

## Employee Performance Appraisal System: A Study on Square Pharmaceuticals Limited

Dr. Sabnam Jahan\*

**Abstract:** Performance appraisal system is one the most vital functions of human resource management (HRM). Modern organizations can survive in the competitive environment of today, only if they can make the best use of their human capital as their most important asset. Performance appraisal is considered as one of the important tasks of a HR manager due to its implications for the identification of employee capacity as well as taking appropriate reward decision. This paper aims at identifying the acceptance level of performance appraisals practices used in Square Pharmaceuticals Limited (SPL) among the employees. A well-structured questionnaire was used to collect the primary data. Basic statistical tools were used to analyze the data. The study has found that the majority of the employees are satisfied with the organization's existing performance appraisal practices. But they demanded for a more systematic and informative performance appraisal system.

**Keywords:** Performance appraisal, human resource management, SPL.

### 1. Introduction

Human resource is a nation's prime asset, a company's prime asset, an organization's prime asset (Chowdhury, 2011). The importance of effective human resource is getting momentum today due to the awareness of the costs associated with poor human resource management (Wright & McMahan, 1992). Human resources are valuable means for improving productivity. Managers now realize that effectiveness of the HR function has a substantial impact on the bottom-line performance of the firm (Griffin, 2006). But the frustrating point is that performance appraisals are often dreaded by both the employee and the employer (Scholtz, 2013). Many contemporary organizations are placing a greater emphasis on their performance management systems as a means of generating higher levels of job performance (Grumana & Saksb, 2011).

The optimal development and utilization of individual characteristics and competencies are crucial to enhance effectiveness in the workplace (Jonker & Joubert, 2009). The selection and application of performance appraisal systems is also critical. The performance evaluations systems influence employee behavior (Robbins & Judge, 2010). The paper aims at identifying the acceptability of performance appraisals systems among the employees of Square Pharmaceuticals Limited.

### 2. Objectives

The primary objective of the study is to analyze the employee performance appraisal procedures in Square Pharmaceuticals Ltd. and its acceptability among the employees. The specific objective is

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\* Associate Professor, Department of Management, University of Dhaka, Dhaka, Bangladesh.

to analyze the overall HRM practices of Square Pharmaceuticals Limited. The other objective is to portray the benefit of effective employee performances appraisal of SPL (Square Pharmaceuticals limited).

### **3. Literature Review**

Rubina and Saifuddin (1998) assessed the employee performance appraisal practices of the IFIC Bank. They identified some problems related to the performance appraisal system of the surveyed bank such as trait based appraisal, excessive focus on past performance, and confidentiality in appraisal process that kept appraises uninformed about their performance. Bhuiyan and Taher (1998) studied the different aspects of performance appraisal. They discussed objectives of performance appraisal, linkage between performance appraisal and compensation, formal and informal appraisal. They also described the roles of appraisers and appraises in performance appraisal. Azim and Haque (2006) conducted a survey on the performance appraisal practices of 58 (30 manufacturing and 28 service) organizations in Bangladesh. They found that all the surveyed organizations practice performance appraisal of some type. The study identified that 57.1% companies used performance appraisal annually whereas 42.9% of the samples used performance appraisal bi-annually, quarterly, and monthly. Out of the performance appraisal methods, Management By Objective (MBO) was found to be practiced by most of the companies (58.62%) followed by paired comparison method (31.03%), critical incident method (17.24%), and alternative ranking method (10.34%). Narrative form was found to be least preferred (3.44%). The study further observed that organizations used performance appraisal for different reasons. The most dominant reason behind performance appraisal was to identify candidates for promotion (82.8%) followed by pay raise (69.0%), and training and development (62.1%). Most of the organizations used performance appraisal for taking various important HR decisions. It was found that immediate supervisors conducted the performance appraisal in most of the surveyed organizations (69.0%) followed by self-rating, 360 degree, and rating committee. Another study (Absar, Hossain, & Alam, 2007) discussed the employee performance appraisal practices in the banking sector of Bangladesh. The study also explored the gap between the expectations and realities with respect to performance appraisal of employees in the selected banks. The study showed that the overall performance of the banks could be improved by making employees familiar with the performance appraisal tools and by valuing employees' expectations in their performance appraisal process. In a case study, Ahmed and Sultana (2007) explored the performance management of ANZ Properties Ltd. They found that performance appraisal was almost informal at ANZ. Though the company had job descriptions for the employees, they did not have any performance evaluation form. Performance appraisal was done by observation and comments of supervisors. The company used comparative approach to judge performance of one employee against others. Based on comparison, the employees were ranked. The company relied on managers or supervisors to get performance information of the employees. At performance feedback was not given on individual basis unless any complaint or negative comment had been raised against an employee. The best performers did not usually get any formal feedback.

However, the poor performers used to get a time limit to improve their performance otherwise terminated.

#### **4. Methodology**

This is an exploratory research because from this it has been statistically found that whether an employee in SPL accepts their performance appraisal procedure or not. The report is prepared on the basis of performance appraisal system of SPL Limited. To conduct the overall study, at first the researcher explored the sources of Primary and Secondary information and data. The researcher has interviewed the officials for getting more information. This study is basically exploratory in nature. Given the nature of the study, it was required to collect data both from primary sources and secondary sources.

The secondary data are collected from different sources such as: The annual reports of SPL Limited, websites, published journals, books, HR manuals, and other published and unpublished materials.

A well-structured questionnaire was used to collect the primary data. Multiple-choice types of questions were also used to obtain unbiased responses. The author visited the head office and some branch offices of SPL. The data thus were collected and presented in the study. In getting the primary data, interview is conducted with a structured questionnaire. The primary data have been processed and tabulated using MS-Excel. Final analysis is made based on these responses and relevant statistics.

This is an exploratory research because from this it has been statistically found that whether an employee in Square Pharmaceuticals Limited accepts their performance appraisal procedure or not. Also the empirical research work is based on both the primary data and the secondary information collected from the published annual reports of SPL for the periods 2009-2010 to 2012-2013.

##### **4.1 Target Population**

Sampling elements: Employees in SPL, Sampling points: SPL Center, Mohakhali, Dhaka, Total Population: 200, sample size: 50, methods of administering the questionnaire: self-administered, scaling technique: 5 Point Likert Scale, sampling technique: Simple Random Sampling method.

##### **4.2 Field Work and Data Collection**

For the research and data analysis purposes, both primary and secondary data were used.

The primary data collection sources: The primary data were collected by conducting a survey through a structured questionnaire in SPL.

Secondary Data Collection Sources: Going through different documents and papers developed by the company HR manual and also from different books, journals and websites.

### 4.3 Data Analysis

Likert scaling and hypotheses testing are used to make it easy for summarizing and analyzing data.

There were some factors that were influencing the research design such as time, difficulty of conducting survey etc.

In order to analyze the research topic effectively the following hypotheses are set:

Hypothesis 1: There is a strong relationship between a good performance appraisal system and increased employee productivity.

Hypothesis 2: Employees understand the PA procedure which affects their satisfaction level.

Hypothesis 3: PA system helps to identify the strength and weakness of employees.

Hypothesis 4: PA procedure is transparent among the employees which increases employee motivation.

Hypothesis 5: Maximum employees believe that PA is fair in SPL.

Hypothesis 6: Employees can raise their voice regarding the PA procedure.

Hypothesis 7: Male and Female employees are equally satisfied.

Hypothesis 8: Transfer, demotion, suspension and dismissal are based on PA.

### 5. Discussion

In the overall corporate planning process the importance of human resource development and the need for harnessing its full potential can hardly be overemphasized. This performance appraisal system is designed to be a vehicle for motivation and development of SPL's employees and therefore will be an integral part of SPL's corporate planning process.

SPL expects all management activity and output to be directed towards achievement of its overall corporate goals and consequently we seek to develop management capability and maintain management motivation to achieve those goals.

It is equally important that all those appraised are convinced that their appraisals have been fair and constructive and that a balanced view has been taken of their performance. They must feel satisfied that their efforts have been noted with interest and understanding, their achievements have been evaluated with objectivity and fairness and their potential and aptitude have been proved and encouraged.

Above all, it is essential that performance appraisal forms an integral part of the corporate planning process and derives its inspiration from one of SPL's major corporate goals, namely, human resource development. In order to ensure that performance appraisal fulfills the objectives

of the company and at the same time meets the aspirations of the individual, the explanatory notes and guidelines have been prepared for its successful implementation.

This appraisal will be applicable to all management staff other than the field sales staff of pharmaceutical business that will have a separate appraisal system.

### **5.1 Job Description**

Every management job is to have a stated purpose and a list of major responsibilities. These should be clearly described and agreed between the incumbent and the superior.

The job is to be graded according to its nature and the level of responsibility it carries. Whenever any significant change in the nature of responsibility takes places, the job description should be amended accordingly. In December every year the job description of all management position in the company is reviewed and updated at the time when *action plan* meeting is held. In case the job content of any position is found to have changed significantly, a job evaluation exercise is undertaken with the help of HR Department, Head Office.

It is important that the incumbent is given full opportunity to participate freely in the preparation and periodic revision of the *job description*. His/her perception and understanding of what is expected of him/her as the incumbent is most crucial for his/her success in the job.

### **5.2. Action Plan**

While the *job description* gives a broad outlook of the job, the *action plan* narrows it down to certain specific tasks which are of immediate importance.

*The action plan* focuses attention on certain targets on which special emphasis is needed and lists a few specific tasks that are to be accomplished.

*The action plan* consists of around 8 tasks with a fair mix of quantitative and qualitative items, preferably in equal proportion. Each item on the Action Plan will not only describe the specific task to be accomplished or target to be met but also clearly state the criterion to be used in judging the degree of success achieved in its accomplishment. The quantitative tasks will be measured on the basis of the results achieved. The qualitative tasks will require judgment to determine the level of achievement.

Different levels of achievement on action plan tasks are rated under 3 categories, namely W = Well Done, S = Satisfactory & U = Unsatisfactory.

New employees who are confirmed in their job before July will have Action Plan prepared by their superiors for the remaining period of the year in order to bring them under the Appraisal System straight away.

### **5.3 Performance Appraisal Process in SPL**

If the broad objectives of the job are clearly understood by the appraiser and the appraisee and the action plan along with the criterion of assessment is clearly agreed between them, appraisal should be a relatively easy task. If both parties are realistic, pragmatic, fair and objective in their

evaluation of performance, there should be very little variation in their scoring and completion of the performance appraisal form.

The appraiser has to dispassionately analyze his/her performance and fill in the form with an attitude of trust and fairness in the judgment of the superior.

In rating the overall performance, the action plan achievements will have 50% weight age. The quality of performance in accomplishing the overall objectives of the job will have the other 50% weight age. The rating for overall performance will therefore have equal emphasis between specific tasks and the general objectives of the job. Management staff performance appraisal form will be provided in duplicate by the appraiser to the appraisee. The appraisee can fill the relevant places on the form and return one copy to the appraiser.

The appraiser first completes his part of the form and then fix a date for appraisal Interview. The interview should be held in a relaxed and congenial atmosphere and the entries on the form should be done through together item by item. The appraiser will have the right to modify his remarks or to change his rating in the light of the appraisal Interview but his original remarks and rating must remain legible.

The appraiser, on the other hand, must make a realistic comparison between standards agreed and those achieved and keep in view unanticipated constraints which could not have been overcome through other initiatives or innovative actions.

#### **5.4 Appraisal Interview**

For the benefit of the appraiser it is necessary to draw particular attention to the fact that the appraisal interview is a crucial part of the whole process. A constructive appraisal interview, which was conducted at the initiative of the appraiser, had the following objectives:

- a. Help to understand views of each other of the job objectives and performance standards.
- b. Provide the appraisee full opportunity to ventilate his/her problems, obstacles, expectations and aspirations.
- c. Counsel the appraisee on areas of concentration to overcome current deficiency.
- d. Identify needs for training and development to harness full potential of the appraisee.

#### **5.5 Management Development**

A form is used for this purpose. The timing and routing will be the same as that of the performance appraisal. During the appraisal interview this subject will be separately discussed.

The form will have to be filled in by the appraisee and he/she is encouraged to give vent fully to his/her needs for training and learning and his/her aspirations for the future. A training plan for July-June period will be prepared every year by the HR Manager.

### 5.6 Balanced Scorecard

SPL Limited has implemented the Balanced Scorecard (BSC) system of strategic management from July 2002. This is a strategic tool for aligning all individuals in the organization for the attainment of common goals through shared strategies.

The first phase of BSC implementation within SPL covered the five businesses, namely Pharmaceuticals, Consumer Brands, Crop Care and Public Health, Animal Health and Trading. The second phase incorporated into the process all shared functions, including SPL Formulations.

A Balanced Scorecard will usually have the following structure

**Table: Balanced scorecard of SPL**

SPL	SPL LTD. Dhaka, Bangladesh Division					
Perspective	Objective	Measure / Metric	Unit	Weight	Target	Initiatives
Financial				38.8%		
F01						
Customer				20.0%		
C01						
Internal Process				15.0%		
I01						
Learning & Growth				25.0%		
L01						

### 6. Analysis

To analyze the study statistically a questionnaire survey was done and 50 samples were taken out of 200 employee. Here Likert Scaling technique is used to find the satisfaction level by using the simple random sampling method.

The main objective was to find out whether the employees think that their PA procedure is fair and transparent or not.

The analyses are given below:

## 6.1 Descriptive Statistics

**Table 2: Statistical Analysis of various factors regarding PA of SPL**

	Mean	Std. Deviation	Variance
Satisfaction with existing PA	3.44	1.110	1.231
Ensuring equity	3.92	.528	.279
Separate committee to review PA	3.06	1.018	1.037
Understanding PA procedure	3.18	1.137	1.293
Employee growth based on PA	3.46	.813	.662
Identify the strength and weakness of employee	3.66	.823	.678
Team objectives do not exist	2.48	.953	.908
Progress is saved	3.52	.735	.540
Increases motivation	3.96	.727	.529
Low performance is highlighted	2.96	1.228	1.509
Treated in a responsive and considerate manner	3.56	.907	.823
Ratings are based on subjective judgment	3.42	.928	.861
Immediate supervisor has surroundings understandings	3.14	1.010	1.021
Voice against injustice	3.44	.907	.823
Process does not support values	2.40	.948	.898
No discrimination	3.82	1.063	1.130
Valid N (list wise)			

## 6.2 Correlations

(a) Satisfaction with existing Performance Appraisal and Increased Motivation

		Satisfaction with existing PA	Increases motivation
Satisfaction with existing PA	Pearson Correlation	1	-.129
	Sig. (2-tailed)	.	.370
	N	50	50
Increases motivation	Pearson Correlation	-.129	1
	Sig. (2-tailed)	.370	.
	N	50	50



## (b) Ensuring Equity and No Discrimination

		<b>Ensuring equity</b>	<b>No discrimination</b>
Ensuring equity	Pearson Correlation	1	.264
	Sig. (2-tailed)	.	.063
	N	50	50
No discrimination	Pearson Correlation	.264	1
	Sig. (2-tailed)	.063	.
	N	50	50

## (c) Employee growth based on Performance Appraisal and Increased Motivation

		<b>Employee growth based on PA</b>	<b>Increases motivation</b>
Employee growth based on PA	Pearson Correlation	1	-.210
	Sig. (2-tailed)	.	.144
	N	50	50
Increases motivation	Pearson Correlation	-.210	1
	Sig. (2-tailed)	.144	.
	N	50	50

**6.3 Hypotheses Testing****Hypotheses Testing**

**Hypothesis 1:** There is a strong relationship between a good performance appraisal system and increased employee productivity.

Employees' productivity depends on how is the relationship between his/her colleagues and with his/her supervisor. A good relationship can get out the best result from an employee because he/she feels free to work and does his/her best. Here, the critical value is 1.96 and Z-Value is -0.78. From the above value, we may conclude that the hypothesis is accepted.

**Hypothesis 2:** Employees understand the PA procedure which affects their satisfaction level.

If an employee knows his/her organizations PA system, it ultimately affects their satisfaction level because he/she can easily know his/her present condition and future progress. Here, the Critical value is 1.64 and Z-Value is - 0.16. From the above value, we may conclude that the hypothesis is accepted.

**Hypothesis 3:** PA system helps to identify the strength and weakness of employees.

In SPL, they evaluate employees' performance appraisal through balance score card approach and action plan which includes individual job description. Employee can find out his/her strength and weakness. Here, the Critical value is 1.96 and Z-Value is 1.09. From the above value, we can accept the hypothesis.

**Hypothesis 4:** PA procedure is transparent among the employees which increases employee motivation.

If all employees know the PA procedure they will think positively that the organization is ensuring equity among employees. Here, the Critical value is 1.96 and Z-Value is 0.88. From the above value, we can accept the hypothesis.

**Hypothesis 5:** Maximum employees believe that PA is fair in SPL.

A question may arise into the employees mind whether their PA is reasonable or not. At the time of survey we have found that most of the employees feel that their PA rating is fair and there is a balanced in it. Here, critical value is 1.96 and Z-Value is -0.77. From the above value, we may conclude that the hypothesis is accepted.

**Hypothesis 6:** Employees can raise their voice regarding PA procedure.

It is a most crucial part for an organization and also for an employee whether there is any opportunity to say something against injustice because it has also positive and negative sides for both. Here, the Critical value is 1.96 and Z-Value is 1.73. From the above value, we may conclude that the hypothesis is accepted.

**Hypothesis 7:** Male and Female employees are equally satisfied.

It is very difficult to satisfy both male and female employees collectively. Because in some cases male employees are needed to fulfill the work and that time female employees feel demotivated but it is impossible for an organization to satisfy both at a time. But now a days female employees are dedicate their best and involve in challenging work. Here, the Critical value: 1.96 and ZValue: -3.50. From the above value, we can reject the hypothesis.

**Hypothesis 8:** Transfer, demotion, suspension and dismissal are based on PA.

It is a most important part for an organization that in which factors the employees' development is depended. In SPL, it has been found that employees movement is depend on PA. And that's why all employees try to do their best to get good result in PA and develop their present condition.

Here, the Critical value: 1.96 and Z-Value is 1.09. From the above value, we can accept the hypothesis.

## **7. Findings & Conclusion**

### **7.1 Findings**

In every study, it is essential to find out the analysis of the study and follow the findings as guidelines for development of the report. This report was mainly done on the evaluation of performance appraisal system of SPL and its acceptability among the employees. The major findings inferred from the study are:

It is right that PA helps to ensure equity among employees and in SPL most of the employees believe that their supervisors do not discriminate to show equity among employees. It is a negative side for the SPL that there is no separate committee to evaluate PA after their supervisor's appraisal. Balance score card approach is only applicable in HR department of SPL ltd. It is an excellent information that employees growth does not depend on only yearly PA but it is reliable that through PA an employee can identify his/her strengths and weaknesses. Employees are satisfied with this system at least their feedback is saved because it helps at the time of their promotion or salary alignment which increases employee motivation. It is a negative side that most of the supervisors have not clear understanding about the PA system and that's why subordinates feel demotivated which creates job dissatisfaction. There is also a positive side for the organization that if any injustice is made by the supervisors, the subordinates can raise their voice regarding this by writing to the authorities. The most important thing is that in ACI there is no gender discrimination and employees feel comfortable to work here. The most important thing is that though employees tell that they are satisfied in case of zero discrimination, but the statistics show that male and female are not evenly satisfied in PA system.

### **7.2 Conclusion**

It can be said that the significance of performance appraisal, being a major and crucial HR activity, can hardly be overemphasized for the growth, development and success of any organization.

Some of the most important factors that contribute to employee satisfaction and consequently to their dedication and good performance, also increasing the retention rate are: appropriate leadership and human resources practices, interesting and challenging work, opportunities for career development, constructive feedback, recognition and respect etc.

The respondents are more aware about outcomes of effective performance appraisal than factors that can make harm to the effectiveness of performance appraisal. As regards detriments to PA effectiveness, managers have different views from employees from the SPL's PA system one can find a good way to measure the employees' growth and current prospects because it assures all the things that help to identify it.

And also from the analysis part it has found that employees' satisfaction level is good to their organization's PA procedure but it is true that it is not possible to satisfy all employees at a time. And those hypotheses were taken to measure its statistical verification that supportive to the organization except male and female equal satisfaction level. Likewise, regarding outcomes of PA effectiveness, male and female managers/operatives have different views. And it is true that the company is growing rapidly. Different businesses have different needs. Interested researchers can do a lot of further research on these performance appraisal systems in Bangladesh.

Since Bangladesh has a growing economy, lot of research can be conducted on this issue in individual firm as well as sector basis. This study covers only a firm in chemical industry in Bangladesh. The interested researcher can do the research on chemical industry as well.

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