

**IMPACT OF PERFORMANCE APPRAISALS ON  
PERFORMANCE OF SOFTWARE ENGINEERS IN  
SRI LANKA**

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## ABSTRACT

Majority of the organizations follow performance appraisal process to evaluate employee performance, and results of performance appraisals are used for a number of purposes such as administrative uses, rewarding, and identifying training needs. While performance appraisal and management has a history form 1800s, it was adopted by the Information Technology (IT) industry only since 1990s. Most of the IT professionals perceive performance appraisal as an extra burden, and many questions about the appraisal process and results. IT professionals sometimes believe that performance appraisals have a negative impact on their motivation and work improvement. Therefore, it is imperative to study and understand the true impact of performance appraisals on employee work improvement in software development organizations.

This research attempts to identify the significance of performance appraisals on employee work improvement in software development organizations. This is identified via an online survey of software engineers working in IT organizations. The study analyzed goal setting, self-evaluation, appraisal interview, employee participation for the process, pay for performance, and personal development as independent variables and satisfaction towards the process as mediating variable. Dependent variable was employee performance. Based on these, the survey instrument with 48 questions was derived. Based on the collected survey responses it can be concluded that goal setting in the appraisal process, appraisal interviews, and personal development opportunities and pay for performance have moderate relationship with performance improvement. Self-evaluation facility in appraisal process and employee participation for the process have weak positive relationship with performance improvement. Satisfaction for appraisal interview and rewarding mechanism act as moderating mediators for performance. It was also identified that for employees who had more than five years of experience, relationship between performance appraisal and work improvement was not significant. These findings can be incorporated to enhance and develop better performance appraisal processes in IT organizations.

**Keywords:** Performance appraisal, Performance improvement, Performance management, Software engineers

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## **LIST OF ABBREVIATIONS**

|      |  |
|------|--|
| HR   | Human Resource   |
| HRM  | Human Resource Management                                    |
| ICT  | Information Communication Technology                         |
| ICTA | Information and Communication Technology Agency of Sri Lanka |
| IEEE | Institute of Electrical and Electronics Engineers            |
| IT   | Information Technology                                       |
| PA   | Performance Appraisal  |