

## “Study of Employee’s Performance Appraisal System at Hero MotoCorp”

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### Abstract

Performance appraisal occupies an important place in an organization. Today’s working climate demands a great deal of commitment and effort from Employees. Performance Appraisal must be seen as an intrinsic part of a Manager’s responsibility and not an unwelcome and time-consuming addition to them. It is about improving performance and ultimate effectiveness. Performance Appraisal is a systematic means of ensuring that Superiors and their staff meet regularly to discuss past and present performance issues and to agree what future is appropriate on both sides. Through this research we are able to establish a conceptual framework for future research that focuses on employees’ performance appraisal system. My research was “Study of Employee’s Performance Appraisal System focuses on performance appraisal system of Employees. Performance appraisal is a method of evaluating the behavior of employees in the work spot, including both qualitative and quantitative aspects of job performance indicates how an individual is fulfilling the job demands and it is always in terms of results. In this research, I had to study the current Performance Appraisal system at HERO MOTOCORP & check the effectiveness of current Appraisal system. Performance appraisal is mainly done through rating method. In this method they provide some kind of a scale for measuring absolute difference between individuals. Thus performance appraisal will help in improving the work culture by convincing employees that their performance and career growth is directly linked with the performance of the company.

**Keywords** - *Performance appraisal system, qualitative and quantitative aspects, rating method*

### Introduction

Performance appraisal is an integral part of HRM and HRM deals with personnel is people. “People” is the important and valuable resource that every organization or institution has in the form of its employees. Performance appraisal is a systematic and periodic process of evaluating the employee’s performance in the work environment, including both qualitative and quantitative aspects of job performance. It indicates how an individual is fulfilling the job demands and is always in terms of results. Under performance appraisal, not only the performance of an employee but also his potential for development is evaluated. It is a description of an employee’s job relevant strengths and weaknesses.

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In recent years, the contribution of the two wheelers to the automobile industry sector is increasing and enjoying a dominant role. Automobile industry, being one among the biggest industries in Asia, has been witnessing spectacular growth throughout the last 20 years. The two-wheeler industry is dominated by the companies like Hero, Honda, Yamaha, Bajaj and TVS.. Hero MotoCorp Ltd. (Formerly Hero Honda Motors Ltd.) is the world's largest manufacturer of two-wheelers, based in India. Analysis of Hero MotoCorp Ltd will help to improve the productivity of employees by assessing their performance at regular intervals and to take necessary actions to bridge gaps and improve performance over a period of time. The main aim of the project is to analyze and improve the performance appraisal system of the organization by using different methods of performance appraisal.

### Review of Literature

(Heneman & Wemer, 2005)- Performance appraisal is considered to encourage employees in consequent performance cycle.

**Armstrong, M (2006)** - As a tool, performance appraisal focuses on what needs to be done by the people in the organization in order to achieve the objectives of the job to meet new challenges.

**Kavanagh P, J. Benson, M. Brown (2007)** - Human resource planners use performance appraisal to determine development needs, training programs and to set criteria to improve performance.

**Gardner, C.E. (2008)** - In performance appraisal, the main aim is to arrive at objective personnel decisions by evaluating an individual's work. One of the main goals is to identify the strengths and weaknesses that form the basis of corrective actions for improved employee performance.

**Lambert, C (2009)** - Performance appraisal is a completely integrated system involving periodic planned discussions between the managers and employees. Employee's performance is evaluated against predetermined goals, based on which the managers coach and counsel the staff in areas requiring correctives actions. This results in overall performance improvement for the benefit of both employees and the total organization.

**Dechev, (2010)** - There is an increase use of performance appraisal which is mostly motivated by an organizational need to have an effect on employee' attitude, behaviours, as well as organizational performance too.

**Liza Estina Daoanis (2012)** - Performance management process often include performance appraisal systems which involve different measurements throughout the organizations. If an organization wants to take advantage of its most important asset - employees and gain human capital advantage, then its focus should be on improving the performance appraisal system.

**Darehzereshki, (2013)** - The capacity to achieve these positive outcomes will be in function of the performance appraisal experience.

**ALFORD AND BEATTY says,** "It is the evaluation or appraisal of the relative worth to the company of a man's service on the job".

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FLIPPER says, "Performance Appraisal is a systematic, periodic and so far as humanly possible and impartial rating of employee's excellence of matters pertaining to his potentialities for a better job".

## **OBJECTIVES**

### **Primary Objective**

- To study the employee's performance appraisal system at Hero motocorp ltd.
- To identify the actual performance of the employees and performance standards used in performance appraisal system.
- To know about the relationship between performance appraisal and employee job satisfaction at hero MotoCorp Ltd.

### **Secondary Objectives**

- To Study & analyze the effectiveness of present Performance Appraisal method being followed in Organization.
- To identify the awareness level of performance appraisal technique among the employees.
- To identify the strength and weakness of employee to place right men on right job.
- To maintain and assess the potential present in a person for further growth and development.
- To provide feedback to employees regarding their performance and related status.

### **Scope of the Study**

- This study provide appraisal feedback to employees and thereby serve as vehicles for personal and career development and allow the management to take effective decision against drawbacks for the wellbeing of the employee's development.
- To improve employee work performance by helping them realize and use their full potential.
- The main aim of the study is to find out the effectiveness of performance appraisal & development programme conducted at "Hero MotoCorp ltd."
- This study helps to know the level of appraisal system.
- The payroll and compensation decision, training and development needs, promotion, demotions transfer including job analysis and providing superior support, assistance and counseling.
- The aim of appraisal system should be to allow for continuous communication between the management and employees about the job performance and must be aimed towards the total improvement of the organization as a whole.
- By improving job skills, the employees have lot of scope for development and prepare themselves for higher responsibilities.

### **Need of the Study**

This study helps building progress towards organizational goals.

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- To help the superior to have a proper understanding about their subordinates.
- To ensure organizational effectiveness through correcting the employee for standard and improved performance and suggesting the changes in employee behavior.
- It provides information about the performance ranks.
- To provide information this helps to counsel the subordinates.
- To facilitate fair and equitable compensation based on performance.

### **Research Methodology**

Research Methodology is the process of systematic investigation of any management problem it deals with research design, data collection method, sampling plan, sampling method. „Research“ means a scientific and systematic search for pertinent information on a specific topic. Research is a careful investigation or inquiry especially through search for new facts in any branch of knowledge. Research comprises defining and redefining problems, formulating hypothesis or suggested solution; collecting, organizing and evaluating data, making deductions and reaching conclusions; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis. “Methodology” is defined as “the study of methods by which we gain knowledge, it deals with cognitive processes imposed on research to the problem arising from the nature of its subject matter”

Redman & Mar - "Research as a systematic effort to gain new knowledge".

Advance Learner Dictionary -"A careful investigation or inquiry especially through search for new fact in any branch of knowledge".

### **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.

### **Research Design of the Study**

The research design in preliminary design of research work to be carried out and is in agreement to the condition for collection and analysis of data in manner that aims to combine prevalence of research design with respect to work carried data, techniques used to interpret and analyse the data

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and finally concluding on certain with the help of findings and recommendations.

**Sample Size** is 200.

### **Limitations**

Employee Opinion-Employee feedback may not be 100% reliable and accurate. Sometimes, they may keep back information that may be detrimental to the image of the organization. Also some employees may fear their superiors and refrain from furnishing any negative data.

**Time Factor:** Since the time was limited, not all employees could be included in the survey. A sample of 200 employees was selected for the purpose of conducting the survey and collecting relevant data.

- This study is only limited to hero MotoCorp Ltd.
- There may be bias on the part of employees while answering to the questions.
- The sample size of the study is limited to 200 not the entire employees of the organization.

### **Background of the Study**

#### **Characteristics**

1. Performance Appraisal is a process.
2. It is the systematic examination of the strengths and weakness of an employee in terms of his job.
3. It is scientific and objective study. Formal procedures are used in the study.
4. It is an on-going and continuous process wherein the evaluations are arranged periodically according to a definite plan.
5. The main purpose of Performance Appraisal is to secure information necessary for making objective and correct decision an employee.

#### **Process**

The process of performance appraisal:

1. Establishing performance standards
2. Communicating the Standards
3. Measuring Performance
4. Comparing the actual with the standards
5. Discussing the appraisal
6. Taking Corrective Action

### **METHODS OF PERFORMANCE APPRAISAL**

#### **I. Traditional Methods:**

- (A) **Graphic Rating Scales:** Graphic rating scales compare individual performance to an absolute standard. In this method, judgments about performance are recorded on a scale. This is the

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oldest and widely used technique. This method is also known as linear rating scale or simple rating scale. The appraisers are supplied with printed forms, one for each employee. These forms contain a number of objectives, behavior and trait based qualities and characters to be rated like quality and volume of work, job knowledge, dependability, initiative, attitude etc.

- (B) Ranking Method: Under this method, the employees are ranked from best to worst on some characteristics. The rater first finds the employee with the highest performance and the employees with the lowest performance in that particular job category and rates the former as the best and later as the poorest. Then the rater selects the next highest and next lowest and so on, until he rates all the employees in that group.
- (C) Paired Comparison Method: This method is relatively simple .under this method, the appraiser ranks the employees with all other employees in the group, one at a time. Paired comparison does not force distribution of employees in each department. For instance, if a department has two outstanding employees and six average employees and paired comparison is correctly utilized, then those employees will get a much higher percentage of positive comparison than the other six. Paired comparison method could be employed fairly easily where the number of employees is less.
- (D) Forced Distribution Method: The rater may be his employees at the higher or at the lower end scale under the earlier methods. Forced distribution method is developed to prevent the raters from rating too high or too low. Under this method, the rater after assigning the points to the performance of each employee has to distribute his ratings in a pattern to conform to normal frequency distribution. Thus, similar to the ranking technique, forced distribution require the raters to spread their employees evaluations in a prescribed distribution. This method eliminates central tendency and leniency biases. However, in this method, employees are placed in certain ranked within the categories.
- (E) Checklist Methods: The checklist is a simple rating technique in which the supervisor is given a list of statement or words and asked to check statement representing the characteristics and performance of each employee.
- (F) Forced Choice Method: This method was developed at the close of World War II. Under this method, a large number of statements in groups are prepared. Each group consists of four descriptive statements concerning employee behavior. Two statements are most descriptive and two are least descriptive of each tetrad. Sometimes, there may be five statement in each group out of which one would be neutral. The actual weight age of the statement are kept secret.
- (G) Critical Incident Method: Employees are rated discontinuously, i.e., once in a year or six months under the earlier methods. The performance rated may not reflect real and overall performance as the rater would be serious about appraisal. Hence, a continuous appraisal methodize, the critical incident method has been developed .under this method, the supervisor continuous records the critical incidents of the employee performance or behavior relating to all characteristics in a specially designed. The supervisor rates the performance of his

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subordinates on his subordinates on the basis of notes taken by him. Since the critical incident method does not necessarily have to be separate rating system, it can be fruitfully employed as documentation of the reasons why an employee was rated in a certain way.

- (H) Essay or Free Form Appraisal: This method requires then manager to write a short essay describing each employee's performance during the rating period. This format emphasizes evaluation of overall performance, based on strengths/weaknesses of employee performance rather than specific job dimensions. By asking supervisors to enumerate specific examples of employee behavior, the essay technique minimizes supervisory bias and the halo effect.
- (I) Group Appraisal: Under this method, an employee is appraised by a group of appraisers. This group consists of the immediate supervisor of the employee to other supervisors who have close contact with the employee's work, manager or head of the department and consultants. The head of the department or manager may be the chairman of the group and the immediate supervisor may act as the coordinator for the group activities. This group uses any one or multiple techniques discussed earlier.
- (J) Confidential Reports: Assessing the employee's performance confidentially is a traditional method of performance appraisal. Under this method, the supervisor appraises the performance of his subordinates based on his observation, judgment and intuitions. The supervisor keeps his judgment and report confidentially. In other words, the superior does not allow the employee to know the report and his performance. The superior keep his judgment and report confidentially. In other words, the superior does not allow the employee to know the report and his performance.

## II. Modern Methods:

- (A) Behaviorally Anchored Rating Scales: The Behaviorally Anchored Rating Scales (BARS) method combines elements of the traditional rating scales and critical incident methods. Using BARS, jobs behaviors from critical incidents - effective and ineffective behaviors are described more objectively. The method employs individual who are familiar with a particular job to identify its major components. They then rank and validate specific behavior for each of the respondents.
- (B) Assessment Center: This method of appraising was first applied in the German Army in 1930. Later, business and industrial houses started using this method. This is not a technique of performance appraisal by itself. In fact, it is a system or organization, where assessment of several individual is done by various experts by using various techniques. These techniques include the methods in addition to in basket, role playing, and case studies ,stimulation in sight, transactional analysis etc.,
- (C) Human Resource Accounting: Human Resource Accounting deals with cost of and contribution of human resource to the organization. Cost of the employee includes cost of manpower planning, recruitment, selection, induction, placement, training, development, wages and benefits. Employee contribution is the money value of employee service which can be measured by labor productivity or value added by human resource.

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(D) Management by Objectives: Management by Objectives (MBO) is a process whereby the superior and subordinate managers of an organization jointly its common goals, define each individual's major areas of responsibility in terms of results expected of him and use these measures of guides for operating the unit and assessing the contribution of its members. Thus, MBO focuses attention on participative set goals that are tangible, verifiable and measurable. The emphasis is on what must be accomplished rather than how it is to be accomplished.

- The subordinate and superior jointly determine goals to be during the appraisal period and what level of performance is necessary for the subordinate to satisfactory achieve specific goals.
- During the appraisal period, the superior and subordinate update and alter goals as necessary due to changes in the business environment.
- Both superior and subordinates jointly discuss whether the subordinate achieved the goals or not. If not, they should identify the reasons for strike/lock-out, market change etc.

(E) Behaviors Observation Scales (BOS): The appraiser, under this method, measures how frequently each of the behavior has been observed .Appraiser plays the role of observer rather than a judge and provides the feedback to the appraise continuously.

### **Performance Appraisal at Hero MotoCorp**

The performance appraisal is mainly done through rating method, ranking method. In this method they provide some kind of a scale for measuring absolute difference between individuals. New Appraisal System based on Targets. It is also include review of Targets at regular Interval. Another basis of PA is- Performance / Attendance / Discipline record- Written Test & Interview etc.

### **Findings**

1. Company not followed the 360 degree feedback method
2. From the survey it is evident that both the Appraiser's and Appraisee's expectation from Performance Appraisal system are the same i.e. "Determination of Promotion or Transfer" and "Salary Administration and Benefits"
3. A majority of Employees were satisfied with the current Appraisal system although they requested for few changes.

### **Suggestions**

While framing the parameters in the ranking method the performance appraisal technique and group discussion can be made among and with various authorities.

Secondly, the techniques used for performance appraisal are very traditional which is to be modernized in future for good prospect of the employees.

- It is recommended that employees should be immediately communicated.
- It is recommended that the supervisor should try to analyze the strengths and weaknesses of an employee and advise him on correcting the weakness.

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- 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 performance appraisal system as it is. The performance appraisal system is considered as an essential tool for bridging the gap between the top management and the executives; it thus helps them to develop cordial relations and mutual understanding.

### Conclusion

Human resources are the vital source of every organization. Every employee in an organization increases the productivity and goodwill of every company. An employee, being an individual, is treated as an asset in the organization. So the organization should mainly emphasize performance appraisal techniques and its development programme. Both the appraiser and appraisee should realize the principle and use the tool of appraisal system in a constructive way for the prosperity of the organization. The performance appraisal technique prevailing in the organization is fair. Employees are satisfied with the present performance appraisal system that is a traditional one. As many new appraisal techniques are emerging, the organization can implement modern techniques which would be more effective. 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. Performance appraisal system is considered as a means that aim at identifying the areas of improvement, identifying areas of training and development, setting performance targets for the future.

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