A study on effective performance appraisal, job satisfaction and employee engagement in multinational company- a case study

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Abstract:

Evaluating individual performance is a human resources process that exists in one or another form in any organization. Most of the managers and employees have only a few positive things to say about Performance Appraisal and many of them even dislike it. The aim of the research is to investigate the employees' opinions about the performance appraisal and their attitude towards work. In this paper, the authors seeks answers to the following questions: How clearly do employees understand the purpose and outcome of the PA process? How frequent do they receive feedback and is the feedback clear enough?

Introduction:

The enormous transformation processes that take place in the social, political and economic areas drive the need for organizations to become more responsive to the rapid development of the global strategies and the local operational levels. Human Resource Management focuses on personnel related areas such as job design, resource planning, performance management system, recruitment, selection, compensations and employee relations. Out of these one function plays a critical role for the global success of the organization and this is performance evaluation. It is more significant than other processes because its outcomes indicate the success of the realization of the other areas in the field of Human Resources (recruitment, selection, placement, adaptation, training of the employees and other personnel activities). Building block for enhancing performance is creating a performance culture and implementing the performance management process. Assumptions of corporate management are that this culture makes people be truly engaged in the business of the organization. (Reid & Hubbell 2005).

Purpose and Research Questions

Evaluating individual performance is a human resources process that exists in one or another form in any organization. Most of the managers and employees have only a few positive things to say about Performance Appraisal and many of them even dislike it.

The aim of the research is to investigate the employees' opinions about the performance appraisal and their attitude towards work. In this paper we seek answers to the following questions:

How clearly do employees understand the purpose and outcome of the PA process?

How frequent do they receive feedback and is the feedback clear enough?

Methodology

In this paper we have decided to use a case study approach in a single Indian organization, which is a reputable multinational company. Data for the analysis was collected from the existing available sources of information including company guidelines, communication packs and from qualitative interviews – interviews with HR practitioners and interviews with line managers. In addition a questionnaire was distributed to company employees.

Based on the surveyed questionnaires the author drew a conclusion if there is a correlation between clear purpose and understanding of performance appraisal, timely and consistent feedback on individual performance and their eventual effect on the employees' satisfaction and engagement to the company. Assumption is that more engaged employees are more stimulated to stay in the organization and to work harder for meeting business objectives.

The hypothesis is:

"There is a correlation between clear purpose and understanding of performance appraisal and the level of satisfaction and staff engagement"

Through the questionnaires, the authors sought responses on two types of questions for both parts of the hypothesis. Answers will be reviewed and analyzed with the support of a statistical method.

There are some recommendations for best practice use and improvement of the appraisal process in the final part of the research. They would be sourced again from the interviews with line-managers and the literatures examined.

Purpose and benefits of the performance appraisal

According to Malcolm and Jackson (2002) there are three main groups of purposes:

- **Performance reviews** –managers discuss with employees the progress in their current positions, their strengths and areas requiring further development;

- **Potential reviews** – the discussion is about employees' opportunities for progression, and the type of work they will be fitted for in the future and how this can be achieved,

- **Reward reviews** – usually separate discussion but linked to the appraisal system. The manager communicates decisions on rewards such as pay, benefits or promotion and provides feedback.

Let's have a look at the most critical benefit of the appraisal process. Generally these could be divided in 3 categories according to their importance for the organization, manager or employee:

Benefits of performance appraisal

BENEFITS FOR THE ORGANIZATION:

Performance Appraisal could be an effective source of management information, given to employees. Performance reviews are focused on contributions to the organizational goals. Some forms of these reviews include the question "What organizational goals were contributed to and how?"

Outcomes of performance appraisal can lead to improvements in work performance and therefore overall business performance via, for example increased productivity or customer service.

Malcolm and Jackson (2002) outline four different benefits for the organization. These are targeted training approach based on identified needs, future employee promotion decisions, effective bases for reward decisions and improved retention of employees. The importance of performance appraisal for training and promotion needs is also discussed by Mullins (1999).

Besides, he identifies an additional benefit: performance appraisal can help to identify inefficient work practices or reveal potential problems, which are restricting the progress of the company. Derven (1990) and Mullins (1999) suggest that performance appraisal can help the organization to identify the talented employees and future leaders in the company.

Derven (1990) believes that there is a straight connection between the job of an individual and the strategic goals of the organization and this can directly increase the profitability of the company. He gives an example that advantage can be achieved when a company builds its appraisal systems on measuring customer satisfaction.

BENEFITS FOR THE MANAGER:

The annual meeting gives an opportunity to the manager to formally recognize good performance and this would lead to more motivation from the workers (Derven 1990). Modern systems for performance appraisal depersonalize issues. Supervisors focus on behaviors and results, rather than on personalities. Such systems support ongoing communication, feedback and dialogue about organizational goals. Also they support communication between an employee and a supervisor. Performance appraisal provides a clear target of job standards and priorities and ensures more trust on the relation manager–worker (Derven 1990). Other management benefits of Performance Appraisal are the identification of high performers and poor performers as well as the identification of strengths and development areas. (Jackson & Schuller 2002).

BENEFITS FOR THE EMPLOYEE:

Performance appraisal takes into account the past performance of the employees and focuses on the improvement of the future performance of the employees. It gives the staff the opportunity to express their ideas and expectations for the strategic goals of the company (Mullins 1999). Employees can find what is expected from them and what the consequences of their performance are. Ideally they receive a fair and analytical feedback for their performance (Derven 1990). Performance appraisal helps to rate the performance of the employees and evaluate their contribution towards the organizational goals. It helps to align the individual performances with the organizational goals and also review employees' performances. Besides, enhancing motivation appraisal is about involvement in the 'big picture'- responsibility, encouragement, recognition for effective delivery and effort (Malcolm and Jackson, 2002). Performance Appraisal is a motivation for the employee, who performs well in the present to go on doing so and in the future (Derven 1990).

Performance appraisal and employee engagement

There are several definitions for Employee Engagement.

Organizational systems and the importance of practices were studied by Huselid (1995). He found considerable support for the hypothesis that investments in high-performance work practices are associated with lower employee turnover and greater productivity and corporate financial performance. His results were based on a US national sample of nearly one thousand firms and indicated that HR practices that foster high performance also have an economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance.

Wright, Gardner and Moynihan (2003) ran a research whose results support the notion that businesses which manage employees by using more progressive HR practices can expect to see higher operational performance as a result.

Herzberg (1959) outlines some theories about work motivation. According to Hertzberg key motivators are achievement, recognition, responsibility, advancement and personal growth. These are also the elements of employee engagement.

It seems that when employees are managed with progressive HR practices they become more committed to their organization. At least in part, this commitment leads them to exhibit proper role behavior (and thus lower workers' compensation costs, higher quality and higher productivity). These operational performance outcomes result in lower overall operating expenses and higher profitability.

Another important dimension of employee engagement power is closely related to business results. When the working environment is positive employees have a drive to do their best and the organization experiences higher level of productivity and profitability. Satisfied employees are positive and behave friendly to customers, which usually brings higher profits. Organizations with engaged employees have more satisfied customers because employees are also improving other factors, such as customer satisfaction, responsiveness, product quality, innovation. In the end higher engagement results into higher and faster revenue growth.

Treacy (2004) demonstrate the relation between double-digit growth companies and engagement. Employee Engagement scores were about 20% higher in double-digit versus single-digit growth companies. Numerous studies researching the linkage engagement – overall business performance have been published. To date, a lot of employee engagement research has been conducted by consulting firms and studies that validate engagement models have yet to appear in scientific journals. Based on these studies, there is evidence that aggregated employee opinions relate fairly strongly to important business outcomes. Are business units profitable because their employees are engaged or are employees engaged because they work for profitable units?

This is a question that needs to be explored in depth in the future studies.

Feedback

One of the most critical parts of the appraisal process is the direct communication between supervisor and individual. The information reflecting past performance and results and given by the manager to the employee is called feedback. It improves the effectiveness and helps in decision making within the organization. The feedback directs the individual to the organization missions and objectives.

Performance appraisal system in Accenture:

About the company

Accenture is a multinational management consulting, technology services, and outsourcing company. Its incorporated headquarters have been in Dublin, Ireland since September 1, 2009. It is the world's largest consulting firm as measured by revenues and is a Fortune Global 500 company. As of 2014, the company reported net revenues of $31.87 billion with approximately 323,000 employees, serving clients in more than 200 cities in 120 countries . In 2012 Accenture had about 80,000 employees in India, more than in any other country, about 40,000 in the US, and about 35,000 in the Philippines. Accenture's current clients include 89 of the Fortune Global 100 and more than three-quarters of the Fortune Global 500. Accenture common equity is listed on the New York Stock Exchange, under the symbol ACN, and was added to the S&P 500 index on July 5, 2011.

In the observed company "Accenture", performance appraisal is a process part of the performance management, designed to increase employee's current motivation by providing feedback on strengths, weaknesses and development areas. The company management believes that an effective improvement of the individual performance brings improvement of the overall business performance of the organization and creates a performance driven environment.

Performance appraisal process in "Accenture" is part of the performance management system. In the performance review the line-managers discuss with the employees their strengths and development areas in order to stimulate them for further improvement on individual level. In the potential review line-managers discuss future career opportunities and how these can be achieved by identifying employees' development needs and career expectations. Reward review is a discussion, where line-managers communicate basic-pay, variable pay, promotions, benefits, etc.

"Accenture" uses the combined methods in their performance appraisal system. The company uses Management by objectives plus Behaviors assessment since both performance and behaviors are seen as equally important factors. "Accenture" is using a method for ranking employees based on relative comparison. Results are used for reward decisions at the end of the appraisal cycle."Accenture" has moved out the Forced distribution method and replaced it with an average budget rule. This was made because labeling of people based on their performance was seen as inappropriate. "Accenture" experience suggests that once a person falls in the Good category they will have difficult times to get out of it and move into Very Good although they might have changed performance level significantly. Currently used Individual Performance factor in the

range of 0.5 to 1.5 with an average budget of 1.03 used as a method of control is seen as more fair and objective and is also preferred by employees and managers. However, the tendency to rank most people in the middle 0.8 and 1.2 in order to achieve an average of 1.03, still exists and is difficult to be avoided. 360-degree feedback is a widely used tool. There is an electronic questionnaire that is available for all employees to receive feedback from their superior, peers and subordinates. Once the employees receive feedback summary, usually they discuss it with their managers and determine together a course of development actions.

DATA COLLECTION

The required information needed for the thesis was collected through the use of questionnaires and interviews.

THE QUESTIONNAIRE METHOD

The questionnaire was composed in a brief and appropriate language to avoid ambiguity and to attract respondent's interest.

The questionnaire consists of different types of questions. Information about the demographic data of the participants is gathered from the multiple choice questions (closed), which just required that the right answers be ticked by the respondents. The demographic questions are used to correlate response between different types of groups. It is very important to find whether responses are consistent across groups. The main part of the questionnaire, which concerns the hypothesis of the thesis, consists of likert-scale questions. These questions help us to find how strongly the respondents agree with a particular statement. The answers of the questions are based on five-level scale and the options are: strongly agree, agree, neither agree or disagree, disagree, strongly disagree. In the research, there are also questions that require only YES/NO as well as unstructured questions (open ended) which allow the respondents to reply in their own words and give freedom of opinions.

The author has used almost all types of questions in our questionnaire to confirm or reject our hypothesis and to find our conclusions and recommendations.

THE INTERVIEW METHOD

The interview method was also used to find some information needed for the research, which could not be found through questionnaire such as the structure of performance appraisal in the company, the importance of the process for the profitability of the company and for the level of engagement.

METHODS OF DATA ANALYSES

Tables and simple percentages were used in analyzing the variables. To test the psychometric properties of the three we carried out item total correlations and calculated the means, standard deviations and Cronbach Alpha's.

CRONBACH ALPHA

Reliability can be expressed in terms of stability, equivalence and consistency of a test. Consistency check, which is commonly expressed in the form of Cronbach coefficient, is a popular method. Generally speaking, the higher the Alpha is, the more reliable the test is. There isn't a commonly agreed cut-off. Usually 0.7 and above is acceptable. (Nunnally, 1978). It is a common misconception that if the Alpha is Low, it must be a bad test.

LEVEL OF SIGNIFICANCE

For this study, the level of significance is 5%. This means if the probability is less than or equal to 5 %, then the null hypothesis is rejected and the outcome is statistically significant.

Hypotheses testing

The main hypothesis of the study is that two factors – clarity of Performance appraisal and frequency of feedback influence the subjects:

- Satisfaction with their relationship with the manager

- Comprehension of performance appraisal policies

- Satisfaction with the company

The 2 factors in our study are the questions 1. My manager discusses regularly my job performance with me and 2. I clearly understand my manager's comments and opinions during the feedback. The subjects are the measured scales, which are described in the previous paragraph.

To test them we ran 6 regression analyses, each measuring scale with each of the questions. Each of the regressions has a dependant variable which is one of the three scales and also an independent variable which is one of the questions. The regressions could be found in table 1.

The Independent variables are from the first questions of the questionnaires and these are as follows:

Frequency – q1. My manager discusses regularly my job performance

Clarity - q2. I clearly understand my manager's comments and opinion during the feedback

The dependent variables are from the measured scales above and are as follows:

Scale 1 – Satisfaction with manager relationship

Scale 2 – Satisfaction with Performance policies

Scale 3 – Job/Company Satisfaction

Table 1

	Independent Variable	Dependent Variable	R-Square	F(40,5)	Level of Significance of the regression	Beta	Level of Significance of Beta
Regression 1	Frequency	Scale 1	0.343	3.66	0.009	0.429	0.005
Regression 2	Clarity	Scale 1	0.452	5.77	0.001	0.586	0.001
Regression 3	Frequency	Scale2	0.309	3.13	0.019	0.418	0.006
Regression 4	Clarity	Scale2	0.386	4.39	0.003	0.518	0.001
Regression 5	Frequency	Scale 3	0.365	4.01	0.006	0.441	0.003
Regression 6	Clarity	Scale 3	0.33	3.45	0.012	0.41	0.007

To exclude the possible influence of age/gender/location and whether the person is a manager or not, the authors have added them in the regression equations as control variables. Also, constants have been included.

The first regression tests the influence of frequency of Performance Appraisal discussion on the relationship with the manager. The model is significant (F (40, 5) = 3.66, p< 0.05). R-Square for the model is 0.343. The influence of frequency of Performance Appraisal policy discussion on relationship with the manager was also significant. Beta = .429, p<0.05). The more frequently Performance is discussed, the more satisfied the employee is with his/her relationship with the manager, notwithstanding the employee's gender, age or job position.

The second regression tests the impact of clarity of presenting Performance appraisal policies on the relationship with the manager. This regression is also significant, (F (40, 5) = 5.77, p<0,05). R square is 0.452. The influence of clarity on the relationship with the manager is also significant (Beta 0.586, p<0,05). **Conclusion:** The clearer the performance Appraisal process, the more satisfied the employee is with the manager, notwithstanding the employee's gender, age or job position.

The third regression tests the influence of frequency of Performance Appraisal on Comprehension of Performance Appraisal policies. The dependent variable in this regression model is Comprehension of Performance Appraisal policies. The independent variable is frequency of Performance Appraisal. The regression model is significant (F (40, 5) =3.13, p<0.05). R-Squared is 0.309. The direct influence of frequency is also significant Beta=.418, p< 0.05. **Conclusion:** The more frequently performance is assessed and discussed, the more easily employees understand the Performance Appraisal process, notwithstanding the employee's gender, age or job position.

The fourth regression tests the impact of the clarity of feedback on the Performance Appraisal comprehension. The dependent variable in the regression equation is Performance Appraisal comprehension, the independent – clarity of Performance Appraisal, with control on age, gender, location and job position. As it can be expected the model is significant (F (40,5) = 4.39, p< 0.05). R-Square is 0.386. The influence of clarity on comprehension is also significant (Beta = 0.518, p< 0.05). **Conclusion:** The clearer the feedback is communicated, the more easily it is comprehended, notwithstanding the employee's gender, age or job position.

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The fifth regression tests the influence of the factor frequency of Performance Appraisal discussion on company satisfaction. Thus the dependent variable in the regression model is Company satisfaction (measured with the developed Company satisfaction scale) and the independent variable is Frequency of Performance Appraisal (measured on a five point Likert type scale with the question 'My manager discusses regularly my job performance with me). The results show that the model is significant F, $(40, 5) = 3.08$; $p < 0.05$). R-Squared is 0.365. The influence of PA frequency on satisfaction with the company is also significant (Beta = .308, $p < 0.05$).

In other words notwithstanding the employee's age, gender or job position the more frequent Performance is reviewed, the more satisfied he/she is with the company, notwithstanding the employee's gender, age or job position.

The last regression tests the influence of the independent variable Clarity of Performance Appraisal on Company satisfaction. The results show that the regression model is significant, F($(40, 5) = 3.45$, $p < 0.05$). R-Squared is 0.33. The impact of clarity on company satisfaction is also significant, Beta = 0.41, $p < 0.05$). **Conclusion:** We can conclude that the more clearly Performance assessment is presented to the employee, the more satisfied he/she is, notwithstanding the employee's gender, age or job position.

Hypotheses findings

We can say that there is a correlation between the clear purpose and understanding of performance appraisal and the level of satisfaction and staff engagement, based on the conclusion, received from the regressions. Therefore we can say that our main hypothesis could be accepted. Having reached these conclusions there is however an important issue that needs to be tackled – this is the issue of reverse causality. Within the framework of the present study there are two aspects in which it can be considered. The first one can be formulated in the following way: Does work satisfaction make employees more satisfied with frequency and clarity of feedback? The answer to this question pertains to the application of statistical methods. There is no statistical procedure that by itself defines which one of the variables measured is a factor and which one is an outcome. This decision is taken at a theoretical level and is reflected in the overall design of the study. As we know regression coefficients show the correlation between the variables. They do not define the causal relationship. If we switch the places of the variables in the regression equation we will obtain almost the same result. I say almost the same result because there might be some slight differences with respect to the relations with the control variables but these differences will not show us which variable is the cause and which is the outcome. The direction of the relationship between the variables can be obtained only in a genuine experimental study. The present study however is quasi experimental and the causal relationship is defined at a theoretical level.

The second aspect in which the issue of reverse causality arises in the present study is the possibility the overall positive evaluation of work, of relationship with a manager and of enterprise to influence in a positive way the evaluations of frequency of appraisal and clarity of feedback. This question pertains to the so called halo effect which always 'accompanies' human social perception. For example if we like someone in general we tend to evaluate more positively all his/her characteristics – intelligence, benevolence, honesty etc. The same applies to products, organizations, nations etc. This tendency affects negative evaluations as well. A possible way to control this effect is to use independent quantitative criteria for some of the measured variables. For the present study such a measure can be to trace the actual frequency of feedback for each one of the respondents. Unfortunately, however, this was impossible to apply to this particular study because it would have needed a team of investigators and interviewers to do this job and would have made the study too expensive. We have tried to avoid the effect by phrasing the questions in a way that does not presuppose suggestion. Thus in the questionnaire there was no question phrased as 'are you satisfied with the frequency of feedback'. This would have lead to much greater interplay between general satisfaction and its concrete manifestations. Instead the respondent was first asked how often he/she received feedback. Then followed couple of questions which were not related to the frequency of feedback and toward the end of the questionnaire appeared the question, addressing job satisfaction.

SET GOALS EFFECTIVELY

Individual goals should derive from strategic direction and overall company goals. Typically the process should start with senior functional managers setting goals for their departments, based upon organization-wide goals that support the business strategy. From this level target setting is cascading down to the organization. Best practice is the employees to receive targets by their managers first and then they could set and

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agree their own ones. This could help employees to see how their individual targets relate with the company's objectives on a higher level. (Murphy & Cleveland 1998)

Another aspect is that goals should be written down objectively and clearly so that the expectations of the employee and the manager could be aligned. (Latham & Yukl, 1975) Writing down goals effectively becomes easier when using the accepted framework of SMART goals. When goals are specific, measurable and time-based, assessing and tracking progress becomes easier. Establishing SMART goals provides clarity upfront to employees who will be evaluated later against these goals.

PREPARATION IS THE KEY

Effective appraisal process requires serious preparation work to be done both by the employee and the manager. They should know why appraisal exists, what the objectives and expected results are. Obviously when this information comes from the top it demonstrates management focus and relevance of the process for the overall company performance. (Murphy & Cleveland 1995)

Employees should be informed, usually by HR department or by their managers, how to prepare for the process. They should understand the connection between Performance management and the other HR processes. On the internal website of "Accenture" there are a lot of materials to educate and prepare both staff and managers upfront, there are also e-learning tools and DVDs that describe a good performance discussion and comment on potential pitfalls.

HR department specialists in "Accenture" shared that in the beginning it was difficult especially for the young newcomers to see the relevance of Performance Appraisal and this is the reason why the staff usually do not put sufficient efforts in preparation in the first year. Gradually they started generating experience and learn from each other and usually in the second or third year when the staff become aware of the benefits of Performance Appraisal. From appraisal discussion employees can learn where they currently stand versus Line Manager's expectations, what the formal opinion about their performance is and what they could do differently in order to address any performance or behavioral gaps.

FOCUS ON DEVELOPMENT

Discussion around staff development is a weak area, survey respondents confirmed that the focus on the development as part of the Performance Appraisal process should increase. The discussion should allow time both parties to discuss development areas and to design and agree learning interventions that will help people to address their current skills gaps. The employees expect Line Managers to put more effort and provide further career guidance and counseling and support people to see their possible short and medium term development. This is an area which also requires preparation. Line Managers should be seeking some advice from HR advisors about how to handle staff development discussion. One of the respondents' comments: "I think that the performance appraisal should have a greater influence on my career development ".

Use of the GROW model, a technique for goal setting, defined by Sir John Whitmore (1996), could provide a good structure for the development part of the appraisal discussion. It contains Goals (what do you want to be), Reality (where are you now), Option (how could you get there) and Wrap-up (what would you do) and could be used as a basis for effective communication in the appraisal meeting.

In the discussion one of the topics on development could be the current gaps and future job opportunities. Based on this, a learning and development plan could be drafted.

OPEN AND HONEST FEEDBACK

"There should be a mechanism to reflect not only the personal opinion of the line manager, but of other people (peers, subordinates, higher managers) as well in an objective way of feedback. Performance should be assessed against clearly specified and agreed tasks and targets and not in comparison to the perceived performance of other employees."

This opinion, expressed by one of the participants, demonstrates expectation for improving the feedback collection process. The employee believes that objectivity in assessment process will improve through collecting feedback. Although there is a well defined process of feedback collection in "Accenture" in some cases line managers probably miss the opportunity to collect input from others. Employees can suggest

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relevant references and managers should seek additional feedback from others in the organization about the performance of their own staff. Collecting information from different sources increases objectivity and ensures all elements of performance to be covered. Often in "Accenture" employees are requested to do a self-evaluation and submit evidence which could be a good practice. Use of 360 degree feedback can be also very helpful because here the self evaluation can be compared with the evaluation of the others against the same performance criteria. Accenture uses 360 as an additional tool for evaluating employees.

Another element – objective and consistent feedback – delivers a constructive and honest feedback. (Lepsinger & Lucia 1997). It helps employees to understand their strengths and weaknesses and the areas in which they need to improve their performance. Managers should not only be able to give feedback but also to suggest corrective behaviors. Because of its sensitivity the feedback should be given with care, without personal criticism which might hurt the individual. Special attention must be given when delivering negative feedback in order to get credibility and use it constructively for future performance improvement. The manager should make sure that the message is well understood and criticism is accepted by the individual.

Subjective, unsubstantiated comments, vague statements and criticism delivered in a de-motivating manner can compromise the overall process. Giving feedback to employee requires higher level of coaching skills. Generally speaking, supervisors like to be messengers for the good news and tend to avoid difficult discussions and deal with underperformance. The best way of doing this is to deliver a constructive and balanced picture of how the company views their performance and what development opportunities might help them to make a positive progress. Complying with best practices requires line managers to avoid their own prejudices and focus on the behaviors and the quality of the performance and not on the individual traits.

Credible and specific feedback could play a positive role in boosting individual confidence and motivation. There are specific techniques for giving constructive and effective feedback and managers who want to strive for perfection should be aware of best practices.

In organizations with a performance-driven culture it is also acceptable for managers to seek feedback from their subordinates. This is considered to be a best practice – open and honest feedback from employees to their managers without fear of consequences demonstrates mutual respect and shows that valuing differences is a principle of people management.

LINE MANAGER'S ROLE

"The quality of performance appraisal process depends on high level of the line manager leadership skills, experience and maturity. The fairness of the assessment is currently cross-checked in ranking sessions. However the leadership skills and abilities of the line managers should be further monitored and improved for a higher quality of the performance appraisal process."

This one and many other views expressed by respondents confirm the criticality of manager's role in the process. Managing expectations and performance of another person is not an easy task because it requires from line manager to know how to achieve goals through other people. Managers need to understand the psychology of human behaviors by observing people reactions. They should know what factors could be motivating for each individual, how to coach and develop as well how to resolve conflict situation. As people usually have high expectations for their leaders, managers, especially newly recruited or promoted, should be educated and trained in people management skills and should carefully prepare themselves for the appraisal cycle.

A supervisor's attitudes and skills in the appraisal process are crucial – care, empathy, listening, coaching and influencing, asking the right questions, paraphrasing, summarizing, etc. (Armstrong & Baron 1998). These are skills that can and should be trained. In order that supervisors could concentrate on improving their skills my recommendation is that supervisors be appraised for the quality of the evaluation process. In cases where the employee is very confident and willing to challenge manager's opinion and the boss does not have sufficient competence level, the discussion could go easily off track with little or no benefit to the employee.

APPRAISAL DISCUSSION

Preparation for the appraisal meeting should start early. The place and time of the meeting and the atmosphere are important factors for the success of conversation. The purpose of the meeting and the agenda should be set first. The line manager should begin the discussion with job

requirements, strengths and accomplishments observed in the past period. Managers must be well prepared to listen and discuss, he/she needs to have relevant evidence and be able to provide facts for their judgments so that their comments be accepted as credible by the employee. The meeting should be a discussion not a line manager's one-way communication. Best practice recommended by Walters (1995) shows that the employee should talk 70-80% of the time about how they feel, what achievements they have made, what was not achieved and why, what career objectives they have and how they see their future in the organization. In order to successfully make the employee talk the manager should be skillful in listening, understanding and questioning. At the end of the session further actions and timelines should be agreed. Best practice is at the end of the discussion both parties to reach an agreement based on trust and commitment to fulfilling their own part of the agreement.

PERFORMANCE RANKING

Measuring performance is a very difficult activity – the performance should be measured against defined success criteria, following the same format for everyone. Before the appraisal, the supervisor should gather information on the employee's work performance by seeking input from other people. Information references include feedback from other supervisors, managers and peers. The supervisor must weigh these up and make his/her own assessment of the employee. The evaluation of performance should be based on facts, recognizing and acknowledging what has been achieved. Some respondents of the survey challenged the pre-determined ranking which results in average 1.03. This method of budget control is seen by some of the employees of "Accenture" as unfair. However, if there is no controlling measure there is a high risk that Line Managers would give higher performance ratings than their staff deserve. Another implication would be higher remuneration cost incurred.

PERFORMANCE REVIEW FREQUENCY

There is a wide spread opinion that an annual meeting to evaluate progress does not have the same benefits as an ongoing dialogue and formal and informal feedback. Some companies are moving towards conducting performance reviews twice a year, small numbers of companies do it on more frequent basis.

Best practice requires the evaluation of performance to take place on a regular basis. Mostly suggested are quarterly performance updates. Reviewing performance on continuous basis will allow a bad performance or existing issues to be identified and corrective measures to be designed at an earlier stage. Also tasks and targets should be checked out several times a year (Murphy & Cleveland 1995). They are set at the beginning of the year; however they are likely to change throughout the performance period and should be kept updated. Some of the "Accenture" employees expressed the opinion that appraisal discussions held in Oct/Nov should change allowing the whole performance year to pass and then to evaluate performance on the basis of full year and not only on 10- month performance.

PROPER PERFORMANCE RECORDING

Note taking must be a consistent practice. Documentation is important to support performance decisions, and notes should be written with intent to be shared. (Reeves 2002)The performance log is the record that is kept by a manager and employee and serves a number of purposes. The performance log can remind of a coaching need or can be a reminder for providing recognition. Performance log is used when promotion or development opportunity for the employee is considered. Performance records should follow the same principles – be objective, based on observations, comment job-related behaviors only, include achievements and deficiency areas and if applicable disciplinary actions should be logged. Online administration in electronic systems used nowadays makes it simple to remind managers and employees automatically when reviews are due, late or incomplete, and HR professionals no longer have to track down the missing reports.

In Accenture there is a target for completing 100% of the appraisals. This target is inspirational and the completion rate for 2009 is 89%. The target is tracked and the results are monitored and shared on weekly basis so that everybody is aware how far from the target completion rate is. Automated reminders and scheduling tools help to keep the process on track.

ENSURE ONGOING PROCESS, FULL PARTICIPATION AND SUCCESS

The performance management process must add value, otherwise problems with resistance and non-participation will pop up on the surface. Participation and support from upper level management is also important. Senior management should participate in the same process. The effectiveness of the process increases if there is a culture that supports honest communication, where employees can openly consider how to

make improvements in order to move forward. (Murphy & Cleveland 1995)

Another way of improving efficiency is to make a regular review of the process through surveys and questionnaires or get opinions through focus group discussions. However, their benefits are doubtful and would hardly compensate the time loss.

Conclusion

Our hypothesis suggests that effective appraisal process correlates with a higher level of satisfaction and employee engagement. Engaged employees are those who are willing to invest additional efforts towards enhancing market position of their company and contribute to better financial results. This is their direct contribution to the company. Engaged employees are not only motivated to work but they also know exactly what to do and how to do it more effectively because they know the strategy and company objectives and share them. All this could possibly mean that the more engaged to the company people are, the better financial results are likely to be achieved. This correlation has been confirmed by many surveys conducted by consulting companies.

Eventually we can conclude that raising and maintaining employee's engagement lies in the hands of an organization and requires a balanced blend of time, efforts, commitment and investment.

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