

# PERFORMANCE APPRAISAL: An Empirical Study to understand Job Satisfaction and Motivation of personnel through the system

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**Abstract**— Drawing upon existing literature, this study investigated the relationship between Job satisfaction and Motivation of personnel through the system of Performance Appraisal (PA). A study of 115 personnel from various industries found a positive correlation between job satisfaction and motivation with the performance appraisal system of the organization. The results of the study indicate positive constructs related to PA as objectivity and transparency, PA culture and system, feedback, performance impact, attrition, and compensation. Furthermore, it strengthens the argument that organizations must design and administer their performance appraisals with care, frequency and use it more as a development tool to enhance its effectiveness for generating productivity.

**Index Terms**—Empirical Study, PA, Performance Appraisal

## I. INTRODUCTION

The technique of Performance Appraisal has been widely adopted in organizations to measure and evaluate performance of employees across all levels. Both public and private sector have been known to employ formal employee appraisal systems increasingly. Performance Appraisal has been the focus of a flurry of research activity in the past several decades (Bretz, Milkoviln and Read, 1992). There has also been a continued use of performance appraisal systems by business and industry, with recent surveys indicating that between 74 per cent to 89 per cent of firms having a formal system. (Murphy and Cleveland, 1991). Formal PA systems arose for a number of different purposes, including human resource decisions, feedback and program evaluation (Cleveland, Murphy and Williams, 1989).

PA is among the most important HR practices and it is one of the most heavily researched topics (Fletcher, 2002). According to Fletcher, the PA must be viewed as a mechanism for developing and motivating people.

The study was designed to learn the impact of PA on Job Satisfaction and Motivation of Personnel in various occupations and firms respectively.

## II. REVIEW OF LITERATURE

Performance Appraisal (PA) usually involves “evaluating performance based on the judgements and opinions of subordinates, peers, supervisors, other managers and even workers themselves (Jackson & Schuler, 2003). Generally an appraisal, performance review or a career development

discussion is a method by which the job performance of an employee is evaluated in terms of quality/quantity/ cost/time. The system of performance appraisals as regular reviews of employee performance within organizations is being widely adopted. As a process, performance appraisal is seen as a key contributor to successful human resource management, as it is strongly related to organizational performance. (Erdogan, 2002). According to Lardy and Robbins (1994), PA as a process of enhancing human performance has attracted the attention of both academics and practitioners.

Historically information from PA has been used as a basis for administrative decisions (Boleman et al, 2009). Several service institutions are using a PA system that was developed at a time when organizations were typically large and hierarchically arranged, as organizational environments were relatively stable, when employees were homogeneous and relatively well qualified and when long term employment was the norm. (Cleveland, Murphy, 1995)

PA can be perceived, described and implemented in different ways in organizations. With PAs in groups, the group is known to push each member to perform at his or her highest level and thus members may be heavily motivated to participate in PAs. Research has shown that the PA must have a positive purpose and employees must be participants in the PA if they are to improve their job performance. (Vasset et al, 2012)

Job satisfaction is known to emerge from a variety of factors, including characteristics of the organizational environment, specific features of the job, human resource practices, PA and the personal characteristics of the employee. Job satisfaction has been widely researched by the terms of its determinants, and its predictive power. Important and recurring questions in organizational science are why employees perform well in their jobs and why they are satisfied with their jobs. Research suggests that employees’ job satisfaction depend on their goal orientations. (Farr, Hoftmann and Renginbach, 1993). Performance oriented individuals tend to believe that working hard does not lead to performance improvement. In their view, working hard indicates low competence, and those who perform poorly do not have the attributes necessary to do well in their jobs. (Dweck, 1999). Job performance is a broad and complex construct comprising two fundamentally different aspects, namely, in role job performance mandated by an organization and more spontaneous innovative work behaviours. (Katz, 1964). In role job performance can be defined as actions specified and required by an employees’ job description and thus, mandated, appraised and rewarded by an employing organization. A performance goal reflects the desire to demonstrate superior competence to others. As such, employees with performance orientation tend to

perceive in role job requirements as competitive standards that motivate them to exert effort in order to outperform others and to obtain favourable competency judgements from their organization's appraisal and reward systems. Researchers have noted that job satisfaction is directly related to employee turnover, retention rates, absenteeism and indirectly to job performance and productivity. (Shore, Newton et al, 1990). Higher job satisfaction has been linked with employees who are able to exercise autonomy (Sekharan, 1989) and with those who have a higher level of job involvement. The relationship between job satisfaction and job performance has been the concern of many studies. Job satisfaction refers to the employee's pleasurable or positive emotional state as a result of appraisal of one's job and job experience. (Bartlett & Keng, 2004, Schmidt, 2007). For the long term effectiveness of the organizational system employees' satisfactory perceptions towards PAs are important. (Largenecker & Nykodym, 1996). If employees are not satisfied with PAs, they will not see the added value. (Beaty, 1984). Some other studies suggested that appraisal satisfaction is a key factor leading to job satisfaction. (Murphy and Cleveland, 1995).

Performance Appraisal satisfaction deals with such issues as employees evaluating timeliness, accuracy, goal setting procedures and feedback mechanisms. (Dobbins, Candy and Plat-Vieno, 1990). Addressing the concern of the use a Performance Appraisal, Longenecker, Sims and Gioia summarise as "the main concern is how best to use the appraisal process to motivate and reward subordinates (1987, p 191). It is assumed that the PA process involves a series of behaviours during which the appraiser observes, stores and when necessary, recalls and integrates appraisee behaviour. (Wexley, Klimoxi, 1984).

Current PA practices tend to work better in terms of affective and behaviour outcome i.e people are more satisfied with PA events and PA behaviours are more positive and functional when the job of the person being appraised has well specified duties and priorities (Reznick and Mehrman, 1981)

The relationship between performance appraisal and satisfaction and work performance was both mediated and moderated by employees' intrinsic work motivation.

### III. OBJECTIVE OF THE STUDY

The main objective of the study was to analyze the impact of a Performance Appraisal on personnel in terms of their job satisfaction and motivation for undertaking work. For this purpose, demographic details and a questionnaire of 25 items examining these factors from personnel of various age groups working in different organizations was collected and studied.

### IV. RESEARCH HYPOTHESIS

The hypothesis proposed is as follows: The variables associated with Job satisfaction and Motivation is significantly related to Performance Appraisal.

### V. RESEARCH METHODOLOGY

The study significantly used primary data. Some sources for secondary data were also browsed in order to deeply understand the phenomenon of Performance Appraisal as a basis for Job Satisfaction and Motivation to work. The primary data was collected as responses from a judgement sample of 115 respondents working in various industries. The rationale for choosing the respondents was a minimum of a two year work experience in the same organization and being subjected to an annual Performance Appraisal. The number of responses totalled 115 and these were clustered as follows: demographic data, satisfaction factors, motivation drivers through the instrument of PA. These were personally collected and the responses as a range of ratings from strongly agree to strongly disagree were marked. The numbers of statements were 25 and for analysis, these were clustered as job satisfaction related and motivation related. The content of the questionnaire included the phenomenon of PA and the experience related to the same.

### VI. RESULTS AND ANALYSIS

The Personal Characteristics of the respondents for this study included age, gender and education status. These were necessary to be included for analysis as institutional studies have shown the impact of such characteristics on employee performance. (Anderson, 1976; Gibbons, 1997; World, 2001).

**Table 1** shows the Age Distribution of respondents. 41 were between the age of 21 and 25 years and 67 were between the age of 26 and 50 years.

**Table 2** shows the Gender Distribution of the respondents. 75 were male and 40 were female respondents.

**Table 3** shows the Educational Status of the respondents. 79 were undergraduate students and 36 were post graduate students.

**Table 4** shows the Correlation score of Performance Appraisal Satisfaction and Motivation and Rewards. It was analyzed according to age, gender and education qualification. It showed the overall correlation coefficient as 0.709, which is quite high.

**Table 5** shows the Varimax Rotated factor analyses of the scale related to Satisfaction with Performance Appraisal. Using a cut off > 0.35, six factors were drawn from 18 variables related to satisfaction and appraisal. The total variance explained was 65.58 per cent. I have named them as follows including the factor loadings.

#### A. Transparency of Appraisal

1. Proper Evaluation (0.645)
3. Continuous Monitoring (0.418)
4. Appraisal Satisfaction (0.752)
7. Expected Results (0.640)
15. Fair Promotion (0.688)

17. Compensation related to Performance (0.537)

*B. Systemic*

- 5. Appraisal Satisfaction (0.763)
- 6. Frequency of Appraisal (0.724)
- 10. Impartial Appraiser (0.672)

*C. Feedback*

- 9. Evaluator Rating (0.718)
- 13. Result Impact (0.734)

*D. Performance Impact*

- 12. Impact on Performance (0.843)
- 16. Affect on Performance (0.696)

*E. Performance and Attrition*

- 2. Total Employee Evaluation (0.636)
- 8. Impact on Attitude and Morale (0.574)
- 11. Attrition and Evaluation (0.714)

*F. Basis for Compensation*

- 14. Standard tool for Performance Standards (0.862)

**Table 6** shows the Varimax Rotated Component Matrix of variables related to Performance Motivation and Rewards. Two factors were extracted and these are as follows:

*G. Performance Communication*

- 22. Frequent Communication (0.761)
- 23. Right Rating (0.807)
- 24. Feedback for Evaluation (0.858)
- 25. Motivation to Improve (0.630)

*H. Performance Rewards*

- 18. Promotion Morale (0.568)
- 20. Reward for Performance (0.799)
- 21 Wages and Performance (0. 767)

**Table 7** shows the Correlation between factors related to Performance Appraisal Satisfaction and Performance Appraisal Motivation and Rewards. It shows a significant positive correlation between both the dimensions.

## VII. DISCUSSION

The purpose of undertaking this research study was to examine the impact of PA on the feelings and manifestation of Job satisfaction and Motivation of the employees. Trust in the Performance Appraisal system is likely to affect motivation. As defined by Bernardin and Beatty (1984), trust in the PA system refers to the extent to which appraisers and

subordinates believe that performance data will be used fairly and objectively. There is one negative consequence of engaging in performance appraisal activities: interference with other tasks. Recent writing on Motivation (Kanfer, 1990) has postulated that individuals consider the importance of competing goals and outcomes in determining which activities to engage in. In the present context, most managers have myriad of job responsibilities beyond PA; time spent on PA activities may be viewed by the organization and appraiser as detracting from other and more important tasks.

PA can be considered to be a technique that has a positive effect on work environment and quality of service. Researchers acknowledge that there are a number of problems connected to PA.(Kuvaas, 2006). The reasons include poor design, lack of attention to the organization culture and unwillingness to confront issues of poor performance (Schofield, 1996) as well as time pressure.

In the last decade, researchers have moved away from a narrow focus on feedback and evaluation from manager towards the more developmental and motivational aspects of PA (Kuvaas, 2006; Fletcher, 2001). One major focus in practitioner literature is transforming PA from a process to a management tool that motivates employees.

PA helps employees to improve their performance by giving feedback about the need for development and help employees to continue to excel by giving positive reinforcement that can motivate them. Feedback is often seen as recognition for good performance and can increase inner motivation because it may reinforce the employees on competence and self esteem. The significance of a Performance Appraisal as a basis for driving employee motivation and job satisfaction has been established. The findings of the above research study through the Correlation Analysis are in conformity with the previous research studies and align with the hypothesis, which show a positive correlation between PA and Job satisfaction and Motivation. Organizations are increasingly convinced and therefore wish to invest ample time and innovation in undertaking the design and exercise with care and transparency, in order to minimize the element of conflict and prejudice likely to influence the conduct of this activity with objectivity.

## VIII. CONCLUSION AND RECOMMENDATIONS

Findings from this study would seem to have many practical implications for enhancing the motivation and Job satisfaction of employees at the workplace. PA as an instrument needs to be designed and administered effectively and judiciously. The above research study depicts the positive constructs related to PA as objectivity and transparency, PA culture and system, feedback, performance impact, attrition, and compensation. All these constructs are positively related to job satisfaction and motivation of employees at the workplace. For future, research may uncover such other constructs like coaching and mentoring, learning and training, peer relationships, which meet the inclusion criteria for measuring the impact of PA.

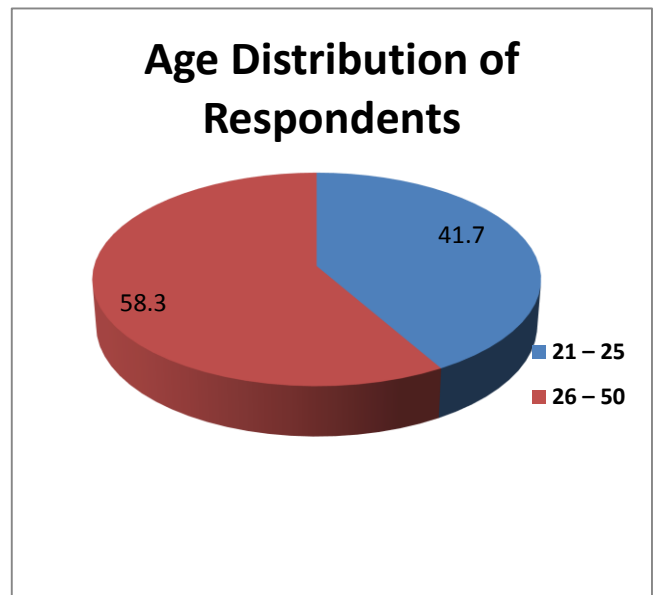
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**Table 1) The age distribution of respondents.**

Age Group (years)	No. of respondents	% of respondents
21 – 25	48	41.7
26 – 50	67	58.3
Total	115	100.0

**Figure 1) The age distribution of respondents.**



**Table 2) The gender distribution of respondents.**

Gender	No. of respondents	% of respondents
Male	75	65.2
Female	40	34.8
Total	115	100.0

Figure 2) The gender distribution of respondents.

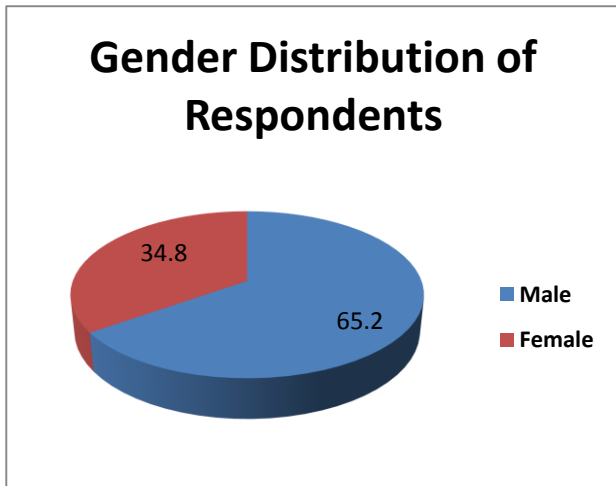


Table 3) The distribution of educational status of the respondents.

Education Status	No. of respondents	% of respondents
UG	79	68.7
PG	36	31.3
Total	115	100.0

Figure 3) The distribution of educational status of the respondents.

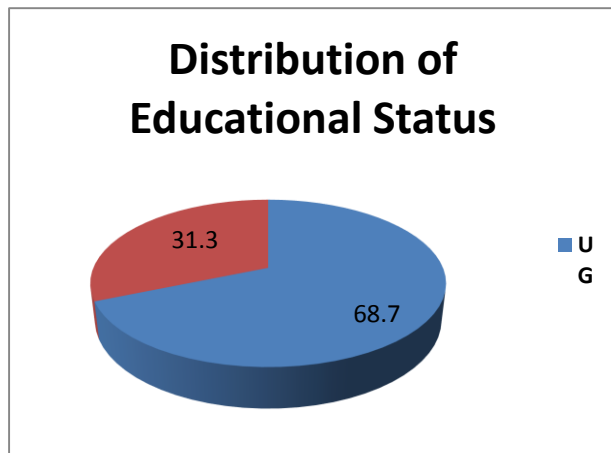


Table 4) The correlation analysis between performance appraisal and motivation/rewards according to age group, gender and educational status of the respondents.

Group	Correlation Between Performance Appraisal and Motivation/Reward	
	Correlation Coefficient (r)	P-value (Significance)
Age Group		
21 – 25	0.616	0.001 (S)
26 – 50	0.778	0.001 (S)
Gender		
Male	0.729	0.001 (S)
Female	0.680	0.001 (S)
Education		
UG	0.659	0.001 (S)
PG	0.810	0.001 (S)
Overall	0.709	0.001 (S)

Correlation analysis by Pearson's method. S: Statistically Significant.

Figure 5) The correlation analysis between performance appraisal and motivation/rewards according to age group, gender and educational status of the respondents.

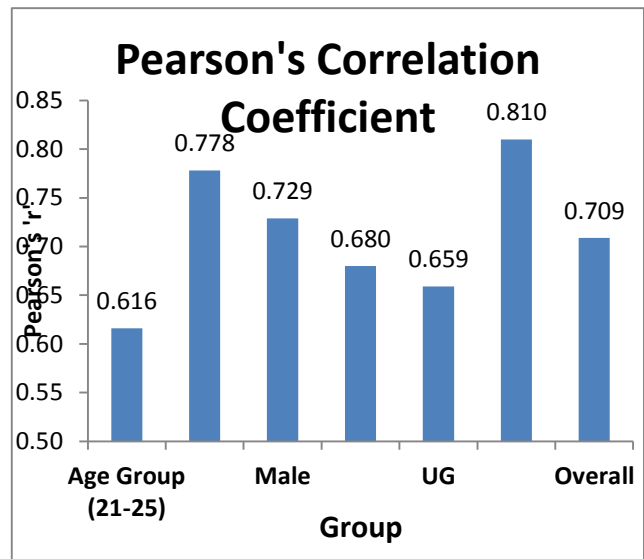


Table 6a) Factor Analysis for performance appraisal.

Question No.	Score		Communalities	
	Mean	SD	Initial	After Extraction
Q1	1.81	.826	1.000	.608
Q2	2.20	.929	1.000	.620
Q3	2.11	1.190	1.000	.678
Q4	2.14	1.050	1.000	.622
Q5	2.62	1.182	1.000	.639
Q6	2.15	1.037	1.000	.546
Q7	2.19	1.042	1.000	.636
Q8	3.05	1.426	1.000	.647
Q9	2.86	.990	1.000	.746
Q10	2.72	1.218	1.000	.665
Q11	2.40	.998	1.000	.734
Q12	1.94	.985	1.000	.748
Q13	2.18	1.014	1.000	.658
Q14	2.10	.968	1.000	.779
Q15	2.14	1.191	1.000	.683
Q16	1.95	.759	1.000	.500
Q17	2.08	1.125	1.000	.759
Q19	2.19	1.099	1.000	.539

**Comments:**

All questions had communalities more than 0.5 on extraction, hence the data on all questions is used for factor analysis. None needs to be discarded from the subsequent analysis.

**Table 6b) Total Variance Explained after factor analysis (For Performance Appraisal):**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.413	18.963	18.963	3.413	18.963	18.963	2.963	16.463	16.463
2	2.843	15.793	34.756	2.843	15.793	34.756	2.220	12.332	28.795
3	1.737	9.649	44.405	1.737	9.649	44.405	1.833	10.184	38.980
4	1.519	8.437	52.841	1.519	8.437	52.841	1.800	10.001	48.981
5	1.223	6.793	59.634	1.223	6.793	59.634	1.589	8.826	57.808
6	1.071	5.951	65.585	1.071	5.951	65.585	1.400	7.777	65.585
7	.915	5.083	70.668						
8	.892	4.955	75.623						
9	.733	4.074	79.697						
10	.622	3.456	83.152						
11	.540	3.003	86.155						
12	.506	2.813	88.968						
13	.443	2.458	91.427						
14	.411	2.286	93.713						
15	.337	1.873	95.585						
16	.294	1.634	97.219						
17	.264	1.465	98.684						
18	.237	1.316	100.000						

Extraction Method: Principal Component Analysis.

**Comments:**

- 1) It is clear that there are 6 components having eigen value more than 1.0, hence six components are to be extracted from factor analysis.
- 2) In addition, the cumulative proportion of variance criteria can be met with 6 components which satisfy the criterion of explaining 65.585% of the total variance which is more than the required standard 55.0% of total variance limit. It is interesting to note that a total of 18 variables are transformed to a smaller set of 6 components yielding a much significant total variance of 65.858%. Thus only 6 components can provide us the required information that we would obtain from 18 variables.

**1) Table 6c) Rotated Component Matrix for Performance appraisal.**

Question No.	Components (Performance Appraisal)					
	1	2	3	4	5	6
Q1	0.645	0.108	0.090	0.216	0.313	0.167
Q2	0.256	-0.132	0.310	0.163	0.636	-0.098
Q3	0.418	-0.180	0.369	0.256	-0.222	0.469
Q4	0.752	-0.105	-0.103	0.167	0.009	0.087
Q5	0.029	0.763	0.211	-0.012	0.076	0.073
Q6	-0.028	0.724	-0.049	0.017	0.031	-0.128
Q7	0.640	-0.023	0.261	-0.379	0.022	-0.119
Q8	-0.496	-0.110	-0.008	-0.240	0.574	0.037
Q9	-0.308	0.218	0.718	0.198	0.160	0.151
Q10	0.025	0.672	0.011	0.022	-0.033	0.459
Q11	0.018	0.434	-0.098	-0.014	0.714	0.157
Q12	0.082	0.019	0.105	0.843	0.130	0.045
Q13	0.305	-0.058	0.734	-0.091	0.113	0.041
Q14	0.019	0.110	0.063	-0.092	0.107	0.862
Q15	0.688	0.107	0.370	-0.184	-0.164	0.025
Q16	-0.015	0.017	-0.005	0.696	-0.090	-0.081
Q17	-0.537	0.375	0.111	0.364	-0.124	0.293
Q19	0.356	0.295	0.488	0.122	-0.267	0.007

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 13 iterations.

**Comments:**

- 1) The variables that are included with relatively higher loadings in the components are shown using grey colour code.
- 2) Component 1 represents the higher scores of Q1, Q3, Q4, Q7 and Q15 and lower scores of Q17. Component 2 represents the higher scores of Q5, Q6 and Q10. Component 3 represents the higher scores of Q9, Q13 and Q19. Component 4 represents the higher scores of Q12 and Q16. Component 5 represents the higher scores of Q2, Q8 and Q11. Component 6 represents the higher score of Q14.

**Table 7) Factor Analysis for Motivation /Reward.**

Question No.	Score		Communalities	
	Mean	SD	Initial	After Extraction
Q18	2.18	1.225	1.000	0.500
Q20	2.19	0.999	1.000	0.639
Q21	2.11	1.205	1.000	0.596
Q22	1.98	1.017	1.000	0.579
Q23	2.31	1.095	1.000	0.676
Q24	1.97	0.959	1.000	0.736
Q25	1.70	0.900	1.000	0.500

**Comments:**

All questions had communalities more than 0.5 on extraction, hence the data on all 7 questions is used for factor analysis. None needs to be discarded from the subsequent analysis.

**Table 7b) Total Variance Explained after factor analysis (For Motivation/Reward):**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.431	34.730	34.730	2.431	34.730	34.730	2.403	34.328	34.328
2	1.548	22.111	56.840	1.548	22.111	56.840	1.576	22.512	56.840
3	.895	12.789	69.630						
4	.731	10.436	80.066						
5	.640	9.142	89.208						
6	.468	6.688	95.896						
7	.287	4.104	100.000						

Extraction Method: Principal Component Analysis.

**Comments:**

- 1) It is clear that there are 2 components having eigen value more than 1.0, hence two components are to be extracted from factor analysis.
- 2) In addition, the cumulative proportion of variance criteria can be met with 2 components which satisfy the criterion of explaining 56.840% of the total variance which is more than the required standard 55.0% of total variance limit.
- 3) It is interesting to note that a total of 7 variables are transformed to a much smaller set of 2 components yielding a much significant total variance of 56.840%. Thus only 2 components can provide us the required information that we would obtain from 7 variables.

**Table 7c) Rotated Component Matrix for Motivation/Reward.**

Question No.	Components (Motivation / Reward)	
	1	2
Q18	-0.182	0.568
Q20	0.016	0.799
Q21	0.082	0.767
Q22	0.761	-0.007
Q23	0.807	-0.158
Q24	0.858	-0.001
Q25	0.630	0.011

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 13 iterations.

**Comments:**

- 1) The variables that are included with relatively higher loadings in the components are shown using grey colour code.
- 2) Component 1 represents the higher scores of Q22, Q23, Q24 and Q25. Component 2 represents the higher scores of Q18, Q20 and Q21.

**Table 8) The correlation analysis between factors extracted of performance appraisal and motivation/rewards through factor analysis.**

Components of Motivation /Reward	Components Extracted of Performance Appraisal					
	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6
Factor 1	0.510 (0.001) (S)	0.332 (0.001) (S)	0.489 (0.001) (S)	-0.138 (0.142) (NS)	-0.011 (0.904) (NS)	0.144 (0.126) (NS)
Factor 2	-0.103 (0.273) (NS)	0.106 (0.262) (NS)	0.204 (0.028) (S)	0.324 (0.001) (S)	0.225 (0.016) (S)	0.102 (0.280) (NS)

Correlation analysis by Pearson’s method. S: Statistically Significant, NS: Statistically Non-Significant.

**Comments:**

- 1) Performance appraisal factors (factor 1, factor 2 and factor 3) are positively and significantly correlated with first Motivation/reward factor.
- 2) Performance appraisal factors (factor 3, factor 4 and factor 5) are positively and significantly correlated with second Motivation/reward factor.