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IMPORTANCE OF PERFORMANCE APPRAISAL AND ITS EVALUATION PARAMETERS OF EMPLOYEES IN INSURANCE COMPANIES

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ABSTRACT

Insurance industry is part of immune and repair systems of an economy. Successful operation of the industry sets impetus for other industries and development of an economy. Performance appraisal is important for employees at all levels through the organization. The parameters and standards for evaluation and improve efficiency of employees in Insurance Companies. The performance appraisal has become the heart of human resource management system in the organization. It is measures the performance of the employees and organization as a whole. This article focuses on performance appraisal system in insurance companies in general, based on the importance of performance appraisal in service organizations. Identifying the managerial practices and measures, those make employees effective and efficient in insurance companies, are the essence of this article. Right from strategy formulation to evaluation of performance of employee units, various aspects of performance appraisal are covered in this article. It is theoretical attempt to suggest key performance appraisal indicators and success factors for performance appraisal in insurance companies.

KEYWORDS

performance appraisal, performance appraisal parameters, importance, employee performance and Insurance Companies.

1. INTRODUCTION

Whenever there is uncertainty there is risk. We do not have any control over uncertainties which involves financial losses. The risks may be certain events like death, pension, retirement or uncertain events like theft, fire, accident, etc. Insurance is a financial service for collecting the savings of the public and providing them with risk coverage. The main function of Insurance is to provide protection against the possible chances of generating losses. It eliminates worries and miseries of losses by destruction of property and death. It also provides capital to the society as the funds accumulated are invested in productive heads. Insurance comes under the service sector and while employee participation¹.

The Insurance industry in India has seen an array of changes in the past one decade. The economic scenario which emerged after globalization, privatization and liberalization has thrown a new challenge before the insurance sector. Insurance, essentially in an arrangement where the losses experienced by a few one extended over several that are exposed to similar risks. Insurance is a protection against financial losses arising on the happenings of an unexpected event. Insurance companies collect premium to provide security for the purpose. In simple words it is spreading of risks among many people².

Performance appraisal system was started as a method for the justification of salary and wages. Every organization desires to develop a performance appraisal system, where sales force dominated there is evaluation practices for employees for improve work efficiency. Especially in insurance companies based on tasks, targets, product through employees for achieving organization goals. Insurance companies which consists of an established procedure for evaluating the work of employees on a regular basis such as daily meeting, on the job training, target evaluation, discussion with higher authority people. Most Insurance companies' appraisal system serves not only to determine how well an employee is working at his job, but also to decide on the ways to improve his performance. It describes the general policies and factors for the administration of performance in an organization. Companies' appraisal program is a combination of specific procedures, methods, and requirements for rating performance.

Insurance Companies Appraisal system Provides executive an opportunity to recall as well as feedback to people as to how they are doing so that they can correct their mistake and acquire new skill for reach targets and increase the sales force. Performance appraisal is actually an evaluation and acknowledgement of an employee's performance of given responsibilities and accountabilities in insurance companies. Evaluation and assessment is based on outcomes got by the employees' profession, not on the employee's personality features. The appraisal measures expertise and treated as a permanent developing advancement to accomplishments of employees with rational accuracy and equality. Appraisals are one of the utmost problematic Appraisals frequently record a valuation of an employees and challenging modules of human resource management. Appraisals are responsible for a familiar, standard, verified and an outline for potential and possible development. In diminutive, appraisal systems and profession decision are important for management.

2. REVIEW OF LITERATURE

Rohan Singh, Madhumita Mohanty, Mohanty. A.K (2013)³ in their research article evaluates about Performance appraisal practices in Indian service and manufacturing sector organizations. they were discuss performance appraisal has become a essential requirement of every organization to properly evaluate the performance of employees. In a lot of organizations, rarely is an effort made to discuss with its work force as to whether expected results, as predetermined, were met, exceeded or not. Today's employees want to know not only how they fit in with the targets of the organization for which they work but also what aspects of self-improvement is needed in their performance. The existing relationship between performance appraisal and employee performance in service and manufacturing sectors, which was the objective of this study was met and the variance have been projected. Performance appraisal has a important role to play on employee performance. Conducting periodical review of workforce performance by organizations has become a fundamental requirement which will help to shrink the gap between employee performance and successful attainment of its objectives.

Michael A. Akinbowale, Melanie E. Lourens, Dinesh C. Jinabhai (2013)⁴ in their article assessment about role of performance appraisal policy and its effects on employee performance in organization. However, effective performance appraisal policy remains a practical challenge to managers and employees because of cognitive, motivational and behavioral factors. At an organizational level, the performance appraisal policy impacts other human resources policies as well as organizational strategy. Authors mainly discuss and make view on the effectiveness of an organization's performance appraisal policy is a prerequisite for ensuring the success of its selection, training and employee performance. At a strategic level, the need for rapid and effective organizational changes in today's dynamic social, economic and political environment requires that employees continually re-align their performance with the evolving goals and objectives of the

organization. The need to continually re-align employee performance characterizes many organizational units which continue to struggle with getting their employees to embrace the philosophy and practices that are geared at enhance employee performance.

Muhammad Faseeh ullah khan (2013)⁵ in his research article explained regarding Role of Performance Appraisal System on Employees Motivation. In many organizations, reward decisions depend on subjective performance evaluations. However, evaluating an employee's performance is often difficult. In this paper, he was developing a model in which the employee is uncertain about his own performance and about the manager's ability to assess him. The manager gives an employee a performance appraisal with a view of affecting the employee's self perception, and the employee's perception of the manager's ability to assess performance. Research author examine how performance appraisals affect the employee's future performance. The predictions of model are consistent with various empirical findings. These comprise (i) the observation that managers tend to give positive appraisals, (ii) the finding that on average positive appraisals motivate more than negative appraisals, and (iii) the observation that the effects of appraisals depend on the employee's perception of the manager's ability to assess performance accurately.

Liza Estino Daoanis (2012)⁶ in his article explored about Performance appraisal system: It's Implication to Employee Performance in organization. Researcher discussed outcome of that massive adoption was the recognition and understanding of the dependency between accuracy, effectiveness, quality of the Performance Appraisal Process and organizational human resource development. he evaluate concept of Performance appraisal is very important within an organization that will help to evaluate the staff according to their tasks in order to ensure they conduct their job at a required standard which will effect on the compensation. In addition, it's significant to identify their skills, performance and to know there weakness and how to improve it within the department target. He suggest in his study appraisal system should be up-to- date with the improvement of the company and to satisfy the company goals.

Chris Obisi (2011)⁷ in their article analyze concept of employee performance appraisal and its implication for individual and organizational growth. Organizations should stop giving less attention to the evaluation of their employees and recognize that organizational training needs can only be identified from performance appraisal outcomes. It is an invaluable tool but in the hands of human resource management officers to continuously evaluates and audits the performance of its employees in other to help organizations win competitive advantage. And also suggest a major issue in performance appraisal is communication. If one's performance is not communicated to him or her, there would be no way the person's performance would improve in the subsequent future, which would definitely defeat the purpose of performance appraisal. In an industrial organization, if a supervisor fails to communicate to his subordinate in terms of strengths and weaknesses, the subordinate's future performance would be in jeopardy. In a university system, the heads of departments, should communicate the performance of their subordinates to them at the end of every appraisal exercise and discuss the outcome of the appraisal exercise with the subordinates during performance counseling exercise in order to improve their performance in the future.

S.LAVANYA⁸ in her research article discussed the study —Effectiveness of Performance Appraisal system in Insurance Sector concludes that performance appraisal system is the most important tool for an organization. There are various methods which are used by the organization to appraise the Performance of their employees. Performance appraisal increases the motivation level of the employees. They can be effectively used for planning purposes and to identify the problems and obstacles affecting employee's performance. Every organization has its own performance appraisal methods which are designed to evaluate the performance of employees in an organization. It also identifies the training and developmental needs. It serve not only to determine how well an employee is does his or her job but also to decide the ways to improve the performance. Through this system, employees are motivated to work efficiently and effectively organization. Appraisal help to create a system of motivation and rewards based on performance.

3. OBJECTIVES OF THE STUDY

Performance appraisal is not only evaluate employees it is also use some parameters, tools and methods for enhance employee performance, increase organization productivity and also increase individual targets in insurance companies.

- 1) To know performance appraisal and its evaluation parameters of employees in organization
- 2) To study importance and purpose of performance appraisal in organization
- 3) To evaluate overall performance appraisal in insurance companies
- 4) To explain theoretical concept of performance appraisal process in organization

4. CONCEPT OF PERFORMANCE APPRAISAL

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development.

MEANING AND DEFINITION

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, evaluation and improving the actual performance of an employee and also the future potential of the employee.

According to Flipppo, 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 assessing the performance of an employee during a given period of time and planning for his future⁹.

It is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze employee achievements and evaluate his contribution towards the achievements of the overall organizational goals.

5. OBJECTIVE OF PERFORMANCE APPRAISAL

The main objective of performance appraisals is to measure and improve the performance of employees and increase their future potential and value to the company. Other objectives include providing feedback, improving communication, understanding training needs, clarifying roles and responsibilities and determining how to allocate rewards.

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:

1. The supervisors measure the pay of employees and compare it with targets and plans.
2. The supervisor analyses the factors behind work performances of employees.
3. The employers are in position to guide the employees for a better performance.

An objective performance appraisal system should emphasize individual and insurance company's objective and also mutual objective. From the point of individual objective the performance appraisal such as

- 1) To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
- 2) To identify the strengths and weaknesses of employees to place right men on right job.
- 3) To maintain and assess the potential present in a person for further growth and development.
- 4) To provide a feedback to employees regarding their performance and related status.
- 5) To provide a feedback to employees regarding their performance and related status.
- 6) It serves as a basis for influencing working habits of the employees.
- 7) To review and retain the promotional and other training programmes¹⁰.

From the organizational view point, a performance appraisal should generate manpower information, improve efficiency and effectiveness, serves as mechanism of control and provide a rational compensation structure. In short, the appraisal system establishes and upholds the principle of accountability in the absence of which organization failure is the only possible outcome.

In general, the main objective of performance appraisal is to measure and improve the performance of employee and increase their future potential and value to the company. Other objectives include providing feedback, improve communication, understanding training needs, clarifying roles and responsibilities and determining how to allocate rewards. These are discussed as under

Measuring and improving performance: the main objective performance appraisal is to measure and improve the performance of employees and increase their future potential and value to the company.

Provide feedback: the feedback received by the employee can be helpful in many ways. It gives insight to how supervisors value your performance, highlights the gap between actual and desired performance and diagnoses strengths and weaknesses as well as shows area for improvement.

Improve communication: the method of performance appraisal helps superior strengthen relationship and improve communication with employees.

Training needs: These appraisals also identified the necessary training and development the needs to close the gap between current performance and desired performance.

Clarity of expectation: performance appraisal should clarify roles, responsibilities and expectation of all employees.

Allocate rewards: performance appraisal reduce employee grievances by clearly documenting the criteria used to make organizational decision such as promotion, raises or salary hikes, etc.

6. ADVANTAGES OF PERFORMANCE APPRAISAL

It is said that performance appraisal is an investment for the company which can be justified by following advantages:

- 1) **Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
- 2) **Compensation:** Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which include bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.
- 3) **Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyze strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.
- 4) **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.
- 5) **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:
 - a. Through performance appraisal, the employers can understand and accept skills of subordinates.
 - b. The subordinates can also understand and create a trust and confidence in superiors.
 - c. It also helps in maintaining cordial and congenial labour management relationship.
 - d. It develops the spirit of work and boosts the morale of employees.
 - e. All the above factors ensure effective communication.
- 6) **Motivation:** Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future¹⁰.

7. IMPORTANCE OF PERFORMANCE APPRAISAL IN INSURANCE COMPANIES

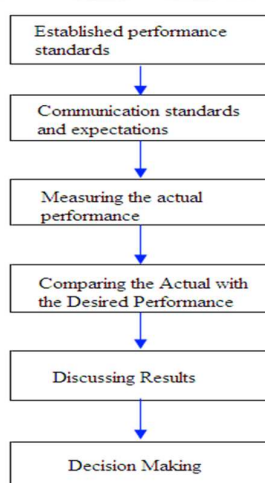
Performance appraisal provides important and useful information for the assessment of employee's skill, knowledge, ability and overall job performance. The following are the points which indicate the importance of performance appraisal in Insurance Companies:

- 1) Performance appraisal helps supervisors to assess the work performance of their subordinates.
- 2) Performance appraisal helps to assess the training and development needs of employees.
- 3) Performance appraisal provides grounds for employees to correct their mistakes, and it also provides proper guidance and criticism for employee's development.
- 4) Performance appraisal provides reward for better performance.
- 5) Performance appraisal helps to improve the communication system of the organization
- 6) Performance appraisal evaluates whether human resource programs being implemented in the organization have been effective.
- 7) Performance appraisal helps to prepare pay structure for each employee working in the organization.
- 8) Performance appraisal helps to review the potentiality of employees so that their future capability is anticipated¹¹.

8. PROCESS OF PERFORMANCE APPRAISAL

A performance appraisal or performance review, is a formal interaction between an employee and manager. This is when the performance of the employee is assessed and discussed in thorough detail, with the manager communicating the weaknesses and strengths observed in the employee and also identifying opportunities for the employee to develop professionally.

FIG. 1



1) ESTABLISHING PERFORMANCE STANDARDS

In this Insurance Companies use as the base to compare the actual performance of the employees for enhance employee performance. In this step Insurance Companies requires to set the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear, easily understandable and in measurable terms. If employee doesn't come up to expectance, then it should be taken extra care for it. Insurance Companies set standards for enhance employee performance for achieve organizational goal.

2) COMMUNICATING THE STANDARDS

It is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained. This will help them to understand their roles and to know what exactly is expected from them.

3) MEASURING THE ACTUAL PERFORMANCE

The most difficult part of the performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a nonstop process which involves monitors the performance all over the year. This stage requires the watchful selection of the suitable techniques of measurement, taking care that individual bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.

4) COMPARING THE ACTUAL WITH THE DESIRED PERFORMANCE

In this the actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance.

5) DISCUSSING RESULTS

The result of the appraisal is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better.

6) DECISION MAKING

The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, demotions, transfers etc¹².

9. PARAMETERS OF EMPLOYEE EVALUATION IN INSURANCE COMPANIES

Numerous methods have been devised to measure the quantity and quality of performance appraisals in Insurance Companies. Each of the methods is effective for some purposes for some service sector like Insurance Companies only. None should be dismissed or accepted as appropriate except as they relate to the particular needs of the organization and an employee.

PAST ORIENTED METHODS**ESSAY APPRAISAL METHOD**

This traditional form of appraisal, also known as "Free Form method" involves a description of the performance of an employee by his superior. The description is an evaluation of the performance of any individual based on the facts and often includes examples and evidences to support the information. A major drawback of the method is the inseparability of the bias of the evaluator.

STRAIGHT RANKING METHOD

This is one of the oldest and simplest techniques of performance appraisal. In this method, the appraiser ranks the employees from the best to the poorest on the basis of their overall performance. It is quite useful for a comparative evaluation.

PAIRED COMPARISON METHOD

A better technique of comparison than the straight ranking method, this method compares each employee with all others in the group, one at a time. After all the comparisons on the basis of the overall comparisons, the employees are given the final rankings.

CRITICAL INCIDENTS METHOD

In this method of Performance appraisal, the evaluator rates the employee on the basis of critical events and how the employee behaved during those incidents. It includes both negative and positive points. The drawback of this method is that the supervisor has to note down the critical incidents and the employee behaviour as and when they occur.

FIELD REVIEW

In this method, a senior member of the HR department or a training officer discusses and interviews the supervisors to evaluate and rate their respective subordinates. A major drawback of this method is that it is a very time consuming method. But this method helps to reduce the superiors' personal bias.

CHECKLIST METHOD

The rate is given a checklist of the descriptions of the behaviour of the employees on job. The checklist contains a list of statements on the basis of which the rater describes the on the job performance of the employees.

GRAPHIC RATING SCALE

In this method, an employee's quality and quantity of work is assessed in a graphic scale indicating different degrees of a particular trait. The factors taken into consideration include both the personal characteristics and characteristics related to the on the job performance of the employees. For example a trait like Job Knowledge may be judged on the range of average, above average, outstanding or unsatisfactory.

FORCED DISTRIBUTION

To eliminate the element of bias from the rater's ratings, the evaluator is asked to distribute the employees in some fixed categories of ratings like on a normal distribution curve. The rater chooses the appropriate fit for the categories on his own discretion¹³.

FUTURE ORIENTED METHODS**MANAGEMENT BY OBJECTIVES**

It means management by objectives and the performance is rated against the achievement of objectives stated by the management. MBO process goes as under. MBO represents a modern method of evaluating the performance of personnel. Thoughtful managers have become increasingly aware that the traditional performance appraisal systems are characterized by somewhat antagonistic judgments on the part of the rater. There is a growing feeling nowadays that it is better to make the superior work with subordinates to exercise self control over their performance behavior. MBO thus represents more than an evaluation programme and process.

- Establish goals and desired outcomes for each subordinate
- Setting performance standards
- Comparison of actual goals with goals attained by the employee
- Establish new goals and new strategies for goals not achieved in previous year.

PSYCHOLOGICAL APPRAISALS

These appraisals are more directed to assess employees' potential for future performance rather than the past one. It is done in the form of in-depth interviews, psychological tests, and discussion with supervisors and review of other evaluations. It is more focused on employees emotional, intellectual, and motivational and other personal characteristics affecting his performance. This approach is slow and costly and may be useful for bright young members who may have considerable potential. However quality of these appraisals largely depends upon the skills of psychologists who perform the evaluation.

ASSESSMENT CENTERS

This technique was first developed in USA and UK in 1943. An assessment center is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviors across a series of select exercises or work samples. Assessments are requested to participate in in-basket exercises, work groups, computer simulations, role playing and other similar activities which require same attributes for successful performance in actual job. The characteristics assessed in assessment center can be assertiveness, persuasive ability, communicating ability, planning and organizational ability, self confidence, resistance to stress, energy level, decision making, sensitivity to feelings, administrative ability, creativity and mental alertness etc.

360-DEGREE FEEDBACK

It is a technique which is systematic collection of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self. In fact anyone who has useful information on how an employee does a job may be one of the appraisers. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feedback is useful. 360-degree appraisals are useful to measure interpersonal skills, customer satisfaction and team building skills. However on the negative side, receiving feedback from multiple sources can be intimidating, threatening etc. Multiple raters may be less adept at providing balanced and objective feedback¹⁴.

10. CONCLUSION

The main purpose of explaining concept of performance appraisal in this research work is to identify the importance of performance appraisal of employees including significance, objective, importance, process of performance appraisal in organization. The study reveals that performance appraisal helps to employees for achieve organizational objective and increase individual performance. The performance appraisal is important for every employees and organization. The parameters, the characteristics and the standards for evaluation are different but the fundamentals of performance appraisal are the same. Insurance Companies should adopt behavioural performance appraisal system and management by objectives as the appraisal systems were found to be conceptually significant in influencing employee's relationship and improving employee's productivity. The company's management should therefore utilized targets, accomplishments, organization goals, employees management and efficiency for performance measure purposes and the appraisal process as this would lead to increased in employee's productivity and organizational goals.

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