



## A Role of IT in Performance Appraisal System and Its Impact on Traditional and Modern Methods of Performance Appraisal

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**Abstract:** The main objectives of this study are to investigate and evaluate the effectiveness and importance of using technology in the performance appraisal process. Performance appraisal are required to keep records in order to determine compensation packages, identify employee strengths and weaknesses to place the right men in the right job, appropriate response from the employee regarding their performance etc. IT has a huge impact on the entire Human Resource Management area. This paper concludes that although IT can be an excellent tool to make the process work, human communication cannot be ignored, as required by the same priorities. Otherwise we cannot retain effective employees who are valuable assets throughout the organization. This paper also highlights literature review on effectiveness of the performance appraisal system in various Indian industries. The research is based on secondary data from journals and published articles.

*Keywords: Performance appraisal; Human Resource Management, IT, ITC*

### Introduction

Many organizations use the annual performance appraisal as a tool to mark employee's performance. Performance appraisal is an important aspect of career development of an employee. There are many kinds of appraisals like compensation, performance improvement, promotion, termination, test validation, and much more. These ensure fair appraisals to their employees. The performance appraisal is based on the quality of work done, targets achieved, productivity, leadership, cooperation, and supervision. They help in promotions, reorganization, feedback, training, and development.

Today, technology is knocking down the old methods to make room for an updated and more effective method to improve employee performance. Companies use performance management software that helps them to establish employee performance standards and help managers to evaluate employee's job performance. These systems are used to manage employee progress, performance, and development in regard to organizational goals. With the proliferation of information technology, today's forward-thinking organization generates more data than ever before. When properly harnessed, this information can help to create opportunities for organizations to use this data to their advantage to drive new opportunities, clarify goals and deliver measurable performance improvements.

According to Valverde HR function is "all managerial action carried out at any level related to organization of work and the entry, development and exit of people in the organization so that their competencies are used at their best in order to achieve corporate objectives". Day by day HR managers are facing lots of challenges in present business, like globalization, technological advances, workforce diversity and also changes in political and legal environment. All these challenges increase the pressure on HR managers to retain, nurture and boost talented employees. HR professional can't ignore these challenges rather they ought to be line to design and execute innovative idea of developing skills and competencies of human resources to prepare them to accept the emerging challenges. Globalization has created a niche to sustain and enhance human resource since they are the



prime contributors to organizational performance. In this 21st century, human development is focused at hiring, training and retaining them. Retaining its valuable and talented employees becomes a major challenge for organisation if they do not know how to motivate them. Hence, performance appraisal (PA) is extensively used to facilitate salary increments, promotions, staff retention and to reinforce staff behavior. Performance appraisal (PA) has been a significant tool in developing the capabilities of an individuals and organizations. Since the era of economic modernization and globalization in India, (Kumar, V. (2014)) PA has been adopted and practiced across many organizations. In addition, there is a great need for functional human resource department (HRD) to monitor and regulate the relationship, growth and developments of individuals and organizations for improved performance and job satisfaction. Simultaneously, a sound HRD is required in every organization for optimum effective utilization of human and organizational resources.

### Review of Literature

Literatures in this area are mainly focusing on usefulness of Information technology on Performance appraisal. *Tziner and Murphy (1999)* suggested that perceptions of performance appraisal systems can affect the quality and usefulness of the ratings obtained. One way of improving ratings may be to increase perceptions that ratings are done honestly, ratings are used fairly by organizations, and that raters are rewarded for providing useful performance feedback to their subordinates. *Lee, (2009)* shows that organizations are using technologies for HR field such as employee participation, clearly defined jobs and extensive formal training. IT is enabling organizations to deliver state-of-the-art HR services, and reduced costs regardless of the firm size. *Ball, (2001)* in his study commented that the wide reach of the Internet and other ITs can help SMEs overcome their size disadvantage. *Oviatt & McDougall, (1995)* also made a study on SMEs and commented that SMEs are less inclined towards adopting modern methods of hiring, which is why candidates have less information about the available job opportunities across the board. *Kishore (2012)* Human Resource Information Systems (HRIS) refers to the systems and processes at the intersection between human resource management (HRM) and information technology *Kovach & Cathcart, (1999)* In its most elementary form HRIS is a system used to acquire, store, manipulate, analyze, retrieve and distribute pertinent information about an organization's human resources. *Lengnick-Hall and Moritz* propose, along with others *Walker, (2001)*, that HRIS will create informational efficiencies and cost savings in such a manner that HR departments can turn their attention to providing better analysis of current data. The current generation of HRIS automates and devolves routine administrative and compliance functions traditionally performed by corporate HR departments *Barron et al. (2004)* and *Mahmoud & Ahmed (2016)*, stated that Impact of technology on performance appraisal in industrial organisation has particular significance; it determines the organisation's success or failure.

### Methodology

The method used in this paper is descriptive type of research. Data are collected from secondary sources which are published research papers, articles and other materials from different journals, books and reports.

### Objectives of Study

1. To study of traditional and modern methods of performance appraisal
2. To evaluate the effectiveness and importance of using technology in the performance appraisal process.
3. To highlights literature review on effectiveness of the performance appraisal system in various Indian industries



## Observations and Discussion

### Methods of Performance Appraisal in Indian Organizations

Numerous Indian organizations still prefer traditional appraisal method in contrast to the modern approaches. According to Tripathi (cited form Balu V. (2006)) there are various techniques used by management in Indian organisation to evaluate their employee's performance as discussed below.

Traditional Methods	Modern Approaches
• Ranking Method	• Management by Objective (MBO)
• Graphic Rating Scales	• Behaviorally Anchored Rating Scale(BARS)
• Critical Incident techniques	• Human-Resource (Cost) Accounting Method
• Checklists and Weighted Checklists	• Assessment Centre Method
• Forced Distribution method	• Psychological Appraisals
• Confidential Report System	• 720-Degree Feedback
• Narrative Essays	• 360-Degree Feedback

Each method of performance appraisal has its strengths and weaknesses may be suitable for one organisation and non-suitable for another one. As such, there is no single appraisal method accepted and used by all organisations to measure their employees' performance. All the methods of appraisal devised so far have been classified differently by different authors. While De-Cenzo and Robbins' have classified appraisal methods into three categories: absolute methods, relative methods and objective methods; Aswathappa has classified these into two categories past-oriented and future-oriented.

#### I. Traditional Performance Appraisal

Performance test history is short. Its roots in the early 20th century can be traced back to Taylor who pioneered Time and Motion Studies. During the 1920s wage structures related to paid employees were adopted in industrial units and each employee was used as a benchmark against others to determine wage rates. This program was called the eligibility rating. The procedure was strongly linked to the visible results. Sometimes this basic program was successful in achieving the intended results; but many times, it failed. For example, early motivational researchers knew that different people with the same ability to work might not be paid the same amount of money but had very different levels of motivation and performance. This observation is confirmed in strong studies. Payment rates are important, of course; but it was not the only thing that affected the performance of the workers. It has been found that other issues, such as morality and self-esteem, can also be significant. As a result, traditional emphasis on reward outcomes is gradually rejected. In the 1950's in the United States, the usefulness of caring for a tool for motivation and development was gradually recognized. The standard model of performance testing, as it is known today, began from that time on.

#### II. Modern Appraisal

Performance appraisal may be defined as a structured formal interaction between subordinate and supervisor, that usually takes the form of a periodic interview (annual or semiannual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weakness and strengths as well as opportunities for improvement and skills development. In many organization – but not all - appraisal results are used, either directly or indirectly, to help determine reward outcome. That is, the appraisal results are used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions. By the same token, appraisal results are used to identify the poorer performers who may require some form of counseling, or in the extreme cases, demotion dismissal or decreases in pay. (Organizations need to be aware of laws in their country that might restrict their capacity to dismiss employees or decrease pay.)



Whether this is an appropriate use of performance appraisal – the assignment and justification of rewards and penalties – very uncertain and contentious matter

### **The Objectives of Using IT in Performance Appraisal**

Technology helps to measure and manage the employee performance. It helps to automate the processes of HR and save time and cost and reduce the efforts required and the paperwork. Maximum organisations are already using and rest are planning to buy software for the performance management in the organisation To help and automate the processes of Performance appraisal management, organisations are increasingly taking the help of various performance management software's like Workforce Performance Management (WPM) suite systems and Talent Management Software which help to systematically record all the data about the employee performance, pre-determined targets and the results achieved, compensation, succession planning and other related HR systems. The various forms can be filled online and can be submitted to the HR. The information is systematically stored in metrics where the current employee performance can be compared with the targets and the standards. These systems also help to analyze the training needs of the employees, systematically monitor their progress and their review and feedback and the improvement in the performances. Such software systems are provided by IT companies which they help to implement and integrate in the processes of the organisations. The organisations today have the choice of buying a ready to use licensed software package or can get a customized software system prepared according to its own needs and requirements.

### **Scope of IT in Performance Appraisal System**

IT is used to identify performance parameters and to set them clearly implementing a set level of performance management. IT assists in identifying skills and skills gaps that contribute / prevent performance as well as identifying and promoting a work culture. Therefore, the establishment of the use of ICT in the appropriate information technology system to collect process and maintain the date is very important. (M. Rezaei et al, 2014). Many businesses have recognized the importance of using effective information technology within the business environment to accelerate and improve service delivery and increase customer satisfaction, in addition to supporting their decision-making skills, and above all, organizational performance. Such adherence was what motivated many organizations to understand IT employment through its various applications (Yardley, 2005, page 1).

Vance, (2006), having the appropriate skills needed for development is one of the hallmarks of developed people supporting the use or simplifying the application process (Rezaei et al, 2014). When we have such good skills, but do not have the right content, such skills become obsolete and cannot meet the needs of the organization or the private sector. In general, IT results in the creation of human resources in terms of professional development and production (Okoye et al., 2013).

### **IT Systems and Development of Human Resource Performance**

Information technology transforms outputs, i.e. materials for services and products, using a combination of information, equipment, operations and methods. Therefore, the business components of an organization, and organizations as a whole, have different technologies that incorporate the various methods used to control them. As Zarei matin (2001) points out, we cannot use, according to Contingency, a single approach to managing all organizations with different technologies. From this we conclude that information technology systems vary from one system to another depending on the organization's objectives, environment and capabilities. We can often specify some of the information technology systems used in government service organizations such as employee planning programs, job evaluation and recruitment programs, attendance programs, staff training



programs, work programs, customer relations programs, performance appraisal systems, payroll systems and automation systems.

### **Conclusion**

From the above discussion conclude that a positively contribution of information technology to improving the performance of employees. We also found that IT has a significant impact on employee performance. The work of traditional workers as a whole has been complex and slow, especially for non-profit organizations such as this one in the study.

The use of IT and its integration into HRM had different implications for organizational performance and individual performance. In many organizations - but not all test results are used, either directly or indirectly, to help determine the reward result. That is, the results of the evaluation are used to identify the best performing employees who should receive the highest wage earnings, bonuses, and promotions. IT is used to identify performance parameters and to set them clearly, by implementing a set level of performance management. IT assists in identifying skills and skills gaps that contribute / prevent performance as well as identifying and promoting a work culture.

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