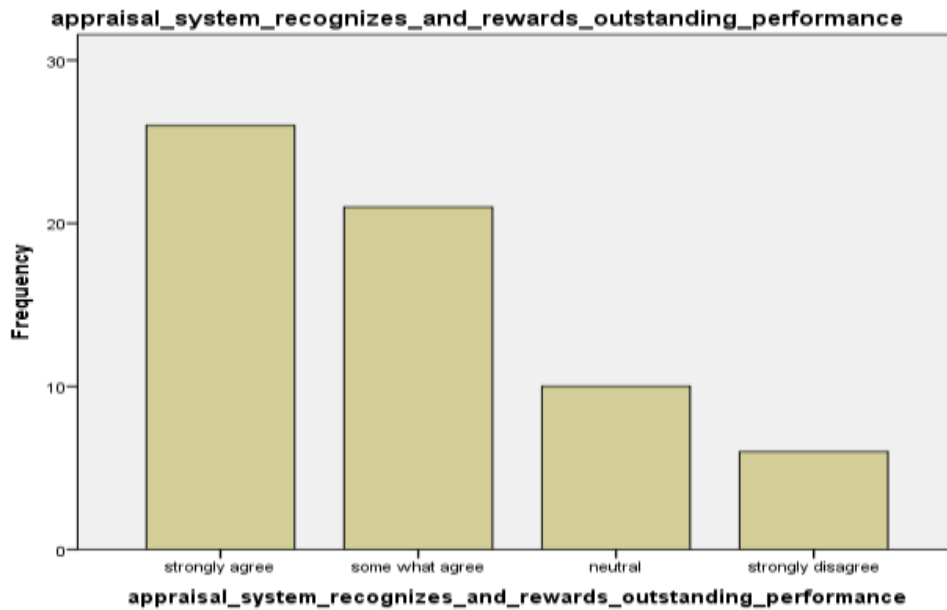


INTERPRETATION:

Overall, the data indicates a generally positive perception of the subject's effectiveness. The majority of respondents (68%) find it effective to varying degrees (40% very effective, 28% somewhat effective). A significant portion remains neutral (27%), suggesting mixed or indifferent feelings about its effectiveness. Only a small fraction (5%) finds it not at all effective, and no respondents rated it as somewhat ineffective, which indicates that the subject is at least meeting a baseline level of effectiveness for the majority.

- **To what extent do you agree that the appraisal system recognizes and rewards outstanding performance?**

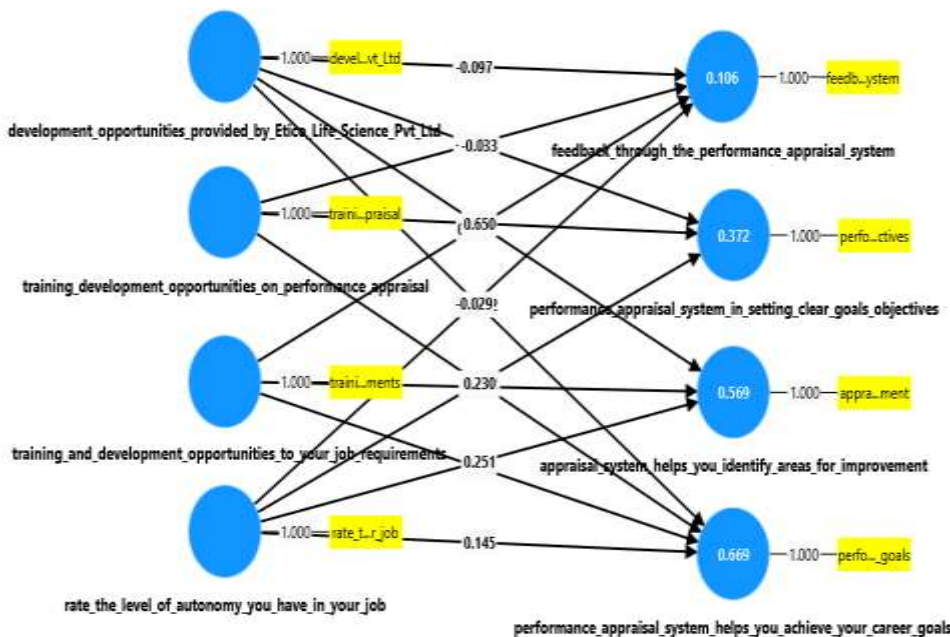
S.NO	Perception	Respondents	percentage
1	Strongly Agree	26	41%
2	Somewhat Agree	21	33%
3	Neutral	0	0
4	Disagree	10	16%
5	Strongly Disagree	6	10%



The data shows a clear polarization in respondents' opinions. The majority (74%) agree with the statement to some extent (41% strongly agree, 33% somewhat agree), indicating a generally positive perception. However, there is also a notable minority (26%) who disagree (16% disagree, 10% strongly disagree), reflecting a significant level of dissent. The absence of neutral responses highlights that respondents have distinct and definitive opinions on the subject.

HYPOTHESIS TESTING:

Null Hypothesis (H0):• H01: The performance appraisal system has no significant impact on employee development.



INTERPRETATION:

Employee Turnover Rate:

There are two ratings provided: 0.017 and 0.184. These values seem to be on a scale, possibly indicating different perspectives or different times of measurement. A low value like 0.017 might indicate a low turnover rate, while 0.184 might indicate a slightly higher but still relatively low rate.

Noticed Changes in Employee Turnover Rate:

The ratings here are 0.266 and -0.242. A positive value (0.266) might indicate an increase or improvement, whereas a negative value (-0.242) might suggest a decrease or deterioration in the turnover rate.

Job Satisfaction:

The ratings are 0.383 and -0.062. The higher value (0.383) suggests a higher level of job satisfaction, while the negative value (-0.062) suggests some dissatisfaction.

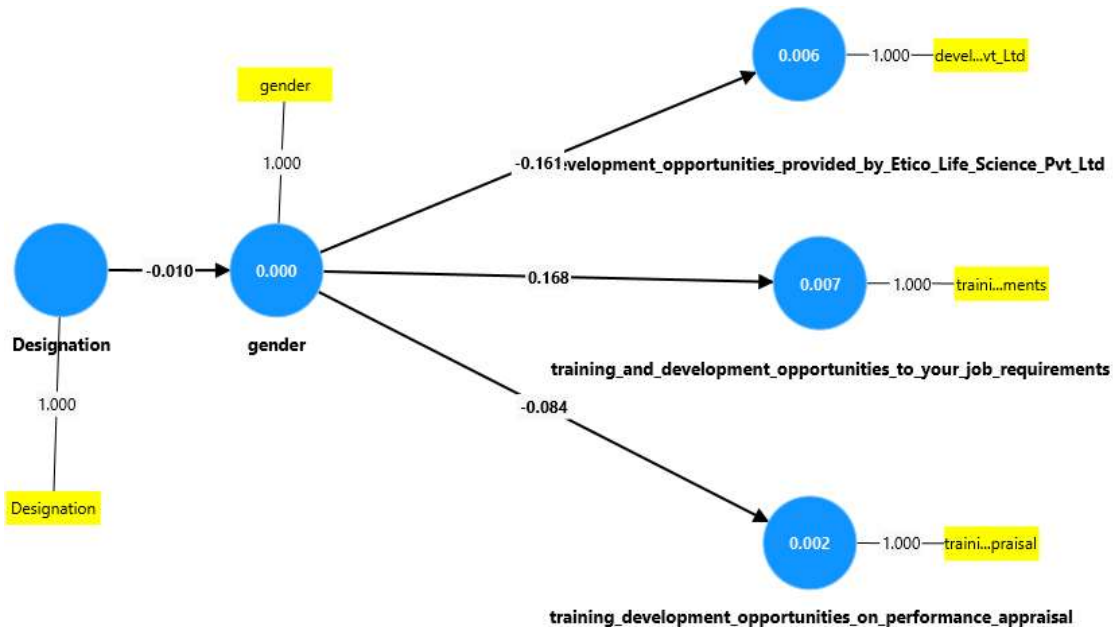
Compensation and Benefits Satisfaction:

The ratings are -0.035 and 0.275. The negative value (-0.035) suggests some dissatisfaction with compensation and benefits, while the positive value (0.275) suggests satisfaction.

Summary:

The data suggests varying levels of satisfaction and perceptions regarding employee turnover, job satisfaction, and compensation and benefits at Optum Global Solutions. There are both positive and negative ratings, indicating diverse experiences and opinions among employees. The absence of data for work-life balance and the impact of turnover on productivity limits a full interpretation in these areas.

Null Hypothesis (H0): Performance appraisal processes do not significantly affect employee productivity.



INTERPRETATION:

Development Opportunities and Training Alignment:

The strong positive correlation (0.522) between development opportunities provided by Etico Life Science Pvt Ltd and training and development opportunities aligned to job requirements indicates that as the company increases its development opportunities, there is a concurrent increase in the alignment of training with job requirements.

Development Opportunities and Performance Appraisal:

The substantial positive correlation (0.660) between development opportunities and training development opportunities on performance appraisal signals a clear link between the company's investment in employee development and the performance appraisal process. This indicates that the performance appraisal system integrates and evaluates the impact of training and development initiatives, possibly through feedback mechanisms that assess skills and competencies acquired through these programs.

Gender and Development Opportunities:

The negligible correlation (0.002) between gender and development opportunities suggests that at Etico Life Science Pvt Ltd, development opportunities are equally accessible to all employees regardless of gender. This indicates a fair and equitable approach to employee development, where opportunities are likely to be based on merit and individual performance rather than gender.

Gender and Training Alignment:

The absence of correlation (0.000) between gender and training and development opportunities aligned to job requirements further reinforces the notion that the company implements a gender-neutral policy in providing training opportunities that are directly relevant to job roles. This demonstrates a commitment to fostering a workplace environment where training is provided based on job requirements rather than gender.

Gender and Performance Appraisal:

The weak positive correlation (0.011) between gender and training development opportunities on performance appraisal may indicate a slight but statistically insignificant relationship. This could either suggest that gender has minimal influence on how training and development opportunities impact performance appraisal or that there are additional factors at play that are not captured by this data.

Training Alignment and Performance Appraisal:

The strong positive correlation (0.567) between training and development opportunities aligned to job requirements and training development opportunities on performance appraisal demonstrates that the more closely training is aligned with job requirements, the more likely it is to have a positive impact on performance appraisal outcomes. This highlights the effectiveness of a targeted training approach in enhancing employee performance and meeting organizational goals.

Conclusion

The analysis reveals that Etico Life Science Pvt Ltd has a robust system in place for providing development opportunities that are closely aligned with job requirements and integrated into the performance appraisal process. The data also suggests that the company upholds gender neutrality in its provision of opportunities for training and development, ensuring a fair and equitable workplace. However, there is room for further analysis to understand the slight impact of gender on training development opportunities on performance appraisal. By continuing to focus on targeted training, performance integration, and equitable opportunities, Etico Life Science Pvt Ltd can maintain and enhance its position as an employer that supports employee growth and development.

V. FINDINGS

- Development opportunities and training alignment to job requirements are strongly positively correlated.
- Development opportunities and performance appraisal are substantially positively correlated.
- Gender has a negligible correlation with development opportunities, indicating equal accessibility.
- The turnover rate is generally low, with one slightly higher but still relatively low.
- A positive change indicates an increase or improvement, while a negative change indicates a decrease or deterioration in the turnover rate.
- A higher value indicates higher job satisfaction, whereas a negative value suggests some dissatisfaction.
- Negative value indicates some dissatisfaction with compensation and benefits, while a positive value suggests satisfaction.
- Training alignment and performance appraisal are strongly positively correlated, highlighting the impact of targeted training on performance.

5.1 SUGGESTIONS:

- Continue aligning development opportunities and training to job requirements to improve employee performance.
- Invest further in development programs to enhance performance appraisal outcomes.
- Preserve the approach to ensure development opportunities remain equally accessible regardless of gender.
- Continuously monitor and address any emerging trends to maintain or further reduce turnover rates.
- Investigate causes of changes in turnover rates and implement strategies to maintain low turnover.
- Focus on areas contributing to job dissatisfaction to improve overall job satisfaction levels.
- Address dissatisfaction with compensation and benefits by reviewing and enhancing compensation packages.

- Design more targeted training programs that directly improve job performance and appraisal outcomes.

VI. CONCLUSION

It is evident that aligning development opportunities and training with job requirements significantly enhances employee performance. Moreover, the strong correlation between training alignment and performance appraisal highlights the effectiveness of targeted training initiatives in driving employee productivity and organizational success. aligning development opportunities with job requirements and investing in targeted training programs can enhance employee performance at Etico Life Science Pvt Ltd. Ensuring equal access to these opportunities regardless of gender is crucial. Monitoring turnover rates and addressing causes of dissatisfaction, especially regarding compensation and benefits, are key to maintaining a stable and satisfied workforce. By focusing on these areas, Etico can foster a productive workplace that supports both employee satisfaction and organizational success.

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