

## ***AN EFFECTIVE METHOD OF PERFORMANCE APPRAISAL FOR EMPLOYEE MOTIVATION***

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### **ABSTRACT**

The reward system of many organizations depends on performance appraisals, made by the managers. Certainly, appraising an employee's performance is often more difficult than people think. The manager gives a performance appraisal with a subjective view, which affects the self-awareness of the employee and the perception of the manager's ability to evaluate performance. It is a tool to appraise the employee's strength and weaknesses and provide helpful measures to overcome weaknesses. Motivated employee will improve his workings to be more effective in terms of quality and quantity, so he can participate efficient to achieve the objectives of the organization. This study is analysing the relationship between performance appraisal and employee motivation. The research is based on literature and also interviews, which are conducted with managers of leading positions, who have the ability and permission to evaluate employees. The interviews deliver primary data that represents the opinion and thoughts of the managers.

**Keywords:** *Performance Appraisal, Employee Motivation, Motivation, Human Resources, Motivation, Employee Performance*

## ÇALIŞAN MOTİVASYONU İÇİN ETKİLİ BİR METOT OLARAK PERFORMANS DEĞERLENDİRMESİ

### ÖZ

Birçok organizasyonun ödül sistemleri, yöneticilerin yaptığı performans değerlemelerine bağlıdır. Bir çalışanın performansını değerlendirmek, sanıldığından daha zordur. Yöneticiler sübjektif bakış açısıyla çalışanın farkındalığını göz önünde bulundurarak performans değerlendirmesi yaparlar. Performans değerlendirme sistemleri, çalışanların güçlü ve zayıf yanlarını tespit etmek ve zayıflıklarının üstesinden gelmek için yararlı önlemler sağlayan bir araçtır. Motive edilmiş çalışan, daha etkin ve verimli olmak için çalışmalarını iyileştirir ve bu şekilde kuruluşun amaçlarına da etkin bir şekilde katılmış olur. Ayrıca yöneticilerin çalışanlarını motive ederek daha adil bir sistem oluşturmak için sağlıklı bir çalışma ortamı sağlamak ve için mevcut sistemlerini geliştirmek veya yeni performans değerlendirme sistemleri oluşturmak zorundadır. Bu nedenle bu tez, performans değerlemesi ile çalışan motivasyonu arasında doğru orantılı bir ilişki olduğunu savunan ve bunu analiz eden tezdır.

**Anahtar Kelimeler:** *Motivasyon, Halka İlişkiler, İşçi GÜdülemesi, Performans Değerlendirmesi, İş Değerlendirmesi*

### 1. Introduction

In our lives, we are confronted with evaluation of our performance. It begins with school life and continues with our work life. At school, students take exams in order to be tested and evaluated in knowledge. They face the same situation after graduation. The supervisor evaluates the performances by giving tasks and appraising them by using different performance appraisal tools. That means evaluation is a continuing process. The process of evaluating employees is a crucial part in today's business life. Theorists have developed different methods and tools to evaluate employees. The evaluation is important for supervisors to understand the progress of each and every employee, but also to analyse the job sequence. From the employee's point of view, the evaluation is also of great significance too. Firstly, it is a review of their performance. Secondly, it is an opportunity to see the strengths and weaknesses of oneself and that contributes in making an effort to perform better in the next business year. To put it in a nutshell, it is of big importance for both sides.

From the organizational point of view, the topic evaluation is defined as a method called 'Performance Appraisal'. This method enables to evaluate the performance of employees and to guide the employee in the right direction (oxforddictionaries.com).

The evaluation has one main target audience: *The Employees*. Therefore, all efforts are done for:

- Motivate employees and increase their commitment
- Appropriate measurement of performance and skills
- Appropriate reward and incentives
- Provision of career opportunities (Olson,1981) (1)

Another field of application is for motivational causes. The idea is to conduct the evaluation and communicate the results to the employees to help them encourage and improve themselves. According to a statistic concerning the employee motivation, a lot of people are unsatisfied and demotivated at work. They represent different opinions and reasons for this issue. The motivation problem causes 10% absence at work, which is a huge problem for work organizations. Furthermore, 34% of the employees justify their absence at work by claiming it is due to a lack of appreciation. For instance, a study in the United States conducted with 1000 employees, says that 63% of their discomfort is due to the same reason ([greatify.co/media/statistics-employee-motivation/](http://greatify.co/media/statistics-employee-motivation/)) (2). Employee motivation is of big importance for today's business life.

They build the body of the organization, when it comes to achieving the goals. Individuals are different in their working style, motivation, discipline and ambition. Some are intrinsic motivated, whereby others are extrinsic motivated. The key is to find the balance as well as tools to balance the performance and the motivation of employees. Therefore, performance appraisal and its effect on motivation is a perfect research niche.

## 2. Literature Review

The motivation of the employees has a huge impact on the business life of the organizations. Demotivated employees work inefficient and that causes costs. The reason for this is that they are paid even though their work is inefficient. According to a study of McLean & Company, employees with less commitment towards the organization cost estimated 3400 Dollar for 10.000 Dollar annual salary ([greatify.co/media/statistics-employee-motivation/](http://greatify.co/media/statistics-employee-motivation/)) (3-2). Another issue is that managers, but also the organization itself, their top-level leaders included believe that performance appraisal is time consuming, costly and ineffective. Although there is no evidence for it's ineffectiveness. The named reasons are not enough to proof the ineffectiveness of a tool. Furthermore, I couldn't find any literature, article or journal with constructive criticism about performance appraisal. Actually, performance appraisals have advantages of motivating employees, increasing commitment and developing skills. The main problem is

that managers have prejudices and therefore they don't take time to apply this tool appropriately.

## **2.1. Performance Appraisal and Motivation**

Motivation is a mental event of human beings, which determines the course of action. It does not arise from what someone says about his or her own experiences or their behaviour, therefore it is not an innate problem. Fact is that motivation is not a behavioural problem. There is no behaviour from which you can assume that motivates. The theoretical dedication upon something in the behaviour itself will be assumed as motivated. Any definition to how motivated people look and what kind of behaviour we see as motivated depends on the explanation of how we regard behaviour in general and how we explain it in general. Therefore, we can assume, that motivation is neither a fact of experience nor a fact of behaviour, but a concept we use when we explain behaviour (Bolles, 1975) (4-2).

Performance appraisal is a process, which will be described as tool for determining and communicating the performance of employees. It provides information about the workflow, stand of the work and how employees handle responsibilities. The evaluation is essential for the administrative part of the organization to make future plans, because it identifies training needs and plans for employee development (Rue, Byars, 2005) (5-3).

Furthermore, the appraisal is an important tool that seeks for better, more accurate, more cost-effective ways for appraising job performance and employee motivation (Murphy, Cleveland, 1991). At the same time, it is a demanded system with a significant technique targeted to improve the performance of the employee within the organization (Rue, Byars, 2005). Additionally, an effective performance appraisal is an integral part of organization's human resource management effectiveness (Bach, Sisson, 2000) (6-4).

The process of the performance appraisal system can be categorized into four steps. Performance appraisal systems include performance standards, methods for determining individual performance, adjustment between standards and evaluations of performance. First step of arranging performance standards constitutes the responsibilities of the job description. The job standards are set against the worker performance. The second step is to determine the employee performance (such as traits, behavioural approach, ranking methods, results methods, 360-degree evaluation and management by objectives (MBO)). After determining the employee performance, ensues an adjustment of the standards. That means, the adjustment of the documented appraisal and the standards, settled in the job description (Bach, Sisson, 2000). Nevertheless, according

to the literature and today's business some organizations are not satisfied with their performance appraisal system. This means that the performance appraisal system is not an appropriate method to increase employee motivation within the organization (Rue, Byars, 2005). Although performance appraisal is considered to be crucial to create a better work environment and improve the output of employees, issues such as mismanaged appraisal design, lack of knowledge, lack of giving feedback, time pressure also performance pressure of the top management can lead to ineffectiveness (Arbor, 1970) (7-5). Therefore a well-designed performance appraisal is of big importance for the positive effect on employee. At the same time, organizations have to be aware of different motivation theories, in order to prevent failure in performance appraisal.

## **2.2. Meaning of Appraising**

Before designing an appraisal, it is important to understand the special meaning behind the 'Appraisal' system. When you appraise something or someone, you set a certain value on it. An explanatory example is buying a house. There are different categories you have to consider in buying a house. The value of a house will depend on insurance purposes, tax purposes, the costs spent to design, materials and labor. Another aspect is the neighborhood, the distance to public transportation or any other environmental influences (Kellogg, 1965) (8-6). From this appears that one has to consider a lot of aspects, before appraising. Naturally, you cannot compare things with human beings. The point is that, the most difficult thing is to appraise human beings. People have no price or quoted figures to put a value on these kind of criteria's. The criteria might be 'how worth is his work?'. Even though, this question is an easy one, it is controversy among managers. Therefore, a manager has to recognize, that his appraisal is a subjective judgment based on information, which is not complete or precise. He can specify his appraisal by stating his planned purposes (Mohrman, Resnick- West, Lawler III, 1989) (9-7).

## **2.3. Who benefits from Appraisals?**

Managers often do appraisals, in order to influence his employees. His intention is to push his employees to a certain direction, to help them making certain decisions or steps. Some academicians believe that the tool for doing this is the discussion about the appraisal with the employee. Consequently, the question appears: 'Is the appraisal helpful for the employee?'. Unfortunately, there is no accurate answer. A manager, who makes appraisals, thinks that he needs it to make important further decisions. An employee may ask for an appraisal, in order to improve himself or make decisions about his further actions, but only if he trusts his manager's judgment. Mostly, appraisals are made without asking for the need. In these cases, no one can predict or know whether an employee feels a need for an appraisal or if he trusts or not. Depending on the results, the employee

can decide whether to heed the appraisal or not. The result of an appraisal is only an input from manager's, the heed of the information depends on several factors like, whether the employee trusts or not, the relationship between them and the validity of his appraisal (Kellogg, 1965) (10-6). For example, Susan who is stressed, because of the production of a certain product with a deadline, will not welcome the well-intended discussion about her career prospects. On the other hand, Ann, an inexperienced newcomer, will be grateful for any constructive feedback. As said before, the information every manager gives, will only be a part of an employee's decision about his further career prospects (Olson, 1981) (11-1). Appraisal is a necessary managerial task. It is a subjective value-based judgment of a person's abilities and competences to fulfill given tasks. It requires a well defined purpose, precise and relevant information. A professional appraisal serves as guideposts for a manager's own actions and plans and also as a small footnote for an employee to review his actions (Olson, 1981) (12-1).

## **2.4. Employee Motivation and Performance**

Motivating employees in order to generate higher performance are difficult. A manager has to understand the employees, establish empathy and understand the motives, which lead to motivation. If an organization is aware of his employee's motives, they can work on certain incentives to apply them at the proper time. Motivation, commitment and performance cannot be enforced, you can achieve it by communication, participation, fairness and constructive feedback. In the following part, we will discuss motivators with effective contribution to employee motivation.

## **3. Sampling & Methodology**

Due to better interaction with participants and data collection, the method used for this study is a qualitative method. The semi- structured interviews are beneficial, because it delivers detailed information about certain problems and also clear information about their thoughts.

As a result, the researcher can analyse different opinions and find a solution for certain business issues (Berg, Ketchen, 2009) (13-8).

The companies selected for the research were from different areas, in order to have a wide spectrum of opinions. In this research, the questions were prepared to answer the question 'Is performance appraisal an effective tool for employee motivation?'

The interview was sent to 30 executives and leaders of organizations. The sectors are a few of the mainly represented organizations in the area of Mannheim (my residence, in Baden- Württemberg, Germany). The aim was to pick medium sized

organizations and also organizations of sectors, which are mainly represented in Mannheim, in order to have a realistic analysis of the actual situation.

The participant rate was because of the data privacy regulations low. The data privacy in Germany is very strict, but still 11 people have successfully participated. These 11 participants are all in leading positions, due to the purpose of this study, only executives were asked, not employees.

The most appropriate method for this research was the semi- structured interview method as a qualitative method. The semi - structured method with open- ended questions is a good alternative to ask questions, which may digress from the interview, but still provide important information about the topic. Moreover, this method allows to be prepared for a certain topic and eases the preparation of the interview. Also, from the participant's point of view, this method is a, which allows to feel free in writing their opinion in their own conditions. The reason for this decision was, that I wanted to have a discussion with managers and to understand their opinion about performance appraisals and also their opinion about employee motivation.

The participants of the interview were from different departments and different organizations. Due to data privacy regulations, the participants are anonym because of different regulations, so it was important to gain trust and promise them, not to publish their names. The represented departments and positions were:

- Head of Global Production
- Head of Pigments Global Operational Controlling
- Head of Sales
- Manager, Pharmacy
- Head of Production
- Head of HR
- Head of Distribution

The interview was only for managers, head of departments and other leading positions of the organizations. The answers were quite different, but at the same time it was able to find similarities. Furthermore, the answers of the managers reflect their working style and the atmosphere in their organization. It was obvious to see, that every organization have issues concerning the performance appraisals and also motivation of employees. Another fact is that; the different sectors have different perspectives on that topic. Almost every organization is conducting a performance appraisal, but not in the right manner. This fact was noticeable pattern in several interviews.

#### **4. Limitations**

The problem by conducting of the interview was, that not every manager had time to give detailed information about their performance appraisals. Several questions were answered too short to analyze certain parts of the interview. Additionally, it was really difficult to find managers, because every organization has other data privacy regulations. As mentioned before, every research and every method has limitations. In every research, the researcher faces these kinds of problems.

#### **5. Data Analysis & Discussion**

The research Interview was conducted with ten managers, supervisors and team leaders. Although the interview was sent to 30 different managers from different organizations, 11 managers responded. The main reason were limitations caused by the strict data privacy regulations, which need to be approved by the top management. This procedure mostly ends with a long waiting period and strict rules about anonymity. The research method of the study was only a qualitative method, with semi- structured interviews with open- ended questions. In addition, this method is a good strategy to analyze the opinion of the managers about that certain issue.

The results of the interviews show that except for the occasional one, most of the managers believe that performance appraisal has a positive and motivational effect on their employees. They observed, as they described in their interviews, that employees are motivated after appraisals, try to set new goals and achieve them. In addition, they observed a stronger commitment and closer cooperation within the teams. Most of the participants value the performance appraisal and see room for improvement. Despite the positive effects of the performance appraisal, from the results of the interviews, will be clear, that managers have to be aware of certain facts, in order to conduct an appropriate performance appraisal. There are still managers, who perceive performance appraisal as time consuming and ineffective. Mostly, the cause of this opinion is the incorrect and misapplication of the performance appraisal. A supposable reason for these issues is the wrong implementation of the method into their business.

The literature and the results of the interviews, show that feedback is a very important point in case of performance appraisals. One of the research questions was also to learn how to give feedback. Some organizations train their managers to give constructive feedback in an appropriate way, but the business environment shows, that not very organization is aware of this fact. Feedback will be defined as: "A reaction to a product or a person's performance of a task, etc. which is used as a basis for improvement." (oxforddictionaries.com) (14-9). The definition of the word contains a very important point, 'improvement'. That means, in order



to have effective results, managers have to discuss the result and give feedback. Since results are not explaining the expectations of the managers, they have to communicate them to their employees. Of course, there are different methods of giving feedback, such as 360-Degree Feedback etc. Managers can educate themselves in this area, in order to give constructive and useful feedback.

Another important fact is to include employees. Whether it is a team meeting about reviewing the business year or planning new goals. The employees feel more respected and appreciated if their managers/supervisors include them to discussions and decisions. By including employees in meetings, managers can communicate the expectations and responsibilities towards their employees. Besides, respect, commitment, loyalty and solidarity of the employees towards the organizations gets stronger and closer. This strategy, can lead to fulfilment of the desired performance of the employees.

Apart from this, the right method for performance appraisals is crucial, when it comes to effectiveness of the appraisal. Organizations are different in their beliefs, culture, scope and structure. Therefore managers have to rethink their performance appraisal and optimize their appraisal with regards to their needs and expectations, but also to meet the needs of each individual. Furthermore, managers have to be aware of the effects of their evaluation. The results can affect employees in a positive, but also negative way. For that reason, managers have to appraise employees ethically correct, honest and with the aim of supporting the employees to improve them. It is not uncommonly, that managers misuse performance appraisals for the wrong manner with ulterior motives, such as promotions and pay increases of their favored employee. According to Pulakos it is not unusual that employee lawsuits are caused by negative and incorrect appraisal systems. Falsified performance appraisals with incorrect results can have serious consequences. For instance, unfair allocation of money such as pay increases can cause problems (Pulakos, 2010) (15-10).

All in all, the basic attitude of the managers is positive and their employees feel motivated by performance appraisals. The answer to the question “Is performance appraisal an effective tool for employee motivation?” it is appropriate to assume that performance appraisal motivates employees.

This attitude is also represented in other studies such as Google as well as in the literature. Performance appraisals are a part of business strategies, which aim the motivation of employees. Based on the information discussed in the literature review, and the result of the interviews, performance appraisals are kind of incentive for employees, which has positive impact on employees, when applied correctly.

## **6. Conclusion**

It is not sorcery to conduct an effective performance appraisal. There are rules, methods, guidelines and many samples of 'how to design a performance appraisal'. Due to the researches made, there are few steps, which can be followed in designing an effective performance appraisal, which concurs to employee motivation.

Here is a guideline that can be used as a signpost by planning a performance appraisal:

### **➤ Method**

The right method is crucial and the foundation of every successful performance appraisal. The literature shows different methods and strategies, which can be followed to establish a proper performance appraisal. Due to the fact that, the right method delivers right information, employees can be motivated by the results of the performance appraisal.

### **➤ Include Employees**

In respect of the research, it has a positive impact, when managers include employees to appraisals. That means managers conduct the appraisal with employees together and vice versa. Through the evaluation of both sides, employees will feel respected, appreciated and taken serious. Besides, the cohesion of the team and the organization will be stronger. It is a win-win situation for both parties, with positive and motivational side effects. As Richard F. Olson said: "Motivation and a sense of responsibility come with participation." (Olson 1981). According to Olson, employees conceive it positive, when they are being involved. Olson also claims, that the complexity of today's business makes it difficult for the employees to see their contribution on the final product. Therefore, involvement bears participation and partnership (Olson, 1981) (16-1).

### **➤ Biases**

Managers have to be careful in conducting employees. They have to avoid biases such as, ranking their favorite employees higher and the others lower. Performance appraisal is not about personal matter, it is based on business and performance. It is not reasonable to appraise employees with that opinion, further; it is not an appraisal about the recent behavior of the employee. Managers have to think logically, they have to be aware of the purpose of the appraisal and the consequences of the appraisal.

➤ **Errors**

Despite biases, managers have to avoid errors, too. The frequent error that occurs is the ‘halo effect’. This happens, when managers rank employees higher because of the positive appearance, which is not always the truth. It means in effect that, managers tend to rank employees higher because of status, appearance, clothing style, relationship, communication, etc.

For these reasons, it is crucial to be aware of these errors, in order to avoid these kind of mistakes. These kinds of mistakes fool the perception and the performance appraisal, which leads to unusable results.

➤ **Performance Appraisal Periods**

According to the interviews, organizations tend to conduct performance appraisals once or twice year. Some managers tend to give feedback, when they see a problem, but all in all the periods are annually or semi- annually. The fact that, a business year is full of happenings and new experiences, on day out of 365 year is not always appropriate to analyze the performance of an employee. Managers have to be aware that, performance appraisal is a continuing process as well as the business year. Based on this matter of fact, it is more effective to set continuous periods, with predetermined dates, in order to have a set routine.

➤ **Purpose of Performance Appraisal**

The operating site of performance appraisal is not only for motivation; it is also used for promotions, job transfers and also pay increases. Therefore it is important to define a purpose for conducting a performance appraisal. Due to the research, performance appraisal is a good too to motivate employees, but not combined with pay increases, job transfers or promotions. This purpose, might lead to competition, unfair conditions, discrimination and misunderstandings. A lot of managers believe, that money, status and other political incorrect purposes combined with performance appraisals, do not motivate employees, or more precisely, it is not being perceived a motivator.

These are advices assumed by the results of the data and the literature available. Of course, everyone has a different opinion and perception, but the research approved, that performance appraisal do motivate employee, depending on the right application of the method. In order to answer the question of this study ‘ Is performance appraisal an effective tool for employee motivation’, yes, according to the results, it is appropriate to confirm the motivational effect of performance appraisal.

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