

PalArch's Journal of Archaeology  
of Egypt / Egyptology

# **EFFECT OF PERFORMANCE APPRAISAL SYSTEM ON ORGANIZATIONAL COMMITMENT AND EMPLOYEE PRODUCTIVITY AND ITS LINKAGE TO PERIODICAL PERFORMANCE REVIEW : A STUDY OF TEHRI HYDRO POWER PROJECT**

**Ashutosh Kr. Anand, Manager-HR, THDCIL**

**Dr. Yashpal Singh Negi, Director, SIHM, New Tehri**

**Dr. Veer P Gangwar, Professor, Lovely Professional University**

**Ashutosh Kr. Anand, Dr. Yashpal Singh Negi, Dr. Veer P Gangwar, Effect of Performance Appraisal System on Organizational Commitment and Employee Productivity and its linkage to periodical performance review : A Study of Tehri Hydro Power Project-Palarch's Journal Of Archaeology Of Egypt/Egyptology 17(7), ISSN 1567-214x**

**Abstract:** Performance is the utmost important factor for survival and sustenance of an organization. Therefore, managing and measuring performance is a big task and challenge for any organization. Performance Appraisal System in due course of time has become an important process from the perspective of business alignment. Performance appraisal is generally construed to be a formal, structured system of measuring and evaluating an employee's job related behaviours and outcomes as well as to discover how and why the employee is presently working on the work and the way the worker can perform more effectively in the future. Performance appraisal system is important to any organizational work performance; it determines the organization's success or failure.

The focus of this paper is on summarizing the conceptual framework of performance appraisal system and its relationship between Organization Commitment, employees behavior, engagement and thus with Productivity.. The research study has been conducted to study and determine the effect of performance appraisal on organizational commitment and employee productivity in generating unit Tehri HPP of Tehri Hydro Development Corporation (THDCIL).

**Keywords:** Performance appraisal, rewards, performance, performance appraisal feedback, Performance Improvement Plan

### **Practitioner Notes:**

#### **What is already known about the topic:**

- Performance Appraisal System is a tool to measure the performance and other related parameters of employee performance
- Public sector Undertakings have been given several instructions in past few years in India to implement and frame a robust and transparent performance management system
- Government of India has directed public sector undertakings to implement performance based variable pay named performance related pay and also to carry periodical review to maintain probity and efficacy in public service under FR56(J) and weed out the non performers.

#### **What this paper adds:**

- The paper describes the general shift in public sector undertakings from annual confidential report to performance appraisal to performance management. approach of Indian Government towards periodical review.
- How performance management system is playing a vital role in measuring performance & identifying performers and non performers in an organization.
- Performance Management System is also playing an important role in paying out performance related pay as well as carrying out review to ensure probity and efficacy in public service.
- The paper also describes how pursuant to directions from Government Department Public Sector Undertaking have aligned, modified their performance management system to suit changing organizational needs.
- How Performance management system has been aligned with particular reference to THDC India Limited, a MiniRatna CPSE under Ministry of Power, Govt. of India.
- The paper describes about the procedure being followed in such review with outlook of employees towards Performance Management System(PMS) and periodical review.

#### **Implications for practice and/ or policy**

- This paper may help understand how the journey of performance management system has evolved in Indian Public Sector companies
- To align performance management system to measure and manage performance in a way that data is available for carrying out periodical review.
- The paper also reveals the employee perspective on such performance reviews and linkage of performance management system to other related issues. viz.incentives, organizational commitment and the role of performance appraisal system in determining the employee efficacy.
- This would help understand the people issues involved in carrying out such periodical reviews and devising variable pay policies.

## 1. Introduction:

The true asset of any organization is its Human Resource, its manpower which provides it a true edge over its competitors. Therefore, it's vital to manage this resource and keep this resource motivated and manage and measure their performance and productivity to urge the specified organizational results. Managing, Measuring and Boosting employee performance has always been a challenge for any organization and organizations are struggling and innovative hard to excel in managing the performance for synchronizing the individual efforts with organizational objectives.

Several Researches have focused on the linkage between human resource management and employees performance and a number of other studies conducted during this field denotes that HR processes including Performance Appraisal and Management plays an enormous role in organizations whether private or public.

For decades performance appraisal systems are considered one among the tactic to manage and measure the performance of employees. Performance appraisal has always been a tool for not only helping employees to streamline their performance but also help organizations find out developmental needs of employees, ensure their career progression, impart skill and learning and helping employees who are fumbling in their efforts & performance.

Performance Appraisal is taken into account as a methodology to synchronize, manage and measure the efforts of employees and reward those who are making efforts to deliver results. Performance Appraisal is additionally considered as systematic evaluation of the performance of employees and to know the skills of an individual for designing and determining further growth and development. Performance appraisal therefore is a motivational force that helps employees for greater performance. It is often treated as a strategic tool for delivering successful leads to organizations by improving the performance and developing the capabilities of teams and individuals.

Performance Appraisal may be a subset of performance management system. It comprises with identifying, measuring, influencing and developing job performance of employees within the organization. Performance Appraisal or Management System helps organize to channelize, streamline the efforts of their employees towards organizational objectives. .

The benefits of Performance Appraisal System

- Setting of goals and performance targets
- Determination of training needs
- Feedback
- Performance improvement
- Reward Management

Management of any organization has responsibility to keep their employees motivated for better job performance. A robust and objective performance appraisal helps in setting clear goals and being rewarded for performing at utmost level.

Performance Appraisal helps in this process of goals and objectives setting for employees, provide them performance rewards timely and get performance appraisal feedback to enhance their skill and knowledge and also the areas where improvement may help to improve employees productivity on their work place.

Employee productivity can be checked by quality of services of employees and employees output appraisal. The study has been carried out in Tehri Hydro Power Project which is hydro power generating unit of 1000MW capacity of Tehri Hydro Development Corporation which is a CPSE under Ministry of Power. Like any other PSU this company also aims to generate profit and compete in era of competition faced by its counter parts.

In India particularly in Public Sector Undertakings, the Performance Management System as a process has underwent transition to become more effective by being more transparent, robust, participative and result oriented. THDC India Limited is a Schedule "A" MiniRatna CPSE under Ministry of Power, Govt. of India which has implemented some of the good practices in the field of Performance Management in an effort to make the area of Performance management more effective. The idea behind this study is to find about gradual shift in the Performance Appraisal System, different processes involved in Performance Appraisal Cycle and how performance is being managed, measured and what inherent challenges of the system are in Power Sector with special reference to Tehri Hydro Plant of THDC India Limited . Also, how the performance management system is also being used to carry out periodical review based on probity and efficacy under Government mandate.

## **2. STATEMENT OF THE PROBLEM**

Companies are formed with definite objectives but one objective of every company is to perform at optimum level to generate profit and in order to generate profit it is important for any organization to accomplish its objectives and targets in time. To achieve this, there is the need to focus on employee productivity and commitment. Without organizational commitment any organization cannot prosper. In order to ensure employee commitment and productivity generally companies use performance appraisal as a tool.

Companies around the world are making efforts to innovate new ways to keep their employees motivated, engaged, performance oriented in order to sustain and compete. It is generally understood that when employees are motivated, their performance reflect in productivity. The employees make efforts to optimize productivity and contribute their best where they are cared, where their aspirations meet the standard set by the companies and they are valued as an important resource.

It has been found that in most cases, the performance appraisal system which has been implemented are conventional and at times employees don't take it seriously for many reasons viz. lack of knowledge, efficient implementation and ownership issues.

Public Sector Power Companies (PSUs) are constantly working on improving performance appraisal system and making the system efficient enough to contribute towards employee productivity and development.

In recent years there has been focus of Govt. on implementing a robust and transparent performance management system and also a system of compulsory review has been pushed based on probity and efficacy. This has also resulted in shifting the focus on Performance Management System.

### **3. OBJECTIVES OF THE STUDY**

The objective of the study was to identify the effect of performance appraisal system on organizational commitment and employee productivity in Tehri Hydro Power Plant which is a flagship power generating station of THDCIL, a Public Sector Undertaking under Ministry of Power, Govt. of India . However, the specific objectives of the study were:

1. To study and analyze the process of performance appraisal and management system followed by Tehri Hydro Development Corporation(THDCIL).
2. To study the Performance Management Cycle and its applicability in THDCIL .
3. To ascertain and determine the effect of various steps involved in performance appraisal used in the organization on organizational commitment among employees and employee productivity.
4. To find out the effect of rewards and incentives based on Performance Appraisal System used in organization on employee productivity.
5. To find out the effect of feedback in performance appraisal used in organization on employee productivity.
6. To establish the linkage of Performance Appraisal System with organizational commitment

### **4. LIMITATIONS:**

- The study has been made on a small sample size but since the size of the organization is big more detailed study can be done by having large sample size.
- Due to time constraint and official schedule of THDCIL employees some time it was difficult to interact with employees.
- Delay in submission of filled questionnaire and difficulties faced in analyzing data for findings and suggestions.
- Difficulty in getting accurate information as the data and information pertain to be confidential.
- The study may not be used to derive ground general propositions or new theory. The usefulness is limited to exploring the validity and applicability of existing prescriptions and models. Every organization has its unique features and issues, generalized assumption and that too in Indian context may not be possible. However, the basic idea is to reflect the importance of efficient & robust Performance Appraisal System and its usefulness in ensuring organizational commitment and employee productivity. Also, hoe performance management system is helping in carrying out periodical review based on probity and efficacy.

## **5. RESEARCH HYPOTHESES**

The hypotheses of the study were:

- (i) H01: There is no significant relationship between the process of goal setting under performance appraisal used in organization and employee productivity.
- (ii) HO2: There is no significant relationship between performance rewards and incentives given to employees and employee productivity.
- (iii) HO3: There is no significant relationship between appraisal feedback used in PMS in organization and employee productivity.
- (iv) HO4: There is no significant relationship between performance improvement plan and employee productivity.
- (v) HO5: There is no significant relationship between performance appraisal system and organizational commitment

## **6. LITERATURE REVIEW:**

### **Effect of Performance Appraisal System in Organizational Commitment:**

Performance Appraisal System which is considered as subset of Performance Management System comprises of several processes. In THDCIL it is called Performance Management System. Any effective performance management system includes the following components:

- **Performance Planning:** Performance planning also known as Goal Setting is the first component of performance management process. This is basically a stage of target(Goal) setting or task formulation where performance planning is jointly decided by the appraisee and the appraiser in the beginning of a performance session cycle. The appraisee fixes the key /result performance areas(KRA/KPI) to be performed over a year, which is finalized after a mutual agreement between the reporting officer and the employee. Weightage are primarily assigned to each KRA depending upon the priority and importance of such KRA.
- **Mid Year Review & Final review :** Mid Year Review is an important process in which the appraisee can re-visit the KRAs and goals in the light of reasons which may be beyond the control of the appraisee or the goal for the organization is changed. The review helps to find out the progress of the agreed targets and provide any warnings of non-performance to the Appraisee for improvement. During this period, the targets are revisited and may be modified/added/deleted depending upon the prevailing circumstances for the balance period.

The appraisal is reviewed again at the end of appraisal cycle. The appraisee fills the Appraisal Report based on the mutual discussion held during target setting and also describes his/her achievements over a period of time in quantifiable terms. On completion of Mid year review at the end of the cycle the final ratings are provided by the appraiser for the quantifiable and measurable achievements of the employee. The entire process of review comprises of active participation of both the employee and the appraiser.

- **Performance Feedback & Counseling:** This is the stage in which the appraisee is made aware by his appraiser about the areas of improvements. The appraiser is also informed about whether he/she is contributing to the expected levels of performance or not. The employee receives an open and a transparent feedback and his training and development needs of the employee is also identified. In some companies performance improvement plan is also chalked out which also comprises of a time limit during which the employee has to improve his/her performance using certain interventions. The appraiser takes all possible steps to ensure that the employee meets the expected outcomes for an organization through several interventions viz. personal counseling and guidance, mentoring and sending employee in training programmes which develop the competencies and improve the overall productivity.
- **Rewarding good performance:** Rewarding a performer has a long lasting effect on employee motivation and also has a cascading effect in case of other employees. An employee whose good performance is recognized and is rewarded has an effect on his self esteem and achievement orientation. Any contributions duly recognized by an organization helps an employee in coping up with the failures successfully and satisfies the need for affection it

motivates the employee and he is encouraged for consistent good performance.

- **Performance Improvement Plans:** The major difference between performance appraisal and performance management is that the later aims at development and not only measurement. In cases where there is gap between the performance desired and actual performance, that is such cases the employee needs to be made aware of the areas of improvement and a fresh set of goals are to be established and new deadline is provided for accomplishing those objectives. The employee is communicated about the areas in which the employee has to improve and a stipulated deadline is also assigned within which the employee must show this improvement. There is a proper laid down guideline of performance improvement plan in THDCIL.
- **Potential Appraisal:** The potential appraisal is performed by implementing competency mapping and various assessment techniques. Potential appraisal provides crucial inputs for succession planning and job rotation as well. Potential appraisals are made using a map of skills and various assessment methods. Potential appraisal provides important input to planning sequences and rotation tasks. The importance of Performance Management System cannot be over ruled in present times where performance is playing a pioneer role in deciding the fate of the Organization. THDCIL being a premier Government organization engaged in generation of Power and being a growing and learning company is ready to accept the change and be professionally sound to cope with challenges of future. It firmly believes in importance of Performance Management and has implemented new system of Performance Appraisal and Management to derive best from its employees, retain, reward and motivate performers and at the same time help those who are not performing well to pull themselves.

Organizational Commitment refers to the amount of involvement an employee has in his/her work. This helps both the worker and the organization to enhance their skills which successively improves the productivity of the organization and therefore the employee. An employee who is involved completely in his/her work is claimed to possess great organizational commitment since it'll make them to become loyal to the corporate and can commit themselves to the organization automatically altogether aspects which ends up in greater improvement in their career as well because the productivity. Thus Organizational Commitment results in greater employee productivity. It has been observed by Deborah F. Boice and Brian H. Kleiner (1997) that effective performance appraisal systems contribute towards creation of a motivated and committed workforce. Their study concluded that if the performance appraisal system does not links employee performance and organizational goals, it is bound to be less effective.



It has been further observed by Aharon Tziner, Murphy (1999) that attitude influences performance appraisal system. They found that raters who were high on institutional commitment were more likely to give good and high ratings than raters on lower on instrumental commitment.

The Human Resource Management practices have positive effect on organizational commitment, and it has been further observed by Aizzat Mohd., Mohamad Abdullah Hemdi and Lye Phei Guat (2008) that career development and performance appraisal have direct, positive and significant relationships with organizational commitment.

### **Effect of Performance Appraisal System on Employee Productivity:**

In organizational perspective, “productivity” accounts for the amount of work completed, the quality of that work, and it’s worth in terms of organizational objectives. Productivity refers to the objective or target of an organization to be achieved by their employees. Employees can work effectively and efficiently only when they are satisfied with their work and when they feel responsible for the work they do. This can be done by motivating the employees in terms of both financial as well as non-financial. Performance appraisal helps the organization to understand the employee’s interest about their job and also helps in providing them the necessities or facilities for performing the job in an effective way. It motivates them and makes them to engage themselves towards attaining the goal of the organization. It also helps in creating a replacement culture within the organization so that the employees feel comfortable in their work and which in turn all these factors lead to increase in productivity.

Gerald T. Gabris, Kenneth Mitchell (2009) studied the influence of employee incentive plans to increased productivity. They found that significant variation in attitudes does exist toward the merit bonus system as a stimulus of employee performance.

The Performance Appraisal System has helped to define roles and responsibilities more clearly, review and determine job descriptions, organizational objectives, and has led to further learning, team building and product development. Evrim Ustunluo (2009)

### **Performance Management System at THDCIL**

THDCIL (THDC India Limited) is a Public Sector Undertaking. Public Sector Undertakings thus function in a different atmosphere where skill, talent and potential of employees are to be nurtured properly and efficiently to gain competitive advantage over peer companies to sustain.

Tehri Hydro Development Corporation India Limited (THDCIL) is a Joint Venture of Government of India and Government of Uttar Pradesh. The Equity is shared in the ratio of 75:25 between GoI and GoUP. The Company was incorporated in July' 88 to develop, operate & maintain the 2400 MW Tehri Hydro Power Complex and other hydro projects. The Company has an authorised share capital of INR 4000 cr. THDCIL is a Mini Ratna Category-I and Schedule 'A' CPSE under Ministry of Power. Erstwhile the name of the Company was Tehri Hydro Development Corporation. The company was earlier into Hydro power generation but in the past few years it has diversified into Thermal, Solar, Wind power as well. The Equity of company was earlier shared between Govt. of India and GoUP in the ratio of 75:25. Recently, the Share Purchase Agreement was executed between NTPC Limited and President of India on March 25, 2020, for acquisition of legal and beneficial ownership of equity held by the President of India in THDC India Limited which represents 74.496% of the total paid up share capital of THDCIL for an aggregate consideration of INR 7500 crore (Rupees Seven Thousand Five Hundred Crore only).

Tehri Hydro Development Corporation of India Limited (THDCIL) has a online ePMS, dedicated KRA(Key result Area) directory and a PMS handbook designed to help employees in the entire PMS framework. The journey of performance management system started at Tehri Hydro Development Corporation as Annual Confidential Report system which was modified in 2006-2007 to performance appraisal system and thereafter evolved to performance management.

## **7. VARIABLES USED FOR THE STUDY**

1. The dependent variable for the study was Organizational commitment & Employees Productivity
2. Different factors of performance appraisal are taken as independent variables for the study. So, various independent variables area were:
  - a. Goals & Objectives Setting
  - b. Performance rewards given to employees
  - c. Performance appraisal feedback
  - d. Performance improvement plan

## **8. RESEARCH METHODOLOGY**

**Target population-** The target population in the study was, 180 executives posted in different departments at Tehri HPP.

**Sampling technique-** Simple random sampling method was selected as a sampling technique,

**Sample size-** 70 random employees of the company taken as a sample size for this study.

**Research Design-** Descriptive research design taken as research design.

**Data Collection-** For study the primary data have been collected with a self-administrated questionnaire with five point Likert's scale option. A total of 80 questionnaires were distributed. However, only 73 respondents filled their questionnaires. 03 questionnaires were incomplete so 70 is final sample size.

The correlation and multiple regression analysis were used to determine the effect of performance appraisal on employee productivity. The hypotheses were tested at 5% significance level and the secondary data have been collected from articles, books, journals and internet etc.

**Statistical tools-** correlation and regression methods have been used for research study. Data analysis has been done by SPSS software.

Variables	Number	Percentage
<b>Age</b>		
21-25	13	18.75
26-35	42	50
36-45	16	18.75
Above 50	09	12.5
<b>Gender</b>		
Male	74	96.25
Female	7	3.75
<b>Education Level/Qualification</b>		
Graduate	65	80
Post graduate	16	18.75
Higher than Post Graduation	1	1.25
<b>Work Experience</b>		
Less than 5 years	15	18.75
5-10 Years	29	36.25
10-20 years	20	25
20 years and above	16	20

### RELIABILITY TESTING:

The reliability of the questions that used Likert's scale showed that data from this month research was reliable with Cronbach's Alpha value of at least 0.70. The Cronbach's Alpha value is 0.85 hence data is reliable for study.

### DATA ANALYSIS FOR HYPOTHESIS

Variables	R Value	R-Square	F-Statistic	Std. Error Estimate	P-Value	Conclusion
Goals & Objective Setting	0.50	0.25	20.03	1.75	.000	Significant at p<0.05 Positive

Performance Appraisal feedback	0.53	0.28	23.4	1.71	.000	Significant at $p < 0.05$ Positive
Performance Rewards and Incentives	0.43	0.17	12.66	1.84	.001	Significant at $p < 0.05$ Positive
Performance Improvement Plan	0.50	0.25	20.03	1.75	.000	Significant at $p < 0.05$ Positive
PAR & Organizational Commitment	0.50	0.25	20.03	1.75	.000	Significant at $p < 0.05$ Positive

### Summary of Result of Pearson Correlation Analyses

The analysis from the above table shows the result of correlation analysis between independent variable of performance appraisal (goals and objectives setting, performance rewards given to employees, performance appraisal feedback and performance Improvement Plan) and dependent variable organizational commitment & employee's productivity.

The first variable Goals & Objective setting" had R value 0.50 with P- value .000 that is significant because p value  $< 0.05$ . Thus, Goals & Objective setting in performance appraisal was a significant predictor of employee's productivity. Second variable „Performance Rewards given to Employees" had R value 0.53 with p value .000 that is significant because p value  $< 0.05$ . Thus, Performance Rewards given to Employees in performance appraisal was a significant predictor of employee's productivity. Third variable „Performance Appraisal Feedback" has R value 0.42 with p value .001 that is significant because p value  $< 0.05$ . Thus, Performance Appraisal Feedback after appraisal process was a significant predictor of employee's productivity. The fourth variable Performance Improvement plan" had R value 0.50 with P- value .000 that is significant because p value  $< 0.05$ . The fifth variable organizational commitment also had R value 0.50 with P- value .000 that is significant because p value  $< 0.05$ .

## 9. REGRESSION ANALYSIS

Multiple linear regression analysis was conducted to determine the relationship between the organizational commitment and employees productivity and the four independent variables of performance appraisal namely: Goals & Objective setting, Performance rewards given to employees and performance appraisal feedback and organizational commitment . The regression model was;  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$  Whereby:  $\beta_0$  is the regression intercept;  $\beta_1 - \beta_3$  are the regression coefficients; Y is the dependent variable (Organizational commitment & Employee's Productivity);

X1 = Goals & objective setting; X2 = performance rewards given to employees; and X3 = Performance appraisal feedback X4= Organizational commitment. Regression analysis output by SPSS.

ANOVA <sup>a</sup>					
Model	Sum of Squares	Df	Mean Square	F	Sig
1	84.984	4	27.988	9.995	.000 <sup>b</sup>
Regression					
Residual	157.867	57	2.803		
Total	242.851	61			

<sup>a</sup> Dependent variable: Employee Productivity

<sup>b</sup> Predictors(Constant), Performance improvement plan, performance appraisal feedback, goals and Objective setting, Performance rewards given to employees

It is seen that the significance value is 0.000 which is less than 0.05 thus the model is statistically significant in predicting how performance appraisal variables like Objective and Goal setting, Performance based incentives & rewards, Performance feedback and Performance Improvement Plan, Organizational commitment. This shows that overall model is significant.

Table-5 Coefficients					
Model	Unstandardized Coefficients		Standardized coefficients		
	B	Std.Error	Beta	T	Sig
1 Constant	5.662	2.092	.388	2.682	.022
Goals & Objectives	.328	.160	.289	2.024	.048
Performance rewards and Incentives	.226	.136	.347	2.232	.028
Performance Appraisal feedback	.056	.154	.034	.268	.270
Performance Improvement Plan	.048	.165	.056	.285	.037
Organizational commitment	.043	.145	.057	.286	.029
a Dependent variable Organizational Commitment & Employee productivity					

Thus, the equation of regression is:

Employees productivity =5.662+ Goals and objective setting\*0.328 + Performance rewards given to employees\*0.226 +Performance appraisal

feedback \*0.056+ Performance improvement Plan\*.048, Organizational Commitment \*.043. The regression equation mentioned above establishes that taking all factors into account viz. Goals and objectives setting, performance rewards & incentives given to employees, performance appraisal feedback and performance improvement plan) constant at zero employees productivity in Tehri HPP is 4.584.

The findings reveal that there is a significant positive relationship between Goals and Objective setting which is a variable of performance appraisal system and employees productivity in Organization as shown by a coefficient of 0.328. Since the regression coefficient value is more than one we can deduce that there is a relationship between Goals & Objectives setting and employees productivity. Further, the relationship is found to be significant as the p value is less than 0.05 ( $0.048 < 0.05$ ). In addition, there is a significant positive relationship between performance rewards & incentives given to employees and organizational commitment & employees productivity in Tehri HPP as shown by a coefficient of 0.226. Since the regression coefficient value is more than one we can deduce that there is a relationship between performance rewards given to employees and their organizational commitment & productivity. This relationship was found to be significant as the p-value is less than 0.05 ( $0.028 < 0.05$ ). Further, the findings show that there is a positive relationship between performance appraisal feedback and employees productivity in organization as shown by a coefficient of 0.056. Since the regression coefficient value is more than one, we can deduce that there is a positive relationship between performance appraisal feedback and organizational commitment & employee's productivity. The regression coefficient value is more than one, we can deduce that there is a positive relationship between performance improvement plan and organizational commitment and employees productivity, Similarly, the regression coefficient value is more than one, we can deduce that there is a positive relationship between organizational commitment, Employee Productivity and Performance Appraisal System as the p-value was more than 0.05 ( $0.427 < 0.05$ ) This infers that variables of performance appraisal system positively influences the organizational commitment and productivity of employees in Tehri HPP.

### **LINKAGE OF APPRAISAL TO PERIODICAL REVIEW:**

The Performance Appraisal System is not only being used to appraise the performance thus measuring the productivity, efforts of the employees, rather also in deciding several things related to employees viz. selection, promotion, rewards and payment of incentives. In past few years under the directions of Govt. of India for Public Sector Undertaking to link their performance management system to payment of a variable incentive called performance related pay. Further, the public sector companies have also been directed to carry out periodical review of performance of its employees on the basis of probity and efficacy. The companies have been directed to frame their respective guidelines for conducting such periodical review and in order to carry out such review again the data from performance appraisal system is

used to find out the performance effectiveness of employees or even remarks pertaining to their integrity. Under Rule FR56(J), the companies have framed their respective rules to make part of their general terms and conditions of service to conduct such periodical review. In THDCIL, such reviews are based on the service records of the employee together with their performance records derived from performance appraisal report for past 5 years specifically when an employee attains the age of 50 and 55 years respectively. So, Performance management system is also playing a vital role in maintaining probity and efficacy and helping organizations carry out mandatory periodical reviews as well.

## 10. DISCUSSION OF THE FINDINGS

The impact of performance appraisal through Organizational Commitment and towards productivity can be given as a conceptual framework as follows:

Performance Appraisal System can be used to encourage the employees to have a great Organizational Commitment. It enables them to work efficiently for the organization by considering the organization as their own and by having a great commitment. It also helps them to align their efforts with the organizational objectives and since now a day's performance management system is also being used for taking several decisions arranging from identifying training needs, carrying out promotions, deciding variable incentives and even carrying out periodical review based on employee performance to find out the efficacy of the employees in public service.

Performance Appraisal System also helps the employees to motivate themselves in two ways; either financially or non-financially. Incentives make employee more committed. Non-Financially, by providing extra roles and responsibilities, it helps the employees to have a great citizenship behaviour which helps them to work more and to increase in their productivity. Once the employees feel that they are the citizens of the organization they will behave responsively and these factors will help them to increase in their productivity.

## 11. TESTING OF HYPOTHESIS

The study had 5 null hypotheses to be tested. Testing the first hypothesis H01: There is no significant relationship between goals and objective setting of performance appraisal used in organization and employee productivity. To test this null hypothesis, a full regression model was fitted as shown in Table 5. The coefficient of Performance criteria was tested at 5% significance level and found to significant ( $p\text{-value}=0.048<0.05$ ). This indicates goals and objective setting have a significant relationship with employee productivity. Testing the second hypothesis H02: There is no significant relationship between performance rewards given to employees used in the organization and employee productivity.

To test this null hypothesis, a full regression model was fitted as shown in Table 5. The coefficient of Performance criteria was tested and the p-

value=0.028<0.05. This indicates that performance rewards given to employees has a significant relationship with employee productivity.

Testing the third Hypothesis H03: There is no significant relationship between performance appraisal feedback and employee productivity. To test this null, hypothesis, a full regression model was fitted as shown in Table 5. The coefficient of Performance appraisal reward was tested and the p-value=0.270<0.05. This indicates that performance appraisal feedback does have a significant relationship with employee productivity.

Testing the fourth Hypothesis H04: There is no significant relationship between performance improvement plan and employee productivity. To test this null, hypothesis, a full regression model was fitted as shown in Table 5. The coefficient of Performance appraisal reward was tested and the p-value=0.037<0.05. This indicates that performance improvement plan does have a significant relationship with employee productivity.

Testing the fifth Hypothesis H05: There is no significant relationship between performance appraisal system and organizational commitment. To test this null, hypothesis, a full regression model was fitted as shown in Table 5. The coefficient of Performance appraisal reward was tested and the p-value=0.029<0.05. This indicates that there is significant relationship between performance appraisal system and organizational commitment

## CONCLUSION:

The study reveals that if the system of performance appraisal is properly designed and implemented objectively then performance appraisals system can reap huge benefits for the organization and its employees. But designing proper performance appraisal is crucial and it must be understood that one size does not fit all. Every organization is unique so is its requirement. If the Management of the Company is convinced and is determined to implement a robust and transparent appraisal system, definitely it can help organization in achieving its objective and maximize profits.

In terms of public sector undertakings, Government of India has been instrumental in issuing directions to frame and implement a robust and transparent performance management system. The 2<sup>nd</sup> pay commission in its report acknowledged the importance of an effective performance management system and introduced a variable incentive system called performance related pay, the payment of which was directly linked to appraisal ratings. Further, Government of India has pushed periodical review based on probity and efficacy and in order to carry out the review the help of performance data obtained from performance management system is used. Now, the performance management is used for carrying out various administrative decisions and is not only a tool of measuring employee performance alone. It has far reaching effect on employee productivity, organizational commitment, employee satisfaction and motivation.



The study found that the processes of Performance Appraisal System influences Organizational Commitment of employees and their productivity. The employees who are appraised properly according to their performance using the performance appraisal system get motivated automatically. Performance appraisal system helps both the employees and the organization in increasing their productivity. Performance Appraisals can go a long way in improving productivity at workplace by overall improving employee motivation resulting in employee productivity.

## BIBLIOGRAPHY

- Aguinis, H. (2009). Performance management (2nd ed.): Pearson Prentice Hall.
- Aguinis, H., Joo, H., & Gottfredson, R. K. (2011). Why we hate performance management and why we should love it. *Business Horizons*, 54(6), 503—507.
- Bacal, R., (1999). Performance Management. A Briefcase Book. McGraw-Hill. New York
- Chan, Y.C.L and Lynn, B.E. (1991). Performance evaluation and the analytic hierarchy process. *Journal of Management Accounting Research*, 3, 57-87.
- Kaplan, R.S. & Norton, D.P. 1996. The balanced scorecard: translating strategy into action. Boston, Mass: Harvard Business School Press.
- Fletcher, C. (2001), “Performance appraisal and management: the developing research agenda”, *Journal of Occupational and Organizational Psychology*, Vol. 74.
- Forth, J.and McNabb, R. (2008), "Workplace performance: a comparison of subjective and objective measures in the 2004 Workplace Employment Relations Survey", *Industrial Relations Journal*, 39, pp. 104-123.
- Muhammad Ishaq Hafiz, Muhammad Zahid Iqbal, Arshad Zaheer (2009), "Effectiveness of Performance Appraisal: Its Outcomes and Detriments in Pakistani Organizations",
- *European Journal of Social Sciences*, Volume 10, Number 3, pp. 478-485 Qrwa Bula Hannah,
- Antecedents of Performance Appraisal and Organizational Performance in Water and Sanitation Companies in Kenya: A Case of Murang'a Water and Sanitation Company limited
- *International Journal of Business and Economics Research*, vol.4, No. 5 ISSN: 2328-7543 (Print); ISSN: 2328-756X (Online)
- Onyije O.C. (2015), “Effect of Performance Appraisal on Employee Productivity in a Nigerian University”, *Journal of Economics and Business Research*, Volume XXI, No. 2, pp. 65-81, ISSN: 2068 – 3537.
- Othman Norfarizal (2014), A thesis on "Employee performance appraisal satisfaction: A case evidence from Bruneis Civil Service
- Rao P.Subba, (2009), "Personnel & Human Resource Management", Chapter: Performance Appraisal Page No.: 133 to 151 Himalaya Publishing House.
- Richards Leigh, an article on "The Effects of Performance Appraisal on Organizational Performance",

- <http://www.whatishumanresource.com/performance-appraisal>
- Taylor, M. S., Fisher, C. D., & Ilgen, D. R. (1984). Individuals reactions to performance feedback in organizations: A control theory perspective.
- The Journal of Contemporary Management Research, Ms.E Deepa, Palaniswamy and Kuppuswamy
- Performance Management: Prof. T V Rao
- K. M. Rowland & G. R. Ferris (Eds.), Research in personnel and human resources management (pp. 81–124). Greenwich, CT: JAI Press. Due acknowledgment to all authors for reference matters.