

Original Article

A Study on Effectiveness of Performance Appraisal System in Manufacturing Industries in India

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Abstract

This research seeks to investigate effectiveness of performance appraisal system. Performance appraisal has become more and more part of a more strategic approach to combining HR activities and business policies and can now be regarded as a generic term for a range of activities through which organizations attempt to evaluate employees and build their competence, improve performance and allocate rewards. The aim of this research was to investigate the performance appraisal. To get results, descriptive statistics and chi-square methods are used to data gathered from 80 respondents. The outcome of the study indicates that overall performance appraisal system is high rated by its respondent. Respondents are highly satisfied with their job. The recommendations were given based on the research finding and analysis.

Introduction

A performance appraisal is a systematic and periodic process that evaluates an individual employee's job performance and productivity in terms of certain pre-established criteria and organizational goals. All organizations desire to be effective and accomplish their goals; in order to do so, it is necessary to monitor or measure the performance of the employees on a regular basis. Effective monitoring also involves providing timely feedback, reviewing the performance in terms of pre-determined standards, and timely appreciation of the achievements, which encourages the employee to perform better every day. It is aptly said that, "Encouraged people achieve the best; dominated people achieve second best; neglected people achieve the least." as appreciation and reward at the right time is the best encouragement. All organizations desire to be effective and accomplish their goals, in order to do so it is necessary to monitor or measure the performance of the employees on a regular basis. Effective monitoring also involves providing timely feedback, reviewing the performance in terms of pre-determined standards and timely appreciation of the achievements, that encourages the employee to perform better every day. It is aptly said that, "Encouraged people achieve the best; dominated people achieve second best; neglected people achieve the least." as appreciation and reward at the right time is the best encouragement. People are different in their abilities and their aptitudes. There is always some difference between the quality and quantity of the same work on the same job being performed by two different individuals. Performance appraisals of Employees are required to know each employee's abilities, competencies and relative merit and worth for the organization. Performance appraisal grades the employees in terms of their performance. According to a well-known personality in the field of Human resources, "Performance appraisal is the systematic, periodic, and impartial rating of an employee's excellence in the matters of his present job and his potential for a better job." Performance appraisal is a strong tool to calibrate, sharpen, and reward the performance of the employee



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It is helpful to examine his achievements and assess his contributions towards achieving the overall organizational goals. Performance appraisal is required to measure the performance of the employees and the organization to check the progress towards the desired goals and objectives. Performance appraisal remains a topic of interest and concern to human resource professionals. Performance appraisal has been a topic of significant attention in the literature for decades, both from researchers and practitioners. The current mantra being adopted by organizations worldwide is "getting paid according to what you contribute" – the organizations' focus is shifting to performance management, and more so to individual performance. Performance appraisal assists in grading the performance of employees and assessing their contribution towards the organizational objectives.

Review of Literature

Devries, Morrison, Shullman and Gerlach (1981) define performance appraisal as a process by which an organization measures and evaluates an individual employee's behavior and accomplishments for a finite period.

Eichel and Bender (1984) Over the past quarter century, the purpose of performance appraisal has shifted from tools supporting the activities of management to an increasing trend towards personnel development.

Churchill et al., (1985) Appraisals are generally considered to have a positive influence on performance, but they also may have a negative impact on motivation, role perceptions, and turnover when they are poorly

Scheneier, Richard & Lloyd (1986) is concerned with three possible measures designed or administered. namely assessing results, behaviors, and personal characteristics. Each dictates a specific type of appraisal format based on competency or job related behavior. These forms of appraisals are made by single or multi rater (two or more of supervisor/

- peer/self/subordinate/outsider) **Prince and Lawler (1986)** found that the constructs "work planning and goal setting" and "discuss performance attributes" exerted a positive influence on employees' satisfaction with and perceived utility of the performance appraisal. In contrast, the construct "career development" showed little influence on performance appraisal

- satisfaction. **Cleveland, Murphy, and Williams, (1989)** Development provided by the immediate supervisor has been shown to be an important and common use of performance

- appraisal. **Vroom (1990)** states that formal performance appraisal plans can be designed to meet the following key needs: (a) the organization; (b) the supervisor; and © the employee. He stresses the need for effective evaluation as it can effectively serve these critical

- areas. **Denhardt (1991)** defines performance appraisal as a specific evaluation with respect

- to an individual's progress in completing specified **Wanna et al (1992)** define the objective of staff appraisals as "to imp tasks. rove planning and service delivery at the general level, but also to provide feedback to individual

- officers". **Cherry (1993)** however, sees the appraisal process as fundamental to the success of organizational change initiatives citing the work of the "powerful formative effects (of performance management) on the organisational power structure, on the

- workforce skill profiles and on corporate culture". **Blanchard et al. (1994)** discuss the fact that leadership style is the pattern of behaviors you use with others as perceived by them. The critical part being that it is how others perceive your behaviors that determines your leadership style and that this

- perception will be based on how you communicate. **Moulder (2001)** states that performance appraisals are valued for defining expectations and measuring the extent to which expectations are met. She goes on to state that appraisals can make clear to employees where they are having success and where they need to improve performance. Moulder indicates that appraisals are useful in setting goals and in fostering improved communications among work groups and between employees and supervisors

- **ICMA (2005)** states that almost all employees are eager to know how well they are doing in their jobs, but many dread the meetings in which their performance is to be

- discussed. According to **Angelo S. DeNisi and Robert D. Pritchard (2006)** "Performance appraisal" is a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process. Furthermore, it is an evaluation process, in that quantitative scores are often assigned based on the judged level of the employee's job performance on the dimensions or

- criteria used, and the scores are shared with the e **Lillian, Mathooko & Sitati (2011)**. The information gathered and the performance employee being evaluated. An appraisal provides a basis for recruitment and selection, training, and development of existing staff, and motivating and maintaining a quality human resource through

- correct and proper rewarding of their performance. **Sharma (2012)**, these methods are less structured than the traditional method, which is focuses less on the rankings and ratings, and more emphasis is placed on arranging meetings between employees and the supervisor.