

# A STUDY ON EMPLOYEE PERFORMANCE APPRAISAL SYSTEM IN Dr.REDDY'S LABORATORIES - HYDERABAD

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## ABSTRACT

The term “Employee Performance Appraisal System” is a crucial component of managing and measuring employee performance within an organization. It provides a structured framework for evaluating and assessing employees based on predefined goals, objectives, and competencies. This system aims to track individual employee progress, identify areas for improvement, and recognize top performers. By regularly reviewing employee performance, organizations can make informed decisions regarding promotions, rewards, and training opportunities. This paper will focus on designing and implementing an effective performance appraisal system that aligns with organizational objectives, encourages employee development, and fosters a culture of continuous improvement.

**Keywords:** Performance appraisal, effective performance, employee development.

## 1. INTRODUCTION

The Employee performance appraisal system is a systematic process used by organizations to evaluate and assess the performance of their employees. It involves setting specific goals and expectations for employees, monitoring their progress, and providing feedback on their performance. The main objective of the performance appraisal system is to measure employees' contributions, identify areas of improvement, and recognize their achievements.

Performance appraisals help organizations make informed decisions regarding promotions, compensation, training, and development opportunities. They also serve as a platform for open communication between employees and managers, facilitating discussions about performance, career aspirations, and professional growth.

An effective employee performance appraisal system ensures fairness, transparency, and consistency in evaluating employees. It provides a structured approach to evaluate individual performance against predetermined benchmarks and criteria. This helps in identifying high-performing employees who can be groomed for leadership roles and provides support and guidance for underperforming employees to improve their skills and productivity.

Implementing an employee performance appraisal system leads to several benefits for both the organization and the employees. It helps align individual goals with organizational objectives, improves employee motivation and engagement, and enables managers to provide targeted feedback and coaching. Ultimately, a robust performance appraisal system contributes to organizational success by fostering a culture of continuous improvement and talent development.

### 1.1 NEED OF THE STUDY

Employee performance appraisal systems are necessary for several reasons. Firstly, it allows for a

comprehensive assessment of the current system in place within your organization. By conducting this study, you can evaluate the effectiveness of the appraisal system in accurately measuring employee performance, identifying areas of improvement, and providing constructive feedback.

Secondly, the study helps in identifying the alignment between the appraisal system and organizational goals. By examining the project, you can determine whether the current system adequately supports the organization's strategic objectives, such as talent development, performance improvement, and succession planning.

Thirdly, a study on your project allows for a deeper understanding of the impact of the appraisal system on employee motivation and engagement. By gathering feedback from employees and analyzing their perceptions of the system, you can identify any concerns, biases, or discrepancies that may affect their morale and performance.

Moreover, the study enables you to explore best practices and benchmarks from other organizations. By benchmarking against industry standards and researching successful appraisal systems, you can gain insights into innovative approaches, evaluation methods, and performance criteria that can be incorporated into your own system.

Lastly, the study of your project empowers you to make data-driven decisions for continuous improvement. By analyzing the data collected during the study, you can identify trends, patterns, and areas of improvement, enabling you to make informed decisions to enhance the performance appraisal system and its overall impact on organizational success.

### 1.2 SCOPE OF THE STUDY

The scope of the study on your organization's employee performance appraisal system involves a comprehensive evaluation of the current appraisal system, its alignment with organizational goals, and opportunities for improvement. The study includes exploring different frameworks and models for performance appraisal, gathering data analysis through surveying, conducting comparative analyses, gathering and analyzing employee feedback, investigating potential biases, exploring technology integration, providing recommendations, and developing a framework for on-going monitoring and evaluation. The scope will be tailored to meet the specific goals and needs of your organization, ensuring an in-depth and comprehensive analysis to improve the employee performance appraisal system.

### 1.3 OBJECTIVE OF THE STUDY

1. Assess the current employee performance appraisal system at Dr. Reddy's Laboratories.
2. Identify the key performance indicators (KPIs) used in the appraisal system.
3. Evaluate the effectiveness and efficiency of the performance appraisal system.
4. Examine employee perceptions and satisfaction regarding the appraisal process.
5. Analyze the role of managers in the performance appraisal system.

### 1.4 HYPOTHESIS

**Null Hypothesis (Ho):** There is no relationship between performance appraisal, organisational goals and individual goals.

**Null Hypothesis (Ho1):** There is no relationship between performance appraisal and employee performance, productivity and organisational efficiency.

## 2. REVIEW OF LITERATURE

**Roberts, G. E. (2003).** *Employee Performance Appraisal System Participation: A Technique That Works.* *Public Personnel Management*, 32(1), 89-98. They said that article summarizes the conceptual foundation for participation including its intrinsic motivational value, the expansion of available information, and the opportunity to interject employee voice. The moderating role of goal setting and feedback in enhancing participation effectiveness is outlined. The article concludes with

factors that attenuate the effectiveness of participation including lack of training, absence of rater accountability strategies, and organizational and supervisory resistance to honest subordinate feedback.

**Daoanis, L. E. (2012). Performance Appraisal System: It's Implication to Employee Performance. *International journal of economics and management sciences*, 2(3), 55-62.** They said that result of the study implies that improvements of the appraisal system of the is needed company by giving motivational benefits to employees who have exhibited an exemplified performance in their work. Proper feedback should also be done to concerned employees so that they will be aware of their strengths and weaknesses for their improvements.

**Kleiman, L.S., Biderman, M.D. & Faley, R.H. An examination of employee perceptions of a subjective performance appraisal system. *J Bus Psychol* 2, 112–121 (1987).** They said that measure of perceived fairness and accuracy was regressed onto scores derived for each of the three factors, plus a set of contrast variables representing the various race/sex groupings and a set of demographic variables (viz., job tenure, education level, and supervisory status).

**Chand, M., & Ranga, A. (2018). Performance appraisal practices in Indian hotel industry: An investigation of employee's perceptions. *International Journal of Hospitality & Tourism Systems*, 11(2), 47-55.** They said that Results indicated that performance rating is based on objective ; Performance is Proper Evaluation ;There are set standards for my job; Employee performance is easy to measure ;Performance is Continuous Monitoring ;The performance appraisal system is used to set my performance goals ;Modern methods are used to evaluate the employees ; All employees in the business are evaluated may constitute the most important performance appraisal practices in the Indian hotel industry.

**Boachie-Mensah, F. O., & Seidu, P. A. (2012). Employees' perception of performance appraisal system: A case study. *International journal of business and management*, 7(2), 73. .** Data was collected from 140 employees of the institution, which included both academic and administrative staff who had worked in the institution for at least two consecutive years, and whose work had been appraised previously. A content validated semi-structured interview schedule was used to interview the respondents. The data collected was analysed, using descriptive statistics, in order to address the research questions.

**Ochoti, G. N., Maronga, E., Muathe, S., Nyabwanga, R. N., & Ronoh, P. K. (2012). Factors influencing employee performance appraisal system: a case of the ministry of state for provincial administration & internal security, Kenya. *International Journal of Business and Social Science*, 3(20).** The regression results also showed that 55.1% of the variation in performance appraisal system can be explained by the changes in implementation process, interpersonal relationships, rater accuracy, informational factors and employee attitudes.

### **3. RESEARCH METHODOLOGY**

On one hand since the study focuses on the components of performance appraisal system, it was needed to seek the help of secondary sources of data, i.e., books, articles, to arrive at conceptual clarity of performance appraisal system.

#### **3.1 SOURCES OF DATA:**

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

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

**Secondary Data:**The data that is already written and has gone through prior statistical analysis.

**3.2 Sample Technique:** Excel, SPSS, SmartPLS

**3.3 Sample Size:** 80

**3.4 LIMITATIONS OF THE STUDY**

- **Bias of Appraiser:**

The presence of ‘Halo Effect’ in evaluation of employees is the biggest weakness of this method. A high rate is given to favoured employees whereas unfriendly employees are rated low.

- **Ambiguity in Standards:**

If the standards are not clear, the supervisors may follow different standards for different employees.

- **Insufficient Evidence:**

An employee who can impress the boss may get a positive evaluation though his impression in his own department may be very poor. In such cases, the performance appraisal will be superfluous.

- **Several Qualities Remain Without Appraisal:**

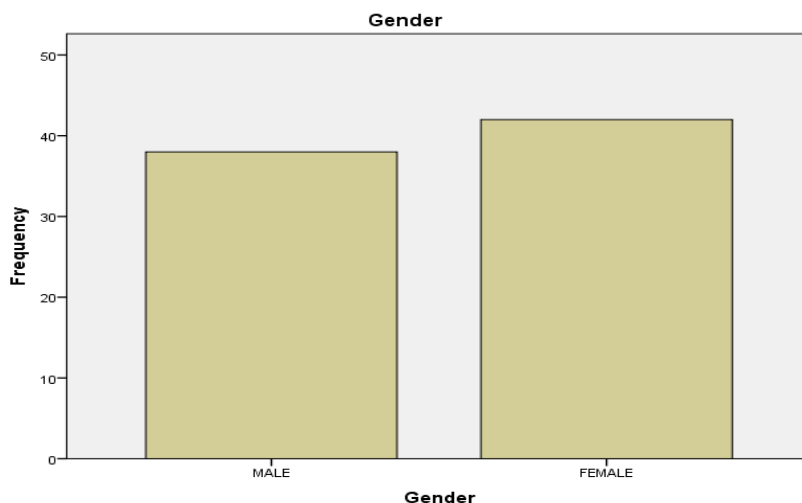
Through performance appraisal, only few qualities of employees can be measured. All individuals differ from each other in terms of background, values and behaviour.

**4. DATA ANALYSIS AND INTERPRETATION**

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

**Gender**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid MALE	38	47.5	47.5	47.5
FEMALE	42	52.5	52.5	100.0
Total	80	100.0	100.0	



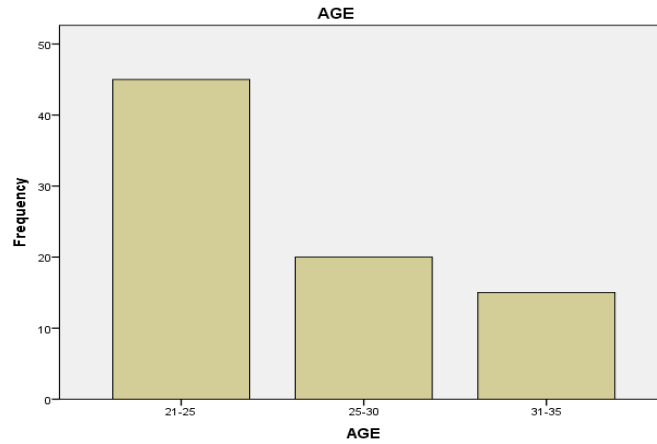
**Interpretation:**

The data analysis reveals a slight female majority in the sample, with 52.5% of participants identifying as female and 47.5% as male. This distribution indicates a relatively balanced gender representation, where neither group significantly outweighs the other.

**AGE**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 21-25	45	56.3	56.3	56.3

25-30	20	25.0	25.0	81.3
31-35	15	18.8	18.8	100.0
Total	80	100.0	100.0	

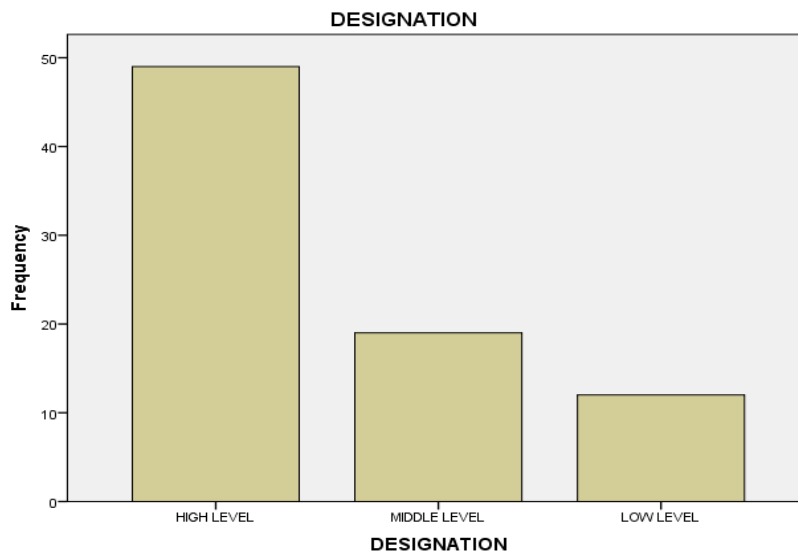


**Interpretation:**

The analysis reveals a notable demographic trend with a predominance of younger individuals in the sample. Specifically, the largest age group, comprising 56.3% of participants, falls within the 21-25 years range. This concentration underscores a significant presence of younger adults in the surveyed population. In contrast, the 25-30 years age group accounts for a moderate quarter of the sample at 25.0%, indicating a balanced but lesser representation compared to the younger cohort. Conversely, individuals aged 31-35 years constitute the smallest segment, comprising 18.8% of the sample.

**DESIGNATION**

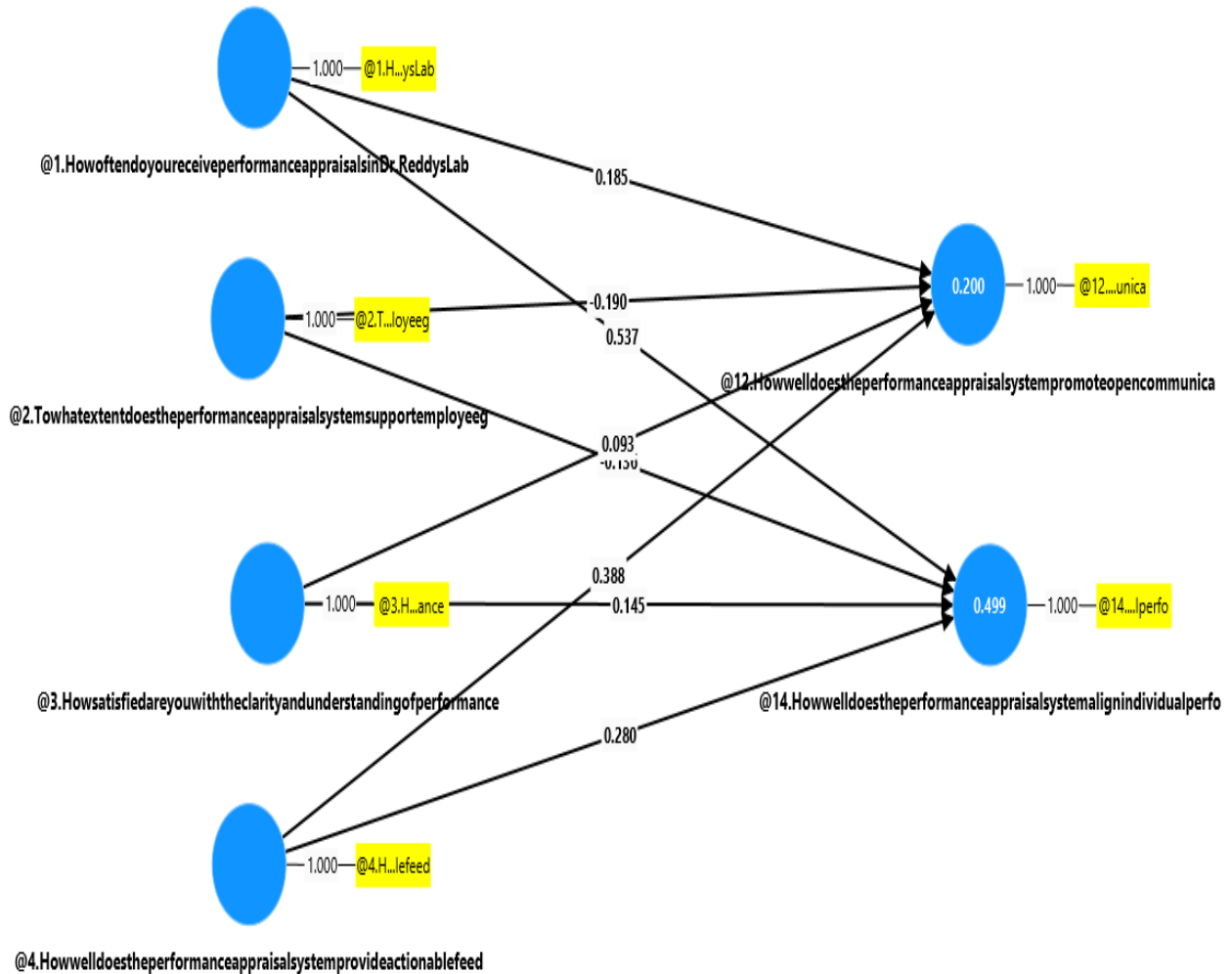
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid HIGH LEVEL	49	61.3	61.3	61.3
MIDDLE LEVEL	19	23.8	23.8	85.0
LOW LEVEL	12	15.0	15.0	100.0
Total	80	100.0	100.0	



**Interpretation:**

The data analysis indicates a notable dominance of individuals holding high-level designations within the sample, comprising 61.3% of participants. This finding suggests a substantial representation of senior and executive positions within the surveyed population, reflecting a significant focus on individuals in leadership roles or those with considerable authority and responsibility. In contrast, middle-level designations represent a moderate portion of the sample at 23.8%, indicating a balanced but comparatively lesser presence.

**HYPOTHESIS TESTING:**



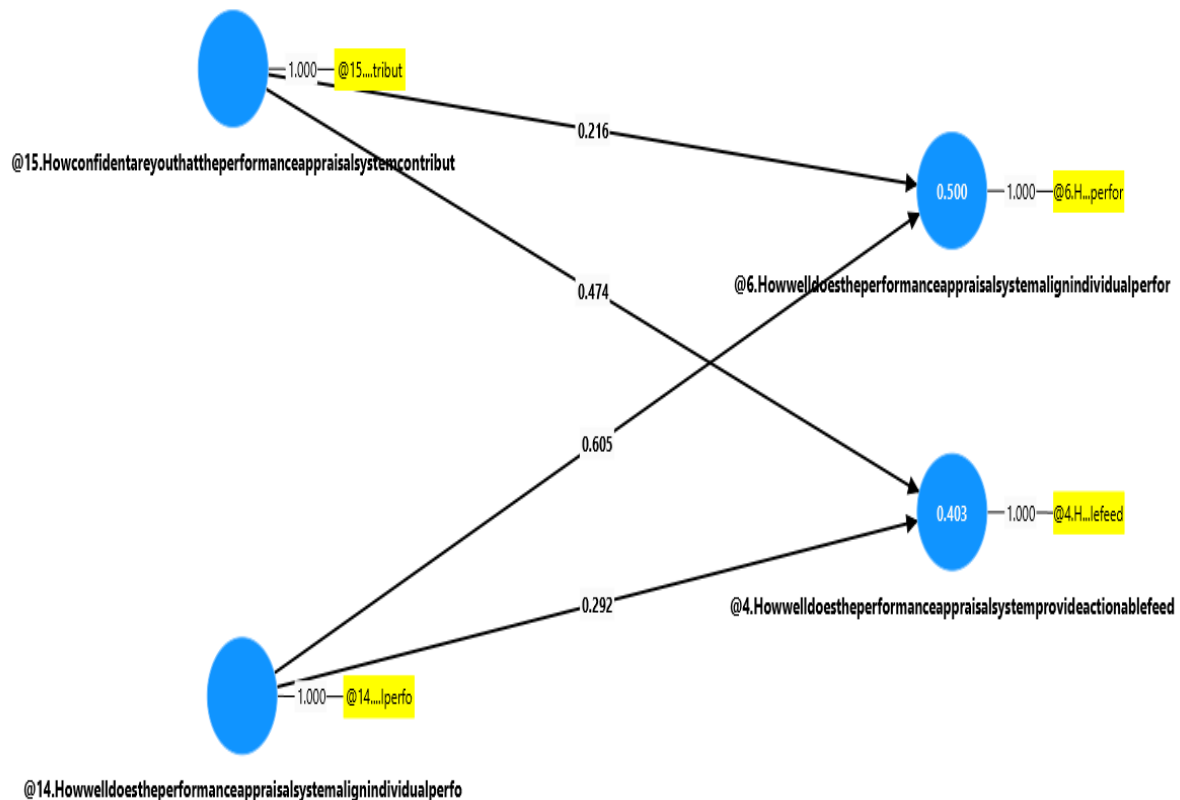
**Null Hypothesis Ho:** There is no relationship between performance appraisal, organisational goals and individual goals.

**Interpretation:**

Based on the data from Smart pls software regarding Dr. Reddys Labs' performance appraisal system, several aspects stand out about how employees perceive its effectiveness. Employees indicate that they receive performance appraisals somewhat frequently, with sentiment scores of 0.210 and 0.557, suggesting a generally positive view of appraisal frequency within the organization. However, there is a noted opportunity for improvement in how well the system supports employee growth, indicated by a slightly negative score of -0.025. This indicates that employees may feel the system could do more to foster their professional development. On the positive side, employees express satisfaction with the clarity and understanding provided by the system, as evidenced by a positive score of 0.172. This implies effective communication of performance expectations and results. Furthermore, the

system is perceived to provide actionable feedback effectively, with a positive sentiment score of 0.263, suggesting that employees find the feedback useful for improving their performance and skills. In summary, while the performance appraisal system at Dr. Reddys Labs performs well in terms of clarity, frequency of appraisals, and actionable feedback, enhancing support for employee growth could further strengthen its role in developing talent and fostering professional advancement within the organization.

**Null Hypothesis Ho1:** There is no relationship between performance appraisal and employee performance, productivity and organisational efficiency.



### Interpretation:

Based on the data from Smart pls software regarding Dr. Reddys Labs' performance appraisal system, employees view the system favorably in two key aspects. Firstly, the system scores 0.292 and 0.605 in terms of aligning with individual performance, indicating that employees believe it effectively measures and supports their personal goals and contributions within the organization. This suggests a strong perception that the system accurately reflects their efforts and achievements. Secondly, employees demonstrate a moderate level of confidence, scoring 0.474 and 0.216, in the system's contribution to their personal development and the organization's overall success. This positive sentiment suggests that employees see the appraisal system as meaningful in fostering their growth and in achieving company objectives. While specific feedback provision scores aren't detailed here, the overall data portrays a performance appraisal system at Dr. Reddys Labs that is well-regarded by employees, emphasizing its role in aligning individual performance with organizational goals and supporting employee development and confidence.

### 5. FINDINGS:

- Employees perceive the performance appraisal system positively in terms of aligning with their individual performance.

- Scores of 0.292 and 0.605 indicate a strong belief that the system effectively measures and supports their personal goals and contributions within the organization.
- Employees demonstrate a moderate level of confidence (scores of 0.474 and 0.216) in the system's contribution to their personal development and the overall success of Dr. Reddys Labs.
- Employees generally view the frequency of performance appraisals positively, with scores of 0.210 and 0.557.
- While the system performs well in clarity, frequency of appraisals, and providing actionable feedback (scores of 0.172 and 0.263), there is room for improvement in how well it supports employee growth.
- A slightly negative score of -0.025 suggests that employees feel there could be enhancements in fostering their professional development through the appraisal process.
- The data suggests that Dr. Reddys Labs' performance appraisal system is generally well-regarded by employees for its ability to align with individual performance, provide meaningful feedback, and contribute positively to personal and organizational development.

### 5.1 SUGGESTIONS:

- Foster a culture of continuous feedback and development beyond formal appraisal periods. Encourage managers to provide regular, constructive feedback to employees.
- Enhance clarity and transparency in communication during performance appraisals. Ensure that goals, expectations, and feedback are clearly articulated and understood by both employees and managers.
- Invest in training and development programs for managers to improve their skills in conducting effective performance appraisals and delivering actionable feedback.
- Implement a flexible appraisal system that accommodates diverse roles and employee needs, promoting fairness and inclusivity.
- Strengthen support for employee growth by offering personalized development plans, mentoring, and career coaching tied to appraisal outcomes.
- Promote a culture of accountability and recognition by not only identifying areas for improvement but also celebrating achievements and contributions.

### CONCLUSION:

Dr. Reddy's Labs' performance appraisal system is generally well-regarded, continuous improvement efforts are crucial. By addressing the identified areas for enhancement and leveraging the strengths highlighted in the findings, the organization can foster a more robust performance management framework that not only supports individual growth but also contributes significantly to organizational success and employee satisfaction. This approach ensures that the performance appraisal system evolves to meet the dynamic needs of both employees and the organization in achieving their strategic objectives.

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