



Linkage between Performance Appraisal System and Employee Performance: Does Motivation Moderate?

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Abstract *The concept of performance appraisal came into ideal practice in the 1940s, helping a system to launch merit rating during the era of the Second World War as a fair wage system (Lillian & Sitati, 2011). Lots of research in recent decades have been done on the assessment of results (Bretz et al., 1992; Fisher, 1989). Often, a key aspect of human resource management is the performance assessment process. The target population of the present study consisted of all the employees working in the three private (Multan Medical complex, Care Family and Ibne Sina) hospitals of Multan, Pakistan. The study follows a convenient sampling technique for the determination of sample size and having n=131. Adopted questionnaire of Al-Ghamdi (2011) Verhulp (2006) was used with a 5-point Likert scale starting from 1= strongly agree, 2=agree, 3= uncertain, 4=disagree and lastly 5= strongly disagree. The study findings indicate 63% of the respondents belong to a male category, while on the other hand, 37% of the respondents belong to the female category. The study findings verified the fact that there exists an association between performance appraisal systems and seem to suggest that hospitals are interested in improving their performance through the performance appraisal systems. The findings verified the fact that there exists an association between motivation with employee performance*

Key Words: Performance Appraisal System, Employee Performance, Motivation

Introduction

The concept of performance appraisal came into ideal practice in the 1940s, helping a system to launch merit rating during the era of the Second World War as a fair wage system (Lillian & Sitati, 2011). The system of performance appraisal is a key measure of employee performance and organization progress matching sustainable objectives (Ijbm, 2012). The coordination of business practices and human resource functionality are being obtained using a performance appraisal system. The broad circle of the concept captures numerous activities of employee examination, improvement abilities, rewards allocation and performance maintenance (Fakharyan et al., 2012). The study of Armstrong (2001) reported organizational boundaries enclosing performance appraisal system as the psychological road to submit commitment, functions and completion of work. Gungor (2011) explained that "Motivation is the ability of a person to modify his/her behavior". The study of Todd Grubb (2007) reported that motivation and appraisal systems are the tools in industrial setup for managing work.

Performance appraisal system implements business policies and human functions under strategic approach as broader characteristics of employee examination, abilities, performance and rewards allocation in an organization (Fakharyan et al., 2012). These appraisal systems dominate work efficiency and effectiveness. The study of Armstrong (2001) explained the work behaviors of individuals and teams. Furthermore, performance is not individually connected to work and behaviors, but also associated with the attainment of agreed objectives (Mooney, 2009). According to Gungor (2011), "Motivation is the ability of a person to modify his/her behavior". This driving force lead and direct specific goals in career after being selected and examined using appraisal system as a managerial tool (Todd Grubb, 2007). This study examined the role of an employee appraisal system for performance measurement using the conditional effect of motivation—the study constructed in parts of literature, methods, findings, discussion and conclusion.

Literature Review

Performance Appraisal

Lots of research in recent decades have been done on the assessment of results ([Bretz et al., 1992](#); Fisher, 1989). Often, a key aspect of human resource management is the performance assessment process. According to Rao (2005), evaluation is a strategy that deals with the explanations of activities and their execution inside organizational limits, such as qualitative and quantitative measures. [Torrington and Hall \(1998\)](#) come to the conclusion that measuring employee success includes an array of topics, with the use of improved performance in fixing existing motivational requirements, introducing new and job targets, and providing benefits, as well as finding out when not to increase it.

More than two-thirds of the ventures and enterprises use an appraisal approach ([Murphy & Cleveland, 1991](#)). It would have a motive for executives and workers to work together in order to accomplish the aims of the company ([Cleveland, Murphy, & William, 1989](#)). It is essential for enterprise human resource management to develop high-level success in the course of a creative approach.

I believe (Lyon, 1987) Various methodologies are used to determine an employee's efficiency, such as through standard means or non-traditional classifications (McMaster, 1994; Williams, 2002). The manager's main role in this sort of appraisal is "overseeing and explaining the employee," which, along with it, serves as his Free Form ([IJBMR, 2012](#)). Well-integrated non-traditional appraisal practises became very popular a few years ago ([Coens and Jenkins, 2000](#); [Lawler, 2000](#)). Traditional and non-traditional assessment techniques are seen all over the world.

1. Assessment facility
2. Ranking scales based on behaviour (BARS)
3. Accounting system for human resources
4. 360-degree evaluations of performance

The first method of performance evaluation is the assessment centre, which uses informal activities, assessments, and assignments to measure the performance of a group of employees ([Ijbm, 2012](#)). BARS (Behaviorally Anchored Rating Scales) is a new methodology that uses pre-defined areas of success to assess what is good and what is bad about a task (Dargham, 2000). Human resource accounting is another type of performance assessment in which an employee's performance is measured in terms of their contribution and expense ([Ijbm, 2012](#)). ([Sharma, 2012](#)) argued that 360-degree feedback of employee success is taken by someone who has interaction with workers in the company.

According to Kuvaas (2006), performance assessment or employee appraisal approaches are those in which the immediate line staff or boss evaluates an employee's job in qualitative and quantitative terms in terms of cost and time. In both the private and public sectors, evaluating an employee's performance is a part of the process of directing and controlling career growth. It entails gathering, evaluating, and documenting information about an employee's relative value to the company.

For the assessment of recruiting, selection, and training procedures that contribute to performance enhancement, appraisal accuracy is a critical factor. Appraisals may make decisions based on preparation requirements and, on rare occasions, therapy requirements. They may also use the feedback process to motivate employees and provide an assessment of working conditions, resulting in increased employee productivity by promoting strong areas and changing poor ones. When done correctly, the assessment phase strengthens an individual's sense of personal value while also assisting in the development of his or her goals.

Employee Performance

In today's world, it is widely recognized that an employee's output is determined by the work and a range of dimensions related to the job's particular aspects, as well as the surrounding environment ([Milkovich, 1991](#)). [Milkovich \(1991\)](#) listed three methods for defining the dimensions of job performance in the past. They explained it as a result of:

- The end result
- Personality traits
- Personal Characteristics

Employees in organizations with high employee performance have more resources than those in organizations with poor performance (Vans cotter, 2000). Employee performance encompasses not only physical behaviour but also the assessment process through judgement ([Ilgen & Schneider, 1991](#)). The representation of results is a metric for examining behaviours (Campbell, 1993). Enterprises must become highly competitive through their results, which includes achieving organizational targets with productivity and effectiveness ([Frese, 2002](#)). Borman and Motowidlo ([Borman and Motowidlo, 1993](#)) also emphasize the distinction between work and performance. Employee performance is linked not only to technological core characteristics but also to the psychological and social atmosphere in which the company achieves its goals. It entails adopting a mindset that allows workers to become dependable members of the company ([Frese, 2002](#)). Performance assessment focuses on performance factors rather than specific characteristics ([Smither, 1998](#)). In the case of individual employee characteristics, performance analysis has no meaning ([Squires and Adler, 1998](#)). (Malos, 1998) concluded that good performance evaluations are focused on work-related habits rather than personal characteristics. Every employee in the company must feel that his or her performance is correctly assessed, and they must be given more opportunities (Weick, 2001). Employees perceive a negative picture in the form of dissatisfaction and dispersion when there are a lack of fairness in the performance evaluation system, incentives, and motives ([Gilliland & Langdon, 1998](#)).

The organization is essential. The efficiency with which workers perform their work is critical to the company's success ([Heneman & Shwabs, 1982](#)). Employee performance appraisals will monitor how far and how well a particular employee performs their job. Performance assessment is a central feature of employees in organizations in order to produce high-quality performance levels that go beyond and beyond expectations. With the aid of a responsiveness method and customer satisfaction, employee success can be calculated in terms of quality and quantity ([Ali & Opatha, 2008](#)). Companies should sum up and evaluate outcomes using well-defined performance criteria to see where performance is dominant. These areas may be used as a benchmark, and they provide opportunities to share best practices with other parts of the company. Human Resource managers may use performance assessment judgement to determine if additional training and development are needed. Figures may indicate, for example, that the worker's category scores poorly on things such as technology usage and customer service. These can become a source of concern when developing and implementing training programmes to improve employee competence and performance. Person, departmental, and organizational levels of analysis are also possible with Figured ([Mintzberg, 1987](#)).

Moderating Role of Motivation

Motivation is a powerful motivator that guides employees' actions toward achieving organizational goals while also improving customer satisfaction and efficiency ([Kreitner & Kinicki, 1995](#)). Motivational factors have an effect on employee and company success, according to [Entwistle \(1987\)](#). If workers are well-motivated and happy at work, an organization's performance will improve. According to [Porter and Miles \(1974\)](#), every employee requires independence in order to succeed and achieve goals through motivation. Motivation is a powerful tool that guides workers toward achieving their objectives ([Grant, 2008](#)). Employees who are motivated are dedicated to their jobs and strive to deliver the best results possible ([Guay, 2000](#) & Vansteenkiste, 2007). Motivated workers have a lot of self-structured and competitive characteristics ([Grant, 2008](#)). Motivated individuals are devoted to their work and have few desires (KAMAL et al., 2005). With the aid of performance analysis, motivation is used as a driving force in many countries to increase employee and organizational performance ([Erasmus, Schenk, Westhuizen & Wessels, 2005](#)). To succeed in today's world, every company needs highly motivated workers. Managers in the company must be able to determine what factors motivate workers, but this job has become increasingly difficult because an employee today might not be an employee tomorrow (Kovach, 1987). Employees who are motivated are those who engage themselves in such a way that they can achieve organizational objectives in accordance with their company's standards ([McShane & Glinow 2003](#)). Performance appraisals are a motivating tool for workers because they clearly identify goals and set a course for the future by delivering training to achieve the goal ([Bach, 2005](#)).

H₁: There is a significant relationship between performance appraisal and motivation with employee performance.

H₂: Motivation moderates the significant relationship between performance appraisal and employee performance.

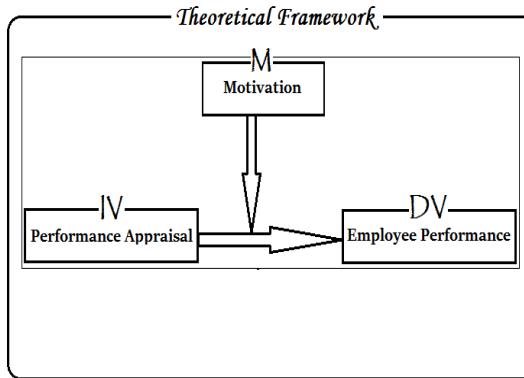


Figure1: The Impact Mechanism of Performance Appraisal on Employee Performance under the Interaction Effect of Motivation.

Methods

The target population of the present study consisted of all the employees working in the three private (Multan Medical complex, Care Family and Ibne Sina) hospitals of Multan, Pakistan. The study follows a convenient sampling technique for the determination of sample size and having n=131. Adopted questionnaire of Al-Ghamdi (2011) Verhulp (2006) was used with a 5-point Likert scale starting from 1= strongly agree, 2=agree, 3= uncertain, 4=disagree and lastly 5= strongly disagree.

Findings

a) Descriptive Analysis

The study findings indicate 63% of the respondents belong to a male category, while on the other hand, 37% of the respondents belong to the female category. The data normality is also verified using skewness and kurtosis are well within range -3.29 to +3.29 given by Field (2013) for employee appraisal (skewness=-.662 and kurtosis=-.398), motivation (skewness=-.280 and kurtosis=-1.417) and employee performance (skewness=-.969 and kurtosis=.253).

Table 1. Age Wise Distribution

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-25 yrs	32	24.0	25.2
	26-30 yrs	60	45.9	47.2
	31-35 yrs	28	18.3	22.0
	36-40 yrs	3	2.2	2.4
	Above 40 yrs	8	6.1	3.1
Total	131	100.0	100.0	100.0

The above table is representing that 24 % of the respondents belong to the age of (20 to 25) years, 45% belong to the age of (26 to 30), 18% belong to the age of (31 to 35) years, 2.2% belong to the age of (36 to 40) years, and 6.1% belong to the age of above 40 years category (see table.1).

Table 2. Experience wise Distribution

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Up to 3 years	47	35.0	35.9
	4-6 yrs	59	45.4	45.0
	7-9 yrs	10	7.6	7.6
	10-12 yrs	7	5.3	5.3
	Above 12 yrs	8	6.1	3.1
Total	131	100.0	100.0	100.0

The above table is representing that 35% of the respondents having 3years experience, 45% having 4-6 years, 8% having 7-9 years, 5% having 10-12 years and 6% having above 12 years experience (see table.2).

b) Correlation Analysis

H₁: There is a significant relationship between performance appraisal and motivation with employee performance. H₁

Table 3. Correlation

		1	2	3
1. Performance Appraisal	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	131		
2.Motivation	Pearson Correlation	.907**	1	
	Sig. (2-tailed)	.000		
	N	131	131	
3.Employee performance	Pearson Correlation	.812**	.802**	1
	Sig. (2-tailed)	.000	.000	
	N	131	131	131

***. Correlation is significant at the 0.01 level (2-tailed).*

The investigation of the correlation between the study predictors: performance appraisal, motivation with criterion variable: employee performance. Correlation analysis results in a significant relationship of performance appraisal ($r=.812^{**}$, $p-value=.000<.05$) and motivation ($r=.802^{**}$, $p-value=.000<.05$) with employee performance, respectively, supporting H₁.

c) Regression Analysis

H₂: Motivation moderates the significant relationship between performance appraisal and employee performance.

Table 4. Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.827 ^a	.684	.679	.80717	.684	138.345	2	128	.000
2	.836 ^b	.698	.691	.79166	.014	6.062	1	127	.015

a. Predictors: (Constant), motivation, performance appraisal

b. Predictors: (Constant), motivation, performance appraisal, interaction

The value of $R^2=.684$ in model.1 without interaction variable with $p-value=.000<.05$, indicate 68.4% of the variance by performance appraisal and motivation collectively. On the other side, model.2 indicate the collective variance having the value of $R^2=.698$ with $p-value=.000<.05$ in the presence of interaction. The study results represent a 69.8% variation in employee performance by performance appraisal, motivation and interaction terms. Moreover, the significant value of R^2 change = .014 with $p-value=.015<.05$, indicate interaction effect and supporting H₂ (see table.4).

Table 5. ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.	Model
1	Regression	180.268	2	90.134	138.345	.000 ^a
	Residual	83.394	128	.652		
	Total	263.662	130			
2	Regression	184.067	3	61.356	97.898	.000 ^b
	Residual	79.595	127	.627		
	Total	263.662	130			

a. Predictors: (Constant), motivation, performance appraisal

b. Predictors: (Constant), motivation, performance appraisal, interaction

c. Dependent Variable: employee .Performance

Table 5. the study results expose $F\text{-value}=138.345$ with $p\text{-value}=.000<.05$. Similarly the $F\text{-value}=97.898$ with $p\text{-value}=.000<.05$ expose both model fitness.

Table 6. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	5.255	.072		73.043	.000		
P.Appraisal	.626	.156	.475	4.023	.000	.177	5.650
Motivation	.509	.162	.371	3.141	.002	.177	5.650
2 (Constant)	5.450	.106		51.366	.000		
P.Appraisal	.406	.177	.309	2.298	.023	.132	7.581
Motivation	.595	.163	.434	3.657	.000	.169	5.924
interaction	-.201	.081	-.165	-2.462	.015	.530	1.885

a. *Dependent Variable: Employee Performance*

In the above table, the beta score indicates that the interaction between performance and motivation weakened the relationship between performance appraisal (IV) and employee performance (MV). The results explain significant interaction based on beta score. Here all the pre-requisites of moderation are verified. Here the value tolerance well above 0.10 & VIF below 10 is within the range as per the proposed criteria of O'Brien & Robert (2007), indicating no multicollinearity problem. So H2 was accepted.

Discussions

Motivation is the critical ingredient of any organization, generating more chances for employee and organizational success based on outstanding performance across working life. The primary objective of this study is to determine the employee performance having a system of performance appraisal and motivating them to gain the real benefits from the system of appraisal in the hospital of Multan. The findings of the current study indicate a significant relationship between performance appraisal and motivation in connection to employees' performance, supported by the findings of (Lillian & Mathooko, 2011; Peti Johann et al., 2001). Moreover, the findings indicate collective role as significant moderation effect explaining that appraisal system and motivation design map of ideal performance also tag the findings of (Fakharyan et al., 2012). The results revealed that the combined effect of performance appraisal and motivation is in the best interest of the hospital to obtain the highest rate of productive efforts in the private sector hospitals. Proper motivation about the appraisal system and the benefits received from this worthy process is also in the best interest of the employee's personal success as well.

Conclusion

The basic purpose of this research work is to see the actual benefits of appraisal systems that develop sag of conducive work environment in health-related services. In order to investigate the causal relationship and also moderation of motivation in between the linkage of performance appraisal and employee performance by choosing 131 employees working in private hospitals of Multan. The study findings verified the fact that there exists an association between performance appraisal systems and seem to suggest that hospitals are interested in improving their performance through the performance appraisal systems. The findings verified the fact that there exists an association between motivation with employee performance. This means that motivation also plays a role in the better performance of Hospital employees. The findings showcase, based on empirical evidence, that motivation of the hospital's staff is a vital tool of association along with performance appraisal to enhance the employee so that they become satisfied with the appraisal system and generate the best performance. Finally, the findings verified the moderating effect and proved the combined role of the performance appraisal system and motivation, also critical for the success of staff in private hospitals of Multan.

Recommendations

The findings of the study help in addressing the issues related to the performance appraisal system by setting a system of employee motivation to achieve the best performance of employees and the maximum outcome for the private hospitals to serve society. The study poses limited findings due

to the limited sample size. The future work can extend the study model using additional moderators like organizational culture having theoretical support from the body of management knowledge. The researchers reported the following recommendations under the shadow of study findings.

1. A proper system of performance appraisal should be developed to evaluate employees properly.
2. Performance monitoring should be effectively utilized to set a standard of success.
3. All employees in the hospital are evaluated under transparent rules and regulations.
4. Satisfaction with the current performance appraisal system should be achieved.
5. Performance evaluation should be conducted in equal intervals to provide consistency in the system.
6. Behavioral changes to be noticed to boost the morale of the working class of hospitals.
7. The impact of Performance Appraisal should be recorded to put check and balance employee performance.
8. The employee should be motivated to feel better about the results of performance appraisal.
9. Based on best performance, proper promotional opportunities and satisfactory rewards should be placed in the organization.

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