

ANALYZING THE IMPACT OF PERFORMANCE APPRAISAL SYSTEMS ON EMPLOYEE PRODUCTIVITY AND ORGANIZATIONAL GROWTH WITH REFERENCE TO ICICI BANK

¹ V. Divya, ² P. Chaitanya Kumar

¹ Assistant Professor, ² MBA STUDENT

DEPARTMENT OF MBA

Sree Chaitanya College of Engineering, Karimnagar

To Cite this Article

V. Divya, P. Chaitanya Kumar, "Analyzing The Impact Of Performance Appraisal Systems On Employee Productivity And Organizational Growth With Reference To ICICI Bank", *Journal of Science Engineering Technology and Management Science*, Vol. 02, Issue 08, August 2025, pp: 99-112, DOI: <http://doi.org/10.63590/jsetms.2025.v02.i08.pp99-112>

Submitted: 02-07-2025

Accepted: 06-08-2025

Published: 13-08-2025

ABSTRACT

To find out how well performance assessment systems measure performance, guide growth, and support corporate objectives, it is vital to evaluate them. Traditional evaluations, self-evaluations, goal-based appraisals, and 360-degree feedback are all part of the performance appraisal approaches that are examined in this research. Considerations like equity, impartiality, consistency, employee impression, and congruence with strategic goals are taken into account. To keep evaluation systems current, transparent, and motivating, it is important to examine and modify them on a regular basis, as mentioned in the abstract. Additionally, issues including rater bias, ambiguous performance indicators, and a lack of follow-up are handled. A well-executed assessment process boosts the validity and usefulness of performance reviews, encourages constant development, and helps with staff engagement, advancement, and the company's bottom line.

This is an open access article under the creative commons license
<https://creativecommons.org/licenses/by-nc-nd/4.0/>



I. INTRODUCTION

INTRODUCTION OF THE STUDY

A major concern of every organization should be to contribute positively towards the achievement of its objective. Organizational effectiveness is often equated with managerial efficiency. A manager can ensure organizational effectiveness only by guaranteeing the full utilization of human resource available through individual employees under his guidance. Hence, it is always required for a manager to monitor and measure the performance of employees.

Moreover, since the organization exists to achieve the goals, the degree of success that individual employees have in reaching this individual goal is important in determining organizational effectiveness. The assessment of how successful employees have been at meeting their individual goal to comes a critical part of human resource management. This leads to concept of **Evaluation of Employee's Performance**.

Employee Performance Management is a process for establishing a shared workforce understanding about what is to be achieved at an organization level. It is about aligning the organizational objectives with the employees' agreed measures, skills, competency requirements, development plans and the delivery of results. The emphasis is on improvement, learning and development in order to achieve the overall business strategy and to create a high performance workforce.

NEED FOR THE STUDY:

The need of the **Evaluation of Employee's Performance** is to determine what aspects of performance are required to be evaluated.

- To identify those who are performing their assigned task well and those who are not and the reason for such performance.
- To provide information about the performance ranks basing on which decisions regarded salary fixation, conformation, promotion, demotion and transfer are taken.
- To provide feedback information about the level of achievements and behavior of an employee.
- To provide information and counsel the employee.
- To compare actual performance with the standards and in out deviations (positive and negative)
- To create and maintain satisfactory level of performance.
- To prevent grievance and in disciplinary activity.
- To facilitate fair and equitable compensation.
- To ensure organizational effectiveness.
- It guarantees useful information about employees and the nature of their duties.

We can briefly say that **Evaluation of Employee's Performance** systems are necessities to assess performance at regular intervals with consistency to study improvements, deviation and to take corrective actions to bride gaps and improve performance over a period of time.

SCOPE:

In the present study a attempt has been made to know the actual implementation of **Evaluation of Employee's Performance** techniques in general and some other aspects such as awareness of the workers, effectiveness of the performance appraisal system in particular.

Human resource projections are valid on appraisals. By improving job skills, the employees have lot of scope for development and prepare themselves for higher responsibilities.

A thorough analysis of the **Evaluation of Employee's Performance** system will help the management to know the short comings, if any. It also help the company in knowing whether the performance appraisal techniques are used to full extent or not, there by the researcher can understand the effective implement of the Evaluation of Employee's Performance system.

OBJECTIVES:

The objective is to know how effective is the execution of **Evaluation of Employee's Performance** in **ICICI Limited.**, Hyderabad.

The aim of **Evaluation of Employee's Performance** programming is to encourage the employees to set his own objective for the next time period following the review of his past performance. It enables the management to make effective decisions/ to modify earlier decisions based on the evaluation of the existing plans, information

system, job analysis, and internal and external environment factors influencing employee performance.

The objectives is to identify the common goals of the organization, define each individuals major areas of responsibility in terms results expected of him, review the individual performance progress in a job and his potential for future improvement. It aims at providing data to managers with whom they may judge future job assignments and compensation.

To establish an objective basis fro the different levels of performance and to identify executives with potential to grow in the organization.

To counsel the employees appropriately regarding their strengths and weaknesses and asses in developing them to realize they are full potential in line with the company's objectives and goals. Always emphasize that the role of a manager is to offer constructive support and not condemn. Give the employees many opportunities to ask guidance to air grievances and discuss anxieties.

RESEARCH METHODOLOGY

The research methodology is a systematic way to solve the problem and it is an important component of the study without which researcher may not be able to obtain the facts and figures from the employees.

SOURCE OF DATA:

The study is based on primary as well as secondary data collected from different sources:

A). Primary Data:

The primary data is collected with the help of questionnaires, which consists of twenty questions each. The questionnaires are chosen because of its simplicity and liability. Researcher can expect straight answers to the questions. The respondents are informed about the significant of the study and requested to give their fair opinions.

B). Secondary Data:

Secondary data is collected through the documents provided by the personnel department. The documents include personnel manuals, books, reports, journal, etc.

SAMPLING PROCESS:

A). Sample Unit:

The executives and employed at **ICICI Limited.**, Hyderabad constitute 'universe' of the present study. A part of it is taken as sample unit for the resent study. It includes JGMS, AGMS, manager and other employees of **ICICI Limited.** Hyderabad.

B). Sample Size:

The sample size consists of 100 respondents employed in **ICICI Limited**, Hyderabad. Of these 30 are executives, 20 are senior executives and the remaining 50 are employees.

PERIOD OF THE STUDY:

Since so many years ICICI Limited Hyderabad has been following the same procedure of appraisals for their executives and employees and for the study of my project last on-year data has collected on performance appraisals.

LIMITATIONS OF THE STUDY

- In this case the superior appraises the person on certain positive qualities only. The negative traits are not considered. Such an appraisal will not give a true picture about the employee. And in some cases employees who do not deserve promotions may get it.
- In this case only the negative qualities of the employee are considered and based on this appraisal is done. This again will not help the organization because such appraisal may not present a true picture about the employee.
- In this case the superior gives an appraisal by giving central values. This prevents a really talented employee from getting promotions he deserves and some employees who do not deserve anything may get promotion.
- Some bosses are lenient in grading their employees while some are very strict. Employee who really deserves promotions may lose the opportunity due to strict bosses while those who may not deserve may get benefits due to lenient boss.
- In this case the employee is judged +vely or –vely by the boss depending upon the past performance. Therefore although the employee may have improved performance, he may still not get the benefit.
- Many bosses do not wish to spoil their relations with their subordinates. Therefore when they appraise the employee they may end up giving higher grades which are not required. This is a n injustice to really deserving employees.
- Sometimes a very strict appraisal may affect the goodwill between senior and junior. Similarly when different departments in the same company use different methods of appraisal it becomes very difficult to compare employees.

II. REVIEW OF THE LITERATURE

Typical Outcomes from Annual Appraisals

Most recent research suggests that annual staff reviews are generally perceived as a difficult and painful process by both managers and employees. As there are typically no objectives which are set in appraisal systems, there is no link to strategic or operational outcomes. If the CEO's objective was to increase margins by 3%, employees may be aware of the CEO's intent but they are usually not measured on this objective in their individual appraisal. Therefore, there is no linkage in the appraisal review and no linkage at a team or department level.

Misdirected Bonuses

This situation has been illustrated many times where employees and managers have received favorable reviews and bonuses and yet the organization has not achieved its goals. **The organization may be losing millions of dollars and yet still paying out bonuses to its managers and employees.**

Too Painful, Emotionally Charged

High stress levels for both managers and employees also become a factor. They both know they will be judged on the outcome of the appraisal and the fallout is often destructive rather than constructive. The reasoning behind this is that there are rarely any pre-defined measures or objectives and the employee review is not based on any considered evaluation criteria. The employees' remuneration and future are at stake and the goodwill of the managers future resources are also at stake. This leads to high stress in the case of both individuals and this is a poor emotional state in which to have a thorough discussion about employee performance.

Poor Understanding of Expectations

Where the appraisal system is poorly communicated, both the employee and manager enter these discussions with low confidence levels. This is due to a lack of “rules” as to how to go about the appraisal process and a lack of understanding of the expected outcomes. As this process is infrequent, it is viewed by the employee as an opportunity to discuss remuneration, promotion prospects and other issues related to the employee. This means the discussion is dominated by employee content rather than what the manager needs the employee to do for the next year. This leads to vague definition of performance goals and perpetuates the system of poorly defined and executed appraisals. As an annual staff review is so infrequent, both managers and employees find it difficult to remember what actually happened during the year. Both typically come to the meeting ill prepared with little meaningful content to discuss. This makes the appraisal more difficult and frustrates both the employee and manager.

Bad Timing

More often than not, the annual appraisal is executed on the employees’ anniversary which does not coincide with any particular performance period. If appraisals are conducted annually on the anniversary date, it is only possible to align at best only 50% of your staff with future objectives, assuming there is an even distribution of start dates across the employee workforce. Given that most appraisal systems are not automated, there is poor reporting and therefore low visibility as to who did or did not achieve their objectives.

Typical Outcomes from Performance Management

If Performance Management is implemented correctly with specific objectives tied to the strategic and operational plan, organizational performance outcomes will likely increase very quickly. For example, if the CEO asked for a 3% increase in gross margin, this objective would be cascaded down to every department, team and individual who can influence the increase in gross margin. Those who are successful at achieving this objective will get a favorable review, those that could not, will get an unfavorable performance evaluation in the absence of extenuating circumstances. The process of Performance Management therefore drives organizational performance outcomes. Employees that achieve the organizational goals are rewarded with favorable reviews and bonuses in line with their performance and contribution to the organization.

Communication Improves

The employee and manager communicate more frequently and agree on changed objectives to suit continuing changes in conditions and priorities. This is an inclusive and collaborative process, which ensures that the employee has input and does not feel they have wasted the year. The employee works towards specific objectives that are relevant. If the organisation is using a Performance Management product that has a performance diary, both the manager and employee attend the review meeting with copies of their performance diary notes. This contains content from the performance period to be reviewed. Given that both have content, they feel much better prepared and stress is lower than if they were attending a meeting not aware of the subject matter.

Everyone Knows the Rules

Where there is a well structured Performance Management system that is effectively communicated, both the employee and manager enter the process with better levels of confidence as there are “rules” that clearly stipulate what is being assessed and how. Employees are assessed on achievement of objectives that have been clearly identified and agreed to. Managers have a better framework to assess an employees’ performance as they are familiar with the criteria to assess the employee. The

outcome is that both individuals have an informed discussion and focus on achievement of both personal and business objectives, not on issues that are irrelevant.

Frequent Communication Reduces Stress

Given that these performance reviews happen more frequently, the discussion centers on performance of objectives rather than being dominated by the employees' needs. The needs of the business are discussed more frequently to achieve specific performance outcomes. This means both the employee and manager communicate more effectively and achieve better outcomes. Emotionally charged discussions tend to be displaced by business focused discussions on achievement of objective outcomes.

Appraisals Become Relevant for Everyone

By conducting more frequent reviews, objectives can be adjusted and modified to suit changing business conditions. This dramatically increases the probability that the objectives are relevant and are able to be acted upon during the performance period.

By performing frequent performance reviews, visibility is increased dramatically. Areas of non performance receive much more focus and attention and problems can be acted upon much quicker. Most Performance Management systems provide reporting as to who has or has not achieved their objectives (departments and individuals). Adjustments to objectives or strategy can then be made to ensure expectations can be met. Alternately, expectations can be modified as appropriate. By reviewing more frequently, all managers and employees start to plan and execute to clearly thought out objectives. This results in better resource management and enables managers to work on the business, not in the business.

METHODS, TECHNIQUES FOR APPRAISING PERFORMANCE

Modern Methods:

1. Assessment center
2. Appraisal by results or management by objectives
3. Human asset accounting method
4. Behaviorally anchored rating sales

TRADITIONAL METHODS

1. Straight Rank Method:

It is the oldest & simplest method of performance appraisal, by which the man and his performance are considered as an entity by the rater. Then ranking of a man in work group is done against may also do that of another member of a competitive group by placing him as one or two or three in total group, i.e. persons are tested in order of merit and place in a simple grouping.

2. Man –To-man Comparison Method:

The USA army during the FIRST WORLD WAR used this technique. By this method, certain factors are selected for the purpose of analysis and a scale is designed by the rater for each factor. A scale of man is also created for each selected factor. The each man to be rated is compared with in the scale, and certain scores for each factor are awarded to him. This method is used in job evaluation, and is known as the factor comparison method.

3. Grading Method:

Under this system, the rater considers certain features and marks them accordingly to a scale. The selected features may be analytical ability, cooperativeness,

dependability, self-expression, job knowledge, judgment, leadership and organizing ability, etc. they may be

- A – Outstanding,
- B – Very good,
- C – Good or average,
- D – Fair,
- E – Poor,

-B (or B-) very poor or hopeless.

The actual performance of an employee is then compared with these grade definitions; such type of grading is done in semester examinations and also in the selection of candidates by the public service commissions.

4. Graphic or Linear Rating scale:

This is most commonly used method of performance appraisal. Under it, a printed forms one of each person to be rated. According to juices, these factors are employee characteristics ad employee contribution. In employee characteristics are included such qualities and initiative, leadership, cooperativeness, dependability, industry, attitude, enthusiasm, loyalty, creative ability, decisiveness, analytical ability, emotional ability and co-ordination. In the employee contribution are quantity and quality of work, the responsibility assumed specific goals achieved regularity of attendance, leadership offered, attitude towards supervisors and associates, versatility etc.

The rating scale method is easy to understand and easy to use, and permits a statistical tabulation of scores. A ready comparison of scores among the employees is possible.

5. Forced Choice Description Method:

This method was evolved after great deal of research conducted for military services during World War II. It attempts to correct a rater's tendency to give consistently high or consistently low ratings to all employees. The use of this method calls for objective reporting and minimum subjective judgment. Under this method the rating elements are several sets of pair phrases or adjectives (usually sets of four phrases two of which are positive, two negative) relating to job proficiency

Or personal qualifications. The rater is asked to indicate which of the four phrases is most and least descriptive of the employee.

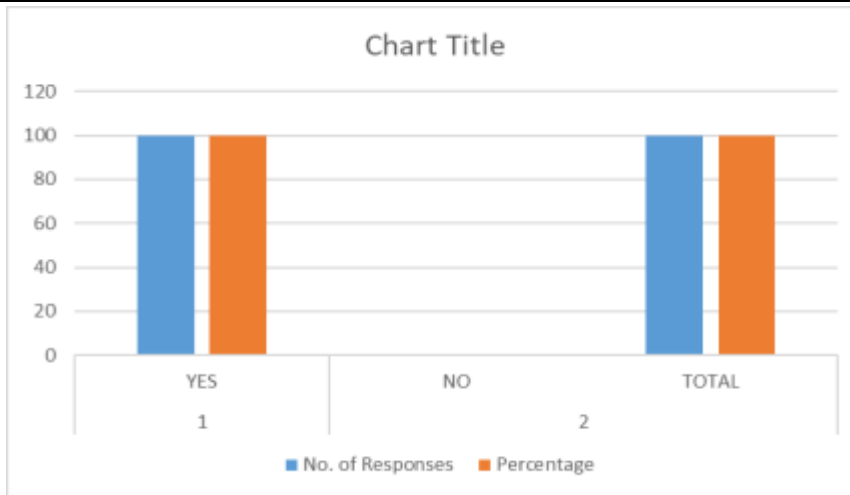
III. DATA ANALYSIS AND INTERPRETATION

1. Do you think Evaluation of Employee's Performance is needed in a company?

(a) YES

(b) NO

s.no	Options	No. of Responses	Percentage
1	YES	100	100
2	NO	0	0
	TOTAL	100	100



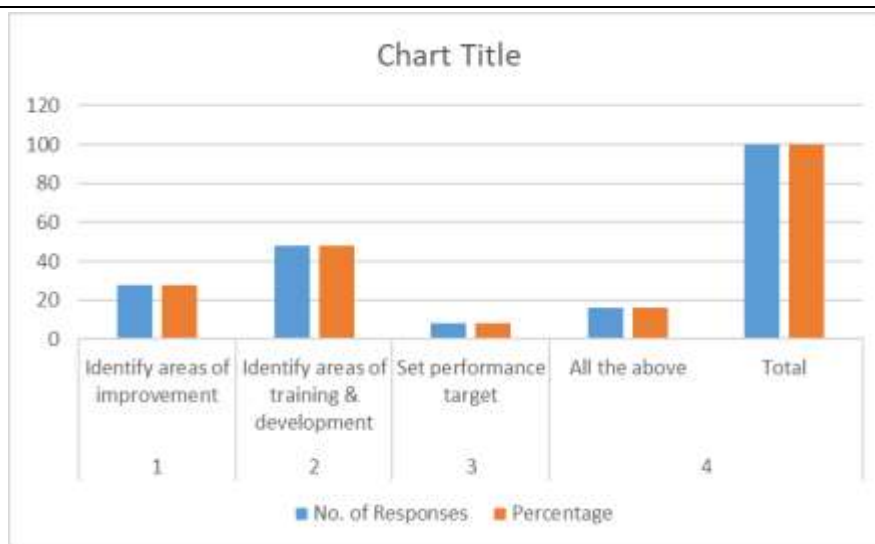
Interpretation:

To above question, almost 100% of the employees thought that the Evaluation of Employee's Performance is needed in a company.

2. Evaluation of Employee's Performance rating is used to

- (a) Identify areas of improvement
- (b) Identifying quality for unit of work
- (c) Set performance target
- (d) All the above

s.no	Options	No. of Responses	Percentage
1	Identify areas of improvement	28	28
2	Identify areas of training & development	48	48
3	Set performance target	8	8
4	All the above	16	16
	Total	100	100



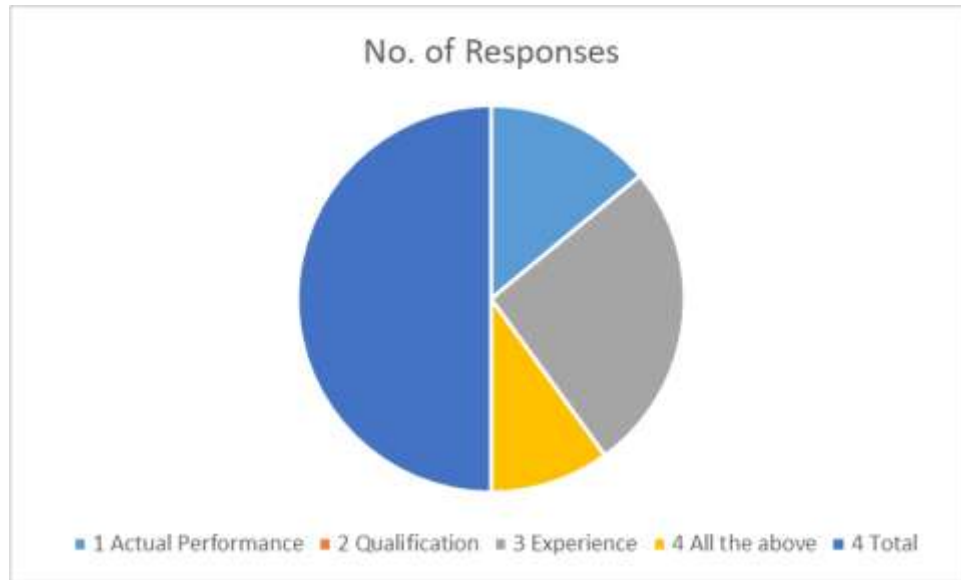
Interpretation:

About the usefulness of Evaluation of Employee's Performance, 28% have said that appraisal system helped them to identify areas of improvement, to 48% it helped in identifying training & development needs, to 8% it helped in setting performance targets and to 16% it was helpful in all the above areas. By this we can say that P.A is helpful in one way or the other for the employees.

3. In your experience the outstanding Performance of an employee is due to:

- (a) Actual Performance
- (b) Qualification
- (c) Experience
- (d) All the above

s.no	Options	No. of Responses	Percentage
1	Actual Performance	28	28
2	Qualification	0	0
3	Experience	52	52
4	All the above	20	20
	Total	100	100



Interpretation:

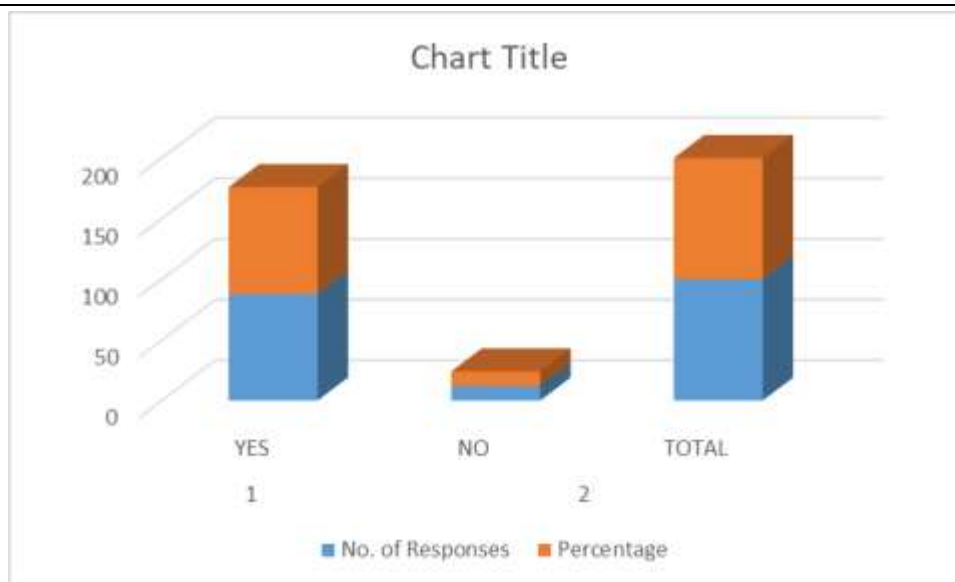
Above 28% of the employees responded that the outstanding Performance appraisal is due to Actual Performance, 52% of the employees is due to Experience and 20% of the employees is due to all the above.

4. Do you think that a good workman gets motivated with frequent Evaluation of Employee's Performance ? Is conducted?

(a) YES

(b) NO

s.no	Options	No. of Responses	Percentage
1	YES	88	88
2	NO	12	12
	TOTAL	100	100



Interpretation:

A majority of 88% of the employees said that a good workman gets motivated with frequent Evaluation of Employee's Performance and 12% of the employees are not satisfied with above.

5. What are the factors taken into consideration while Evaluating the Performance an individual?

- (a) Interpersonal effectiveness
- (b) Team building skills
- (c) Self motivate skills
- (d) leadership

s.no	Options	No. of Responses	Percentage
1	Interpersonal effectiveness	20	20
2	Teambuilding skills	24	24
3	Self motivate skills	44	44
4	Leadership	8	8
	Total	100	100



Interpretation:

About 20% of employees considered interpersonal effectiveness while Evaluating an individual, 24% of employees considered Teambuilding skills, 22% of employees considered self motivate skills and 8% of employees considered Leadership. By this we can say that these are the factors taken into consideration while appraising an individual.

IV. FINDINGS

In the light of the above discussion the following findings and conclusions are made.

1. It is revealed that the executive are getting feedback on their performance though which they can review their performance. Sort on the problems and can overcome the difficulties.
2. The management has a clear understanding about the problem that the workers are the best with moreover, they are eager to solve the problems of the workers as and when they arise.
3. The management was giving requisite training to workers in the areas where they are weak.
4. Workers awareness about the fact that the appraisal are one of the factor for promotion was cent percent.
5. Evaluation of Employee's Performance system is considered as a means that aim at identifying the areas of improvement, identifying areas of training and development setting performance target for future.
6. The management desire having cordial relations with the work to hold mutual discussions.
7. The Evaluation of Employee's Performance system it exists as it exist now, is properly worked out and appropriately evolved. This revealed from the opinion given by the majority of the employees.

V. CONCLUSIONS

- Employees knew that the evaluation was a factor in their promotion.
- A performance evaluation system's objective is to identify areas for growth, identify areas requiring training and development, and set objectives for future performance.
- In order to have interactions with each other, the administration would want to establish cordial relationships with the personnel.

- The existing mechanism for evaluating performance has been sufficiently designed and improved. The staff's unanimous agreement made this quite evident.
- Because of a lack of communication, employees may not know how they did on their evaluations. Workers often fail to accurately reflect their superiors' evaluations of them.
- By effectively communicating these judgments, employers may achieve the level of acceptance and engagement they seek from their workers.
- One other thing we can learn from this survey is that those who are being evaluated are hoping to have an interview after the evaluation to get feedback and suggestions for improvement.

VI. SUGGESTIONS

Based on the findings of the study and personal discussions held with various executives and employees at ICICIs Limited., Hyderabad possible suggestions and recommendations are given:

- It is recommended that employees should be immediately communicated.
- The result of the appraisal particularly when they are negative.
- It is recommended that the supervisor should try to analyze the strengths and weaknesses of an employee and advise him on correcting the weakness.
- It is commended to counsel the employees appropriately regarding their strength and weaknesses and assist in developing them to realize their full potential in line with the company's goals.
- The top management is very much committed in implementing the Evaluation of Employee's Performance as it is. The Evaluation of Employee's Performance system is consider as an essential tool for bridging gap between the top management and the executives it thus helps them to develop cordial relations and mutual understanding.
- It is recommended that the employees should be communicated information about his performance, again his acceptance of it and draw up a plan for future improvement, if necessary.
- It is recommended that the rater must be thoroughly well versed in the philosophy and of the rating system. Factor sales must be thoroughly defined, analyzed and discussed.

To conclude, it is imperative to immunize of the problems or hindrances to strengthen the system.

BIBLIOGRAPHY

S.NO	AUTHOR	NAME OF THE BOOK
1.	SUBBA RAO.P	Personnel/Human resource Management.
2.	ASWATAPPA	Human Resource Management
3.	T.V.RAO	Appraising Performance
4.	C.B.MAMORIA	Human Resource Management.

ICICI Limited PERSONNEL MANUAL

WEBSITES:

WWW.hrindia.com

www.icici.com

www.indianbanking.com

www.rbi.com

www.performencemanagement.com