

Effect of motivation on the relationship between performance appraisal and employee outcome

1. Introduction

Expanding workforces and upgrading technologies have been providing enough food for thought to researchers across the globe. Human resources, being the executioners in any system, stand at an extremely important yet vulnerable point. Out of the many functions of Human Resource Management, performance Management holds an important place. Performance management aims to ensure a system where employees work in the most productive and satisfying way. The focus is on identifying the potential and planning employees' growth opportunities and direction ([Mathis et al. 2015](#)). A crucial part of performance management is performance appraisal. As defined by [C. D. Fisher L. F. Schoenfeldt and J. B. Shaw](#), it is "The process by which an employee's contribution to the organization during a specified period of time is assessed". This definition focuses on Performance Appraisal as the evaluation of performance of employees and provides a tool to organizations to unify individual and organizational goals. Past decade has witnessed increased research in this area. To blend work behavior of employees with the higher goals, the employers have been using different performance measurement methods like frequent feedback systems, quarterly appraisals, annual appraisals and some of them are taking feedback on a daily basis ([Rock & Jones, 2015](#)). In a nutshell, performance appraisal can be defined as a perpetual employee evaluation process based on different criteria in different organizations.

1.1. Purpose and Scope of the Study

Going by the general consensus, it is believed that performance appraisals lead to positive implications in the organizations ([Pettijohn et al. 2001](#)). The very existence of appraisals in a system shows that the organizations want to see to the benefit of employees and improve the overall performance of the company. In spite of being criticized by some, the importance of the performance appraisal system cannot be overlooked. This paper focuses on the overall importance of the performance appraisal system and its effect on performance outcome. It can provide an interesting insight to organizations on performance appraisal and organizations. The results of this study can be used as a practical tool for management to

explore frameworks that can generate best results with regard to organizational and personal goals.

The scope of the study is limited to organizations of IT service Industry in Bengaluru.

1.2 Research Questions

Performance appraisal is an important factor contributing to employee outcome. The study will answer the following research questions:

- a. How perceptions on performance appraisal influence employee outcomes?
- b. How work motivation moderates the relationship between perception on performance appraisal and employee outcomes?

1.3 Theoretical Frame work

The theoretical framework of the study is based on the Expectancy theory of motivation proposed by Victor Vroom in 1964. (Vroom 1964) stated in his expectancy theory that the outcome is better if it is known. If the actions of a person yields expected rewards, he will be motivated to perform better. Vroom explained this theory using the three words Valence, expectancy and instrumentality.

Valence: This represents the perceived satisfaction you expect to gain from an outcome or goal, and not the actual satisfaction. The higher the valence, higher the motivation.

Expectancy: Represents your belief that your increased effort will result in better performance.

Instrumentality: The faith that increased levels of performance will result in the outcome or goal you want. This is largely affected by a person's belief in decision-makers

This is the base of current study where perception on performance appraisal (instrumentality) impacts employee outcomes (expectancy) in terms of affective commitment and turnover intention.

1.4 Literature review

Performance appraisal is a systematic periodic process that evaluates employees' performance based on pre set parameters of the organization and helps in important decisions like employee training and development (Taylor et al. 1995). Performance appraisal is an important tool in the hands of the management to measure employee job performance, promotion, demotion, or retention along with helping develop employee capacity through

providing feedback or training (Taehee Kim, Marc Holzer). Performance appraisal is a process that helps to evaluate, plan, measure and retain the human resource in the organisation (Sanjeev, 2014). This process requires an insight on what these activities and outputs are, make sure that has been achieved, and provide feedback to help employees meet expectations (James 2008). Organizations are working hard to ensure result-oriented effective performance appraisal systems but with the advent of technology and a sprawling market, it's becoming complex (Prowse & Prowse, 2010). With pandemic hitting the global workforce, this year has witnessed a paradigm shift. Way before the pandemic, Boon and Fern (2012) in their paper, proved that there exists no positive relationship between income, incentive and performance of employees. The salary hikes are merely not enough to get employee performance in line with organizational goals. In the Indian context, the process of performance appraisal is more focused upon rather than the results. Fairness has long been considered one of the key predictors of employee outcome and behaviors. When the employees feel that they are being treated fairly, they reciprocate through commitment (Greenberg, 2001). Employers perceive the process of performance appraisal as tool for coaching and counseling, career development, goal setting, salary revision and promotion (Buchner, 2013), but when the outcomes differ from their expectations, it leads to problem with organizational commitment, work performance and turnover intention (Sanyal & Biswas, 2014).

Performance appraisal can lead to positive or negative outcomes for organizational members who are involved in the process, and these outcomes influence employees' willingness to become further involved with the system (Carroll and Schneier 1982). (Roberts 1994) explained that lack of motivation from non acceptance of performance appraisal systems may lead to ambiguity in performance appraisal feedback and incomplete information. This acceptance is there when the employee's perception is that performance appraisal is fair, just and accurate (Carroll and Schneier 1982). Studies on perceived fairness have shown that these perceptions affect employee outcome such as employee turnover intention, commitment and workplace behavior (Colquitt et al. 2001).

This study focuses on employees' perception on performance appraisal measured by fairness and its effect on employee outcome measured by turnover intention and employee commitment.

1.6 Research Gap

With the advancements in technology, organizations are continuously striving to adopt new approaches towards performance appraisal. The term "performance appraisal" also seems to have been redefined over the past decade. Literature shows that employees' perception on

performance appraisal has an impact on employees' outcome. Given the history of performance appraisal, the results of performance appraisals are still not satisfactory. Been in the systems for over three decades, the performance reviews seem to be losing importance (Kroop, 2015). The IT industry has been on an exponential growth for the past two decades but the employee attrition rate also has increased. According to a leading daily, the attrition rate in the IT sector in India has increased by 10% overall. With pandemic hitting the workforce hard, potential employees have shown an abating work commitment.

Performance reviews are gradually diluting, which is a leading problem of the IT Industry. The commitment of employees toward the organization is less and in turn leads to turnover intention which is on a very higher side as compared to other industries and work performance is the most affected part of this disturbance. According to a 2015 Deloitte survey, 88% of businesses plan on rethinking their PMS. The study on perception on performance appraisal and its impact on employees' outcomes is highly required in the IT service industry. This is a gap identified. Also, most of the literature on performance appraisals is in western context of the public sector and not enough literature can be found on performance appraisals in the IT service industry in the Indian context.

1.7. Hypotheses

H1 Employees' perception on performance appraisal has a positive impact on employee outcomes.

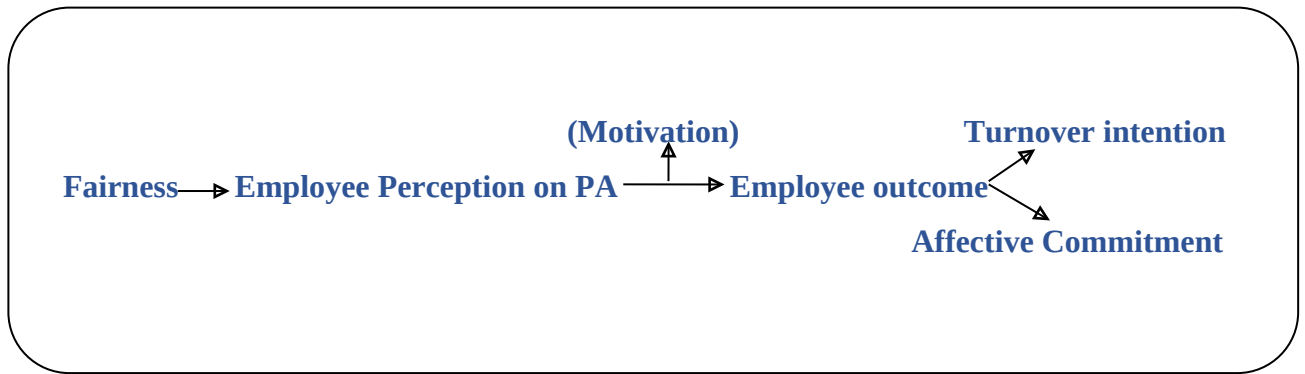
H2 Work motivation moderates the effect of Employees' perception on performance appraisal on employee outcomes.

1.8 Research Objectives

The objectives of the study are:

- a. To examine employees' perception on performance appraisal and its impact on employee outcomes.
- b. To assess the moderating affect of work motivation on perception towards performance appraisal and employee outcomes.

2.1 Conceptual Framework



2.2 Methodology

Methods are techniques or instruments used by a researcher for Data Collection whereas a methodology is the study of methods that are employed (Bryman 2008)

Methodology is the hypothesis behind how research ought to be done, this incorporates the presumptions made, hypothetically and logically, whereupon, research depends on and the consequences of these have on the strategies embraced by the researcher (Saunders et al. 2019). Research technique is primarily aimed to accomplish a set of objectives or destinations for the analysis keeping in mind the end goal (Blumberg et al. 2008).

The primary goal of the study is to evaluate the Impact of perception on performance appraisal on employee outcomes of the IT industry in Bengaluru.

(Singh 2006) defines research design as a statement of the object of the inquiry and the strategies for collecting the evidence, analyzing them and reporting the findings. The current study is a quantitative study in the form of a cross-sectional investigation in which information is gathered through sampling. Quantitative research methods are suitable for determining the associations with one or more numeric variables (Sharp et al., 2012). The objective of this research is to find the impact of perception on performance appraisal on employee outcomes of the IT service industry in Bengaluru.

The organizations have been selected for this study using a simple random sampling method. The data is collected from IT service industry employees from 2-15 years of experience. The population of the study has been selected using a simple random sampling method and questionnaires have been distributed to the respondents using Google forms. A quantitative research method is followed to study the subjects. The data collected is analyzed using Statistical Package SPSS.

2.3 Data Collection

2.3.1 Population, Sample and Sampling Procedure

The population of the study is employees working in IT in Bengaluru. As per NASSCOM report Total Population of IT Employees PAN India is 1.9 Million. Out of this 35% of the population in Bangalore: 65% are working in the IT service Industry, i.e. 432,250 (NASSCOM).

To determine the sample size of a finite population, [Krejcie and Morgan \(1970\)](#), came up with a table using sample size formula for finite population. For a finite population of 75000, the required sample size is 382 and for a population which is equal to or greater than 1,00,000, the required sample size is 384. Therefore the study will target a sample size of 384. Convenience sampling technique is used through which a reasonable representation is acquired.

2.3.2 Variables of the Study

In the current study, the three variables considered are:

- Perception on performance appraisal which is measured by Fairness towards performance appraisal.
- Employee outcomes measured by affective commitment and turnover intention.
- Work Motivation measured by intrinsic motivation.

2.3.3 Scales Selection

The scales selected for the current study is taken from the earlier studies done by [Bekele et al., \(2014\)](#) and [Vignaswaran.R \(2008\)](#). The scale for on performance appraisal is adapted from ([Warokka et al. 2012](#)) and [Vignaswaran.R \(2008\)](#), affective commitment is adapted from ([Allen and Meyer 1990](#)), turnover intention is adapted from [Yücel \(2012\)](#), intrinsic motivation is adapted from [Cameron and Pierce \(1994\)](#) and [Yücel \(2012\)](#). The instrument used in the earlier studies showed its reliability and validity. To ensure feasible relevance of the instrument in the current study, some modifications are done to simplify the terms of the adapted instrument.

2.3.4 Reliability Test

To verify the reliability of the instrument a pilot test is conducted. Cronbach's Alpha value overall is .940 and for each variable (multiple items) is as shown in the:

Variable	Cronbach's Alpha Value
Fairness	0.851
Affective commitment	0.881
Turnover intention	0.850
Work Motivation	0.888

The results of the validity test are beyond the acceptable level which indicates that the instrument used in the study is valid. Thus, the output of factor analysis, item wise is illustrated in the below.

Factor Analysis

Variable	Items	Components	Eigen value	Factor Loading
Fairness	4	1	2.301	57.523
Affective Commitment	7	1	4.133	59.037
Turnover Intention	6	1	3.676	61.264
Motivation	6	1	4.471	74.512

3. Analysis

3.1 Statistical tools used for data analysis:

- Descriptive Statistics
- Correlation
- Multiple Regression Analysis

3.2 Mean Score Comparison

The first objective of the study is to check the perception level of employee in IT Industry. The base of this test is the table given by Pihie & Bagheri (2011) (and as cited by Bekele, Shigutu, & Tsegay, 2014) table shows the level of employee's .

	Variables	Mean	Standard Deviation
Perception on performance appraisal	Fairness	2.91	0.79
Employee outcome	Affective Commitment	3.45	0.79
	Turnover Intention	3.43	0.58

Table shows the mean score comparison of employee outcomes of employees. The mean score of affective commitment= 3.45, SD=0.79 which is just at the moderate level and turnover intention=3.43, SD=0.58 which is also just at the moderate level. This shows that the perception on performance appraisal of employees in IT service industry is low which implies that the respondents have dissatisfaction with the performance appraisal system.

4.2.2 Correlation

The correlation coefficient is used to measure the intensity of a relationship. It has a value of +1 and -1 which states that there exists a perfectly positive or negative correlation between the variables and if it is a '0' then it means there is no relationship between the variables.

		Fairness	Affective commitment	Turnover Intention	Intrinsic Motivation
Fairness	Pearson Correlation	1	0.354	-0.251	0.372
	Sig, 2 Tailed		.000	.000	.000
Affective commitment	Pearson Correlation	0.354	1	-0.304	.758
	Sig, 2 Tailed	.000		.000	.000
Turnover Intention	Pearson Correlation	-0..251	-0.304	1	-0.405
	Sig, 2 Tailed	.000	.000		.000
Intrinsic Motivation	Pearson Correlation	0.372	0.758	-0.405	1
	Sig, 2 Tailed	.000	.000	.000	

As shown in table the Correlation of Fairness with affective Commitment $r=.354$ and Intrinsic Motivation $r=.372$ which is significant at $p=.000$ (2-tailed).

Correlation of affective Commitment with Fairness $r= .354$, Intrinsic Motivation $r=.758$, which is significant at $p=.000$ (2-tailed).

Correlation of Intrinsic Motivation with Fairness $r= .372$, Affective Commitment $r=.758$ which is significant at $p=.000$ (2-tailed).

Correlation of Turnover Intention with Fairness $r=-.251$, Intrinsic Motivation $r=-.405$, Affective Commitment $r=-.304$ which is significant at $p=.000$ (2-tailed). This shows that there is a positive and significant relationship exist between fairness, affective commitment, Intrinsic motivation and negative and significant with turnover Intention.

4.2.3 Regression analysis

Regression analysis is useful when the study involves more than two variables. It helps to predict a relationship between more independent variables with one dependent variable.

R	R2	Adjusted R2	Std error of the estimate	Change In Statistics				
				R2	F	Df1	Df2	Sig. F change
0.542	0.294	0.29	0.680039	0.01	5.34	1	381	0.021
Constant – Fairness								
DV - Affective commitment								

For Fairness $r=.542$, $r^2=.294$ which is significant at $p=0.021$

Variable	Unstandardized Coefficients		Standardized coefficients		t	Sig.	Co linearity Statistics	
	B	Std Error	Beta				Tolerance	VIF
Fairness	-0.017	0.049	-0.017	-0.338	.736		0.614	1.629

In case of fairness the beta value is negative and $p=.736$ which states that there is no significant impact of fairness on affective commitment.

The table shows the moderation regression model summary where for Fairness $r=.521$, $r^2=.271$ with $p=.173$ which is insignificant, for IM $r=.787$, $r^2=.619$ which is significant at $p=.000$, for FA*IM $r=.800$, $r^2=.640$ with $p=.075$ which is insignificant.

Model Summary for Moderation on Turnover Intention

R	R ²	Adjusted R Square	Std error of the estimate	Change in Statistics				
				R ² change	F change	df1	df2	Sig. F change
1 0.258	0.067	0.062	0.559364	0.035	13.107	1	381	0.000
2 0.430	0.185	0.176	0.524089	0.098	45.718	1	379	0.000
3 0.431	0.185	0.173	0.525341	0.000	0.118	1	377	0.731
1 Fairness (FA) ,2 Intrinsic motivation(IM), 3 FA*IM								

The table shows the moderation regression model summary where for Fairness $r=.258$, $r^2=.067$ which is significant at $p=.000$, for Intrinsic motivation $r=.430$, $r^2=.185$ which is significant at $p=.000$, for FA*IM $r=.431$, $r^2=.185$ with $p=.731$ which is insignificant.

4.3 Findings and Conclusion

The aim of the study is to determine the impact of performance appraisal on employee outcomes in IT service industry organizations. The results show that IT sector employee has moderate to low level of perception towards performance appraisal system. The results of the current study show that perception on Performance Appraisal significantly impacts employee outcomes. The correlation table which shows that fairness towards Performance appraisal is positively related to affective commitment and negatively related to turnover intention. This approves our theoretical and conceptual model of the study.

Sl.no.	Hypothesis	Result
1	Perception on performance appraisal has a positive impact on employee outcomes.	
1a.	Fairness has a positive impact on Affective Commitment	Rejected

1b.	Fairness has a positive negative impact on turnover intention	Accepted
2	Work motivation moderates the effect of Employees' perception on performance appraisal on employee outcomes.	
2a.	Intrinsic motivation moderates the effect of fairness on affective commitment	Rejected
2b.	Intrinsic motivation moderates the effect of fairness on turnover intention	Rejected

Fairness does not seem to influence affective commitment. As the fairness in performance appraisal increases, there is no significant increase in affective commitment of employees. This shows that even if the performance appraisal system is fair there is no impact of it on the affective commitment of employees, it may be due to the unpredictable IT job market.

Fairness has a negative impact on turnover intention. As fairness in performance appraisal increases turnover intention decreases. This shows that employees look for a fair performance appraisal process to stay in an organization.

Intrinsic motivation does not seem to influence the relationship between fairness and affective commitment. As there is no sign of intrinsic motivation on the relationship of fairness and affective commitment. This shows that intrinsic motivation of employees of IT industry is low.

Intrinsic motivation also does not seem to influence the relationship between fairness and turnover intention. As there is no sign of intrinsic motivation on the relationship of fairness and turnover intention. This again shows that intrinsic motivation of employees of IT industry is low.

Future Scope

This study focused on one independent and two dependant variables. The study can be done further considering more variables. It can be extended on other industries with a broader area of research under performance appraisals. Appraisals have always been an exciting area for researchers and this can be further studied by linking it to artificial intelligence and machine learning.

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