



Effectiveness of Performance Appraisal System and its Effect on Employee Motivation

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Employee performance has traditionally been accorded prime focus by human resource managers. As a result, a number of performance appraisal techniques have over time been devised to help establish employee's performance. In the contemporary times, the use of performance appraisals has been extended beyond rating of the employee's performance to aspects such as motivation. Accordingly, this study sought to investigate effectiveness of performance appraisal systems and its effect on employee motivation. The study's main objectives pertained to establishing the moderating role of performance appraisal as a motivation tool as well as potential challenges.

The study findings show the presence of significant positive outcomes when the organisation uses performance appraisal as a motivation tool. Further, the study finds that the use of more than one appraisal techniques helps yield greater satisfaction and consequently higher motivational levels. The specific aspects of performance appraisal systems (PAS) that help improve motivation include the linking of performance to rewards; using the PAS to help set objectives and benchmarks; as well as the use of PA to help identify employee's strength and weaknesses.

Key words: Performance, Appraisal, Motivation, Employee

INTRODUCTION

Performance appraisal is a widely discussed concept in the field of performance management. The importance accorded to performance appraisal systems in part arises from the nature of the current business environment, which is marked by the need to achieve organisational goals as well as remain relevant in intensely competitive markets through superior employee performance (Chen and Eldridge, 2012). Within this context, various studies suggest that organisations can hardly control the behaviour of their employees (Attorney, 2007). The organisations can however control how employees perform their jobs. In addition, performance management research shows that a significant number of employees tend to have the desire to perform their jobs well as part of their individual goals as well as a demonstration of loyalty towards the organisation (Wright & Cheung, 2007). Arguably, the key to ensuring that employees perform well lies in the ability to provide them with the right working environment. Such an environment generally includes fair treatment,

offering of support, effective communication and collaboration. According to Maley (2013) these are the very qualities that are created by an effective performance appraisal system.

While focusing on performance appraisal as a motivational tool, studies in this field strongly suggest that performance appraisal systems can be used to enhance motivation (Chen & Eldridge, 2010; Appelbaum et al., 2011). However, the link between performance appraisal and employee motivation has often been studied in a traditional or general manner and hence the relationship tends to be blurred in nature. The traditional use of performance appraisal has for instance been criticised for the reward of “win-lose” results as opposed to “win-win” results in which the system promotes supportive and cooperative behaviour (Rowland & Hall, 2012).

Despite the above shortcomings in approaches to performance appraisal, extant literature on performance management still indicates that performance appraisal when undertaken in the right manner can contribute significantly to employee motivation (Tuytens & Devos, 2012). When undertaken in the absence of clear goals, performance appraisal can however have serious ramifications in terms of employee dissatisfaction and consequently a reduction in productivity and organisational commitment (Maley, 2013). On the positive side, it has been argued that performance appraisal provides an important avenue to recognise employees’ work efforts. Recognition in this case has for long been considered as a key employee incentive. Its importance is underscored by Samarakone (2010) who indicates that human beings in a number of instances prefer negative recognition as opposed to no recognition at all.

Research Aim and Objectives

The study seeks to establish the link that exists between performance appraisal and employee motivation. In order to meet this general aim, the following specific objectives will be pursued:

1. To analyse the types of performance appraisal and motivation and their effectiveness at Shine Communications
2. To examine and explore the link between performance appraisal and motivation at Shine Communications
3. Which are the main types of performance appraisal and motivation and how effective at they from an organisational perspective?
4. How does performance appraisal influence employee motivation?

The Concept of Performance Appraisal

While a number of organisations continue to use informal and subjective performance evaluation practices to make reward decisions, there is evidence that objective performance evaluation practices are increasingly prevalent in the current times (Gardner, 2008; Sheilds, 2007). Gardner (2008) describes performance appraisal as the evaluation of an individual’s work with the main aim of arriving at objective personnel decisions. It is also considered as the process of obtaining, analysing as well as recording information that revolves about the relative worth of the employee to the organisation (Armstrong, 2009). This takes place through the planned interaction between an organisation’s supervisors and employees in which the former assess the performance of the latter. One of the main goals in this case is the identification of strengths and weaknesses that form the basis of recommending actions for improved employee performance (Gardner, 2008).

Types of Performance Appraisal

A. 360 Degree/Multi-Rater Performance Appraisal

The 360 degree performance appraisal as evident from existing literature is one of the appraisal system that has in the recent years gained significant popularity in both small and large-sized firms (Deb, 2009; Lepsinger & Lucia, 2009). By description the 360 degree appraisal system involves an appraisal system that encompasses the views of different groups of reviewers who socialise with the organisation's employees. Such reviewers include the employee's superiors (managers and supervisors), co-workers/peers and customers. The process also includes the employee's opinion about him/herself and hence its recognition as a multi-source, multi-rater and full-circle appraisal system (Grund & Przemek, 2012). While on this context, Horng Hsu, Liu, Lin, & Tsai, (2011) through a study on employee competencies identifies four key assessments that should constitute a 360 degree appraisal system. They include self-assessment; immediate supervisor assessment; subordinate assessment and peer assessment.

The underlying premise behind the use of 360 degree performance appraisal is that a significant amount of performance data about a given employee can be gathered when multi-sources are used (Sahoo & Mishra, 2012). In other words, the 360 degree appraisal systems allows for gathering of information about an individual from different degree and angles. While supporting such views, Deb (2009) underscores that the use of multiple assessment sources helps ensure that an employee's performance is double checked. Moreover, the 360 degree performance appraisal system is considered as one that helps in overcoming disadvantages such as prejudice, subjectivity and halo errors, which characterise traditional evaluation systems (Hsu et al., 2005). Espinilla et al., (2013) for instance notes that the use of this evaluation method makes it unlikely that the employee is criticised solely by the manager. Sahoo and Mishra (2012) add that systems of 360-degree appraisal are perceived by employees as more accurate and more reflective of their performance. They are thus considered as quite effective in providing comprehensive information that can be used to determine the employee's training needs.

Despite the effectiveness of 360 degree appraisal systems, several issues have been identified in literature that prevents the effectiveness of such systems. Espinilla et al., (2013) for instance notes that the use of a single type of expression domain such as numerical or linguistic in 360 degree systems limits the ability to gather the richness of information that reviewers provide. In addition, the correct interpretation of final results is hard as quantitative assessment do not always represent qualitative information accurately (Hsu et al., 2005).

B. Management by Objectives (MBO)

Management by objectives as one of the key appraisal methods is defined as a result-based evaluative program (Choon & Embi, 2012). In greater detail, the goals of the performance appraisal system from an MBO perspective are mutually defined by a number of key stakeholders who include the subordinates, supervisors and employees as well. A typical MBO appraisal system consists of several steps. The process begins by the establishment of clear objectives for the employee. An action plan detailing the way in which the objectives are to be achieved is developed. The employee is then allowed to implement the developed action plan. This allows for appraisal of performance in an objective manner. Corrective actions are taken in situations deemed necessary as well as new objectives for the future established (Sillup & Klimberg, 2010).

As key aspect of MBO as identified by Huang et al., (2011) is that it stresses the importance and value of employee involvement. MBO as a concept was popularised by Peter Drucker, who noted that objectives perform a crucial role in all areas where performance and results have a direct impact on the survival of the firm (Armstrong, 2009). As Armstrong (2009) further notes, Drucker emphasised on participative goal setting and self-evaluation as one of the most important aspects of MBO. While the MBO concept was initiated by Drucker, it is McGregor, one of the most influential figures in the field of management, who modified it for full application as a performance appraisal approach. McGregor's MBO approach draws attention to weaknesses in conventional appraisal programs such as excessive focus on personality traits. Rather, McGregor advocates for an approach in which the subordinate also sets short-term performance which are discussed with the superior and performance evaluated against these goals (Stein, 2010).

In terms of effectiveness, the MBO approach has been found to provide significant benefits to both the organisation and the employees (Armstrong, 2009). Notably, the MBO approach promotes objectivity, allows for a two-way feedback as well as encourages performance improvement of employees through motivation. In a similar vein, Drucker (2013) underscores that the MBO approach when correctly implemented helps in establishing a performance appraisal system that is based on efficiency and fairness. Huang et al., (2011) while supporting the need for organisations to implement MBO notes that this approach adds significant value to productivity in the sense that employees tend to show support for goals which they agree are acceptable. In this case, employee acceptance of the organisational goals is considered as one of strongest motivators in the MBO process.

A critical review of MBO literature however reveals that this type of performance appraisal is not without shortcomings. One of the main shortcomings of this approach pertains to the fact that it does not allow monitors to see how employee deal with every eventuality over the given work period. This is attributed to the focus on outcomes (Bipp & Kleingeld, 2011). In this case, the manner in which the employee under appraisal arrives at the outcomes may not necessary represent the most efficient use of resources. In addition, Bipp and Kleingeld (2011) argue that the MBO approach gives little consideration for comparative evaluation as no benchmark are provided based on the changing workplace environment during the work period.

C. Graphical Rating Scales

Graphical rating scales constitute the most used method during performance appraisal in most organisations (Woods, 2012; Wirtz, 2004). A graphic rating scale in this context entails a performance appraisal rating checklist. Using the checklist the manager simply rates the employee on a continuum that may range from poor to excellent depending on the aspect being evaluated. Woods (2012) attributes the popularity of graphical rating scales to the ability to use such scales for a variety of jobs. Such scales are also considered as requiring minimal cost, training effort and time. Panari, Guglielmi, Simbula, and Depolo., (2010) identifies a number of performance factors that can be effectively measured using the help of graphical rating scales. First, such scales can be used to evaluate the employee's quality of work. In this scale the employee's ability to consistently meet the work requirements, expectations and desired outcomes are assessed. Second, rating scales can be used in assessing productivity in terms of whether the employee makes good use of available plans, work time and completes assignments on schedule. In addition, the employee's knowledge of the job can be assessed. These include job relevant skills that are gained through education, experience and on-job training (Panari et al., 2010).

Despite their ease of use, various studies highlight a number of limitations attributable to the graphical rating scales. First, the standardised nature of the scales overlooks the aspects of trait relevance (Armstrong, 2009). Armstrong (2009) in this case notes that some traits are more relevant in some jobs compared to others and hence specific workplace context ought to be taken into account. In addition, rating scales may suffer from systemic advantage in which case relevant indicators of performance may be excluded and hence the inability to achieve results that are reflect the employees' full value (Woods, 2012).

The Concept of Employee Motivation

Employee motivation has on the other hand been approached from a number of different perspectives. Wolff and Gunkel (2007) for instance define employee motivation as “the willingness to exert high levels of effort toward organisational goals, conditioned by the effort's ability to satisfy some individual needs” (p.21). From a quite a simplistic way, Chiang and Jan (2008) defines employee motivation as “the process of an employee being moved to work” (p.10). While further expounding on employee motivation, Wolff and Gunkel (2007) argue that motivation often results from the psychological need associated with the need to gratify desires that remain unsatisfied.

Intrinsic and Extrinsic Motivation

From the review of literature on motivation individuals are motivated by an array of factors which can be broadly classified under intrinsic and extrinsic motivational factors (Miao, Evans and Shaoming., 2007). As Miao et al., (2007) further explains intrinsic motivation entails an internal state that is responsible for activating behaviour as well as the influences that initiate change. From a human resource perspective, intrinsic motivation is considered as a form of motivation that captures the aspects of doing work for its own sake (Osterloh & Frey, 2004). Further, intrinsic motivation is explained as one that provides the employees with psychological benefits of wellbeing, self-actualisation, increasing responsibility and self-sustenance (Lee & Whitford, 2007).

Extrinsic motivation is on the contrary described in the field of human resource as the importance that employees place on external rewards, which could include promotions and salary increases (mark). It could also involve negative aspects such as the threat of dismissal or demotion (Van Herpen, Van Praag, and Cools, 2005). From a theoretical perspective, the agency theory suggests that incentives that are offered by organisations as a way of increasing employees' intrinsic motivation are usually indispensable. The rationale in this case is that employee actions are either rewarded or punished hence determining the employees' action and performance (Jensen & Murphy, 2004). Likewise, the expectancy theory postulates that associating incentives to an employee's performance hence motivate the employee to increase effort as well as performance (Cullen, 2005). While extrinsic motivation factors such as pay are generally considered to have a positive impact on employee motivation a number of researchers argue that they could to some extent undermine performance. Lee and Whitford (2007) for instance note that excessive focus on extrinsic motivating factors may distract the employee from concentrating on the task. The two authors consider this effect as the hidden costs of rewards.

Influence of Intrinsic and Extrinsic Motivation on Performance

Study findings on the relationship between intrinsic and extrinsic factors in performing a mediating role in employee motivation are mixed (Huang et al., 2011). From the perspective of

the crowding theory, Gagne and Deci (2005) argue that when a given task is intrinsically appealing to the employee, it is possible that the positive effects can be undermined in a case where the extrinsic rewards are also linked to the given task. In other words, the presence of a link between intrinsic and extrinsic motivation may result into a crowding out effect. As an example, Gange and Deci (2005) note that pay as one of the motivating factors has the potential to erode intrinsic motivation (e.g. achievement). As a consequence, the employee's performance reduces (Deci & Ryan, 2008).

On the other hand, several studies suggest the presence of a positive relationship between the intrinsic and extrinsic motivation and the subsequent effect on performance (Miao et al., 2007; Huang et al., 2011). This positive relationship is well expounded in Herzberg's (2003) hygiene theory of motivation. From this theory, factors that are responsible for intrinsic motivation include the work itself, recognition as well as personal achievement. Extrinsic factors are on the other hand the hygiene factors which include salary and supervision. When linking the intrinsic and extrinsic motivation, Herzberg note that the hygiene factors lead to job satisfactions as part of the intrinsic motivation process since they satisfy the individuals internal need of self-actualisation. The argument in this case is that intrinsic and extrinsic motivation factors combine to have a positive impact on employee performance (Huang et al., 2011).

Goal Setting Theory and Feedback Theory

The goal theory was advanced in the 1980s, a time at which motivational theory largely focused on the need for setting goals for employees (David, Song, Hayes and Fredin, 2007). Based on the review of extant literature, the proponents of the goal theory posit that employees record higher levels of motivation when they are presented with explicit goals that they are supposed to meet (Gómez-Miñambres, 2012; Catania, 2012). Such goals could include a sales target in the case of sales employees. Bipp and Dam (2014) in a study that supports the goal theory notes that employees will perform at a higher level in the presence of specific and challenging goals.

The feedback theory on the other hand bears close resemblance to the goal theory. Its proponents posit that just like providing specific goals, provision of feedback helps in clarifying what the employee must do (McCalley, 2006; Pat-El et al., 2012). However, it differs from goal theory in that feedback takes place during and after a given task while goals are set before the commencement of the task (Hon, Wilco and Chan, 2013). Several studies indicate the presence of a positive correlation between feedback and work motivation (Chiang & Jan, 2008; McCalley, 2006).

Role of Performance Appraisal in Enhancing Employee Motivation

Performance Appraisal and Employee Rewards

As mentioned in the preceding section motivation has great significance in an organisational setting. Its importance primarily lies in its ability to initiate human behaviour, direct and channel that behaviour as well as sustain it. From this context, Emmerik, Schreurs, Cuyper, and Peters, (2012) argues that the performance appraisals can be used to motivate employees through rewards such as promotions and salary increases. Based on Herzberg's theory, such rewards are in the form of extrinsic rewards which can be used to boost performance (Bassett-Jones & Lloyd, 2005).

Performance Appraisal for Motivation through Promotions

As part of the performance appraisal process, the evaluators measure the employee's performance and offer a performance number (Kumar, 2012). The performance number further leads to the development of level performance number (LPN) which the management use as a platform to determine rewards as part of the motivation process. Whenever there are new job openings beyond the entry level, the LPN becomes a useful reference point for the managers to use for internal promotions (Kumar, 2012). According to Maana (2008), such promotions not only serve as a reward for the employee's past performance but also perform a crucial role in sending a message to co-workers that their future hard work will indeed payoff. As such, other employees in the organisation are motivated to improve their performance.

Salary Increases and Bonus Payments

Within the performance management literature one of the most dominant views is that money or pay-for-performance is one of the most effective ways of rewarding employees and hence increased motivation (Van Herpen et al., 2005; Kominis & Emmanuel, 2007). Money in this case acts as an extrinsic motivator by satisfying the employee's needs indirectly through means of bonuses and pay (Anthony & Govindarajan, 2007). Jensen and Murphy (2004) while explaining the rationale behind pay for performance draw upon the reinforcement theory, which suggests that pay, can be linked to performance through setting of specific targets. Employees are then reward based on their ability to achieve these targets. The extrinsic motivation to earn more in this case influences employees to put in extra effort and better performance (Petersen, 2007; Chung et al., 2012). Performance appraisals perform a crucial role in determining the amount of bonus payment of salary increase. Stringer et al., (2011) for instance notes that in the calculation of bonus payments the sales and HR department may set expected performance level of an employee such as the number of units sold. Employees who exceed the set thresholds receive incentive payments such as an extra 2 percent for a given level of sales figures. Performance appraisals facilitate the entire process.

Performance Appraisal and Employee Recognition

Performance appraisals have also been found to serve a useful purpose in employee motivation by providing a platform for recognition of achievements (Brun and Dugas, 2008). Recognition in this context entails the assignment of personal non-monetary awards that aid in reinforcing desired behaviours depicted by an employee. It main include giving of praise through compliments; awards such as certificates of achievement and private budgets; and ceremonies such as public celebrations and speeches (Long & Sheilds, 2010). Past studies in this area suggest that managers and other superiors should recognise the efforts of their employees as such behaviour may trigger innovation and application of behaviour that leads to better performance (Nijhof, Krabbendam and Looise, 2004). In addition, recognition has been found to encourage the application of creative problem solving skills among employees (Grawitch, Gottschalk and David, 2006).

While employee recognition as facilitated by performance appraisals is largely considered as a motivating factor, a number of studies that are based on social comparison theory also suggest that recognition can result into negative effects (Pearson & Porath, 2005). Within groups in a work environment, employees do not only receive recognition but also witness the recognition of others. Other's recognition can have the potential to affect one's own emotions as well as responses that are directed to other individuals (Feys et al., 2013). This takes place through

interpersonal counterproductive behaviour. In this case, recognition is considered to create an atmosphere of “losers” and “winners” (Long & Sheilds, 2010; Feys et al., 2013).

Using Performance Appraisal to Provide Supervisory Support

Performance appraisals are also considered as motivational tools due to the ability to help identify employees’ strengths and help capitalise on them through support (Sutton & Watson, 2013). At the same time, weaknesses are identified and measures put in place in form of supervisory support that is necessary in helping the employee to improve. Based on findings from a study by Cory, Ward and Schultz (2007), employees who receive support after an appraisal process indicate that such support contribute significantly towards creation and generation of ideas. The ability to motivate through performance appraisal is however found to be largely dependent on how the results of the process are used. In instances where the results are used to punish mistakes, innovative behaviour is greatly discouraged (Jong, Deanne and Hartog, 2009).

Performance appraisal results which consider mistakes as learning opportunities have on the contrary been found to encourage creativity among employees (Jong et al., 2009). These assertions are supported by an empirical study by Krause (2004), who studied the impact of supportive supervisory behaviour on innovation based organisations such as manufacturing plants and R&D organisations. The study found out that employees are more likely to deviate from ordinary or routine behaviour to unconventional behaviour as well as implement innovative ideas if they believe their supervisors will not penalise them.

Motivation through Provision of Feedback

Providing feedback is considered as one of the most common justification for an organisation to put in place a performance appraisal system (Swan, 2012). As Swan (2012) further explains, it is through the process of performance appraisal that employees learn exactly what they did during the work period and use that information as a reference point to improve their future performance. In this regard, the feedback given through performance appraisal ensures that the employer’s expectations are clearly communicated. Feedback is in this case considered as important tool for increasing employee morale and motivation by pointing out areas where employee did something especially good. Specifically, the positive feedback motivates the employee to do better. In case of cases where the employee’s performance was below expectation the fair criticism from the feedback helps address the deficiencies and failures and hence reinforce appropriate behaviour in terms of better performance (Cardy & Leonard, 2011).

METHODOLOGY

The current study adopts a mixed methods research design which implies that both quantitative and qualitative methods are applied in the collection of primary data from the case study organisation. A positivist research paradigm is used to help gather knowledge based on reality and hence the ability to confirm or reject the study hypothesis. Notably, the study surveys employees at Shines Communication and interviews the HR manager to help uncover performance appraisal and motivation issues in the organisation.

Data Collection Instruments

In line with the mixed methods research adopted in the current study, an interview protocol and questionnaire were used as the main data collection instruments. The interview protocol was

targeted towards the company's (Shine Communication) HR manager. In order to obtain detailed responses on the firm's performance appraisal and employee motivation practices a semi-structured interview was used. In addition, the interview protocol comprised of questions relating to each of the study's objectives.

The questionnaire was on the other hand targeted towards the company's employees. It was divided into 2 sections. In the first section, the researcher posed several questions on the employees' demographic information. The second section was further subdivided into 4 sub-sections each posing a set of questions in relation to each of the study's research objectives as shown in table 3.1. Notably, closed ended questions were used to find out the attitude and opinions on various aspects of PAS and employee motivation. Closed ended questions that made use of a likert scale were also preferred due to their ease of analysis (Hague, 2004).

Objective	Relevant Literature	Questions
Types of performance appraisal and motivation and their effectiveness	Deb, 2009; Choon & Embi, 2012; Woods, 2012; Miao et al., 2007	1-6
The Role Of PAS In Enhancing Performance Appraisal	Emmerik et al., 2012; Kominis & Emmanuel, 2007; Brun and Dugas, 2008	7-11

Data Analysis

The data collected during the study was analysed through the use of different analysis techniques. In the case of qualitative data, content analysis was used. This involves the identification of relevant themes based on the study objectives (Gerring, 2007). Quantitative data was on the other hand analysed statistically through the use of statistical packages namely Microsoft Excel and Statistical Package for Social Science (SPSS) 20. Using these tools, measures of central tendency such as median and mean were obtained to help establish the link between the study's variables. The findings were then analysed in relation to the theoretical framework developed in the second chapter of the study.

Reliability and Validity

Research validity relates to the extent to which the study measures the aspects that were intended to be measured (Yin, 2003). In order to ensure validity, the survey questionnaire and interview protocol were discussed with colleagues. All necessary changes were then made hence increasing the chances of collecting relevant data. Reliability entails the ability to ensure consistency of the research findings over time (Yin, 2003). In other words, a reliable study is one that similar results can be reproduced when the same methodologies are used. In order to ensure reliability all questions in the research instruments were set with the research objectives in mind as well as researcher bias limited.

Data Analysis and Interpretation

Overview

Research data on performance appraisal and employee motivation was collected through the questionnaire method. In addition, an interview was held with the HR manager in order to gain rich insights on the case organisation's performance appraisal system as well as employee motivational practices. The survey data was entered in the SPSS software for analysis through

regression analysis. The qualitative data was analysed for key themes and used to augment responses from the survey.

Demographic Information

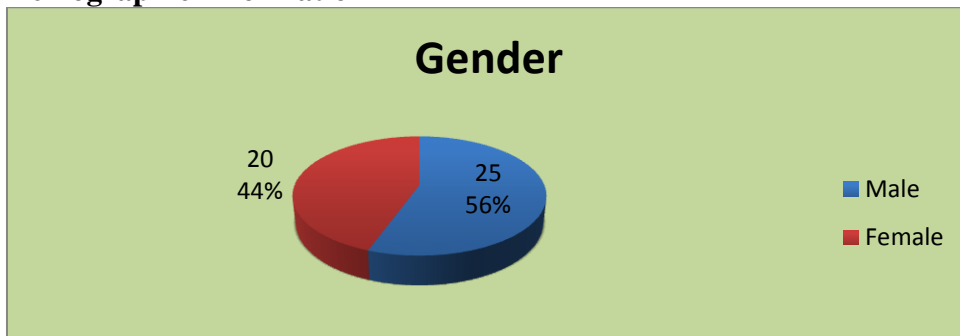


Figure 1: Gender

The pie-chart in figure 4.1 shows that males (56%) prevails females (44%) from the total number of respondents in the study. These proportions however maintain a relative balance between the two genders.

Age Groups

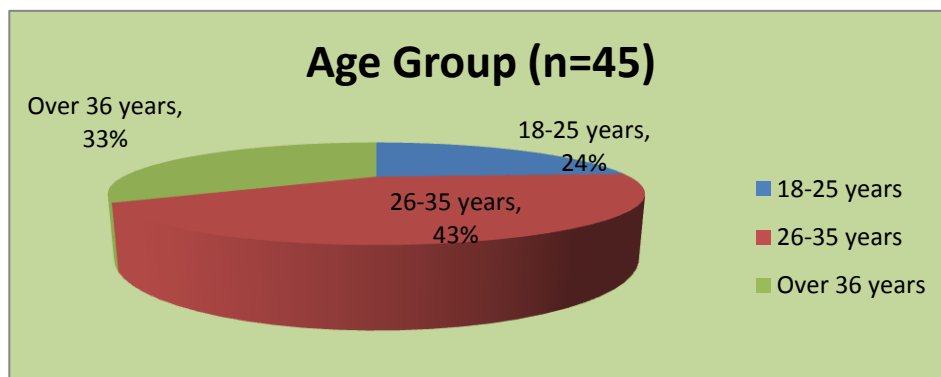


Figure 2: Age group

The pie-chart in figure 4.2 shows that the simple random sampling technique made it possible for respondents from varying age groups to take part in the study hence a more representative study.

Departments

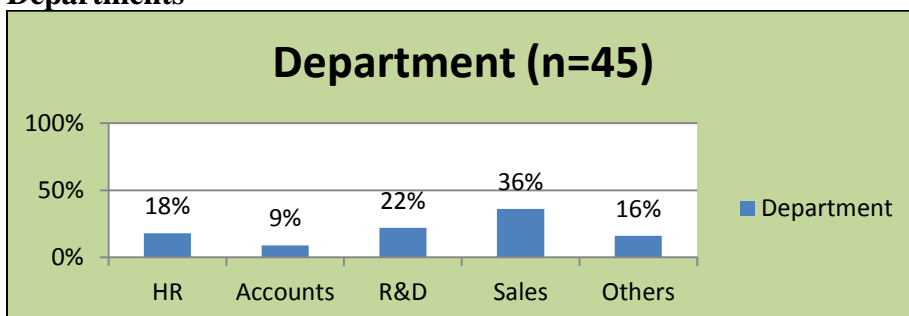


Figure 3: Respondent's Department

As can be seen from the bar graph in figure 4.3, the study involved participants from different departments within the organisation. Notably, the employee from the organisation's sales department represented the largest proportion (36%) of respondents.

Effectiveness of PAS and Motivation at Shine Communications

Regression Model

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.882 ^a	.778	.750	.63314

a. Predictors: (Constant), Rewards motivates me better than recognition, Performance appraisal is well assessed by supervisor, Self-assessment would be effective, Importance of performance appraisal, PA based on explicit goals is most effective

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54.811	5	10.962	27.346	.000 ^a
	Residual	15.634	39	.401		
	Total	70.444	44			

b. Dependent Variable: Overall satisfaction with existing PAS as motivational tool

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.558	.660		-.846	.403
	Importance	.063	.158	.042	.399	.692
	Well assessed by supervisor	.020	.073	.021	.271	.788
	Self-assessment effectiveness	.226	.155	.150	1.456	.034
	Explicit goals is most effective	.255	.152	.185	1.677	.102
	Rewards motivates better than recognition	.306	.116	.620	5.362	.000

a. Dependent Variable: Overall satisfaction with existing PAS

Regression model: objective 1

$$\text{Satisfaction (Y)} = 0.558 + 0.063X_1 + 0.20X_2 + 0.226X_3 + 0.225X_4 + 0.306X_5$$

Interpretation of the Model

Strength of Regression/Goodness of Fit

Adjusted R-Square

When the model is adjusted for bias in the sample size, an adjusted R-square value of 0.750 or 75% is achieved. Impliedly, the model explains 75% of the total variations in satisfaction with the existing PAS when used as a motivational tool at Shine Communications.

Significance F

The F value of 0.00, which is below the maximum limit of 0.10, has the implication that there is a meaningful correlation in the model. In other words, the regression model used is very significant at 95% confidence interval.

Interpretation of Model Coefficients

Sign

Notably, all independent variables that were used in explaining the variation in satisfaction with the organisation's PAS have a positive value. Impliedly, there is a positive correlation Satisfaction with the PAS and explanatory factors. An increase in these independent variables therefore contributes to a subsequent increase in employee satisfaction with the PAS when it is used as a motivational tool.

Size

As evident from the differences in the co-efficient values each of the variables contributes differently towards motivation through the performance appraisal system. The constant value of 0.558 means that other factors not currently included in the model would account for 55.8% of variations in the model. This should happen when the current independent variables at set at a value of zero.

Significance of the coefficients

At a confidence interval of 95% only two variables in the model reveal significance namely self-assessment at 0.034 (3.4%) and rewards at 0.00 (0%). The rest of the independent variables reveal no significance in the model as their significance values at above 0.05 or 5%.

Analysis of Independent Variables

(i)Performance appraisal

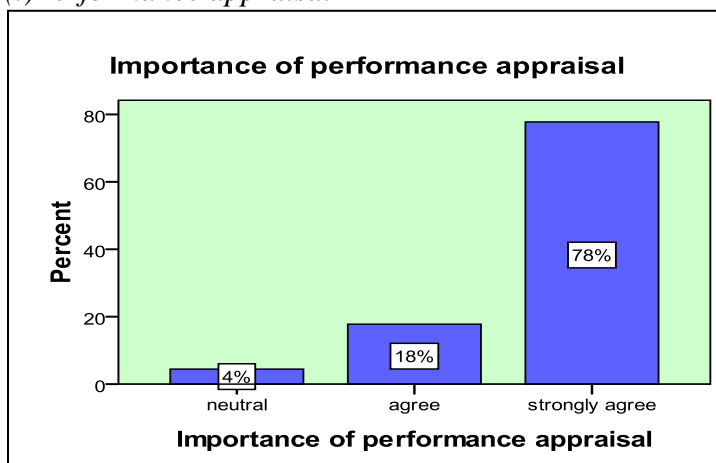


Figure 4: Importance of Performance Appraisal

The bar-chart in figure 4 above shows that an overwhelming majority of the respondents (78%) at a mean of 4.7 strongly agreed that the presence of a performance appraisal system was important

at the workplace. It is therefore evident that the employees in this organisation attach significant importance to the presence of a PAS.

From the interview responses, the HR noted that a multi-rater type of PAS as well as behavioural anchored rating scale were the most commonly used systems though graphical scales were also used. The use of multi-rater feedback was considered as important in giving a comprehensive analysis. The use of a behavioural anchored rating scale was on the other hand attributed to the fact that it is less subjective when compared with other techniques.

Evidently, the importance accorded to the multi-rater appraisal system at Shine Communication is consistent with past studies which indicate that such a system allows reviewers to gather significant data about the employee (Sahoo & Mishra, 2012). This allows for a reduction of incidences of prejudice, subjectivity and halo errors (Hsu et al., 2005); and is therefore consistent with findings of high levels of satisfaction with the PAS at Shine communications.

(ii) Satisfaction with the Existing PAS

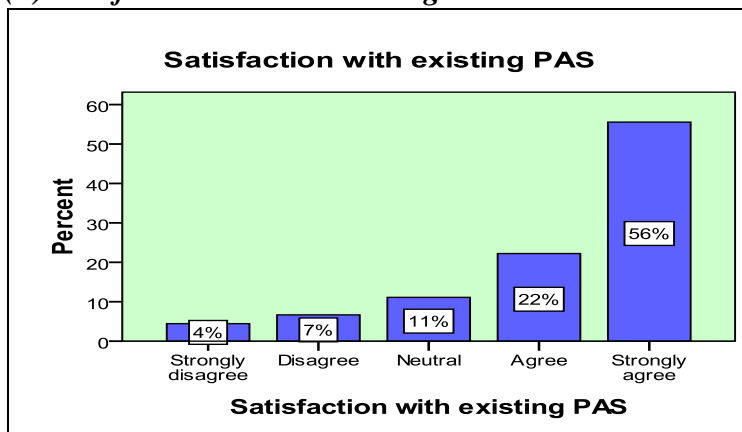


Figure 5: Satisfaction with Existing PAS

The bar graph in figure 5 shows that a cumulative total of 78% of the respondents agreed that they were satisfied with the existing PAS at the organisation. This corresponded with a mean of 4.2 and a mode of 5 hence an indicator of significant efforts by the management to ensure an effective PAS.

The above findings on the importance accorded to the qualitative feedback are consistent with views by Espinilla et al., (2013) that incorporation of qualitative results is necessary if richness of information about the employee’s performance is to be achieved

Correlations			
		Department	Satisfaction with existing PAS
Department	Pearson Correlation	1	.462**
	Sig. (2-tailed)		.001
	N	45	45
Satisfaction with existing PAS	Pearson Correlation	.462**	1
	Sig. (2-tailed)	.001	
	N	45	45

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

Table 1: Correlation between Employees department and satisfaction with existing PAS

From table 1 above, the coefficient correlation between the employee’s department and satisfaction with existing PAS is at 0.466. This implies a moderate positive relationship between the two variables. Further implications are that the organisation’s PAS may not be fully standardised hence different levels of satisfactions across various departments.

iii. Performance appraisal is well assessed by my supervisor

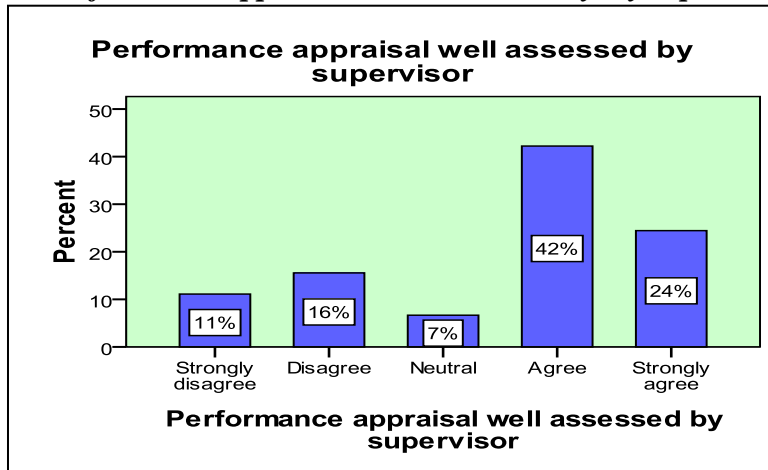


Figure 6: Assessment by Supervisor

The bar chart in figure 6 shows that majority of the respondents (66%) at a mean of 3.5 agreed or strongly agreed that the supervisors make efforts to ensure that the employees are well assessed during the performance appraisal. It is thus evident that a significant proportion of the respondents do not consider the supervisor as doing a good job in appraising.

Correlations			
		Age	Performance appraisal well assessed by supervisor
Age	Pearson Correlation	1	-.113
	Sig. (2-tailed)		.458
	N	45	45
Performance appraisal well assessed by supervisor	Pearson Correlation	-.113	1
	Sig. (2-tailed)	.458	
	N	45	45

Table 2: Correlation between Age and Assessment by Supervisor

Further analysis of the differences in respondents’ attitudes on assessment by supervisors revealed a negligible (-0.113) influence of age of the employee as shown in the table above and a minimal influence of age on attitude towards appraisal by supervisor.

(iii) Self-assessment would very effective in the organisation

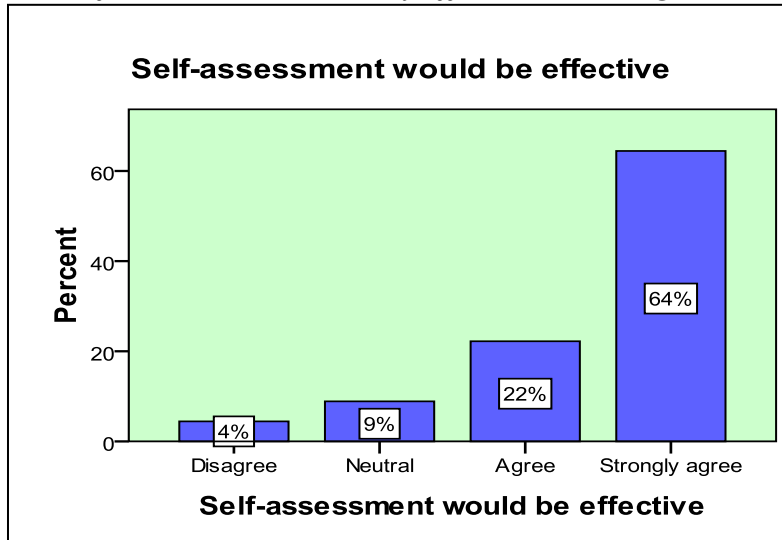


Figure 7: Importance of Self-Assessment

At a mean of 4.4 and variance of 0.7, the bar-chart in figure 7 illustrates that the employees would be greatly motivated by the inclusion of self-assessment as part of the performance appraisal process in the organisation.

Correlations			
		Department	Self-assessment would be effective
Department	Pearson Correlation	1	.447**
	Sig. (2-tailed)		.002
	N	45	45
Self-assessment would be effective	Pearson Correlation	.447**	1
	Sig. (2-tailed)	.002	
	N	45	45
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 3: Correlation between Department and Self-Assessment

Table 3 above shows a coefficient correlation equal to 0.447, which indicates that there is a moderate positive relationship between the employee’s department and the importance accorded to self-assessment.

As part of the interview responses, the HR noted that “at Shine Communications both the employee and supervisor are involved in performance appraisal hence a fair and thorough process.

The above findings on self-assessment are largely consistent with literature on management by objectives (MBO). Huang et al., (2011) and Armstrong (2009) for instance stress the value of employee involvement as a way of promoting objectivity and two-way feedback and hence greater satisfaction and motivation to improve performance.

(iv) PA based on explicit goals is effective

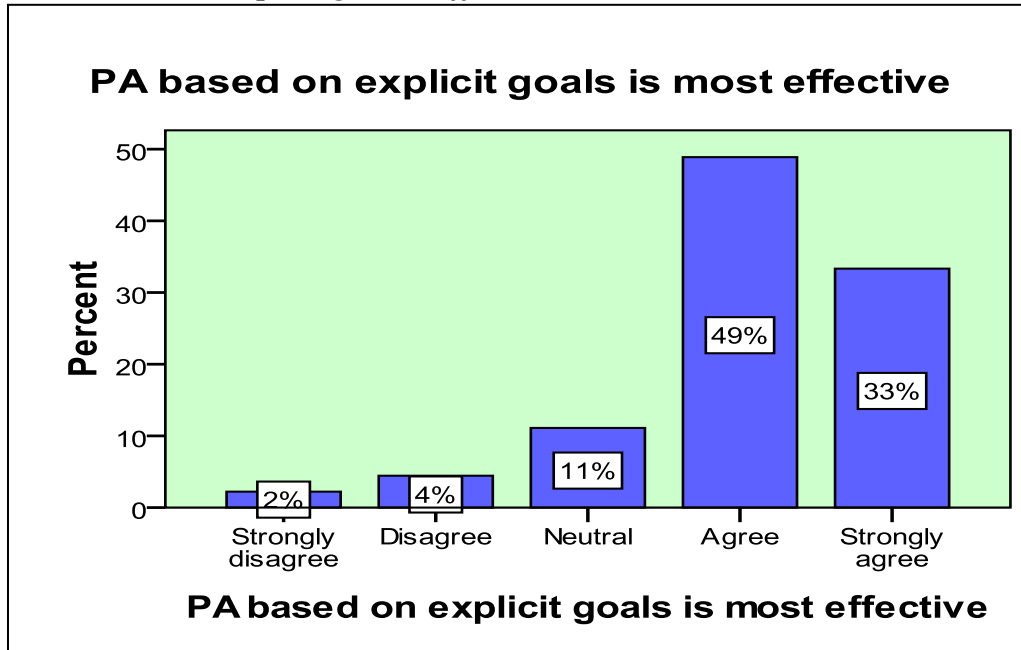


Figure 8: The Importance of Explicit Goals

From the bar chart in figure 4.8, majority of the respondents (81%) at a mean of 4.1 consider the use of explicit goals as a basis for conducting performance appraisal as quite effective in contributing to their motivation at the workplace.

Correlations			
		Age	PA based on explicit goals is most effective
Age	Pearson Correlation	1	.466**
	Sig. (2-tailed)		.078
	N	45	45
PA based on explicit goals is most effective	Pearson Correlation	.466**	1
	Sig. (2-tailed)	.078	
	N	45	45

Table 4: Correlation between Age and Explicit Goals

A correlation coefficient of 0.466 as indicated in the table above shows the presence of a strong positive relationship between the age and the preference for a performance appraisal system that is based on explicit goals. The above findings on the importance of a PAS to be based on explicit goals are largely supported by extant literature. The goal setting theory for instance posits that employees will perform at a higher level in the presence of specific and challenging goals (Bipp & Dam, 2014).

The Role of Performance Appraisal in Enhancing Employee Motivation

Regression Model

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.932 ^a	.868	.852	.48740
a. Predictors: (Constant), Promotion is purely based on PA, PAS helps identify strengths & weaknesses, PAS achieves its objectives, PAS is linked to reward & incentives, Job descriptions are superior in measuring performance				

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	61.180	5	12.236	51.507	.000 ^a
	Residual	9.265	39	.238		
	Total	70.444	44			
b. Dependent Variable: Overall level of employee motivation						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.019	.519		.038	.970
	PAS linked to reward & incentives	.038	.093	.036	.407	.686
	PAS achieves its objectives	-.085	.111	-.072	-.768	.447
	Job descriptions are superior	.059	.161	.051	.369	.714
	PAS helps identify strengths & weaknesses	.414	.100	.297	4.140	.000
	Promotion is purely based on PA	.594	.180	.711	3.843	.000
a. Dependent Variable: Overall level of employee motivation						

Regression Model:

$$\text{Motivation (Y)} = 0.019 + 0.038X_1 - 0.085X_2 + 0.059X_3 + 0.414X_4 + 0.594X_5$$

Interpretation of the Model

Strength of Regression/Goodness of Fit

Adjusted R-Square

When the R value is adjusted for biases, the resultant adjusted R-square value is 0.852. This means that the 85.2% of the total variations in employee motivation at Shine Communication can be explained by the independent variables in the model and hence a very strong explanatory power.

Significance F

The model gives an F value of 0.00. Impliedly, all variations in employee motivation with respect to the PAS at Shine Communication can be explained through meaningful correlation as opposed to chance.

Coefficient Interpretations

Sign

Notably, there exists a positive correlation between the level of employee motivation and linking the PAS to rewards, offering job descriptions, using performance appraisal to identify strengths and weaknesses of the employee as well as the use of performance appraisal for promotion.

A negative sign exists for the role of achieving the PAS objectives in regards to motivation. Impliedly, the inability or failure to use PAS to achieve its main purposes will lead to a subsequent decrease in the level of employee motivation.

Size

The constant value 0.19 implies that only 1.9% of variations in employee motivation levels can be explained by other factors when the current independent variables are equated to zero hence the current independent variables are the main factors that explain changes in levels of employee motivation from a performance appraisal perspective

Significance of the coefficients

Based on the values of the coefficients the only variables that reveal significance in the model are PAS helps identify strengths and weaknesses at 0.00 as well as promotion is based purely on appraisal results at 0.00. The other variables have values above 0.05 or 5% and hence no significance.

Analysis of Independent Variables

(i) Rewards Motivates Me Better Than Recognition



Figure 9: Rewards versus Recognition as Motivational Elements

As can be seen from the bar chart in figure 4.9, the respondents were to a large extent indifferent on whether rewards (e.g. monetary compensation) were better than recognition (e.g. praise) in motivating them. This was further evident from a mean of 3.3.

Against the above background, the researcher also sought clarification from the HR on whether the organisation preferred rewards or recognitions as part of the motivational process. In this regard the HR noted that *“In work aspects that are well defined, employees who consistently perform well are rewarded through bonuses and pay increases as per the company policy; other aspects especially in instances where the employees based on their own volition perform beyond expectations are recognised through various ceremonies held in the organisation”*.

Correlations			
		Department	Rewards motivates me better than recognition
Department	Pearson Correlation	1	.421**
	Sig. (2-tailed)		.004
	N	45	45
Rewards motivates me better than recognition	Pearson Correlation	.421**	1
	Sig. (2-tailed)	.004	
	N	45	45

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

Table 5: Correlation between department and attitude on rewards and recognition.

The differences in attitude towards rewards and recognition were further evident from the correlation coefficient of 0.421 as shown in the table above. This indicates the presence of a moderately strong relationship between the employee’s department and the preference for reward rewards or recognition.

The above preferences for both rewards and recognition reinforce past study findings that employees require both extrinsic and intrinsic motivation (Miao et al., 2007). Further, the differences in the above preferences underscore the relevance of Herzberg’s hygiene factors as well as Maslow’s hierarchy of needs (Al-Aufi & Al-Kalbani, 2014).

(iv) PAS helps identify strengths and weakness

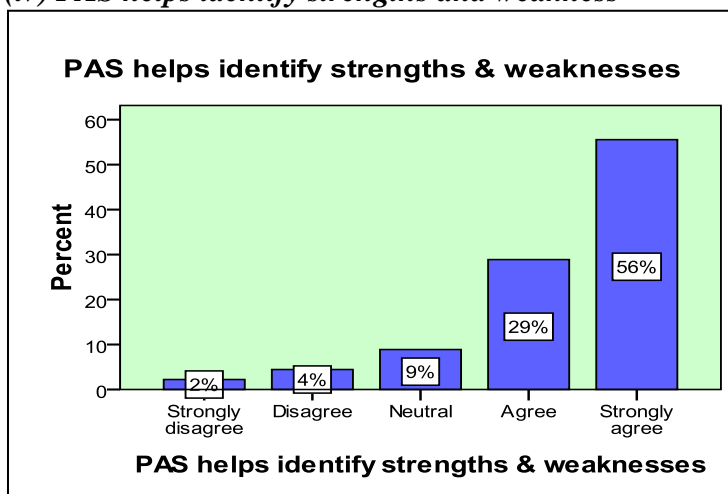


Figure 10: The Usefulness of PAS in Identifying Strengths and Weaknesses.

As can be seen above, majority of the respondents (84%) at a mean of 4.3 consider a performance appraisal system as effective in helping them identify their strengths and weaknesses.

Correlations			
		Gender	PAS helps identify strengths & weaknesses
Gender	Pearson Correlation	1	-.155
	Sig. (2-tailed)		.310
	N	45	45
PAS helps identify strengths & weaknesses	Pearson Correlation	-.155	1
	Sig. (2-tailed)	.310	
	N	45	45

Table 6: Correlation: Gender and use of PAS to identify strengths and weaknesses

Despite a high mean of 4.3, further analysis showed coefficient correlation of -0.155 between Gender and the view on whether the organisation’s PAS helped identify strengths and weaknesses. Though the relationship is relatively weak, a number of the female respondents have the view that the PAS is relatively inefficient in this aspect. The importance accorded to the role of performance appraisal in helping identify strengths and weaknesses is consistent with the review of literature which indicates that performance appraisals can be used to provide supervisory support (Sutton & Watson, 2013).

(v) Promotion is purely based on the performance appraisal results

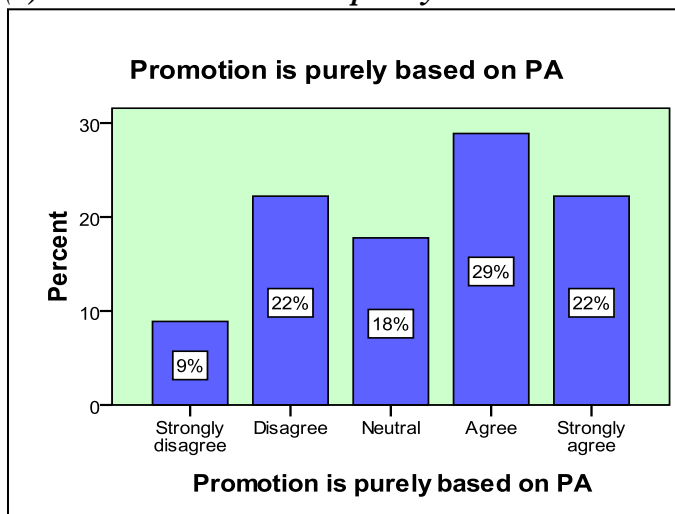


Figure 11: The link between PA Results and Promotion

The study findings as shown in figure 14 shows that at a low mean of 3.3 respondents were divided over whether promotion was purely based on appraisal results. Only half of the respondents (50%) agreed that the PA results were used as the sole basis for promotion.

Correlations			
		Department	Promotion is purely based on PA
Department	Pearson Correlation	1	.329*
	Sig. (2-tailed)		.027
	N	45	45
Promotion is purely based on PA	Pearson Correlation	.329*	1
	Sig. (2-tailed)	.027	
	N	45	45
*. Correlation is significant at the 0.05 level (2-tailed).			

Table 7: Correlation between department and promotion on performance appraisal

The table above shows a correlation coefficient of 0.329, which implies a moderately positive relationship between the employees' department and the view on whether promotion is based purely on performance appraisal results. In this case employees from the sales department mainly have positive views.

The lack of unanimity on whether PA at Shine Communications is used as the sole basis for promotion suggest the possibility of future problems in achieving high motivation. The literature in the second chapter for instance suggest that use of promotions helps send crucial messages to employees that hard work will indeed payoff (Maana, 2008).

FINDINGS AND CONCLUSIONS

The first aim of the study concerns the analysis of the types of performance appraisal techniques and motivation and their effectiveness. From the interview conducted with the organisation's HR manager, several performance analysis systems are used. These include the multi-rater/360 degree system, behavioural anchored rating scale and graphical rating scale.

In terms of effectiveness, the study finds that the 360 degree performance appraisal system is quite effective in offering a comprehensive analysis of the employees' performance at Shine Communications. This is consistent with the reviewed literature, which underscores that 360-degree appraisal helps assess an employee's performance from different angles and is therefore reflective of the employee's actual performance (Sahoo & Mishra, 2012). In the case of graphical rating scale, the literature reviewed suggests that this traditional appraisal system tends to overlook a number of employee traits due to its standardised nature (Armstrong, 2009). The study findings however indicate that such as a scale still performs a useful role especially in work tasks that are based on explicit goals and quantifiable in nature.

In regards to types of motivation, it is evident that the Shine Communication makes use of both extrinsic and intrinsic motivation. The resultant high satisfaction with these types of motivation as evident from the survey helps validate the wisdom of the Herzberg's hygiene theory of motivation, which suggests that combining intrinsic and extrinsic motivation factors can have a positive impact on employee performance (Huang et al., 2011). In terms of the factors affecting the level of motivation, the study findings indicate that the study respondents had mixed attitudes on the effect of rewards and recognition. The mixed responses in this case can it part be explained through the help of Maslow's hierarchy theory, which suggests that employees experience different classes of needs with varying degrees of strength at any given time (Saeednia, 2011).

Overall, the study findings in regards to the first research question indicate that a cumulative total of 78% of the employees were satisfied with the existing PAS at the organisation. It can therefore be concluded that the use of a variety of performance appraisal techniques and motivation yields greater satisfaction when compared to a single techniques or type of motivation. This further confirms that different types of appraisals and motivation have different outcomes on employee motivation. The study findings also point out to rewards as the most statistically significant factor influencing satisfaction with existing PAS.

In the study's investigation into the ways in which performance appraisal influences employee motivation. Five main ways were in this context identified. They include the linking of PA to rewards and incentives; use of PA to assess employees' ability to meet set objectives; use of job description as performance benchmarks; use of PA to help identify employees' strength and weaknesses; and use of PA as a promotional tool. Based on data analysis, each of these uses of performance appraisal contributes positively to employee motivation.

The above findings are largely consistent with the literature reviewed in the study. Kominis and Emmanuel (2007) for instance consider promotions and pay for performance as one of the most effective ways of rewarding and motivating employees. Long and Shields (2010) also consider rewards and recognition based on achieved job description goals as one of the ways that help trigger innovative behaviour as an outcome of motivation. In addition, the use of performance appraisals to identify employee strengths and weaknesses is considered as an effective way of motivating employees through supervisory support (Jong et al., 2009).

Notably, the statistical analysis shows that use of performance appraisal for identifying employee strengths and weaknesses as well as a basis for employee promotion are the most statistically significant factors that influence employee motivation. It can therefore be concluded that the organisation should focus on the two aspects to help improve motivation. Overall, the positive impact of the five identified roles in improving employee motivation helps confirm that a positive relationship exists between performance appraisal and employee motivation.

Performance appraisal systems should be designed in such a way that they create perceptions of fair treatment relative to other employees as well as the employee's own expectations. This can contribute significantly towards positive attitudes, which have been shown in this study to be a significant determinant of employee's level of motivation and consequently work performance.

The study also shows that employees differ in their preference for rewards following a performance appraisal. Organisations should therefore adapt a more personal approach in linking performance appraisal results to rewards and incentives. This could contribute significantly towards boosting of employee motivation as a result of improved levels of satisfaction.

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