Impact of Performance Appraisal on Employee’s Performance Including the Moderating Role of Motivation: A Survey of Commercial Banks in Dera Ismail Khan, Khyber Pakhtunkhwa, Pakistan

Zafrullah Khan, Abdul Sattar Khan*, Irfanullah Khan

Department of Public Administration, Gomal University, Pakistan

Abstract  The study focuses on the association between performance evaluation and employees’ performance and motivation as a moderator. The results demonstrate that there is critical association between performance evaluation and performance of employees of commercial banks of Dera Ismail Khan. A total of one hundred and fifty (150) employees of banks were studied in Dera Ismail khan, it was concluded that the motivation which is the moderating variable can change the performance of employees’ and was considered as a deciding variable in employee performance. The results are given in a table where we can observe that although Model 2 with the interaction between performance appraisal and employees motivation accounted for more variance than just performance appraisal and employees’ motivation level by themselves, $R^2$ change = .006 however it is insignificant with $p = .168$, indicating that there are no moderation effects of employees motivation on the relationship between performance appraisal and employees performance.

Keywords Performance Appraisal (PA), Employee Performance (EP), Moderating Role of Motivation (MRM)

1. Introduction

1.1. Background of the Study

The formal performance appraisal system in human resource management becomes a buzzword that dragged the attention of both experts and researchers. The formal performance management systems start as a practice for polishing the human capacities. These capacities might incorporate the observing of employees, the assessment of contracting and preparing techniques and the approval of human resource management practices Moreover, the framework of a performance appraisal system is perplexing because of the numerous measurements developed by the managers for evaluating consequences in different setup. Performance appraisal is also being seen as having direct influence on job satisfaction and motivation of workers (Ahmad. R, & Ali. NZ, 2004). Thus it becomes a big challenge for the human resource professionals to provide better motivating techniques for good performance.

In contemporary era, verging on each organization whether it is public or private requires a framework to assess their employee’s performance. The managerial information, ability, standards, commitment and appraisals might influence the employee's performance (Ikram, M, et. al; 2011). In nineteenth century Taylor’s practiced a performance appraisal system predominantly and merit rating was developed through close system for legitimizing employee's wages and performance Actually , an employee performance appraisal system is used by the manager’s to strengthen the human potentials hence to gain maximum benefit. Performance appraisal is that instrument which can be utilized to oversee employee’s performance successfully. Research reveals that Performance appraisal framework creates the association between supplementary pay and remunerates competent work forces and enhance their inspiration and overall commitments. (Giangreco, et al., 2012).

The performance appraisal can be seen as the systematic description of individual job-relevant strength and weakness for the purpose of making a decision about the individual (Ahmad & Bujang, 2013) .It can therefore be construed that an evaluation framework can extremely depend on vital measures, neither suitable nor reasonable, especially to the representative, whose performance is being assessed (Jan, et.al, 2014).

The literature revealed that performance appraisals are a
practice to measure how individual employees are acting and how they can enhance their performance in the organization (Mohammad, M et.al, 2012). Motivation or commitment is the technique which is commonly used for capacity building. Motivation is a determined power that leads and coordinated a man toward some particular goals (Iskandar, et al., 2013). Performance management guides and persuades employees to expand their endeavors for the benefit of the organization to meet its key destinations.

Performance Management system (PMS) is the procedure that clearly includes certification and support of the employees inside the organization and that decides the outcomes, across the norms that are set by the organization (Neelam, et al., 2013). The performance evaluation system can upgrade advantages through effective motivation and avoided the suspicions in the present system (Shahzadi, J, et al., 2014).

The motivational techniques marks the ongoing process, creates the main perspective in the organization workings that pay for performance has a motivational effect (Andersen & Pedersen, 2012). Indeed, the researcher proposed that motivation is to enhance outward inspiration by managing a different professional’s provisions indirectly through financial and nonfinancial rewards showing positive association among efforts inspiration and work satisfaction (Ubeda & Santos, 2013).

Motivation is the main determinant of action in organization, and the moderating variable which inspire the employee performance (Bahrija, H & Mirela, 2013). Research revealed that inspirational workings reflections at divergent and emergent situation and review of the belongings, dissatisfaction and in addition to achievement, the association between employment assignment and the appraisal to crave honed the fragment of basic mediators and the circumstance supporting, the generating costume of a self-reward strategy is the areas of motivation (Muhammad, 2014). In Pakistan, there are number of banks that utilize the performance management system (PMS) for improving their employee's performance.

1.2. Problem Statement

This research intends to investigate the performance appraisal system and its impact on employee performance including the moderating role of motivation among the employees. The study further identifies the issues of job performance through the moderating variable and calculates the impact of motivation on the performance among the employees’ in the Banking sector especially in Dera Ismail Khan.

2. Literature Review

2.1. Definition of Performance Appraisal

Performance appraisal is a formal, structured system of measuring and evaluating an employee’s job, related behaviors and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organization and society are all benefited. (Verma, 2004: p. 100)

Every organization requires competent personnel to boost up their productivity. It is concerted effort of the human resource division / section to check the strength and weaknesses of their employees, the performance is connected to the actions and also incorporates judgment and appraisal process (Tett, Jackson & Rothstein, 1995). The performance is not interrelated to the particular focus qualities but instead it contemplates the association among social and emotional environment (Bates & Holton, 1995).

The existing literature revealed that performance evaluation has essential for bringing professional allied behavior (Babin & Boles, 1996). The employees must trust that in Performance management (PM) there is examination system, improvements, rewards, inspirations and undesirable effect and dissatisfaction. Employees who got a high score on his/her examination are by and large inspired to perform well and look after his/her performance (DeNisi, et al., 1997).

Performance criteria spell out the particular components of an occupation and make it less demanding to add to the method for surveying levels of effective or ineffective employment performance (Sullivan & Baghat, 1999). Generally it is observed in the organization that wrong things are appraised and the wrong techniques are utilized (Yousef, 2000).

2.2. The Employees Motivation

Motivation is the process that energizes employees and propels them to pursue their goals. Well-designed and well-executed performance appraisals have a strong motivational impact on the employees’ performance. Appraisals have the power to motivate employees because they provide a number of interconnected benefits (Lloyd Kin, 2009). Various specialists exemplify motivation as the influence that invigorates, synchronizes, and supports conduct. The literature reveals that in the fastest growing markets, it is necessary to implement innovative human resource practices, motivation to gain market share (shaubak & Surraya, 2013). Motivation is the inner urge inside of a man that direct individual to be goal focused (Hackman & Oldham, 1997). Others believed a particular professional related connotation of motivation as the readiness to apply own caliber and molded efforts to achieve individual as well as organizational objectives (Gabris & Simo, 1995). The requirement for work, motivation is an essential ingredient for enhancing employee performance. The literature revealed that the variables like; employees' learning, aptitudes, innovation, organizational atmosphere and management style, are imperative factors of the employees performance (Golshan & Abraham, 1996). Research
underlined that motivating factors can be attesting that the fit employees in the organization won't perform well except they are excited (Jurkiewicz, M, & Brown, 1998). They also confirmed that the way to have a good job performance, human inspiration or employee’s happiness is a more helpful for organizational survival (Deci, K & Ryan, 1999, Humphrey et al., 2000). Persuaded employees are performing their task as characterized goals and they are committed.

Human asset is indispensable for any organization which breaks and makes the image of the organization. Motivated and happy workers are more productive than unhappy workers (Beach, 2008). The manager’s tries to fulfill the workers demands in which performance appraisal is the best method with other means (Grote & Grote, 2002). Employees of the organization work better when there is self-appraisal. They are inspired when their performance is assessed and remunerated suitably by any association. Performance appraisal is directly related with the employees and identifies issues with the occupation of the personnel. On the other hand there are no appraisals programs where they won't do that much work (Baumruk & John, 2004). Performance appraisal is an essential fulfillment for employment in the organization and it is used a criterion for employee success.

2.3. The Performance Appraisal and Motivation

Performance Appraisal programs obviously assess and provide some assistance with setting target so as to define their destinations and future and finally to achieve the goal. Different researchers characterized that motivation as the eagerness to accomplish something, was molded by the action or the capacity to fulfill a few needs (Judge & Ilies, 2002). Those enterprises understood that the activities of inspiring their employees are urgent and specific to accomplish the organizations goals (Schulze & Steyn, 2003). The persuaded employees identify themselves with the conduct of and offer fulfillment and commitment that are relied upon to create better nature of work and oblige to the organizations' strategies which will broadly emerge efficiencies (Benabou & Tirole, 2003). Motivation builds the occupation contribution by making the work more important and fascinating also it keeps the employees more gainful and enhances their work performance (Steers & Shapiro, 2004).

The employee motivation is essential and most critical and the key characteristics of employees are checked eventually to achieve the organizational targets (Wang & Guthrie, 2004). The scientists affirm that motivation to work plays very significant role in enhancing the output of the organization. It speaks to the intricate powers and needs which give the vitality for a person to perform a specific assignment (Mizuno, Yamada, Ishii & Tanaka, 2006). In addition, employee motivation serves as a crucial part of professional operations whereby high motivation harmonizes with professional satisfaction, a sentiment of pride in individual work, a deep rooted obligation to organization which upgrades performance and efficiency (Davis, M & Pandey, 2006). Similarly, for organizations, this component is valuable to look at the employees' performance. The literature revealed that there is equal relationship between the employees evaluating process, the employees’ motivations and finally the employees’ performance (Arbaiy & Suradi, 2007).

The relevant literature highlights that performance appraisal studied staffing, training; rewarding and inspiration standards are four key strategies vital for guaranteeing the correct administration of an organization’s human resources (Robbins & Coulter, 2011). Besides, staffing, training and advancement depends on performance appraisal strategy establishment. In this way, the performance appraisal ought to go for contributing data on which these arrangements can be assembled. Performance appraisal arrangement can enhance representative performance and contribute towards workers (Simmons & Lovegrove, 2013).

2.4. List of Hypotheses

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Tools for Analysis</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>The predictor (performance appraisal) is significantly positively correlated with the Criterion (employees’ performance).</td>
<td>Correlation</td>
<td>H1</td>
</tr>
<tr>
<td>The predictors (performance appraisal &amp; motivation) determine the Criterion (employees’ performance).</td>
<td>Regression</td>
<td>H2</td>
</tr>
<tr>
<td>The Motivation brings a change as a moderating variable between the performance appraisal and the employee’s performance.</td>
<td>Regression</td>
<td>H3</td>
</tr>
</tbody>
</table>
2.5. Theoretical Framework

![Theoretical Framework Diagram]

Figure 1. The Theoretical Framework

3. Research Methodology

3.1. Survey Approach

A survey is the best vehicle for measuring the attitude of the employees. “Social research methodology empowers the researcher to gather any kind of information thus studies are apparently the outstanding instrument for measuring methodology in enormous populations” (Sekaran, 1999).

3.2. Population and Sample

The population of the current study was the employees working in the banking sector i.e, MCB, UBL, HBL and Mizan Banks in Dera Ismail Khan, Khyber Pakhtunkhwa, Pakistan.

Table 2. Sample Selection Process

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Deviation</td>
<td>SD</td>
</tr>
<tr>
<td>Population</td>
<td>N</td>
</tr>
<tr>
<td>Error</td>
<td>E</td>
</tr>
<tr>
<td>Level of Confidence</td>
<td>Z</td>
</tr>
<tr>
<td>Sample</td>
<td>n</td>
</tr>
</tbody>
</table>

Sample-size = \(\frac{(SD^2) ((Z^2/E^2) + (SD^2/N)))}{\}

For selection of sample size by using the same formula from total population of (320), a sample of (150) was selected from the already mentioned banks of District Dera Ismail Khan. This population is the heterogeneous. Different age groups, difference in qualification level, designation and gender and experience as well. (see Table 3)

Table 3. Reliability Statistics

<table>
<thead>
<tr>
<th>Category</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Appraisal</td>
<td>0.795</td>
</tr>
<tr>
<td>Employees Motivation</td>
<td>0.894</td>
</tr>
<tr>
<td>Employees Performance</td>
<td>0.843</td>
</tr>
<tr>
<td>Overall</td>
<td>0.806</td>
</tr>
</tbody>
</table>

4. Findings of the Study

The researcher has tested only three hypotheses while the demographic impact must be checked in another paper. Due to time constraints and other formalities it compelled the researcher to explain following three research variables:

Hypothesis # 1 Predictors are highly associated with Criterion variable
Hypothesis # 2 The predictors (performance appraisal & motivation) determine the Criterion (employees’ performance).
Hypothesis #3 Motivation which is moderating variable explains the impact on Criterion Variables.
The above table 4 shows that the maximum average response of the respondents is (4.80) about the research variable Performance Appraisal and the lowest average response is (1.70). Further, the data analysis shows that the maximum average response of the respondents about the Employees Performance remained (4.60) while the minimum average score for the same variable is (2.10). Similarly, the response rate for the Employees Motivation remained maximum (7.70) and the minimum rate is (1.90) respectively.

### 4.2. Testing of Hypotheses

#### 4.2.1. Association of the Predictors and Criterion Variables

Hypothesis # 1 Predictors are highly associated with Criterion Variable

<table>
<thead>
<tr>
<th></th>
<th>Performance Appraisal</th>
<th>Employees Motivation</th>
<th>Employees Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.398**</td>
<td>.645**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
</tbody>
</table>

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

The above table indicates that all the research variables are significantly, positively associated with each other. However, the highest significant association with r = .645 (.000) which is between performance appraisal and employees performance while the second largest association is between employees performance and employees motivation (.567) (.000). Similarly, the analysis shows the lowest association between the employees’ motivation and the performance appraisal (.398) (.000). Thus on the basis of data analysis and all the evidences, our hypothesis that “all research variables are significantly and positively associated with each other”, is accepted and substantiated.

Hypothesis # 2 The predictors (performance appraisal & motivation) determine the Criterion (employees’ performance).

<table>
<thead>
<tr>
<th>Variables Entered/Removed®</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. All requested variables entered.

b. Dependent Variable: Employees Performance
Table 7. Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.728a</td>
<td>.530</td>
<td>.523</td>
<td>.3809</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Employees Motivation, Performance Appraisal

Table 8. Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.002</td>
<td>.192</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>.434</td>
<td>.054</td>
<td>.498</td>
<td>.000</td>
</tr>
<tr>
<td>Employees Motivation</td>
<td>.274</td>
<td>.046</td>
<td>.369</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employees Performance

This table shows the individual contribution of the independent variable e.g; performance Appraisal and Employee motivation can be seen in the table of coefficient of regression via Beta value in the table, the weights of each independent variable is visible in the column titling standardized coefficient the Beta value for performance appraisal is 0.498 while it is 0.369 for the variable of employee Motivation.

Hypothesis#3 Motivation which is moderating variable explains the impact on Criterion Variables.

Table 9. Regression: (with interaction effect)

<table>
<thead>
<tr>
<th>Variables Entered/Removedb</th>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>Employees Motivation, Performance Appraisal</td>
<td>.</td>
<td>Enter</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>interactiona</td>
<td>.</td>
<td>Enter</td>
</tr>
</tbody>
</table>

a. All requested variables entered.
b. Dependent Variable: Employees Performance

c. All requested variables entered.

d. Dependent Variable: Employees Performance

Table 10. Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.728a</td>
<td>.530</td>
<td>.523</td>
<td>.3809</td>
<td>R Square Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sig. F Change</td>
</tr>
<tr>
<td>2</td>
<td>.732b</td>
<td>.536</td>
<td>.526</td>
<td>.37930</td>
<td>R Square Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sig. F Change</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Employees Motivation, Performance Appraisal

b. Predictors: (Constant), Employees Motivation, Performance Appraisal, interaction

c. Predictors: (Constant), Employees Motivation, Performance Appraisal

Table 11. Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.002</td>
<td>.192</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>.434</td>
<td>.054</td>
<td>.498</td>
<td>.000</td>
</tr>
<tr>
<td>Employees Motivation</td>
<td>.274</td>
<td>.046</td>
<td>.369</td>
<td>.000</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.037</td>
<td>.722</td>
<td>.051</td>
<td>.960</td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>.722</td>
<td>.215</td>
<td>.829</td>
<td>.001</td>
</tr>
<tr>
<td>Employees Motivation</td>
<td>.577</td>
<td>.223</td>
<td>.776</td>
<td>.011</td>
</tr>
<tr>
<td>interaction</td>
<td>-.089</td>
<td>.064</td>
<td>-.624</td>
<td>1.387</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employees Performance
From the results given in table we can observe that although Model 2 with the interaction between performance appraisal and employees motivation accounted for more variance than just performance appraisal and employees motivation level by themselves, $R^2$ change = .006 however it is insignificant with $p = .168$, indicating that there is no moderation effects of employees motivation on the relationship between performance appraisal and employees performance and hypothesis # 3 of the study is not substantiated.

5. Discussions

With the changeable business environment and serious business rivalry, the Banks are required to achieve pre-determined target. This performance identifies with the foundation or individual level which sees the human motivation turning into the most deciding component to accomplish the institutional business operations (Rizwan & Fawad, 2010). Organizational performance is an indication of an establishment to effectively accomplish goal. For that purpose the employees' performance is essential for enhancing banks profitability. A few researchers inquires have been acquainting different systems with assess employees' performance (Hayat & Riaz, 2011). This incorporates the quality, amount, learning or imagination of individual towards the proficient works feasible through better appraisal system. There are some standard parameters that can depend upon employee performance (Ikramullah et. al, 2011). It varies from individual to individual as well as distinctive purposes of time within the organization.

The main goal of the study was to determine the vision of the bank authorities’ the impact of performance examination system on performance and motivation of the bank authorities. The result of the study showed that the respondents viewed employees performance are increased through financial emoluments. Such evaluation of employee performance generates the motivation and ensure efficiency.

Moreover, the evaluation system emphatically impacts the scholastics' motivation and performance. The outcomes mean a solid relationship between performance evaluation and the employee’s performance and motivation. By this outcome, the dire need to survey the present performance evaluation system, measures and compensates impacts employee performance.

The study focuses on the association between performance evaluation and employee’s performance and remunerating thought to the motivation as a moderator. The results demonstrate that there is critical association between performance evaluation and performance of employees. The inspiration makes it more solid and explained the relationship between performance evaluation and worker performance of employees in the banks of Dera Ismail Khan, likewise bolstered by the past investigations (Peti & Johann, 2001; Lillian & Mathooko, 2011; and Fakharyan & Dehafarin, 2012), have been confirmed the relationship between performance appraisal and employees’ performance.

REFERENCES


