Performance Appraisal and Employee’s Motivation: A Comparative Analysis of Telecom Industry of Pakistan

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Abstract:
Performance appraisal is an important tool for effective management, but little has been explored to see its effect on attitudinal outcomes and employee’s development in Pakistan. This investigation is an attempt to fill this gap. In developing countries like Pakistan technology intensive organizations are focusing on human resource management and Telecom sector is one of these sectors. This empirical study explored the connection between what employees perceive about performance appraisal and what impact this perception has on their work motivation in Telecom sector of Pakistan. Using responses collected from 120 respondents, data is analyzed by applying regression, ANOVA & AHP. We found significant relationships between variables. Perceived fairness is found as critically important dimension of performance appraisal for employee motivation in Telecom sector of Pakistan. The results can be a source of policy formation and its implications for improving the process of performance appraisal in this sector of Pakistan as well as in other developing countries.

Key words: Performance Appraisal; Employee Perceptions; Perceived Fairness; Employee Motivation; Pakistan telecom sector

I. Introduction
Performance appraisal has distinct position in management procedures since from the time of World War II. It is one of the oldest disciplines. People do judge others as well as people judge themselves. With every passing day, business organizations are facing aggressive competition due to globalization; so, they need more competencies to meet with these challenges. According to Becker and Huselid (1998), human resource management can serve as key component of competitive advantage for any organization. In developing countries like Pakistan only technology intensive and knowledge based organizations focus more on effective human resource management. Telecom sector is one of the sectors which had exploited the benefits of competitive human resource practices to achieve the tremendous growth. Recently, in Pakistan telecom sector has gone through remarkable growth patterns and in these fastest growing markets, in order to be competitive and to enjoy benefits, it is necessary to implement innovative human resource practices (Marwat, Qureshi and Ramay, 2008).
Performance management is key area of human resource practices and Performance appraisal is a crucial part of performance management. Performance management is a system basically used by top management like executives, managers and supervisors in order to align employee performance with the firm’s goal. Performance management is used for different purposes like; to define measures of performance, monitor the employee performance, and to provide employees with feedbacks about their performance. Performance appraisal is used to define the extent to which an employee performs his/her work effectively. According to Ivancevich, (2007), different terms are used for performance appraisal as and when required; like performance evaluation, performance review, personnel rating, merit rating, employee appraisal and employee evaluation. Performance appraisal is a process of assessment individual employee performance and how it can be improved to contribute overall organization performance (Grubb, 2007).

Performance appraisal is consider as critically important human resource function because performance appraisal results are used for managerial decision making and for variety of other purposes including administrative decisions, employee development and personnel research.

Growth and enthusiasm of employees, human resource planning, legitimacy, employment planning, and communication are the different purposes served by well-defined performance appraisal system (Ivancevich, 2007). Because of its importance in organization and practical implications it is most widely research area. Moreover, Levy and William in 2004 stated that performance appraisal traditional concept is going to be broadened by including how ratee’s react towards performance appraisal. In 1995, it was concluded by Murphy and Cleveland that criteria of employee’s reaction towards effective performance appraisal as “neglected criteria” is considered to be important for determining the success of appraisal system.

II. Literature Review

Performance appraisal system is not only an important tool of HRM to develop their employees, but is also used by different companies to reward their employees in form of bonuses, promotions, and pay raise etc. Usage of performance appraisal to reward employees is also used by different theories of motivation like reinforcement theory etc (Talya and Berim, 2010). It was proposed in 2002 by Coens and Jenkins that performance appraisal is necessary in organizations to judge, rate and illustrate employee’s work attitude or qualities for a specific time period and results are kept confidential by the organization. Lawrel et al, (1984) discussed that it is current need of the time to keep performance appraisal system at the core of integrated HRM activities. A lot of research has been conducted by different researchers in different years like Landy and Farr in 1980, Banks & Murphy in 1985, Napier and Latham, 1986 to prove that cognitive and psychometric measure are adequate measures to appraise performance of employees but did not get any positive results. Researchers also concluded that performance appraisal on basis of cognitive and psychometric measures have not proved effective for making decisions about employee’s performance.

Lawler et al, (1984) have concluded that in order to check the effectiveness of any performance appraisal system, two perspectives must be taken into consideration. One is two check the efficiency and effectiveness of system from management point of view.
Second is to check the performance appraisal system from subordinate or appraise’s perspective. Longenecker (1997) has suggested that those organizations which clinch appraisal firmly use it as a source of managerial development should be concerned deeply to an effective performance appraisal system. Peter, (1994) studied that effective appraisals are used for different purposes; like, to provide employees with their work productivity and quality assessment, to motivate them to perform better by providing them proper evaluation of their work etc. The focus of traditional research has shifted towards performance appraisal related employee reactions, organizational acceptance and employee satisfaction from technical consideration, cognitive elements and psychometric determinants to measure effectiveness of performance appraisal Murphy and Cleveland (1991, 1992; Tziner and Murphy, 2001). According to Keeping and Levy (2000); Levy and Williams (2004), now-a-days main emphasis of research is on how workers react to performance appraisal and in which situation, appraisal has taken place are greatly affecting the effectiveness of performance appraisal.

According to Levy and William (2004), in order to change the traditional concept of performance appraisal, now ratee’s reaction is also taken into consideration while establishing performance appraisal. Murphy and Cleveland (1995); Levy and Williams (2004) has concluded that criteria of employee’s reaction towards effective performance appraisal as “neglected criteria” is considered to be important for determining the success of appraisal system. Scholar Bernardin and Beatty in 1984 also proposed that now consideration of ratee’s reaction towards performance appraisal is a sound indicator of good system as compared to psychometric measures. It was considered reasonable to take into consideration that the impact of employee’s reaction towards appraisal system has same effect on its effectiveness like other technical elements of system (Cawley and Keeping, 1998). In 2004, Levy and Williams, has proposed a model in which they have taken into consideration both social context and ratee’s reaction towards performance appraisal as important variable.

In spite of having developed, technically sophisticated and accurate appraisal system, its effectiveness will be limited if employees do not support and accept the performance appraisal (Cardy and Dobbins 1994).

Several researchers have determined that reaction of employees towards performance appraisal plays a critical role in appraisal process because they can rate better or respond in a better way to feasibility of performance appraisal as compared to psychometric indices (Cardy and Dobbins, 1994; Keeping and Levy, 2000; Lawler et al, 1984). Moreover, according to Carroll and Schneier (1982), although performance system sounds good according to psychometric indices, but such appraisal system cannot be effective or useless unless and until employees do not accept or support it. Levy and Williams (2004) integrated the prior research and proposed a model of appraisal effectiveness and included appraisal reactions as more important variable in that model. They argued on the basis of previous research that appraisal systems will be useless/ineffective if employee’s consider it useless, unfair and invalid although appraisal system sound good on basis of psychometric indices.

Despite a very limited research on reaction criteria comparative to other dimensions, however, several studies have investigated the employee reactions and performance appraisal outcomes and impact of employee reactions on the performance
appraisal process. Cawley and Keeping (1998) suggested different criteria’s to evaluate employee’s reaction. A few of them are session satisfaction, justice (procedural and distributive), perceived (utility and accuracy), and system satisfaction. Keeping and Levy (2000) have found result that based on the appraisal reaction model adjusting nicely in appraisal effectiveness model in order to measure the success of appraisal systems. Levy and Williams (2004) proposed performance appraisal framework after integrating the prior research and included system satisfaction, session satisfaction, perceived utility. Ilgen and Fisher et al. (1979) stated that productivity, work motivation and organizational commitment can be affected due to satisfaction level of employees related to performance appraisal system.

It was observed from research that satisfaction level of employee’s related to performance appraisal is affected by feedback given to employees. Cook and Crossman (2004) have concluded that humans can only be satisfied with performance appraisal if ends and means of achieving fairness are clear and justified. Hui and Qin-xuan (2009) have found that the performance appraisal turned into ineffective management tool if it is perceived unfair by the employees and on the other hand it can be welcomed and resulted into positive attitude of the employees if it is perceived fair. Colquitt (2001) argued that employees who perceived fairness in organization exposed higher level of organizational commitment, productivity and demonstrate lower level of work withdrawals. It is important to take into consideration perception of employees about the fairness of performance appraisal, because fairness perception has great effect on organizational effectiveness (Johnson and Holladay, 2009).

Different scholars researched that satisfaction of employees towards performance appraisal is very necessary. So, organizations should focus on employee’s reaction and satisfaction towards performance appraisal, in order to get desired attitude and behaviors to achieve organizational goals in long run (Ilgen and Fisher, 1979; Pearce and Porter, 1986). Greller (1978) have conceptualized criteria of perceived utility by using four item scales. Nathan and Mohrman, (1991) have used Greller’s scale of perceived utility with some modification. Employee reaction criteria was also used heavily in researches and modified with the passage of time and asserted great focus on fairness criteria due to critical importance of the outcomes of fairness (Colquitt 2001; Johnson, Holladay et al. 2009). Hedge and Teachout (2000) had explored construct of acceptability as an important criteria to assess employee reactions to performance appraisal.

Above mentioned views of researchers showed that positive employee reactions are critical for effective performance appraisal process. We conclude from Mayer and Davis (1999) findings that if performance appraisal is effective, then it can play a significant role in developing trust of employees on organizational systems. They found that perceived accuracy and acceptability of appraisal has positive impact on trust for management.

III. Methodology

Research methodology is designed according to the type of study. As the qualitative research study is conducted to identify the impact of perception of employees towards performance appraisal on employee motivation. Deductive research approach is used to reveal the answers of the research questions. Primary data collection method is used and well administered multi item scale questionnaire is used to collect the data.
Middle level managers are population of the study and sample is selected by using simple random technique. Appropriate data analysis tools and techniques are applied to reveal the results. Principle component factor analysis, cronbach alpha reliability analysis, descriptive statistical analysis, linear regression analysis, analysis of variance and analytical hierarchal procedure were selected to apply on the data collected from the respondents to reveal the results.

**Hypothesized Research Model**

![Hypothesized Research Model Diagram]

**Hypothesis of the Study**
Following hypotheses are derived in the light of previous researches and these hypotheses are based on the hypothesis model.

**H1:** Perception of employees towards satisfaction of performance appraisal has positive effect on employee action motivation and behavior motivation.

**H2:** Performance appraisal perceived acceptability by employees has positive effect on employee action motivation and behavior motivation.

**H3:** Perceived fairness of performance appraisal has positive effect on employee action motivation and behavior motivation.
H4: Perceived utility of performance appraisal has positive effect on employee action motivation and behavior motivation.

H5: Perceived accuracy of performance appraisal has positive effect on employee action motivation and behavior motivation.

H6: Perceived ineffectiveness of performance appraisal has negative effect on employee action motivation and behavior motivation.

IV. Findings

Among respondents 25% were female and 75% were male employees in regional offices of telecom companies. 29.2% respondent belonged to (18-25) age group, 61.7% belonged to (26-40) age group and 9.2% belonged to (41-50) age group. Among respondents 15% were doing their current job since less than 1 year, 40% were doing since 1-3 years, 35% were doing since 4-5 years, 6.7% were doing since 6-10 years and 3.3% were doing since greater than 10 years. 21.7% of the respondents were doing work for the current department since less than 1 year, 42.5% were doing since 1-3 years, 25.8% were doing since 4-5 years, 6.7% were doing since 6-10 years and 3.3% were doing since greater than 10 years.

<table>
<thead>
<tr>
<th>Demographic Variable</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
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<tbody>
<tr>
<td>Gender</td>
<td></td>
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<tr>
<td>Male</td>
<td>90</td>
<td>75.0</td>
</tr>
<tr>
<td>Female</td>
<td>30</td>
<td>25.0</td>
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<tr>
<td>Total</td>
<td>120</td>
<td>100.0</td>
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<table>
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<tr>
<th>Age</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td>18-25</td>
<td>35</td>
<td>29.2</td>
</tr>
<tr>
<td>26-40</td>
<td>74</td>
<td>61.7</td>
</tr>
<tr>
<td>41-50</td>
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<td>9.2</td>
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<tr>
<td>Total</td>
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<tr>
<th>Work Duration for Current Department</th>
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</thead>
<tbody>
<tr>
<td>less than 1 year</td>
<td>26</td>
<td>21.7</td>
</tr>
<tr>
<td>1-3 years</td>
<td>51</td>
<td>42.5</td>
</tr>
<tr>
<td>4-5 years</td>
<td>31</td>
<td>25.8</td>
</tr>
<tr>
<td>6-10 years</td>
<td>8</td>
<td>6.7</td>
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<tr>
<td>greater than 10 years</td>
<td>4</td>
<td>3.3</td>
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<tr>
<td>Total</td>
<td>120</td>
<td>100.0</td>
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<table>
<thead>
<tr>
<th>Duration of Current Job</th>
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<tbody>
<tr>
<td>less than 1 year</td>
<td>18</td>
<td>15.0</td>
</tr>
<tr>
<td>1-3 years</td>
<td>48</td>
<td>40.0</td>
</tr>
<tr>
<td>4-5 years</td>
<td>42</td>
<td>35.0</td>
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<tr>
<td>6-10 years</td>
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<tr>
<td>greater than 10 years</td>
<td>4</td>
<td>3.3</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100.0</td>
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Table 1: Demographic Analysis of Respondents

Table 1 shows us the demographic analysis of respondents. Table shows that 90 respondents were male while 30 respondents were female. Most of the respondents were in the age range of 26-40 years making up 61.7% of all respondents. Most of the employees were having work duration for current department in range of 1-3 years.
Table 2. Significance of Independent and Dependent Variable (Action Motivation)

<table>
<thead>
<tr>
<th>Model</th>
<th>Standardized Beta Coefficients</th>
<th>Sig.</th>
<th>Rsquares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Psatisfaction(overall)</td>
<td>0.543</td>
<td>0.00</td>
<td>0.295</td>
</tr>
<tr>
<td>PAccp_overall</td>
<td>.546</td>
<td>0.00</td>
<td>0.298</td>
</tr>
<tr>
<td>P fairness overall</td>
<td>.417</td>
<td>0.00</td>
<td>0.174</td>
</tr>
<tr>
<td>P utility overall</td>
<td>.417</td>
<td>0.00</td>
<td>0.174</td>
</tr>
<tr>
<td>P accuracy overall</td>
<td>.491</td>
<td>0.00</td>
<td>0.241</td>
</tr>
<tr>
<td>P ineffectiveness overall</td>
<td>-0.099</td>
<td>0.283</td>
<td>0.01</td>
</tr>
</tbody>
</table>

Note: p< .01= sig at 1% significant level

Table 3. Significance of Independent and Dependent Variable (Behavior Motivation)

Results in table 2 and 3 show the significance of the relationship of employee reactions and employee behavior motivation which support first five hypothesis. There is positive significant relationship but beta values of .497, .319, .453, .336 and .333 shows that although perceived satisfaction, perceived acceptability, perceived fairness, perceived utility and perceived accuracy has positive impact on behavior motivation but less stronger than action motivation. Perceived ineffectiveness has no significant impact on behavior motivation which did not support sixth hypotheses. So, on the basis of results in table 5.6.1 and 5.6.2 it is reported that H1, H2, H3, H4 and H5 are accepted while H6 is rejected.

Graph in Fig 1 shows the critical employee reactions factor structure for overall telecom sector comprising 32 factors arranged in descending order according to critical importance of factors and has been stratified into three tiers representing stages of priorities emphasis. First Tier comprises of 14 factors which are considered more critical on the basis of critical indices values. Second Tier consists of 11 factors which are considered as supporter of employee’s reaction for telecom sector to achieve motivation outcome. Third Tier consists of 7 factors which is considered as less critical and factors are described as maintaining factors for telecom sector in order to achieve the employee work motivation.
V. Conclusion

Performance appraisal related employee reactions or perception about performance appraisal is critically important aspect to achieve the attitudinal outcomes of performance appraisal which in turn lead to better organizational performance. This empirical research justifies the significant influence of employee’s reactions towards performance appraisal on employee motivation. Employee perceived reactions including perceived satisfaction, perceived acceptability, perceived utility, perceived fairness and perceived accuracy of performance appraisal are significantly important to determine the employee work motivation. While perceived ineffectiveness of performance appraisal has no significant influence in determining the employee motivation.

Among all employee reactions perceived satisfaction and perceived acceptability has more strong influence on employee motivation as compared to other studied employee reactions of performance appraisal in scenario of telecom sector of Pakistan. While utility has less significant impact. This indicates that in telecom organizations in order to get employees motivated to perform on high levels, management should focus on behavioral aspects of performance appraisal. Moreover, there exists a remarkable difference in different telecom companies regarding the more significant reaction criteria to determine employee motivation. As in case of Mobilink perceived acceptability is most significant employee reaction in determining the employee action motivation while perceived utility is least significant reaction in determining employee action motivation. While in determining behavior motivation perceived satisfaction is more significant employee reaction while perceived accuracy is least significant reaction criteria.

Whereas in case of UFONE perceived satisfaction and perceived acceptability of performance appraisal are more significant and important variables in determining employee action motivation and perceived utility is least significant while perceived ineffectiveness has not any significant impact on employee action motivation. On other side behavior motivation is greatly influenced by perceived satisfaction and less influenced by perceived utility among all studied measures of employee’s reactions towards appraisal of performance. In WARID, TELENOR and ZONG perceived satisfaction, perceived acceptability and perceived accuracy are dimensions of perceptions that determine motivation in these organizations. It is concluded that positive employee’s perceptions regarding performance appraisal have significant impact to
enhance the employee motivation in Telecom sector of Pakistan. Furthermore, study concluded that among all studied dimensions of perceptions, perceived fairness is matter of critical impertinence which is assumed to be neglected dimension in telecom companies and this should be focused in order to get employees motivated to perform better.

**Implications of the Study**

This study is valuable for researchers and practitioners in context of Pakistan. The diagnostic questions highlighted in this study can be used by managers and decision makers to answer issues related to motivation with respect to employee’s perceptions of performance appraisal and structural framework can be used by researchers to test in other scenario and it can enhance the body of knowledge. Results of the research can be applied by management in Telecom companies to make performance appraisal more effective for getting required attitudinal outcomes.

**Directions of Future Research**

The study is designed to explore the relationship of employee reactions and employee motivation in case of telecom sector of Pakistan further it can be extended to explore the impact on other variables as organizational commitment, turnover intention and organizational performance. The study can further be extended to other sector and scenario of Pakistan and other developing countries. This empirical study is cross-sectional type of study and it can be applied to longitudinal type of study as well. This designed study can increase the body of knowledge. Service sector is focused in this study while further research can be extended to study manufacturing sector of Pakistan. Other data collection tools including interview, case study method etc can be used to attain data moreover other data analysis tools and techniques can be applied to reveal more sound results.

**Limitations**

There are some limitations faced while conducting this research as limited time frame was a great limitation. Secondly sample size was small and only employees at middle managerial level are studied while organizational performance is determined by all employees. To examine the true effect and impact of performance appraisal pre and post behaviors of employee reactions towards performance appraisal should be studied and for this longitudinal type of research study is necessary while due to shortage of time this empirical study is cross-sectional type. Small sample size and small time frame are limitation of the study. Data was collected from four cities of Pakistan that is not represented of all employees in Telecom sector.

Only primary data collection method is used while secondary data is not availed. Besides questionnaire other data collection tools as interview and case study can be used for more sound results. Data is collected from Telecom sector of Pakistan and results cannot be generalized on other sectors.
References


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