



Full Length Research Paper

The effect of performance appraisal system on employees' motivation: the case national road safety and insurance fund service

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Abstract

*Human resources are the most important and value adding resources of any organization. For efficient utilization of human resources, effective performance management system is critical. Hence, the primary objective of this study was to evaluate the impact of the performance appraisal system on employee motivation at the National Road Safety and Insurance Fund Service in Addis Ababa. The research employed descriptive and explanatory research designs with a mixed research approach. The study population comprised over 300 individuals, and a sample size of 171 respondents was carefully selected. Data collection was conducted using a questionnaire as the primary instrument. The collected data was subsequently analyzed using SPSS version 25, employing descriptive and inferential analysis techniques. The findings of the study confirmed that, six key factors of effective performance appraisal system have a positive and significant effect on employees' motivation. These factors include ongoing feedback, rewarding performance, trained appraisers, continuous open communication, and the fairness of the system. However, employee participation in the performance appraisal system is not expected to have a significant effect on motivation. Based on the findings of the study, it is recommended that, the performance appraisal system is a crucial factor in promoting employee motivation. By improving job performance and motivation at work, the performance appraisal system can play a vital role. However, certain elements of the current system limit its effectiveness in enhancing motivation within the organization. These elements of the system should be given priority by the leadership in order to make the performance system more effective.*

## Introduction

In contemporary business, the integration of sustainable human resources (HR) factors is crucial for maintaining a competitive advantage. Leading enterprises in the 21st century recognize the importance of incorporating HR processes and systems (Ayaz, 2010). Performance appraisal is pivotal in driving global success within human resource management. Regular formal performance appraisals, conducted annually or semiannually, are essential to effective HR management. These appraisals facilitate employee promotions, determine salary increments, provide detailed feedback, foster open communication, and enable career progression. Grote (2002) asserts that performance appraisal evaluates an individual's performance quality within an organization.

The Performance Appraisal System (PAS) summarizes progress, provides coaching, and establishes new goals. The PAS contributes to the comprehensive development and growth of both employees and organizations. Information acquired through performance appraisal programs assists management in making decisions regarding recruitment, placement, promotion, rewards, training, and termination. Performance appraisals motivate staff, shape attitudes and behaviors, com-

municate organizational objectives, and foster positive relationships between management and staff members (James and Manuel, 2009).

All these endeavors aim to maintain employee motivation, leading to increased productivity and effective contributions to organizational goals. Motivation is key to ensuring organizational continuity and survival. It involves cultivating and intensifying the desire of organizational members to perform effectively and efficiently. Motivation can be defined as the inclination of individuals to dedicate effort to their work (Wendy, Curtis, and Phillip, 2007). Two major motivation theories, proposed by Peter and John (2005), are content theory and process theory. Content theory suggests that psychological needs underlie human behavior, while process theories focus on the cognitive processes that drive motivation. Examples of process theories include expectancy theory, equity theory, goal theory, and the psychological contract (Peter and John, 2005). Among these theories, the Expectancy Motivational Theory is particularly relevant for studying the impact of performance appraisal systems on employee motivation.

Therefore, this study considers the expectancy theory appropriate for examining the relationship between performance appraisal and employee motivation in the National Road Safe-

ty and Insurance Fund Service. The National Road Safety and Insurance Fund Service is a governmental organization. It is one of the largest organizations in the country and has demonstrated exceptional performance in recent years, leading to substantial growth and success. The organization operates a single branch located in Addis Ababa, the capital city of Ethiopia. Furthermore, the organization has experienced a significant increase in its workforce over time. According to the Human Resource Management department of the National Road Safety and Insurance Fund Service, the organization currently employs over 300 individuals across the city.

## **Problem Statement**

The role of human resource management (HRM) in enhancing organizational performance has gained recognition (Breadwell and Holden, 1997). HRM practices, such as performance appraisal, are critical for organizational performance (Shrivastava and Purang, 2011). Employee satisfaction with the appraisal process significantly influences their commitment to the organization (Abdulkadir, Isiaka, & Adedoyin, 2012, p. 124).

According to Decenzo & Robbins (2005), performance appraisals should effectively communicate how well employees have per-

formed against goals. Ideally, goals and performance measures should be mutually set between employees and supervisors. Without proper two-way feedback and clear communication, employee performance may decline. Research-based assessment of performance appraisal management is limited in developing countries due to low educational advancement and lack of awareness (Candy, 2004). Aguinis (2007) also emphasized the significance of effectively managing an organization's performance for sustainable development. It is obvious that, an effective performance appraisal system helps achieve organizational goals and cultivate productive employees. Now a day's the major challenge managers face is how to maximize employee performance.

In Ethiopia, the issue of a deficient performance management system is widespread in both governmental and non-governmental organizations. The National Road Safety and Insurance Fund Service is the largest organization in Ethiopia dedicated to reducing traffic accidents and creating job opportunities. With over 300 employees, the organization requires a well-developed performance appraisal system to manage and motivate its workforce, ensuring organizational performance. Performance appraisal is essential to avoid arbitrary judgments.

The National Road Safety and Insurance Fund Service conducts periodic performance evaluations, but employees have raised concerns about the absence of clearly defined objectives for individual and group performance. To gain further insight, the researcher conducted preliminary interviews with five selected employees. The interviews revealed that the performance appraisal management system lacks clear objectives to align employee goals with those of the organization. The purpose of performance evaluation is not well understood at individual, team, and organizational levels. Employees are evaluated using the same format, regardless of their division of labor or job family. Additionally, there is a lack of consistent feedback and discussion on performance results.

If these problems persist, job dissatisfaction and strained relationships will continue to proliferate between employees and management. This situation can lead to increased employee turnover, reduced productivity, and overall dissatisfaction. The National Road Safety and Insurance Fund Service was chosen for this study because of its accessibility of information and the researcher's prior experience, even though effective management is a problem nationwide.

Therefore, this study aims to investigate employee satisfaction with the current performance appraisal practices and their impact on work performance. The potential consequences of varying opinions on performance appraisals will be analyzed within the context of the National Road Safety and Insurance Fund Service.

## Research questions

In line with the research problem, this study aims to examine the following research questions:

1. How does the performance appraisal system at NRSIFS affect employees' motivation levels?
2. To what extent do the practices relate to the performance appraisal system influence employees' motivation levels at NRSIFS?
3. Does NRSIFS currently have an effective performance appraisal system in place?
4. What is the level of employees' motivation concerning the existing performance appraisal system at NRSIFS?

## Theoretical foundation of the study

Performance appraisal is a widely used method for providing feedback on employee performance. It has been extensively researched and shown to effectively identify employees'

strengths and weaknesses (Ruddin, 2005). Studies investigating different aspects of performance appraisal have included various samples. For example, Sudin (2011) focused on 229 workers from publicly listed companies in the Klang Valley region of Malaysia, while Darehzereshki (2013) examined 133 employees from multinational companies in Malaysia. The findings of these studies suggest that clear explanations about the goals, policies, and procedures of the appraisal system can positively impact employees' perception of value and fair treatment. Additionally, providing adequate feedback for determining employee performance scores contributes to these positive outcomes.

Pichler's (2012) research examined how the social context of performance appraisals affects employee reactions. Factors like satisfaction, feedback quality, fairness, and justice are important, as identified by Greenberg (1986) and highlighted by Gupta and Kumar (2013). Employee participation in the process is also linked to satisfaction, fairness, and acceptance, according to Cawley et al. (1998). Brown (2010) found that trust, communication, clarity, and fairness in the appraisal process impact job satisfaction and commitment. Cowley et al. (1998) discovered that performance expectations, feedback, open-door pol-

icy, integrity, fairness, and distributive fairness affect motivation and performance. The study also showed improvements in ideas, innovations, absenteeism/tardiness, and timeliness. Performance appraisals clarify objectives, establish future goals, and address training needs. Appraisals based on personal traits have little value for feedback and development. Resella (2011) found a positive impact of evaluation practices on employee performance. The theoretical framework of this study suggests that an effective performance appraisal system (PAS) can influence motivation. The primary purpose of a PAS is to improve individual, team, and organizational performance. It also helps in making administrative decisions related to pay increases, promotions, transfers, or terminations. An effective PAS should include ongoing feedback, open communication, trained appraisers, rewarding performance, fairness, and employee participation.

Ongoing feedback is important for employees as it helps them understand their strengths and weaknesses and improve their performance. This can enhance motivation, job satisfaction, and self-esteem. It also allows employees to discuss their career aspirations and receive guidance, improving their relationships with supervisors. Supervisors should focus on ac-

knowledging employees' successes rather than just their mistakes.

Employee participation is another important aspect that promotes a better understanding of roles and fosters a sense of belonging. Allowing employees to participate in the PAS communicates that their contributions are valued and enables them to share valuable ideas for improvement.

Rewarding employees for their performance should be done in a timely manner and tied to actual performance evaluations. Employees should receive appropriate recognition and compensation for their contributions. Feeling acknowledged for their efforts and performance is crucial for employee satisfaction. Appraisers should undergo thorough training in the performance appraisal process to minimize evaluation errors.

Open communication between employees and management is vital, not only during the appraisal process, but also for addressing concerns or suggestions. This practice enhances overall communication. A well-implemented PAS can positively influence work performance and employee motivation. On the other hand, an ineffective PAS may result in dissatisfaction.

## **Conceptual framework of the study**

The theoretical framework of this study is based on the concept that the characteristics of an effective Performance Appraisal System (PAS) can influence motivation. A PAS aims to enhance individual, team, and organizational performance, as well as assist in making administrative decisions. In order for a PAS to be effective, it should include ongoing feedback, open communication, trained appraisers, rewarding performance, fairness, and employee participation.

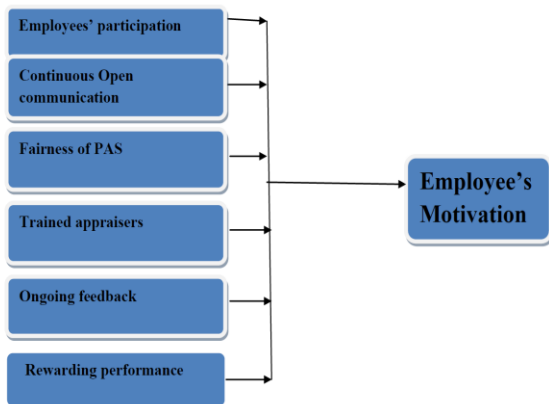
**Ongoing Feedback:** Ongoing feedback helps employees understand their strengths and weaknesses, which in turn improves motivation, job satisfaction, and self-esteem. It also provides an opportunity to discuss career aspirations and receive guidance, while strengthening relationships with supervisors.

**Employee Participation:** Employee participation fosters a sense of belonging and understanding of their roles. When employees actively participate in the PAS, it demonstrates that the organization values them. Additionally, employees can contribute valuable ideas for improvement.

**Rewarding Performance:** Rewards should be given in a timely manner and based on performance appraisals. Employees should be appropriately recognized, rewarded, and

compensated for their contributions. Trained Appraisers: Appraisers should receive thorough training to minimize errors in the appraisal process.

Open Communication: Encouraging open communication between employees and management improves the appraisal process and addresses any concerns or suggestions. A well-implemented PAS has a positive impact on work performance and motivation. On the other hand, a PAS that lacks these factors may result in dissatisfaction.



## Materials and Methods

To achieve the research objective, a combination of descriptive and explanatory research designs was utilized. According to Kothari (2004), descriptive research consists of conducting surveys and fact-finding inquiries of different types. The main purpose of descriptive research is to describe the current state of affairs. On the other hand, exploratory research, also referred to as formulate research,

aims to formulate a problem for more precise investigation or to develop working hypotheses from an operational viewpoint (Kothari, 2004). Hence, this research focused on describing the factors that affect employees' motivation in the context of NRSIFS, specifically targeting certain variables.

Based on the research design, a mixed approach was utilized, which combines both qualitative and quantitative research approaches to draw on their respective strengths and minimize their weaknesses (Carrie, 2007).

The study population consists of academic and non-academic professionals from various departments of NRSIFS who hold permanent positions. NRSIFS was selected as the organization under study due to its experience and willingness to collaborate in the data collection process. The target population includes all academic and non-academic staff members, given that it is a public service center organization. This staff population is diverse and includes individuals in managerial positions, team leaders, experts, and non-academic professionals. According to data obtained from the Human Resource Management document, the total number of employees in NRSIFS is approximately 300.

To determine the sample size, the study utilized the Yamane Taro formula. This formula, as adjusted for finite populations and known population sizes, is commonly used to determine sample sizes in recent studies such as Adebola O (2012). Therefore, the sample size can be calculated using the formula:  $n = N / (1 + N(e)^2)$ , where N represents the total population, n denotes the sample size, and e corresponds to the accepted sampling error (level of significance). In this case, a 95% confidence level is chosen, resulting in a value of 0.05 for the sampling error. Employing the above formula, the sample size for this study is determined to be  $n = 300 / (1 + 300(0.05)^2)$ , which yields  $n = 171$ . On February 2023, staff data in the National Research and Scientific Institute for Financial Studies (NRSIFS) indicated that there was a total of 300 employees in the Head office. Out of these employees, a sample size of 171 individuals were selected using simple random sampling.

To obtain the necessary data, the researcher employed both primary and secondary sources, which complement each other. Pri-

mary data was collected through key informant interviews and survey questionnaires, with a total of 148 respondents. These interviews were conducted with HR officials and key experts who have direct involvement in the relevant departments of the organization. Secondary data, on the other hand, was gathered from documents such as HRM reports, planning documents, and important statistical data. Descriptive and inferential statistics were used as data analytical techniques. Hence, mean, standard deviation, correlation and regression analyses were utilized for effective data analysis and interpretations.

## Results and Discussion

### Descriptive Statistics

The objective of this study is to point out the effect of Performance appraisal system on employee motivation in the case NRSIFS. In order to measure the extent of actual practices 24 items were provided for employees that were selected by simple random sampling.

Table 1: Descriptive Statistics

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
Ongoing Feedback	163	3.30	1.014
Rewarding Performance	163	2.72	1.043



Trained Appraiser	163	3.03	0.981
Continuous Open Communication	163	3.22	0.888
Employees Perception about fairness PAS	163	3.02	0.970
Employees Participation on PAS process	163	3.41	0.790
Statement about the level of motivation	163	2.85	1.140
Valid N (listwise)	163		

The above descriptive statistics clearly indicates that, the corresponding arithmetic mean and standard deviation of every construct total (total of every individual categorical construct). Thus, ongoing feedback categorical total has a mean of 3.30 and a standard deviation of 1.014, Rewarding performance categorical total has a mean of 2.72 and a standard deviation of 1.043, Trained appraiser categorical total has a mean 3.03 and standard deviation 0.981, communication categorical total has a mean 3.22 and standard deviation 0.888, Fairness of performance appraisal system categorical total has a mean of 3.02 and a standard deviation of 0.970, participation in PAS process categorical total has a mean of 3.41 and standard deviation 0.790, and finally level of employees motivation categorical total has a mean of 2.85 and a standard deviation of 1.140. The finding indicates that, a substan-

tial proportion of the respondents claimed that they agreed with the ongoing feedback, Trained appraiser, continuous open communication, fairness of PAS, and participation in PAS process M is greater than the average values except Rewarding performance. This means rewarding performance in the organization is weak. On the other hand, employees' motivation categorical total has a mean of 2.85 and SD=1.140, it means few employees are satisfied with the current PAS.

## Inferential Analysis

### Correlation Analysis

Correlation is the degree of correspondence between variables. This implies the relationship is mutual or reciprocating, but we do not include in our concept of correlation any proposition that one thing is the cause and the other the effect (Robert, B. and Richard, A., 2008)

**Pearson Correlation between Factors of Effective Performance Appraisal System and Employee Motivation**

Correlations		Motivation
Ongoing Feedback	Pearson Correlation	0.324**
	Sig. (2-tailed)	0.000
	N	163
Rewarding Performance	Pearson Correlation	0.287**
	Sig. (2-tailed)	0.000
	N	163
Trained Appraiser	Pearson Correlation	0.512**
	Sig. (2-tailed)	.000
	N	163
Continuous Open Communication	Pearson Correlation	0.541**
	Sig. (2-tailed)	0.000
	N	163
Employees Perception about fairness PAS	Pearson Correlation	0.432**
	Sig. (2-tailed)	0.000
	N	163
Participation	Pearson Correlation	0.326**
	Sig. (2-tailed)	0.000
	N	163
Motivation	Pearson Correlation	1
	N	163

Correlation result illustrated in above table Show that, there is significant positive relation between ongoing feedback and employees' motivation ( $r = .324$ ,  $sig = .000$ ). There is significantly positive relation between Rewarding performance and employee's motivation ( $r = .287$ ,  $sig = .000$ ). There is significant positive relation between Trained appraiser and between employees' motivation ( $r = .512$ ,  $sig = .000$ ). There is significant positive relation between continuous open communication and employees' motivation ( $r = .541$ ,  $sig = .000$ ). There is significant positive relation between fairness of PAS and employees' motivation ( $r = .432$ ,  $sig = .000$ ).

There is significant positive relation between Participation in PAS process and employees' motivation ( $r = .326$ ,  $sig = .000$ ). Table intended to determine the correlation between factors of effective PAS of six variables with employee motivation. The findings in Table 4.10., suggested that there was a strong correlation between the performance appraisal system and employees' motivation ( $r = .483$ ,  $sig = .000$ ).

**Regression analysis**

In this study multiple regressions were conducted in order to examine the relationship between ongoing feedback, Rewarding performance, Trained appraiser, continuous

open communication, fairness of PAS, and participation in PAS process with other constructs of the conceptual framework; employee motivation. Here, the regression between the components of performance appraisal quality and employee performance in the form of stepwise is analyzed. R-Square (coefficient of determination) is a commonly

used statistic to evaluate model fit. R square is 1 minus the ratio of residual variability. The adjusted R<sup>2</sup>, also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables (Robert, B. and Richard, A., 2008).

***Results of Multiple Regressions between the Combined Effect of the Six Performance Appraisal System Variables and Employee Motivation.***

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.749 <sup>a</sup>	.561	.554	.72355

a. Predictors: (Constant), Employees Participation on PAS process, Ongoing Feedback, Trained Appraiser, Continuous Open Communication, Employees Perception about fairness PAS, Rewarding Performance

b. Dependent Variable: Statement about the level of motivation

R Represent the relationship between dependent and all the independent variables. R<sup>2</sup> Represent how much of the dependent variable can be explained by the independent variable. From the equation, it was realized that motivation had a moderate relationship with performance appraisal system. The correlation value was 0.749 which is considered a moderate re-

lationship because the value falls greater than 0.70 (Pallant, 2011) The value was also positive indicating that, when the independent variables increase dependent variable also increases and vice versa. The R<sup>2</sup> indicates that 56.1 % (0.561) of employee motivation could be explain using the independent variables (Performance Appraisal system).

***Regression Coefficients of the Relationship between Employees Motivation and the Six Predictive Variables.***

Model		Coefficients <sup>a</sup>		
		Unstandardized Coefficients		
		B	Std. Error	Sig.
1	(Constant)	.651	.340	.056
	Ongoing Feedback	.171	.060	.005
	Rewarding Performance	.319	.063	.043
	Trained Appraiser	.234	.062	.000
	Continuous Open Communication	.607	.085	.000
	Employees Perception about fairness PAS	.581	.073	.000
	Employees Participation on PAS process	.015	.093	.871

a. Dependent Variable: Statement about the level of motivation

The regression equation is therefore  $y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + b_6x_6$ . When the values from the table are computed, the equation becomes  $y = 0.651 + 0.170(x_1) + 0.319(x_2) + 0.234(x_3) + 0.607(x_4) + 0.581(x_5) + 0.015(x_6)$

The regression coefficient explains the average amount of change in the dependent variable caused by a unit of change in the independent variable. The larger the value of the Beta coefficient for an independent variable, the more support it provides as an important determinant in predicting the dependent variable.

From the analysis, the coefficient value for ongoing feedback was 0.170. This means that all other independent variables being held constant (rewarding performance, trained appraiser continuous communication, fairness of PAS, and participation in PAS process), motivation would increase by 17% if there was a 100% improvement in the fairness of PAS. This finding was statistically significant ( $p < 0.005$ ).

From the analysis, the coefficient value for rewarding performance was 0.329. This means that with all other independent variables being held constant (ongoing feedback, continuous open communication, fairness of PAS, and

participation in the PAS process), motivation would increase by 32.9% if there was a 100% improvement in rewarding performance. This finding was statistically significant ( $p < 0.05$ ), indicating that the variable (rewarding performance) is making a significant and unique contribution to the prediction of employee motivation.

From the analysis, the coefficient value for the trained appraiser was 0.234. This means that all other independent variables being held constant (ongoing feedback, continuous open communication, rewarding performance, fairness of PAS, and participation in the PAS process), motivation would increase by 23.4% if there is a 100% improvement in the trained appraiser. This finding was statistically significant ( $p < 0.05$ ), indicating that the variable (trained appraiser) is making a significant, unique contribution to the prediction of employee motivation.

From the analysis, the coefficient value for continuous open communication was 0.607. This means that, all other independent variables being held constant (ongoing feedback, rewarding performance, trained appraiser, fairness of PAS, and participation in PAS process), motivation would increase by 60.7% if there is a 100% improvement in continuous communication. This finding was statistically

significant ( $p < 0.05$ ), indicating that the variable (continuous communication) is making a significant, unique contribution to the prediction of employee motivation.

From the analysis, the coefficient value for the fairness of PAS was 0.581. This means that, all other independent variables being held constant (ongoing feedback, rewarding performance, trained appraisers, continuous communication, and participation in the PAS process), motivation would increase by 58.1% if there was a 100% improvement in the fairness of PAS. This finding was statistically significant ( $p < 0.05$ ), indicating that the variable (fairness of PAS) is making a significant and unique contribution to the prediction of employee motivation.

From the analysis, the coefficient value for participation in the PAS process was 0.015. This means that, all other independent variables being held constant (ongoing feedback, rewarding performance, trained appraiser, continuous communication, and fairness of PAS), performance would increase by 1.5% if there was a 100% improvement in participation in the PAS process. This finding was statistically insignificant because the value ( $p > 0.05$ ) was 0.871, indicating that the variable (participation in PAS process) is not making any unique contribution to the prediction of

employee motivation.

*Analysis of Variance Results of the Regression Analysis between Predictor Variables and Employee Motivation.*

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**ANOVA<sup>a</sup>**

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Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	240.146	6	40.024	76.451	.000 <sup>b</sup>
	Residual	187.947	359	0.524		
	Total	428.092	365			

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a. Dependent Variable: Statement about the level of motivation

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b. Predictors: (Constant), Employees Participation on PAS process, Ongoing Feedback, Trained Appraiser, Continuous Open Communication, Employees, Perception about fairness PAS, Rewarding Performance

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From the analysis, it is noted that the probability value of 0.000 ( $p < 0.05$ ) indicates that the regression relationship was highly significant in predicting how ongoing feedback, rewarding performance, trained appraiser, continuous communication, Fairness of PAS and participation in PAS process influenced employee motivation. Further, the findings show that the overall model was significant.

### **Summary and Conclusions**

The result obtained from descriptive statistics show that majority of respondents are agree and satisfied with ongoing feedback ( $M=3.30$ ), trained appraiser ( $M=3.03$ ), continuous open communication ( $M=3.22$ ), fairness of PAS ( $M=3.02$ ), and participation in PAS ( $M=3.41$ ), except rewarding performance ( $M=2.72$ ). The findings of the result have shown that the Performance Appraisal system in the organization does contain many of the important factors that make the system effective. The system could enhance motivation of the staff and improves their performance. While the system has its flaws and needs a lot of improving to get it to where it needs to be, it is going in the right direction and has some positive results.

From the correlation analysis the factors of effective PAS, ongoing feedback ( $r=0.324$ ), rewarding performance ( $r=0.287$ ), trained appraiser ( $r=0.512$ ), continuous open communication ( $r=0.541$ ), fairness of the PAS ( $r=0.432$ ), and participation ( $r=0.326$ )

have positive correlation with employees' motivation. Generally, the whole six indicators are correlated with employees' motivation ( $r = 0.483$ , P. value .000). Consequently, there is a significant and positive relationship between the performance appraisal system and employee motivation. Multiple regression analysis was conducted to test the influence among predictor variables. The regression analysis results showed that, 56.1% of the changes in the employee motivation could be explain using combined effect of the predictor variables. More over the p-value of the regression coefficient was less than 0.05 for ongoing feedback, rewarding performance, trained appraiser, continuous open communication, and fairness of the PAS. It is noted that ongoing feedback, rewarding performance, trained appraiser, continuous open communication, and fairness of the PAS have significant effect on employees' motivation

From the summary of the findings and based on the objectives of the study the researcher draws the following conclusion concluded. The current performance appraisal system factors have great impact on employee motivation. This is due to, regular and accurate feedback that could help them to improve their performance by gaining insight about their weakness and strength; trained and well-educated appraiser were conduct employees' evaluation; there is continuous open communication with the supervisors; and the

PAS is unbiased and fair. It is not clear that the performance appraisal system recognizes hard work, which is essential for employee motivation. Rewarding performance can be considered as a technique that has a positive effect on employee's motivation.

Furthermore, employee Performance appraisal has different purposes and from the six purposes, the primary purpose is found to be feedback to employees which indicates how an employee is understood by his/her rater. It gives the sense of accomplishment and fills the gap in expectations. Many systems lack such clear indication. This is a more psychological result than other practical purposes like merit ratings, promotion, training which are also indicated in the study.

To conclude, effective PAS existed in the organization, however there are some problems in the performance appraisal system. And majority employee's response regarding to employees' motivation to the current PAS were moderately satisfied. The six indicators or factors of effective PAS, ongoing feedback, rewarding performance, trained appraiser, continuous open communication, fairness of the PAS, and employee's participation in the PAS have strong and significantly positive effect on employee's motivation with significant value less than 0.05, except employee's participation in the PAS have insignificant effect on employees' motivation.

Thus, effective PAS implemented in the organization it would affect employees' motivation in positive ways. Performance appraisal rating can be considered as a technique that has a positive effect on work performance and employee motivation. The employees may be motivated if the appraisal process is based on accurate and current job descriptions. The performance appraisal identifies performance problems to improve employee productivity and motivation.

### **Recommendations**

The findings have revealed numerous potential weaknesses that are preventing the effectiveness of the system that could affect employee's motivation. The organization needs to improve the performance appraisal system accordingly if it is to be successful in carrying out its objective. Based on the results of the study, the following recommendations have been drawn for the organization to make their appraisal system more effective.

- Performance appraisal system should involve an open communication where both managers and employees have clear understanding of nature, purpose and problems of the appraisal, and it helps to identify what improvement need to be done by communicating with employees. This will be done by providing a discussion session, workshops, and other communication methods with employees.
- Employees should participate in the designing of the performance appraisal system; it



helps the appraisal to reach its potential and to be benefited to all involved there needs to be a higher level of employee involvement in the system than there is at present. Thus, providing various opportunities for employees to participate in the PAS process and giving training to help them to understand about the PAS, so they have known how in the PAS process.

- Ongoing feedback should be given to employees regularly and must be accurate. Schedule should be developed in the planning stage of the PAS too provide regular feedbacks; it may be weekly or monthly. Performance appraiser should be well trained about how to conduct evaluation accurately.
- The study revealed that there is a problem in the performance rewarding in the system. Therefore, the researcher recommended that effective performance rewarding should be applied in the PAS to utilize the PAS effectively and to meet its purpose. The rewarding of performance mechanisms must be carefully studied and find out what type of rewarding mechanism are appropriate in the organization.

### Conflicts of Interest

The authors declare that they have no conflicts of interest.

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