

# Improving Productivity through Appropriate Performance Appraisal in Pakistan State Oil Limited

Muhammad Arslan Muhammad Sohail Rashid Zaman  
Bahria University Islamabad, Pakistan , PO box 44000, E-8, Islamabad, Pakistan

## Abstract

The purpose of this study is to analyze the impact of performance appraisal on productivity. Appraisal tools are used to measure the output of workers which are compared with the given tasks with specific working environment in designing these tools there is three step process define the job, appraise the performance and providing the relative feedback. The manager should take keen in designing. Cross tabulation methods is used to analyze this phenomenon. Face to face interview and questionnaire will be the research strategy and this will be cross sectional study i.e. one time study; data collection method will be secondary data, primary data through random sampling will be collected from the contractors of transport companies of Pakistan State Oil Limited and general analytical method will be used for data analysis. The finding of study suggests that performance appraisal system has significant effect on personal skill and by using the combination of two methods; rating and narrative method leads us improvement in productivity of the organization.

**Keywords:** Organizational Productivity, Performance Appraisal, Rating method, Narrative method.

## 1. Introduction

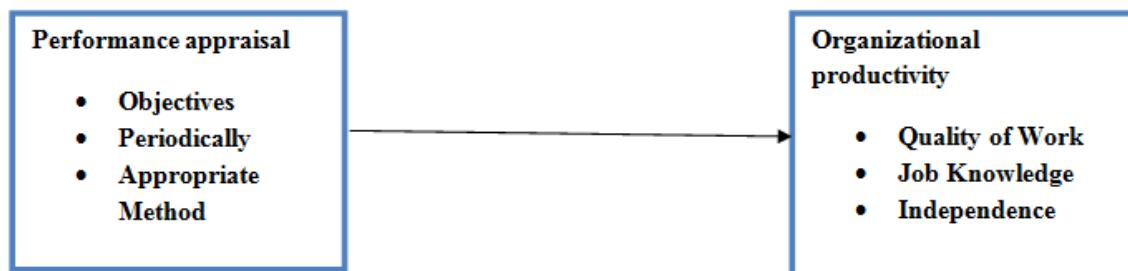
Appraising performance is the essential part of the performance management of the employees. Performance appraisal means evaluating an employee's current or past performance relative to his or her performance standards. There are several reasons to appreciate subordinate's performance. First it plays integral part of performance management and translates the employer's strategic goals into specific employee's goals and provides necessary training. Secondly it helps the employer and employee to develop the plan for correcting deficiencies. Appraisal serve a useful career planning incorporating employees career plans in light of his or her weakness and strengths and last but not the least appraisal almost and always effects the employee's salary raises and sometimes promotional decisions. This, in turn, reflects the extent of the individual contributions and commitment of the employees in different hierarchical levels toward the achievement of organizational objectives/goals. Effective performance system leads to improvement in productivity, conversely an ineffective appraisal system fate the activities in different hierachal positions in result of which chances of success and growth of organization decreases. This age is the age of high competition in which every organization is trying his best for achieving their goals and for this very purposes they efficiently utilizing their resources and human recourse is very unique resource and for its effective utilization appropriate performance system is integral part of performance management, which leads to attainment of effectiveness and efficiency. Performance appraisal is three step process define the job, appraise the performance and providing the relative feedback. The manager should take keen in designing the actual appraisal tool by considering two aspect of tool that what to measure and how to measure.

## 2. Literature review

The initiative of performance management for the evaluation of employees performance is from the second caliph of Islam, Hazarat Umar (634-644 A.D/13-23 AH) because many of the state and institutional laws and those laws are used still today. Ammar bin Yasir was the pious companion of the Holy Prophet (PBUH) was selected by Governor of Kofah due to his good popularity in public but after sometime when Hazrat Umar considered his weakness in political matters and removed him after some days of appointment. Proper appraisal techniques are introduced during the World War I and are implemented on US Military Officers. The industrial revolution makes a significant change in the performance measuring tools during 1920 and 1930 and it's a rational wage structure for the employees which were working on hourly basis and increase in grade of wage is on merit and such rating system called merit-rating programs. These rating programs are the form of rating scale and are used during the 1920 to mid of 1940 in which considers the factor such as degrees and points. In 1950 the human resource management give the more scientific touch to the employees performance evaluation programs for the technical, professional and managerial staff and the need of appropriate performance appraisal system is the urge of day so according to the (Cascio, 1992) performance evaluation is a systematic description or a description of the relevant strengths and weaknesses of a person or a group." Similarly (Wahyudi, 2002) said that the performance appraisal evaluations are conducted periodically and systematically about their work performance / position of a workforce, including its development potential. In the same year according to Grote "Performance appraisal is a formal management system that provides for the evaluation of the quality of an individual's performance in an organization". In performance evaluation process it is measured that how much

the given targets are achieved by employees and in appropriate time and way and promoting this information to employees themselves (Mathis & Robert, 2000). Management scholars argue that the purpose of appraising performance is not single its purpose may be multidimensional (Wilson, John, & Western, 2000; Kamal & Mustafa, 2001; Grote, 2002; Montague, 2007), Morgenson *et.al.* (2009)). Every organization have its own mode of activities and for this they typically required a specific appraisal system which actually fulfils the procedural and functional need of the organization (Chen & Chu, 2007). Performance appraisal designed for police in USA indicated that high level agencies having community policing and when it comes to evaluation (David Lilley, Sameer Hinduja, 2007). In Taiwan employee performance estimation model was introduced that further includes three modules namely performance score analysis, direct performance determination and indirect performance determination which helps to more accurately calculate employee performance and significantly reduce the workload of decision makers ( Yu-Jen Wu , Jiang-Liang Hou, 2009 ). The 360-degree appraisal method takes into account the assessments of different reviewers, supervisors, collaborators, customers and the employees themselves which provide flexible appraisal method (Rocío de Andrés , José Luis García-Lapresta , Jacinto González-Pachón ,2010 ). In order to maintain the accuracy in appraising performance three goals should be achieved by the rater: (1) achieving a positive relationship with a subordinate, (2) achieving a positive image of themselves and their workgroup and (3) achieving behavior that is supportive of organizational goals (Jeffrey R. Spence , Lisa Keeping, 2011). Performance appraisal using data envelopment analysis focus on increasing output enhancement by using quality function deployment model which is designed for overall improvement in employees knowledge, skills and other related attributes and this model provides in-depth analysis and offers a mean of effective training program (T.R. Manoharan, C. Muralidharan, S.G. Deshmukh, (2012)

### 3. Theoretical framework



Adopt from Mathis and Jackson, (2000)

In the theoretical framework of the proposed study performance appraisal is the independent variable and organizational productivity is dependent variable is that organizational is depending on the effectiveness of performance appraisal system. Independent variable itself have some dimensions likewise appraisal system should have predesigned objectives, periodically evaluated and having appropriate method for appraising the performance of the employees. Dependent variable (organizational productivity) itself have some notable dimensions likewise quality, job knowledge, reliability, availability and independence. In organizational productivity the quality means the accuracy, thoroughness, and acceptability of work performed. Job knowledge is the practical and technical skills and information used on the job, reliability is the extent to which an employee can be relied upon regarding task completion and follow-up. Availability is the extent to which an employee's punctual, observes prescribed work break/meal periods, and the overall attendance record. Independence is the extent of work performed with little or no supervision.

#### Hypothesis

**H1** Appropriate Performance appraisal improves organizational productivity

**H2** By applying rating and narratives method simultaneously organizational productivity increases

**H0** There is no effect on organizational productivity by using any appraisal method

### 4. Methodology

#### Sample Size

It is well establish from the literature performance appraisal method have significant effect on firm performance. To empirically investigation of this phenomenon we developed hypothesis and adapted questioners of 100 send to the respondent on PSO working in different departments and multi experience. Only 97 responded respond to our questions which are from different departments and experience in PSO Company limited.

#### Cross tabulation Analysis

To check our hypothesis we run the cross tabulation. Respondent of different department were asked

whether the performance appraisal improves personal skill. The result in table 1 shown that 56 % respondent are in the favor of performance appraisal and if we look into the department wise result the HR department response in favor of performance appraisal is 73 % showing the significance of performance appraisal as a tool in improvement in personal skill. Our results are in line with the past researcher finding (T.R. Manoharan, C. Muralidharan, S.G. Deshmukh, (2012) who in their studies state that performance appraisal using data envelopment analysis focus on increasing output enhancement by using quality function deployment model which is designed for overall improvement in employees knowledge, skills and other related attributes and this model provides in-depth analysis and offers a mean of effective training program.

**Table 1 Department \* Performance appraisal improves personal skills Cross tabulation**

		Performance appraisal improves personal skills			<b>Total</b>
		<b>Not necessarily</b>	<b>sometimes</b>	<b>yes every time</b>	
Department					
Department	Production	0	7	9	16
	HR	5	3	22	30
	R&D	4	9	10	23
	Accounts	4	7	7	18
	other	2	1	7	10
Total		15	27	55	97

**Table 2 Experience \* Performance appraisal improves personal skills Cross tabulation**

		Performance appraisal improves personal skills			<b>Total</b>
		<b>Not necessarily</b>	<b>sometimes</b>	<b>yes every time</b>	
Experience					
Experience	up to 2 years	2	1	5	8
	2-6 years	5	6	26	37
	6-10 years	5	7	13	25
	above 10 years	3	13	11	27
Total		15	27	55	97

Table 2 shows that relation of performance appraisal with experience category in the organization. The result also support our hypothesis H1 the performance appraisal have positive impact on personal skills. Overall 56 % of respondent having different experience are in favor of performance appraisal. 70 % respondent having the experience between 2 – 6 year are in favor of performance appraisal as the skill improvement tool in organization.

Respondent are asked various question about the methods of performance appraisal that which method to their point of view can best describe the personal skill and efforts. When respondent were asked about the rating method can best describe the skill of the person. 71 % respondent agrees that rating scale can best describe the personal skills.

**Table 3 Experience \* Rating method Cross tabulation**

		Rating method		<b>Total</b>
		<b>yes</b>	<b>No</b>	
Experience				
Experience	up to 2 years	7	1	8
	2-6 years	25	12	37
	6-10 years	17	8	25
	above 10 years	20	7	27
Total		69	28	97

Table 4 shows the result of cross tabulation of narrative method with experience people. 70 % respondent from multi experience is not with the favor of comparative method.

**Table 4 Experience \* Comparative method Cross tabulation**

		Comparative method		Total
		yes	no	
Experience	up to 2 years	2	6	8
	2-6 years	8	29	37
	6-10 years	5	20	25
	above 10 years	12	15	27
Total		27	70	97

Table 5 shows the result of cross tabulation of Narrative method with experience people. 71 % respondent from multi experience are agree that narrative method can best describe the skills of the person.

**Table 5 Experience \* Narrative method Cross tabulation**

		Narrative method		Total
		yes	No	
Experience	up to 2 years	7	1	8
	2-6 years	25	12	37
	6-10 years	17	8	25
	above 10 years	20	7	27
Total		69	28	97

By Concluding the all results in table 3, 4 and 5 we finds that the rating and narrative methods can best describe the skills of the person because majority of our respondent agree with rating and narrative methods as measuring tool of skill of the person. The result of cross tabulation in table 3, 4 and 5 verifying our hypothesis H2 that by applying rating and narratives method simultaneously organizational productivity increases and also in line with literature.

**Table 6 Department \* Any effect by using any method of appraisal Cross tabulation**

		Any effect by using any method of appraisal			Total
		i don't know about it	yes it will matter	all methods are same	
Department	Production	1	14	1	16
	HR	2	28	0	30
	R&D	2	19	2	23
	Accounts	3	14	1	18
	other	1	9	0	10
Total		9	84	4	97

**Table 7 Experience \* Any effect by using any method of appraisal Cross tabulation**

		Any effect by using any method of appraisal			Total
		i don't know about it	yes it will matter	all methods are same	
Experience	up to 2 years	1	7	0	8
	2-6 years	3	33	1	37
	6-10 years	2	21	2	25
	above 10 years	3	23	1	27
Total		9	84	4	97

For verifying of our hypothesis H3 There is no effect on organizational productivity by using any appraisal method. The table 6 and 7 of cross tab shows that 86 % respondent believe that rating method has effect on the performance of the individual, rejecting our hypothesis H3.the result of this analysis are in line with the previous literature (T.R. Manoharan, C. Muralidharan, S.G. Deshmukh, (2012).

### 5. Conclusion

Effective performance system leads to improvement in productivity, conversely an ineffective appraisal system fate the activities in different hierachal positions in result of which chances of success and growth of organization decreases. Our finding suggests that performance appraisal system has significant effect on personal skill and by using the combination of two methods; rating and narrative method leads us improvement in productivity of the organization. Effective performance system monitors the employee performance according to the need of the organization and hence plays a vital role in its success. This is an exploratory type of study. Research philosophy is positivist. Research approach is deductive, time horizon cross sectional study. Research strategy is questionnaire.

### Limitations

The sample size is small due to time constraints. Researchers are unable to study an entire population owing to time and cost constraints, and they are thus obliged to draw a sample (De & Fouch, 1998). In the study the researcher have period of six months for research completion which is short for analyzing the large sample size of transport companies that very reason for small sample size. Another constrain is about the date security of the companies due to various factors. Cost is the another constrain because as much the span of sample frame is enhanced the cost for collecting and analyzing the data.

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