

Employees' Perception Regarding Performance Appraisal Practices in Insurance Sector; A Case Study of Bharti AXA Life Insurance Company Ltd.

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Abstract

Insurance sector competes by innovating and developing the core competencies of their human resources. The human resource system can be made effective by having a valid appraisal system that also acts as a true motivator. In order to ensure that the right number of staff with the right capacities is available at the right time and for the right places, appraisal is one of the key factors of organizational ability which is the focus of this study. The purpose of the paper is to know the impact of performance appraisal on the reward, motivation, job satisfaction, superior- subordinate relationship which will finally lead to customer satisfaction and better performance by the insurance sector.

As we know that performance appraisal is one of the most widely used methods for measuring the value of employee performance. The success of performance appraisal depends on how effectively it is implemented. It also depends on how well the employees have understood the performance appraisal system and how positively they are oriented towards their system.

Keywords: Performance Appraisal, Employees' perception, Insurance Sectors, Reward, Motivation.

Introduction

Almost all the insurance sectors in India are legitimately aspiring to become world-class in their quality of products and service delivery. For them to emerge as globally competitive financial entities, they have to deliver greater value to the customer at lower costs and have to continually innovate and achieve global benchmarks. To gain competitive advantage, knowledge and skills in their people would have to be leveraged by them. Here comes the role of an effective Performance Management System and this will be done by performance appraisal of employees.

Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. Its aim is to measure what an employee does. According to Flippo, a prominent personality in the field of Human resources, "performance appraisal is the systematic, periodic and an impartial rating of an employee's excellence in the matters pertaining to his present job and his potential for a better job." Performance appraisal is a systematic way of reviewing and

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assessing the performance of an employee during a given period of time and planning for his future. It is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze his achievements and evaluate his contribution towards the achievements of the overall organizational goals. By focusing the attention on performance, performance appraisal goes to the heart of personnel management and reflects the management's interest in the progress of the employees.

Performance appraisal is also known as employee appraisal. It is a method by which the job performance of an employee is evaluated (generally in terms of quality, quantity, cost and time). Performance appraisal is a part of career development.

Literature Review:

Bernardin and Beatty (1984) suggested that employee reactions to a performance appraisal system are usually better indicators of the overall viability of a system than the more narrow psychometric indices.

Eichel and Bender (1984) stated that performance appraisal can also be called as the Achilles heel of management. Although leaders of many public organizations strive to be employee focused or employee centered, a lack of emphasis is given to a process intended to assist the employee in achieving both personal and organizational goals.

Cleveland, Murphy and Williams (1989) suggested that performance appraisal information is most frequently used for salary, administration, performance feedback and identification of employee strength and weaknesses. However performance appraisal are often used for multiple purposes rather than a single function.

Bretz, Milkovich and Read (1992) indicated that the most important performance appraisal issue faced by organizations is the perceived fairness of the performance review and the performance appraisal system. Their findings suggested that most employees perceive their performance appraisal system as neither accurate nor fair.

Murphy and Cleveland (1995) suggested that employee reaction to appraisals is a class of neglected criteria that should be considered in evaluating the success of a system.

Skarlicki and Folger (1997) suggested that the appraisal process can become a source of extreme dissatisfaction when employees believe the system is biased, political, or irrelevant.

Ridgeway, 1991; Ridgeway & Balkwell, 1997; Webster & Hysom, (1998) stated that employees would react more favorably to performance evaluations from "high status" management groups, including males, Whites, and native English-speakers. Study indicates accurate results regarding males and White managers.

Geddes, Deanna and Konrad (2002) conducted a study on "Demographic Differences and Perceptions of Performance Appraisal". They examined the differences between employees and their managers regarding perceptions of performance appraisals, in general, and negative feedback.

Greenberg (2002) reported that the causes of Voluntary turnover in Insurance sector include low employee satisfaction, and lack of intrinsic and extrinsic rewards.

Angelo S. DeNisi & Robert D. Pritchard (2006) examined a motivational framework on "Performance Management and Improving Individual performance". This research has resulted in very few specific recommendations about designing and implementing appraisal and

performance management systems whose goal is performance improvement. We believe that a reason for this is that appraisal research became too interested in measurement issues and not interested enough in ways to improve performance, although some recent trends in the area have begun moving the field in the right direction. We review these trends and their genesis, and propose a motivational framework as a means of integrating what we have learned and generating proposals for future research that focus on employees' performance improvement.

Arvind Sudarsan (2009) evaluated the "Performance Appraisal Systems" of 33 diverse organizations. Data was collected from a respondent from each organization by means of an open-ended questionnaire. Respondents' views were sought on major concerns, desired changes, and number of forms used in evaluating performance in the organization. The study observed that subjectivity and appraiser bias were most common apprehensions in evaluating performance appraisal system in the organization. Strong needs were felt for identifying measurable parameters for performance evaluation, and providing multiple feedbacks to trim down appraiser bias. Further, objectivity and measurable performance were found to be most desirable areas to help improve performance appraisal system.

Neeraja Sharma & Aman Sharma (2009) examined the "Employers' Perspectives Regarding Performance Appraisal and Reward Philosophy in Insurance Sector in Haryana". This paper studies the employer's perspectives regarding performance appraisal and reward philosophy and the effect of demographic variables on it. The sample is selected on the basis of convenient sampling method. This study is based on the hypothesis that demographic variables and employers' opinions are independent of each other.

R. Muthukumar (2010) focused on the influence of supervision, co-worker, pay, education and working condition on the overall employee satisfaction in his study of job satisfaction of employees in Cholamandalam MS General Insurance Limited Chennai.

Ekta Bhatia (2010) The performance appraisal or review is essentially an opportunity for the individual and those concerned with their performance in the bank, most usually their line manager - to get together to engage in a dialogue about the individual's performance, development and the support required from the manager. It should not be a top down process or an opportunity for one person to ask questions and the other to reply. It should be a free flowing conversation in which a range of views are exchanged.

"Performance Appraisal" usually reviews past behavior and so provide an opportunity to reflect on past performance of the bank employees. But to be successful they should also be used as a basis for making development and improvement plans and reaching agreement about what should be done in the future to enhance the bank's effect and effectiveness.

Performance Appraisal System in Bharti Axa Life Insurance Company Ltd.:

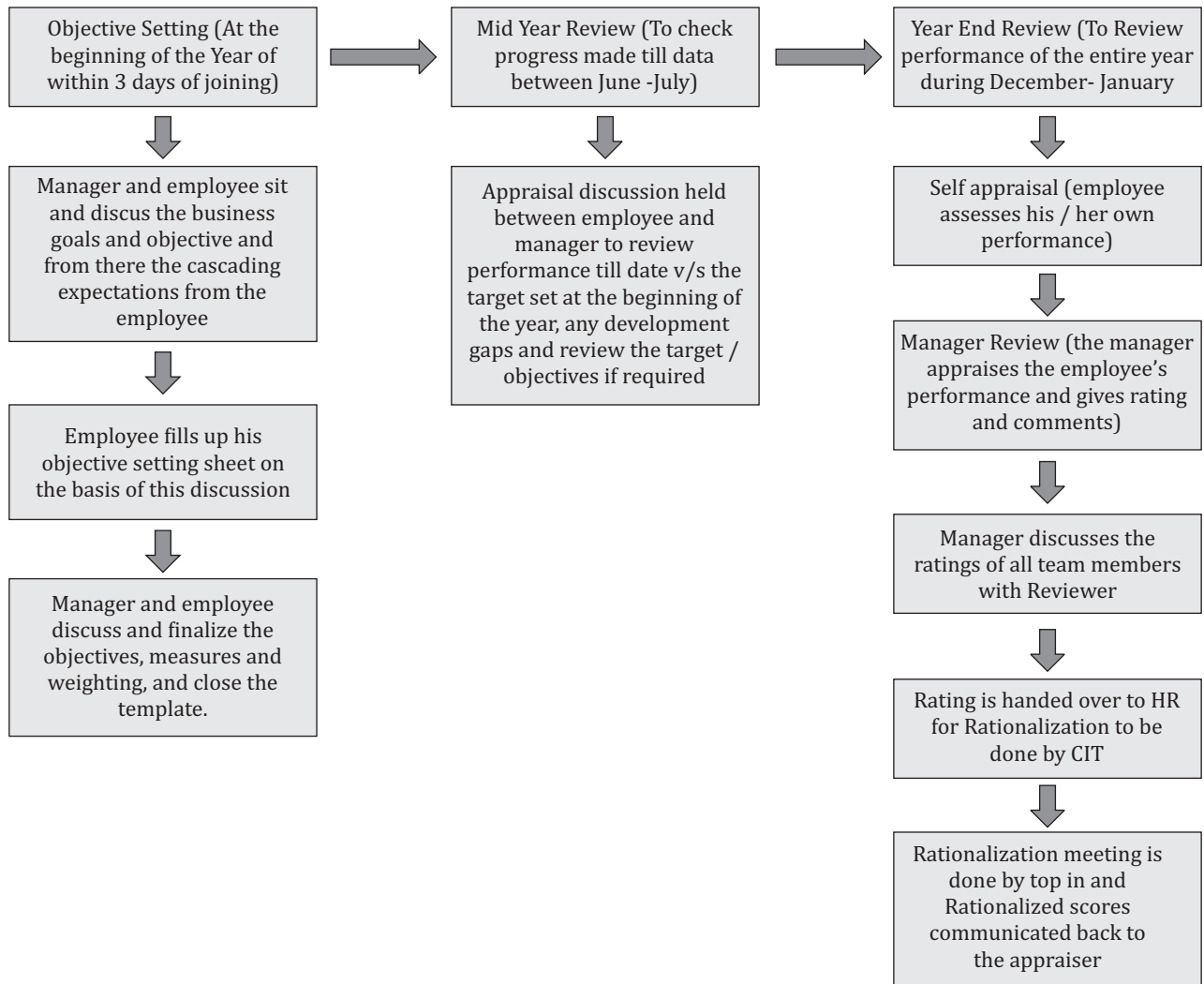
ELIGIBILITY:

- All employees who have completed 3 months of service in the rolls of Bharti AXA Life
- Belonging to the following categories are eligible:-
- All above the MOM level from the Sales function
- All employees from the non-Sales function

PROCESS AND TIMELINE:

Steps 1 – Objective setting (to be completed by January end/within 30 days of an employee joining the company)
 Step 2 – Mid Year Review (between June and

July)
 Step 3 – Year End Review (around December and January)
 Step 4 – Development Planning (with Year End Review during December and January)



Performance Appraisal Process in Bharti Axa Life Insurance Company Ltd.

Research Methodology

respondents.

Research Objective:

1. To know about the performance appraisal.
2. To determine the impact / benefits of performance appraisal on employees of Bharti Axa Life Insurance Company Ltd.

Survey Instrument: Well-structured questionnaire was developed for conducting the study. Questionnaire includes statements. Respondent has to just encircle the appropriate choice. Where

1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree

Locale of the study: Employees of Bharti Axa Life Insurance Company Ltd. from Gurugram (Haryana) were considered.

Data analysis: SPSS 20 statistical software package is used for data analysis. Descriptive analysis (mean) is applied for the analysis of data.

Sampling and Sample size: An Empirical study was conducted to achieve the objectives. Convenience sampling method was followed. The study was conducted on 65 respondents but 5 questionnaires were rejected due to inadequate information. Thus analysis was conducted on 60

Reliability Statistics: The reliability of the questionnaire was judged through conducting reliability analysis Cronbach's alphas, which is found to be .734.

Case Processing Summary

		N	%
	Valid	60	100.0
Cases	Excluded ^a	0	.0
	Total	60	100.0

Reliability Statistics

Cronbach's Alpha ^a	N of Items
.734	14

Descriptive Statistics:

	N	Minimum	Maximum	Mean	Std. Deviation
Performance appraisal improves motivation and job satisfaction.	60	2.00	5.00	4.2667	.63968
Performance appraisal system helps in discovering your true potential for higher responsibility.	60	3.00	5.00	4.3333	.66089
Performance appraisal system helps in reducing the communication gap between the superior and subordinate.	60	1.00	5.00	3.6333	1.24522
Performance appraisal is directly linked to increment in your scale.	60	1.00	5.00	3.1000	1.06188
The formal feedback and development of new or better job related skills are in accordance with your performance appraisal.	60	2.00	4.00	2.8000	.80516
Performance appraisal is directly linked to promotion.	60	2.00	4.00	3.4333	.72793
Monetary and Non monetary rewards given are based on your performance appraisal.	60	3.00	5.00	4.3333	.60648
Performance appraisal system implemented in your organization create a participative environment.	60	2.00	5.00	4.1333	.89955
Performance of employees improved due to current performance management system.	60	4.00	5.00	4.7333	.44978
The performance appraisal system helps superiors to know their employees in better way.	60	1.00	5.00	3.7000	.95231
Performance appraisal system is clearly defined in the organization.	60	2.00	5.00	4.1000	.80301
Performance appraisal system helps people set and achieve meaningful goals.	60	1.00	5.00	4.0667	1.17248
The criteria used in your organisation is sufficient to judge your performance.	60	1.00	4.00	2.3667	1.03335
The present appraisal system, according to you, is an effective one.	60	2.00	5.00	3.4667	.97320
Valid N (listwise)	60				

Findings:

1. Mean response regarding motivation and job satisfaction is 4.27 which shows that performance appraisal improves employee's motivation and job satisfaction.
2. Mean response regarding employee's potential is 4.33 which indicates that formal appraisal system helps in discovering employees true potential for higher responsibility.
3. Mean response regarding communication gap is 3.61 which shows that Performance appraisal system slightly helps in reducing the communication gap between the superior and subordinate.
4. Mean response regarding increment is 3.10 which indicates that Performance appraisal is not directly linked to increment in your scale.
5. Mean response regarding job related skills is 2.80 which shows that the formal feedback and development of new or better job related skills are not in accordance with their performance appraisal.
6. Mean response regarding promotion is 3.43 which shows that Performance appraisal is

- somewhat linked to promotion.
7. Mean response regarding rewards is 4.33 which shows Monetary and Non-monetary rewards are based on performance appraisal.
 8. Mean response regarding participative environment is 4.13 which shows that Performance appraisal system implement in organization creates a participative environment.
 9. Mean response regarding employees performance is 4.73 which shows that Performance of employees improved due to current performance appraisal system.
 10. Mean response regarding superior – subordinate understanding is 3.70 which show that the performance appraisal system helps superiors to know their employees in better way.
 11. Mean response regarding performance appraisal system is 4.20 which shows that Performance appraisal system is clearly defined in the organization.
 12. Mean response regarding objectives and goals is 4.06 which shows that Performance appraisal system helps people in achieving meaningful goals.
 13. Mean response regarding criteria used for performance appraisal is 2.36 which shows that the criteria used in organization are not sufficient to judge their performance.
 14. Mean response regarding effectiveness is 3.46 which shows that the present appraisal system, is somewhat effective one.

Limitations of the Study: The study has been conducted in Gurugram and branches of Bharti Axa Life Insurance Company Ltd.:

- 1) Due to time constraint the study was not able to include more customers.
- 2) Study is restricted to Gurugram only hence the findings cannot be generalized.
- 3) Sample size is limited.
- 4) The study is done under the assumption that

respondents are true and honest in expressing their views.

Conclusion:

Performance appraisal in private organizations is directly linked to rewards, training or promotions due to which the approach towards the whole process remains professional. There is a lack of the appropriate atmosphere and professional approach towards the performance appraisal system. Hence we can again say that the private sectors hierarchical structure which gives preference to seniority over performance. Performance appraisal in private organizations is directly linked to rewards and on the other hand it is very beneficial in improving employee's motivation, their satisfaction level and further performance which will finally lead to customer satisfaction and overall insurance sector's performance.

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