

A Study of Performance Appraisal Tool: HR Intentions and Employee Perspectives

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Abstract: *The present study focuses on analyzing employees' perceptions of the performance appraisal system within the organization. The problem addressed in this study is the presence of mixed opinions among employees regarding fairness, transparency, and effectiveness of the appraisal process, which may impact their trust, motivation, and performance.*

The main objective of the study is to evaluate the effectiveness of the performance appraisal system in terms of fairness, transparency, employee involvement, feedback, and its impact on employee performance and satisfaction.

The research methodology is based on a structured questionnaire designed to collect primary data from employees. The target population includes employees from different departments, as they are directly involved in and affected by the appraisal system. Online data collection methods were used to ensure convenience, wider reach, and quick responses.

The data collection technique involved distributing questionnaires through online platforms, enabling efficient and systematic gathering of responses. The collected data was then analyzed to identify patterns, perceptions, and areas requiring improvement in the appraisal system.

Keywords: Performance Appraisal System, Employee Perception, Fairness, Transparency, Feedback, Employee Satisfaction, Bias, Employee Involvement, Organizational Performance, HR Practices

I. INTRODUCTION

1.1 Overview and Back ground of the study

Performance appraisal is a systematic process used by organizations to evaluate employee performance, provide feedback, and support professional development, ultimately contributing to organizational growth and efficiency. Over time, appraisal systems have evolved from traditional annual reviews to more continuous and transparent processes that emphasize fairness, employee involvement, and regular feedback. However, many organizations still face challenges such as lack of clarity, perceived bias, and inconsistent communication, which affect employees' trust and satisfaction. Employees' perception of the appraisal system plays a crucial role in its effectiveness, as positive perceptions lead to higher motivation and performance, while negative views can reduce engagement. Therefore, this study focuses on understanding employees' perceptions of the performance appraisal system, particularly in terms of fairness, transparency, feedback, and overall effectiveness, to identify gaps and suggest improvements.

1.2 Research Problem:

Although organizations use performance appraisal systems to evaluate and improve employee performance, a gap exists between the intended objectives of HR and employees' actual perceptions. Issues such as lack of transparency, poor communication, inconsistent implementation, and perceived bias lead employees to view appraisals as unfair and stressful rather than as opportunities for growth and development. Therefore, the study aims to examine these gaps and identify ways to make the appraisal process more transparent, effective, and motivating for employees.



1.3 Objectives of the Study

Primary objectives

1. To examine how HR uses performance appraisal tools for decision-making and development.
2. To study employees' perceptions of fairness, transparency, and effectiveness of appraisals.
3. To identify the impact of appraisal practices on employee motivation and job satisfaction.

1.4 Scope of the Study

The scope of the study defines the boundaries and coverage of the research, specifying the area, population, and aspects included in the analysis. It helps in providing a clear direction to the study and ensures that the research remains focused on relevant factors related to the performance appraisal system.

- This study will be conducted in selected private organizations (mainly IT and service-based companies).
- The respondents will be employees working at different levels (entry, middle, and senior).
- The study will cover the time frame of the last 1-2 appraisal cycles (recent 1-2 years).
- The study excludes government organizations and public-sector units, as their appraisal methods differ.
- The study will include appraisal tools, employee views, and HR perspectives but exclude financial analysis of companies.

II. LITERATURE REVIEW

Objective :1 To examine how HR uses performance appraisal tools for decision-making and development.

As organizations improved, appraisal tools were developed to offer a more profound insight on performance of workers. Rating scales, ranking systems, competency assessment, and feedbacking systems assisted the HR to evaluate strengths, weaknesses and developmental opportunities. With these tools, the HR would be able not only to make fair judgments when it comes to compensation and promotions, but also create individualized developmental initiatives, including workshops on skill development and career advancement plans, which would motivate employees to work better and grow according to the organizational goals (Pramod et al., 2025).

Objective:2 To study employees' perceptions of fairness, transparency, and effectiveness of appraisals.

The feeling of fairness is enhanced when the employees feel unbiased appraisals and equal treatment throughout the organization. Open debate opportunities are given under the process of appraisal, thus employees know their strengths and weaknesses and this aspect gives credibility to both fairness and effectiveness. Employees who believe that the appraisal process can help them develop and provide them with feedback on how to improve their skills become more active in their work and consider their work one of the ways to achieve organizational objectives (Makhubela et al., 2016)

Objective: 3 To identify the impact of appraisal practices on employee motivation and job satisfaction.

Performance appraisals have a direct impact on employee motivation and job satisfaction as they give feedbacks, recognition and advice on how to improve. When employees are given concrete feedback which is action-oriented and know where they are not doing as per the expectations of the organization, they feel backed and motivated to improve their performance. The positive appraisal experiences raise confidence and establish a sense of importance, encouraging the employees to remain committed and create the productivity (Sahija, 2022) .

III. RESEARCH METHODOLOGY

1. Research Design

- Descriptive and Exploratory study
- Describes employee opinions and experiences
- Explores gaps like job switching despite appraisals



2. Data Sources

- **Primary Data:** HR managers & employees (online questionnaires)
- **Secondary Data:** research papers, Books

3. Sample Design

- **Sample Size:** 50 HR + 100 employees
- **Sample Unit:** Employees from IT, manufacturing, service sectors
- **Target Population:** Entry & mid-level employees

4. Sampling Technique

- Convenience sampling
- Easy access to respondents
- Suitable due to time and feasibility

5. Data Analysis Tools

- Percentage, charts, graphs

IV. DATA INTERPENETRATION & ANALYSIS

Q1. How fair do you find the appraisal process?

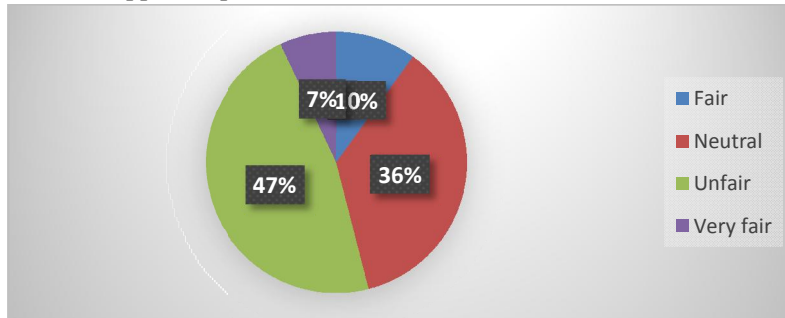


Fig 4.1: Graph showing the rating given by the respondents.

The chart indicates that most employees perceive the appraisal system as unfair (47%), while a large portion remains neutral (36%), showing uncertainty. Only a small number view it as fair or very fair. Overall, the system is largely seen as unfair, highlighting the need to improve fairness, transparency, and consistency.

Q2. To what extent is the appraisal process free from bias?

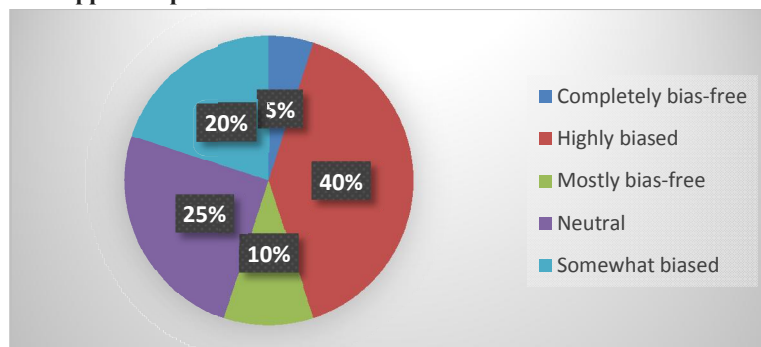


Fig 4.2: Graph showing the rating given by the respondents.

The chart shows that many employees perceive the appraisal system as biased, with 40% viewing it as highly biased and 20% as somewhat biased. While 25% remain neutral, only a small percentage see it as bias-free. Overall, this indicates a strong need to improve fairness, transparency, and objectivity in the appraisal process.



Q3. How transparent is the appraisal process?

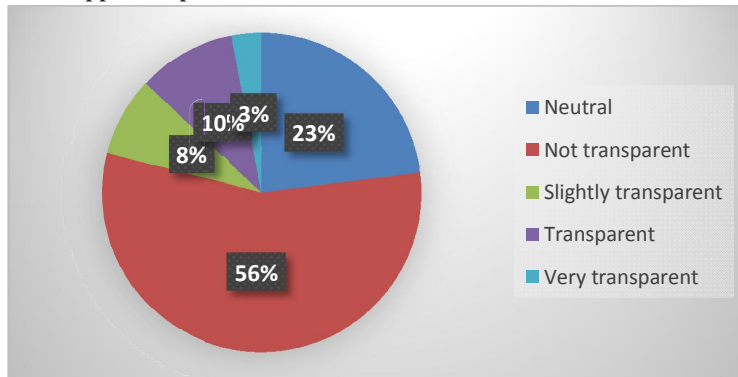


Fig 4.3: Graph showing the rating given by the respondents.

The chart shows that most employees perceive the appraisal process as not transparent (56%), while 23% remain neutral. Only a small percentage view it as transparent. Overall, the system lacks transparency, indicating a need for better communication, clarity, and openness to build trust.

Q4. To what extent does appraisal motivate you?

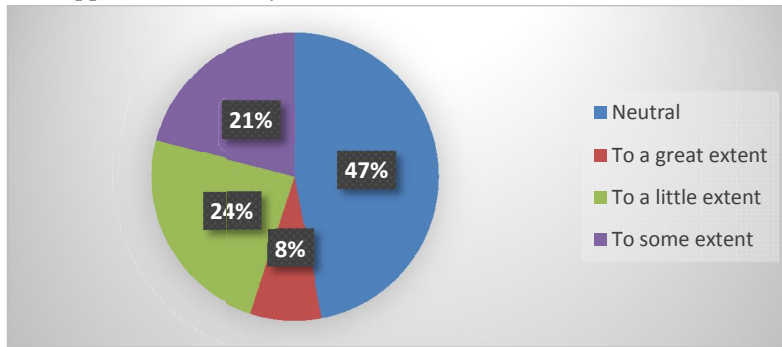


Fig 4.4: Graph showing the rating given by the respondents.

The chart shows that the appraisal system has a moderate impact, with 47% saying it contributes to some extent and 24% to a little extent, while 21% remain neutral. Only a small percentage (8%) see a strong impact. Overall, there is scope to improve its effectiveness to enhance employee motivation.

Q5. Performance appraisal is mainly used for:

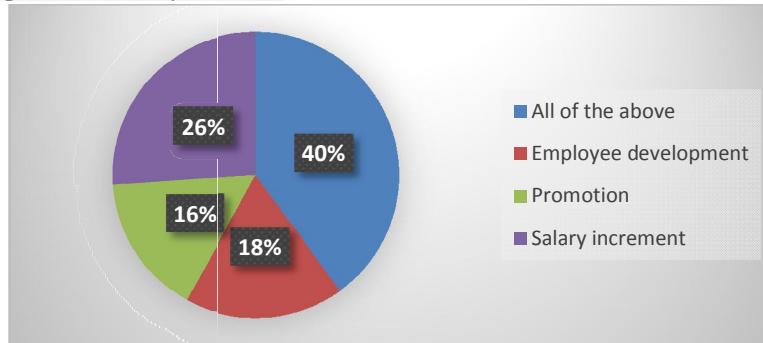


Fig 4.5: Graph showing the rating given by the respondents.



The chart shows that appraisal results are used for multiple purposes, with 40% selecting all options. Among specific uses, salary increment (26%) is the most common, followed by employee development (18%) and promotion (16%). Overall, the system is seen as serving combined decision-making purposes rather than a single role

Q6. HR uses appraisal data for decision-making:

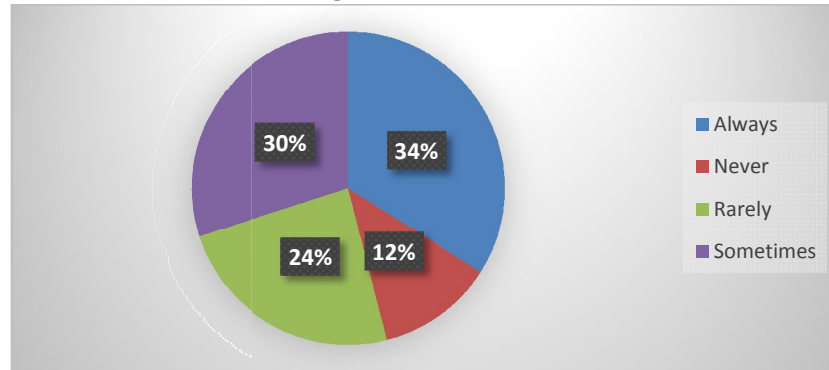


Fig 4.6: Graph showing the rating given by the respondents.

The chart shows that many employees receive this aspect regularly (34% always, 30% sometimes), but a significant number experience it rarely (24%) or never (12%). Overall, this indicates inconsistency, highlighting the need for more regular and uniform implementation.

V. FINDINGS AND CONCLUSION

The study highlights that employees have mixed but largely negative perceptions of the performance appraisal system. A significant number of respondents consider the process unfair, biased, and not transparent, which weakens their trust in the system. While appraisal results are used for multiple purposes such as salary increments, promotions, and development, they are often viewed as more administrative than developmental.

Additionally, the appraisal system shows only a moderate impact on employee motivation, suggesting that it is not fully effective in improving performance and satisfaction. Overall, the findings indicate a clear need for organizations to improve the appraisal process by making it more transparent, consistent, unbiased, and focused on employee growth, which can enhance trust, motivation, and overall organizational effectiveness.

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