



**The Effect of Performance Appraisal on Employee Motivation
in East African Pharmaceutical PLC (EAP PLC)**

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The Effect of Performance Appraisal on Employee Motivation

In East African Pharmaceutical PLC (EAP PLC)

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STATEMENT OF CERTIFICATE

This is to certify Sophia Haile is carried out her research work on the topic entitled:**The Effect of Performance Appraisal on Employee Motivation in East African Pharmaceutical PLC(EAP PLC)** for the Partial Fulfillment of Master of Art Degree in Human Resource Management at Addis Ababa University- School of Commerce. This study is an original work and not submitted earlier for any Degree either at this University or any other University and it is suitable for submission of Master of Art Degree in Human Resource Management.

Advisor: Wubeshet Bekalu

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List of Acronyms

- **EAP:** East African Pharmaceutical
- **HR:** Human Resource
- **HRM:** Human Resource Management
- **PA:** Performance Appraisal
- **SPSS:** Statistical Package for Social Science

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Abstract

The purpose of the research was evaluating the effect of performance appraisal system on employee motivation in East African Pharmaceuticals PLC. Questions raised during the study were, what looks like the existing performance appraisal, level of motivation and how effective PA is in motivating employee in this particular organization. A descriptive research design with survey method was applied. Employee's reaction towards performance appraisal was evaluated using components of performance Appraisal such as method, process and purpose. Data was obtained through a questionnaire of eighty employees from a representative of ninety two non managerial staffs from all departments selected using stratified sampling methods and also secondary data was obtained from administration manual of the organization regarding the issue of performance appraisal system. The collected data were analyzed using SPSS version 20 software. The research findings established that employees were relatively satisfied with the existing PA system (process and Method) but in relation to purposes of performance appraisal system employees perceived that PA result was used for developmental purposes but it was unjust in relation to promotion, rewarding and pay scheme. The level of motivation of employee in EAP was fair in which employees witnessed they were motivated. The finding also showed there is a positive correlation between PA and employee motivation. The result from the regression Analysis showed around 20.8 % of employee motivation was caused by PA. As a conclusion the performance appraisal system of the corporation has an effect on employees' motivation. The purpose of performance appraisal only partially implemented it was unjust in relation to promotion, rewarding and pay scheme. In light of the findings, the following recommendations were forwarded. The organization need to enhance motivation, through proper implementation and regular follow up of Appraisal system. Preparing learning and development plan, fair compensation, promotion and salary payment scheme based on the results of performance appraisal. Other researchers in the area of pharmaceuticals manufacturing should conduct using similar factors of Performance Appraisal which were covered by this work or other Factors of PA to get a better result.

Keywords

PA=performance appraisal

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

In Ethiopia pharmaceutical industry specially manufacturing sector has relatively long history even though very few in numbers. Recent trend shows new manufacturing companies are entering from abroad that alarming the existing companies to motivate and retain well trained skilled man power in order to exist in the competition.

Any organization to achieve its objective should manage its resources in a way that will obtain the maximum possible return out of its resources. Among these vital resources a motivated human resource is one of the most determinant resources for organizational success. In a wider context, there is an increased emphasis on people as a key source of competitive advantage, often being regarded as the key differentiator between organizations.

Motivated employees are able to apply their expertise to accomplish their designated tasks as per the specifications of the job. Many managers try to comprehend the complexities of motivating people at work and provide themwith job satisfaction so that they can gain employee commitment.

The main objective of Human Resource Management of an organization is to utilize the available human resource effectively and efficiently. Personnel management is one of core activities of Human Resource Management that performs many activities which are geared towards effective utilization of the human resources. Performance appraisal is one of these activities which are used to evaluate performance of employee. Performance appraisal practice has a long history as human being started social life, but well designed and planned performance appraisal system has emerged during Industrial revolution in Europe.

According to Armstrong (2006) Performance appraisal is the formal assessment and rating of individuals by their managers usually, an annual review meeting based on predetermined goals. Desseler (2013) argues that performance appraisal is the systematic process of weighting and measuring of employee performance against standards or predetermined goals where the standards are obtained by the help of job analysis. Performance appraisal means evaluating an employee current and or past performance relative to his or her performance standards.

Performance appraisal can be important tools to give employees feedback and aid in their development. According to Desseler (2013) the reasons to do performance appraisal are to

make administrative and or developmental decisions; thus most employer still base pay, promotion and retention decisions on the employees' appraisal. Appraisal play a central role in the employers' performance management process, Appraisal lets employer and the subordinate to develop plan for correcting any skill, knowledge and attitude gap and to reinforce that the subordinate does right.

Performance Appraisal facilitates and provides opportunities to review the employee's career plan in light of his or her exhibited strengths and weakness. It also enables the employees to concentrate on the production targets and the company objectives with a view to recognize and rectify the faulty procedures to enhance or sustain the output if it implemented properly and motivate employee. This enables the whole organisation to uplift its performance to higher levels by involving the employees and managers in a self motivated exercise with the sole aim of achieving targets and increasing output.

PA affords chances to the employees to come face to face with the supervisor during appraisal wherein they can express themselves regarding problems, which gives an opportunity to the manager to know ground facts and initiate remedial measures.

In a wider context, there is an increased emphasis on employee as a key source of competitive advantage, often being regarded as the key differentiator between organizations. In this respect, a critical assessment of employees' perception and practice may reveal the need for motivation, rewards, development, training and good human relationship in an organization.

Once the focus shifted to performance improvement, more attention had to be paid to the process through which an individual employee might be motivated to improve his or her performance. The majority of recent literature on Performance Appraisal states that it needs to be carried out as part of a whole Performance Management system and none solely on its own. This has been the major focus of performance management, the improvement in the performance of the individual employee. Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements (Armstrong, 2006).

Performance appraisal is a tool of motivation on the basis of which various administrative and developmental decisions are taken. For an employee to be productive and effective in the

workplace, motivation is a vital factor. The rating system of the employees is necessary as it helps to identify the people for the leading positions in the organization.

According to Armstrong and Murlis (1998) motivation is a complex process depending on individual needs and aspirations; both intrinsic and extrinsic motivating factors; among all, the fundamental theories of motivation are those of Maslow (1954), McGregor (1985) and Herzberg (1968), which deal with the needs hierarchy, the man's attitude to work (the X-Y theory) and the factors of satisfaction and dissatisfaction respectively.

According to Fletcher (2001) performance evaluation systems have not been successful in creating motivation and improvement of employees' performance. This shows that the organizations have to take action for more effectiveness of its performance evaluation system. Organizations should apply performance management programs which assist in planning and monitoring employee performance by effecting proper measuring tools. Thus periodical evaluation in a system and its components can increase its effectiveness. Such assessments are essential because, on the one hand, they specify the extent to which the related purposes of the appraisal and development have been realized and on the other hand, based on these assessments the current performance assessment practices can be rectified (Dolan & Schuler, 1997).

The central concern of this study is to examine these two crucial issues of the human resource function (PA and Motivation) and to discover their correlation in a particular setting. It investigates the extent to which performance appraisal affects employee motivation in EAP. Moreover, the study aims to assess the following subjects: which of the three elements of performance appraisal (process, method or purpose) is more influential factor for employee motivation. Hence it is obliged to secure more attention to those well trained and skilled employees who are a source of competitive advantage which in turn cause individual and organizational growth.

Organization Profile

East African Pharmaceutical PLC is one of the first privately owned joint venture direct foreign investment Pharmaceutical factories, established in 1996 GC by British and Sudanese investors with the intention of producing human and veterinary medicines. It is located in Addis Ababa at Gourd Shola industrial area near Jakrose homes. It was the first of its kind to manufacture veterinary medicines mainly for Ethiopian market and partially for selected neighboring African Countries and the Middle East Markets. In March 2012, the ownership

of the Company is transferred to Saudi and Yemeni investors. The company has a well established Production, Quality Assurance (QA), Research and development (R&D), Quality Control (QC) and Engineering Departments, with a highly experienced senior technical staff. Currently, the Company has two production lines, human production line (Tablet and Capsule) and a veterinary line. The Company has currently a total of 141 employees of different professionals and a multitude of Technical & Skilled workers with a vision to be the best Efficient, Dependable, Producer of Affordable Human & Veterinary Medicines and higher export potential. The company has also a mission to produce efficacious, affordable & quality medicines in line with the national Growth & Transformation Plan (GTP)

1.2. Statement of the Problem

Dash *et al.*, (2008) pointed out that the development of an appraisal system is critical for the management effort to attract, retain and motivate workers. In other words, motivated employees are the most critical resources to get a better competitive advantage over its competitors; and organizations need to handle performance appraisal system properly. The result of the performance appraisal system is also important as it can be used as the basis for training, pay and other benefits (Dash *et al.*, 2008). A performance appraisal might fail to meet its intended objectives be developmental or administrative, partly because a range of factors that affect employee motivation are ignored in the appraisal system.

East African Pharmaceuticals PLC (EAP PLC) has a relatively long history of manufacturing pharmaceutical products in Ethiopia. Performance appraisal exercised periodically as a usual practice on the basis of which various administrative and developmental decisions are taken. The organization has not shown growth as expected even if it is one of the pioneers in the sector.

Though significant number of literatures have brought the issue of performance appraisal on motivating and enhancing performance of employees, a brief assessment made via interview with the organization HRM officers and selected employees revealed that the existing performance appraisal system has not become as effective and efficient as it has been expected to bring employee motivation which in turn cause both individual & organizational performance. The performance appraisal method which is currently in use, the process of performance appraisal established or the purpose of performance appraisal (being administrative or developmental) has a direct or indirect relation with the employee motivation and may result in the above mentioned problem. Therefore, the study aims to

evaluate & understand the problem in the existing performance appraisal system of EAP PLC in relation to its effects on employee job motivation in detailed manner.

1.3. Research Question

Based on the above stated problems the study addressed the following research questions.

1.3.1. General Question

“What is the effect of performance appraisal on employee motivation specifically in EAP PLC”? To help in the endeavor of addressing the question adequately, the research question is split in to the following specific questions.

1.3.2. Specific Questions

- I. What does EAP’s performance appraisal system look like?
- II .What is the level of employee’s motivation in EAP?
- III. How does Performance appraisal system affect employee motivation in EAP?

The first question will examine what does the performance appraisal method, process and purpose look like? And how these elements affect employee motivation in this specific organization (EAP)?

1.4. Research Objectives

The main purpose of this study was to determine the effect of performance appraisal on employee motivation using a survey of EAP.

1.4.1. Specific Objectives

The study was guided by the following specific objectives

- Evaluate the existing performance appraisal in EAP that is to:
 - Establish the extent to which performance appraisal process affects employee motivation.
 - Determine the extent of performance appraisal method in affecting employee motivation in EAP.
 - Examine the effect of performance appraisal purpose on employee motivation in EAP.
- Determine the level of employee motivation in EAP.
- Determine the relationship of performance appraisal and employee motivation in EAP.

1.5. Significance of the Study

The research paper has practical significance, timely and important to the existing body of knowledge in Ethiopian context. It contributes to understand the relationship between the two variables of interest performance appraisal and employee motivation especially in similar companies in the context of this country. It also contributes to EAP to streamline its employee performance management policy and practice by taking the findings and recommendations as an input.

The study informs practices to HR managers and supervisors and enables them to pursue the potential challenges of performance appraisal malpractice to engage in appropriate planning and development of performance appraisal standards. It helps to satisfy human needs through performance appraisal system and increasing their motivation, better utilization of resources and lowers the cost of business operations. The results from this study can be used as information for local pharmaceutical manufacturing companies to pursue the potential challenges of practicing performance appraisal to motivate employee. The responsible body in pharmaceutical sector can use as an input while formulating policy or documents. Scope of the study

1.6. Scope and Limitations of the Study

Among the possible variables that were thought to be affected by the performance appraisal of employees, this study included only motivation. The research was limited in determining the effect of performance appraisal among the variables of interest and limited the study only on one organization, East African pharmaceutical PLC which is located in Addis Ababa, which in turn could limit the conclusiveness of the findings.

Even if there are other variables which can be affected by performance appraisal, the present study committed the time, energy and other resources to the best capacity to make the study a worthwhile experience.

The following problems were encountered while performing this thesis and may affect the quality of the paper that hinders the progress of the research. Such as:

- Few respondents were not dedicated enough to respond to all the questions, rather they leave some questions not answered and even return the given questionnaires.

- Missing to address all the performance appraisal variables that have an effect on employee motivation may cause difficulties in interpretation of results and outcome of the study.
- The study was not able to include other pharmaceuticals for comparison purposes within the study due to time and other resource constraints.

1.7. Definition of Terms

Performance management: Performance Management is defined as a planned and incorporated method of augmenting the productivity of a company, by enhancing the output of its workforce by improving the abilities of groups and the individual contribution of each worker (Armstrong & Baron, 1998).

Performance Appraisal: Performance appraisal is a formal method for assessing how well an individual employee is doing with respect to assigned goals. Its ultimate purpose is to communicate personal goals, motivate good performance, provide constructive feedback, and set the stage for an effective development plan (Harvard, 2006).

Motivation: Motivation is an accumulation of different processes which influence and direct our behavior to achieve some specific goal (Baron, 1983).

1.8. Organization of the Thesis

This research document has been organized into five chapters. The first chapter focused on introduction for the whole document. It was composed of, background information, statement of the problem, objectives of the study and research questions. The significance, scope and limitation of the study are also incorporated in this same chapter.

Chapter two is dedicated to provide an in-depth literature review within the scope of this study. Here, important concepts such as performance management, performance appraisal and employee's motivation are defined and discussed from different perspectives. Finally, a brief description has been given on the definition and effects of performance appraisal on employee's motivation.

The third chapter is dedicated to provide a comprehensive description of methodology followed in this research. A detailed description of the research design and sample design is utilized. The instrument used to collect the required data; its development and reliability, the data collection procedures followed by description of the data analysis and presentation techniques used in the research.

Chapter four discussed issues related to data presentation, analysis and interpretations by Consisting: characteristics of respondents influence of performance appraisal practice Employees' motivation.

Chapter five has dwelled on summarizing and concluding research findings in line with the basic questions of the research. At last, the chapter has forwarded recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

This chapter covered literature review on the effect of performance appraisal on employee motivation. The first section of the study reviewed what performance management and performance appraisals means and the relationship between them. The next sections explained about the purpose, process and method of performance appraisal in detail. The study was the effect of performance appraisal on employee motivation; therefore the literature review also focused on what motivation is and its relationship with performance appraisal. The factors affecting employee's motivation, empirical study from different researchers and conceptual frame work of the study will also included in the same chapter. The section ends with a chapter summary.

2.2. Concepts

2.2.1. Performance Management

Performance management can be defined as a systematic process of improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards, and competency requirements (Armstrong, 2009).

According to Armstrong & Baron (2004) the strategy can vary from company to company and it depends on the individual organization's context. In other words there is no set practice or theories for best performance management. Best practice on performance management for one organisation may not be the best for another organisation; also what is best today may not have been the best last month and the coming month. The perception of best is non-specific and highly subjective.

According to Armstrong (2009) Performance management is concerned with: aligning individual objectives to organizational objectives and encouraging individuals to uphold corporate core values enabling expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviors (expected to be) providing opportunities for individuals to identify their own goals and develop their skills and competencies. The overall objective of performance management is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization.

Performance management is a holistic process bringing together many activities that collectively contribute to the effective people management and organisational performance. The process is strategic, in that it's about broader issues and long-term goals, and integrated in that it links various aspects of the business, people management, individuals and teams (CIPD, 2016).

Performance management focuses on future performance planning and improvement and personal development rather than on retrospective performance appraisal (Armstrong, 2006). Armstrong (2009) argues that performance management functions as a continuous and evolutionary process in which performance improves over time. It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs based on feedback and self-assessment. It is mainly concerned with individual performance but it can also be applied to teams.

The emphasis is on development, although performance management is an important part of the reward system through the provision of feedback and recognition and the identification of opportunities for growth. It may be associated with performance or contribution related pay but its developmental aspects are much more important.

2.2.2. Performance Appraisal

Different scholars define performance appraisal more or less in a similar manner. Performance appraisal is one of the most important human resource practices. Appraisal is an important part of the larger system of performance management. Dessler (2008) defined performance appraisal (PA) as a system that involves setting employee standards, looking at employees' actual job performance followed by assessing that performance against the standards based on the result giving feedback to the employee on the performance to improve in the future and setting new goals and expectations for another period.

Employee appraisal has been one of the most widely studied areas within Human Resource Management literature. It's an essential component of HRM in most organizations and one of the most vital responsibilities for human resource and line managers. It is sometimes assumed that performance appraisal is the same thing as performance management but there are significant differences.

According to Armstrong (2009) Performance appraisal is the formal assessment and rating of individuals by their managers at or after a review meeting. It has been discredited because too often it has been operated as a top-down and largely bureaucratic system owned by the HR

department rather than by line managers. While The Chartered Institute of Professional Development (CIPD) have a more comprehensive and in-depth definition which argues that 'Performance Appraisal is an opportunity for individual employees and those concerned with their performance, typically line managers, to engage in a dialogue about their performance and development, as well as the support required from the manager. Performance appraisal is an important and often contested part of performance management; in itself it is not performance management: rather, it's one of a range of tools that can be used to manage performance (CIPD, 2016).

As per Greg and Kenneth (2009) performance appraisal is the process of measuring what employees contribute to the organization. It is necessary but difficult part of managing others. Indeed, for many managers, performance appraisal is near the top of the list of undesirable duties. What makes this task so tough? One reason managers dislike performance appraisal is the difficulty of capturing all areas of contribution. Employees contribute in a number of different ways, and it is often hard to accurately evaluate their efforts with a numerical score. Another reason is that many employees seem to feel that performance ratings are biased. They see the process as sometimes unfair. A starting point for thinking about performance measure is to consider ways in which evaluations can be inaccurate.

2.2.3. Performance Appraisal and Performance Management

The majority of recent literature on Performance Appraisal states that it needs to be carried out as part of a whole Performance Management system and none solely on its own. According to Armstrong (2006) it is sometimes assumed that performance appraisal is the same as performance management but there are significant differences. Performance Appraisal can be defined as the formal assessment and rating of individuals by their managers usually at an annual review meeting where as Performance Management is a continuous and much wider, more comprehensive, more natural process of management that clarifies mutual expectations. Emphasizes the support role of managers who are expected to act as coaches rather than judges, and focuses on the future.

Performance appraisal tended to be backward looking, concentrating on what had gone wrong, rather than looking forward to future development needs as performance management does (Armstrong, 2006).

Walters (1995) defined Performance Management as the 'process of directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the

organisation. Williams (2002) believes the notion of Performance Management is creating a shared vision of the aims and purpose of the organisation, helping each individual employee to understand and recognize their part in contributing to them, and thereby managing and improving the performance of both individuals and the organization.

Performance Appraisal plays a central role in Performance Management Systems; it is normally the vehicle behind which the organizational goals and objectives are translated into an individual's objective. It also remains the primary way of discussing and acting on the development of the individual. When a part of performance management, appraisal is much more tightly linked with the larger business environment (Fletcher, 2004). Although performance management is typically reliant on performance appraisals, performance management is a broader and more encompassing process and is the ultimate goal of performance appraisal activities (De,Nisi&Griffen, 2008).

Performance Management has been seen to be more successful and brings a lot of benefits to an organisation. A study carried out by Fletcher and Williams (1996) in UK organisations showed that features of performance management lead to organisational commitment and in particular, job satisfaction. According to them Performance Appraisal from a social-psychological perspective as opposed to the traditional tool for measurement is becoming more popular, viewing Performance Appraisal as a communication and social process.

2.3. Purpose of Performance Appraisal

The overall purpose of performance management is to establish a high performance culture in which all parties are responsible for the sustainable improvement of business process and for own skills and contributions within a framework provided by effective leadership (Armstrong ,2006).

Performance management helps to develop the capacity of the people to meet the expectation towards their own and organizational goal.The administrative purpose of performance appraisal is applied during promotion, termination and salary increment of employees based on the results taken by their supervisors. The development aspect of performance appraisal works when the assessment results are used to indicate improvement areas for future development of employees. Motivational contribution of performance appraisal is realized when the appraisal system fosters initiative; develops a sense of responsibility, and increases employees effortstowards achieving personal and organizational goals.

There are different arguments about the purpose of performance appraisal, According to Khan (2007) the fundamental objective of performance appraisal is to facilitate management in carrying out administrative decisions relating to promotions, firings, layoffs and pay increases. However, Fletcher (2004) believes that the general aims of Performance Appraisal also include Motivating staff, Succession planning and identifying potential, promoting manager-subordinate dialogue and formal assessment of unsatisfactory performance.

As most of the researchers view Performance appraisal helps a manager to evaluate past and improve future performance. Performance appraisal assists the management to take decisions on the options to be adopted with regard to recognizing and awarding the employee for good work, or consider taking punitive action in case of his bad work, or to decide if employee requires further counseling and training to improve his performance (Taylor, 2008).

In recent years, performance appraisals have been used in organisations for numerous reasons, as opposed to the historical method it was used for, making administrative decisions. According to Cleveland, Murphy & Williams (1989) there are four main purposes of Performance Appraisal in organisations today. These are Between Individual Comparisons, Within Individuals Comparisons, Systems Maintenance and Documentation.

Between individuals relates to comparison of individuals in terms of performance, Within Individuals concentrates on identifying and developing individuals strengths and weaknesses. Systems Maintenance can mean using Performance Appraisal as a source to link company procedures and strategy with the performance of employees and the goals that they have achieved and are working toward. Linking Performance Appraisal to the business goals of the company has been seen as an innovative way of focusing employees' actions to the priorities of the business. The purpose of Documentation is the use of performance appraisal to document or justify personnel decisions and ensure they are meeting legal requirements (Cleveland *et al.*, 1989).

Appraisal system affords an opportunity to the manager to talk to the employee on job related matters that may not get discussed in normal course, thereby giving a chance to the employee to debate and to put forward his opinion, leading to participative management. This practice has been termed as advantageous by both the managers and the employees as it helps to increase productivity and enables the employee to give his best (Taylor,2008).

Performance appraisal is important for legal reasons. Organizations must be able to demonstrate that their promotions, transfers, terminations, and reward allocations are based

on merit (or the lack thereof), as opposed to some discriminatory factor such as gender or race. Performance appraisal, therefore, is the mechanism by which the organization can provide this documentation. Managers must be able to rely on performance appraisal information to demonstrate that all of their important employment related decisions have been based on the actual performance of those affected by the decisions. Without proper performance appraisal, an organization is subject to concerns or charges that there is at least the impression that promotions and other rewards may be based in a factor or factors other than actual performance (Angelo and Ricky, 2008).

According to Angelo and Ricky (2008) Performance appraisal plays an important role in employee motivation and development. It provides a basis for self-managed learning and the development through coaching and other learning activities to enhance the abilities relevant to the current and any future role the employee may have to carry out. Appraising enrich the range of their responsibilities and the skills they require and be rewarded accordingly.

Most people want to know how well they are doing so that they can correct their deficiencies, capitalize on their strengths, and improve their overall contributions to their jobs. It also provides valuable and useful information to the organization's human resource planning process. It yields information about skills, abilities, promotional potential, & assignment histories of current employees to be used in human resource planning as well as assessing future training needs, evaluating performance achievements at the organizational level and evaluating the effectiveness of human resource interventions whether employees perform at higher levels after participating in a training program or not.

2.4. Performance Appraisal Process

Performance appraisal system is an important drive that looks for better, more accurate, more cost-effective ways for of evaluating job performance and employee motivation. Different scholars explained performance appraisal is often considered one of the most important human resource management functions and an effective performance appraisal and management system is an integral part of organization's human resource management effectiveness (Guest, 1997).

(Obisi 2011, p.92 cited in Amie Farrell, 2013) 'Organizational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. This gives an explanation why almost every organization carries out

some form of performance appraisal either on its own or as part of their performance management system’.

Performance appraisal refers to a discrete, formal, organizationally sanctioned incidence; usually occur one time or twice a year depending on the institute guideline, which is based on noticeably stated performance dimensions and / or criteria that guide the appraisal procedure. It is also a process of assessing individual job performance in an organization, assessing in terms of comparing the actual performance of an employee against the expected standard of the organization (Dessler, 2011, pp 304-334).

Herbert *et al.*,(2009) argue that in rating the employee performance there should be a clear and understandable process to be followed in which the appraisal process starts from establishing performance standard and ends with initiating corrective action. Understanding the process can help managers and employees conduct a more fruitful appraisal.

DeCenzo (2010) also categorizes performance appraisal process starts from establishing performance standards with employees, communicate expectations, measure actual performance, compare actual performance with standards, discuss the appraisal with the employee and finally initiate corrective action.

Establish Performance Standards

The appraisal process begins with establishment of performance standards in accordance with the organization’s strategic goals. These should evolve out of the company’s strategic direction and, more specifically, the job analysis and the job description. These performance standards should also be clear and objective enough to be understood and measured. Too often, standards are articulated in ambiguous phrases that tell us little, such as “a full day’s work” or “a good job.” What is a full day’s work or a good job? A supervisor’s expectations of employee work performance must be clear enough in her mind so that she will be able to, at some later date, communicate these expectations to her employees, mutually agree to specific job performance measures, and appraise their performance against these established standards (DeCenzo, 2010).

Communicate Expectations

Once performance standards are established, it is necessary to communicate these expectations; employees should not have to guess what is expected of them. Too many jobs have vague performance standards, and the problem is compounded when these standards are set in isolation and without employee input. Communication is a two way street: mere

information transfer from supervisor to employee is not successful communication (DeCenzo, *et al.*, 2010).

Measure Actual Performance

The third step in the appraisal process is performance measurement. To determine what actual performance is, we need information about it. We should be concerned with how we measure and what we measure. Four common sources of information frequently used by managers address how to measure actual performance: personal observation, statistical reports, oral reports, and written reports. Each has its strengths and weaknesses; however, a combination of them increases both the number of input sources and the probability of receiving reliable information. What we measure is probably more critical to the evaluation process than how we measure. Selecting the wrong criteria can produce serious, dysfunctional consequences. And what we measure determines, to a great extent, what people in the organization will attempt to excel at. The criteria we measure must represent performance as it was mutually set in the first two steps of the appraisal process (DeCenzo, *et al.*, 2010).

Compare Actual Performance with Standards

The fourth step in the appraisal process is the comparison of actual performance with standards. This step notes deviations between standard performance and actual performance. The performance appraisal form should include a list and explanation of the performance standards. It should also include an explanation of the different levels of performance and their degree of acceptability against the performance standard. This provides a valuable feedback tool as the manager moves on the next step, discussing the appraisal (DeCenzo, *et al.*, 2010).

Discuss the Appraisal with the Employee

As we mentioned previously, one of the most challenging tasks facing appraisers is to present an accurate assessment to the employee. Appraising performance may touch on one of the most emotionally charged activities evaluation of another individual's contribution and ability. The impression that employees receive about their assessment has a strong impact on their self-esteem and, importantly, on their subsequent performance. Of course, conveying good news is considerably easier for both the appraiser and the employee than conveying bad news. In this context, the appraisal discussion can have negative as well as positive motivational consequences (DeCenzo, *et al.*, 2010).

Initiate Corrective Action if Necessary

The final step in the appraisal is the identification of corrective action where necessary. Corrective action can be of two types: one is immediate and deals predominantly with symptoms, and the other is basic and delves into causes. Immediate corrective action is often described as “putting out fires,” whereas basic corrective action touches the source of deviation and seeks to adjust the difference permanently. Immediate action corrects problems such as mistakes in procedures and faulty training and gets the employee back on track right away. Basic corrective action asks how and why performance deviated from the expected performance standard and provides training or employee development activities to improve performance. In some instances, appraisers may rationalize that they lack time to take basic corrective action and therefore must be content to perpetually put out fires. Good supervisors recognize that taking a little time to analyze a problem today may prevent the problem from worsening tomorrow (DeCenzo, *et al.*, 2010).

2.5. Methods of Performance Appraisal

Managers may choose from among a number of appraisal methods. In fact there is no universally accepted method an organization has to use. The type of performance appraisal system used depends on its purpose. As mentioned in different literature, if the major emphasis is on selecting people for promotion, training, and merit pay increases, a traditional method, such as rating scales, may be appropriate. Collaborative methods, including input from the employees themselves, may prove to be more suitable for developing employees.

According to Flippo (1984) the different performance appraisal methods can be classified into two major groups' namely traditional appraisal method and modern appraisal method.

2.5.1. Traditional Appraisal Methods

These types of appraisals are still widely used by many organizations. The most commonly used traditional performance appraisals are the following:

Check List Appraisal: when this technique is used employee performance is characterized and described by words by words and statements the rates is expected as required to choose one among words that describes the individual's performance. But sometimes the personnel department assigns weights to different items in the list in accordance to their importance without the rater knowledge. The rater indicates the answers of an employee against each question by putting a tick mark within two columns provide to each questions as yes or no that is yes for positive answers and no for negative answers.

The method has advantages and disadvantages. The major advantages are it's easy to administer and needs limited training and standardization, but its disadvantage is it's costly and time consuming to develop the check list and questioner for each job category (Flippo, 1984).

Forced Choice Method: - The rate is presented in this particular method with a series of two or more favorable or unfavorable choices and the rater has to make a forced choice between the available characteristics or select one of the statements, by which the employee is best described from the given choices. In this method different categories of performance are set; the proportion in each category need not be symmetrical. The entire employees are place under anyone of these categories. This is the reason it called forced choice method and it has an advantage of easy to administer, provides a realistic scenario of the performance of an employee rather than biasness where only the good or the bad boxes are checked. It is fit for a wide variety of jobs. (Ramasamy, 1998)

Critical Incident Method:In this method the rater records statements describing extremely good or bad employee behavior related to performance. These statements are supported by explanations of the actual happenings that were recorded at the time they took place. These statements are called critical incidents. Both negative and positive incidents are recorded and the employee is appraised on all events occurred in a particular time.(Ramasamy, 1998)

Field Review Method: When this method is adopted a skilled representative of personnel management assists supervisors with their ratings. An employee's performance is appraised through interview between the rater and the immediate supervisor of a concerned employee. The rater asks the supervisor questions about the performance of an employee the success of this type of appraisal method is based on the competence of interviewer. (Ramasamy, 1998)

Ranking Method: This method is very old and simple form of performance appraisal. An employee is ranked one against the other in the working group for example if there are ten workers in the working group, the most efficient worker is ranked as number one and the last efficient worker is ranked as number ten. (Ramasamy, 1998)

Paired Comparison Method: This method is part of ranking method. It has been developed to be used in a big organization. Each employee is compared with other employees taking only one at a time. The evaluator compares two employees and puts a tick mark against an employee who he considers a better employee. In the same way an individual is compared with all other existing employees. Finally, an employee who gets maximum ticks for being a

better employee is considered the best employee. This method is suitable for large organizations and individual traits can be evaluated. However, this method is expensive and time consuming. (Ramasamy, 1998)

Graphics Rating Scale: This method is the oldest and most commonly used type of performance appraisal. In this method each individual's trait or characteristics are presented by certain scale from low to high. A graphic rating scale lists traits such as quality and reliability of an employee and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait this method of appraisal is widely used because it is less expensive, easy to raters and it's applicable to a large number of employees. However it has some limitations like it expose to raters biases and feed back is limited due to these factors employees sometimes may complain against the results (Dessler, 2003).

2.5.2. Modern Appraisal Methods

These methods of appraisal enable the rater to evaluate employee's performance in better way than the traditional methods. Some of the modern appraisal methods are the following.

Assessment centers: These methods are designed to differentiate between the current performance and potential performance of an employee and they used to select managers and supervisors by recognizing their potential performance in their job. The employees who will be examined to be supervisions are brought together into similar condition of job or assessment centers. The assessment includes interview, psychological tests, and personal background histories leaderless group discussions and evaluated by well trained persons. The evaluator can show and measure their future potential performance depending on the current performance of an employee (Graham, 1998).

Behaviorally Anchored Rating Scales (BARS)

This method combines the benefits of critical incidents and graphic rating scale appraisal methods. This method is highly job related than the other appraisal methods and it has high degree of validity. When this method is used some specifically named behaviors are used as a basis for rating employee performance. While, more time consuming then other appraisal tools. BARS may also have advantage of reducing subjectivity biases and provide specific feed back to employee. (Dessler, 2003)

According to Flippo (1984) there are two behavior anchored rating scales these are:- Behavior expectation scales (BES) and Behavior observation scales (BOS). The Behavior

expectation scales are used to help the rates to define as superiors, average or below average the behavior of the employee. The Behavior observation scales (BOS) used where the rater reports the frequency with which the employee engagements in the behavior specified is the anchors.

Management By Objective (MBO)

According to Dessler (2003) this method of appraisal is more than an appraisal program it reflects a management philosophy which values and utilize employee contributions. By establishing clear and well defined objectives, the employees are provided with a course to follow and practice their duties and responsibilities properly.

MBO generally refers to a comprehensive, organizational wide goal setting and appraisal program consisting of six steps which are set the organization goals, set departmental goals, discuss departmental goals, define the expected results, performance review and finally provide feedbacks.

An important feature of MBO is that it enhance open communication with the employees on their result and this help them to get feedback on their performance and fosters superior and subordinate relationship due to frequent interaction on the other hand there are a number of limitations in applying MBO. It is time consuming, reluctance of superiors to delegate authority and subordinate accept authority for fear of accountability. It also gives more emphasis on the short term objectives rather than long-run objectives and its objectives sometimes could be too ambitious which results in employee frustration.

In general, MBO is very effective in condition when employees and supervisors are flexible and self control in their jobs.

360 Degree Appraisal

360-Degree Feedback Evaluation Method: The 360-degree feedback evaluation method is a popular performance appraisal method that involves evaluation input from multiple levels within the firm as well as external sources unlike traditional performance reviews, which provide employees with feedback only from supervisors (Tracy, 2008). In this method, people all around the rated employee may provide ratings, including senior managers, the employee himself or herself, supervisors, subordinates, peers, team members, and internal or external customers.

According to Qureshi *et al.*, (2007) this technique has been found to be extremely useful and effective. It is especially useful to measure interpersonal skills, customer satisfaction and team building skills. One of the biggest advantages of this system is that assessor cannot afford to neglect any constituency and has to show all round performance.

However, Shaw *et al.*, (2008) argues that receiving feedback from multiple sources can be intimidating, threatening, and expensive. It is also time consuming by shifting the responsibility for evaluation to more than one person. Many of the common appraisal errors can be reduced or eliminated. Software is available to permit managers to give the ratings quickly and conveniently.

2.6. Motivation

According to Armstrong (2010) Motivation is the force that energizes, directs and sustains behavior. Motivation acts as driving force that leads employees towards its goals. Self-driven and freedom oriented qualities are mostly found in motivated employees (Grant, 2008). Motivation theory explains how motivation works and the factors that determine its strength. It deals with how money and other types of rewards affect the motivation to work and levels of performance, what creates job satisfaction, and the link between job satisfaction and performance

2.6.1 Types of Motivation

According to Herzberg's two-factor model There are two groups of factors theory states that the factors giving rise to job satisfaction are distinct from the factors that lead to job dissatisfaction. These are

A. Intrinsic Motivation: It was defined by Herzberg as 'motivation through the work itself'. It takes place when people feel that the work they do is intrinsically interesting, challenging and important and involves the exercise of responsibility (having control over one's own resources), autonomy or freedom to act, scope to use and develop skills and abilities and opportunities for advancement and growth.

B. Extrinsic Motivation (Hygiene Factors): Extrinsic motivation occurs when things are done to or for people to motivate them. These include rewards, such as incentives, increased pay, praise, or promotion; and punishments, such as disciplinary action, withholding pay, or criticism. Extrinsic motivators can have an immediate and powerful effect, but it will not necessarily last long.

2.6.2. Motivation Theories

According to Armstrong (2006) Motivation theory examines the process of motivation. It explains why people at work behave in the way they do in terms of their efforts and the directions they are taking. Motivation is a factor that exerts a driving force on our actions and work. Motivation is an accumulation of different processes which influence and direct our behavior to achieve some specific goal. It is such a dynamic in today's environment that explicitly creates and encompasses a positive impact on job. Within an organization, the best performance is feasible with most committed employees that can only be achieved through employee motivation. Bradley (2003) also explains there is no definitive motivation technique or a reliable and effective method that works for everyone in every situation rather it should be adapted to fit the circumstances.

According to Armstrong (2010) there are four leading motivation theories these are Reinforcement theory, Instrumentality theory, Content or needs theory and Process or cognitive theory.

2.6.2.1 Instrumentality Theory

Taylor (1911) defines instrumentality as the belief that doing one thing will lead to another which explains people only work for money. It assumes that people will be motivated to work if rewards and penalties are tied directly to their performance; thus the awards are contingent upon effective performance. According to Taylor (2008) it is impossible through any long period of time, to get workmen to work much harder than the average men around them unless they are assured a large and permanent increase in their pay.

2.6.2.2 Content (needs) Theory

This theory focuses on the content of motivation in the shape of needs. It provides guidance on what needs should be satisfied by the reward system if motivation is to occur. The basis of content theory is the belief that an unsatisfied need creates tension and a state of disequilibrium. To restore the balance a goal is identified that will satisfy the need, and a behavior pathway is selected that will lead to the achievement of the goal and the satisfaction of the need. All behavior is therefore motivated by unsatisfied needs. The main contributors to needs theory were Alderfer (1972), McClelland (1961) and Maslow (1954). Herzberg (1968) identified a number of 'satisfiers', which are in effect needs.

The main needs identified by these and other writers are those for achievement, recognition, responsibility, autonomy and the opportunity to develop and use skills. Content theories

propose that to a large extent all people strive for the same fundamental goals. In fact, people are more varied and complex than this. Theories stating that there are strong similarities between people lead to the conclusion that there is 'one best way' to motivate and reward them, which is simply not true.

Herzberg's Two-Factor Model

Herzberg's two-factor model theory states that the factors giving rise to job satisfaction are distinct from the factors that lead to job dissatisfaction. It is sometimes called the motivation hygiene theory. These are:

Intrinsic Motivation: This was defined by Herzberg as 'motivation through the work itself'. It takes place when people feel that the work they do is intrinsically interesting, challenging and important and involves the exercise of responsibility (having control over one's own resources), autonomy or freedom to act, scope to use and develop skills and abilities and opportunities for advancement and growth.

Extrinsic Motivation (hygiene factors): Extrinsic motivation occurs when things are done to or for people to motivate them. These include rewards, such as incentives, increased pay, praise, or promotion; and punishments, such as disciplinary action, withholding pay, or criticism. Extrinsic motivators can have an immediate and powerful effect, but it will not necessarily last long.

The intrinsic motivators, which are concerned with the notion of the 'quality of working life' (a phrase promoted by advocates of the notion of intrinsic motivation but little used today), are likely to have a deeper and longer-term effect because they are inherent in individuals and not imposed from outside. But it should not be assumed that intrinsic motivation is good and extrinsic motivation is bad. Extensive research has shown that as general theories of motivation the theories of Herzberg and Maslow are wrong. They have been replaced by more relevant approaches (Armstrong 2007).

2.6.2.3 Process or Cognitive Theory

In process theory, the focus is on the psychological processes or forces that affect motivation as well as on basic needs. The three main theories are:

Expectancy theory (Vroom, 1964 and Porter and Lawler, 1968) which states that motivation will be high when people know what they have to do to get a reward, expect that they will be able to get the reward and expect that the reward will be worthwhile.

Goal Theory (Latham and Locke, 1979) which states that motivation and performance are higher when individuals are set specific goals, when goals are difficult but accepted, and when there is feedback on performance.

Equity Theory (Adams, 1965) which states that people will be better motivated if they are treated equitably and de motivated if they are treated inequitably. There are two forms of equity: distributive equity or distributive justice, which is concerned with the fairness with which people feel they are rewarded in accordance with their contribution and in comparison with others and procedural equity or procedural justice, which is concerned with the perceptions employees have about the fairness with which company procedures in such areas as performance management, promotion and discipline are being operated.

The main distinction between content and process theory is that the content provides guidance on what needs should be satisfied by a reward system while the process indicates how they should be satisfied, especially in pay schemes that are contingent on performance, contribution or skill. In their case, process theory is the most important.

Popular and influential motivation theories, which were produced by (Maslow 1954, and Herzberg, *etal.*, 1957), have been severely criticized, although they are still regarded by many people as the motivation theories. A number of other significant and more convincing theories have been developed over the years and in their different ways, they help us to appreciate the complexity of the process of motivation and the futility of believing that there are any easy or quick answers to motivating anybody.

2.7. Performance Appraisal and Motivation

To a certain extent an employee's motivation and satisfaction can be caused due to performance appraisal for better as well as for worse. Recognition for the work efforts of employees is provided by performance appraisal. It has been noted for long that social recognition is an effective incentive for employees. It has been proved, that individuals would be ready to even accept the negative feedback or recognition rather than having no recognition.

A performance appraisal signifies to an employee that the company works for is really interested in their personal development and work related performance. This will make them feel belonging and sense of worth and will be more committed towards their department and the company. The human desire for individual recognition should not be overlooked; it may

help in reducing absenteeism and attrition rates in some organizations. Organisations must make a good start by introducing regular performance appraisal.

Research conducted on motivation by many researchers as well as Maslow, Elton Mayo and Fredrick Taylor has realized the influence of recognition as an encouragement on employees. A performance appraisal offers an employee with appreciation for their hard work. The supervisor is provided with an opportunity by the appraisal system to show that the company and the management are genuinely interested in their performance and personal development. And this in turn will have a positive influence on employees and it will boost their morale, self esteem and they will be more committed towards their department and the company.

Many researchers have developed theories on motivation. According to Krietner (1995) motivation is explained from the psychological point of view, motivation provides behavior as function and direction. Motivation plays a significant role in all organisations as it is an indicator to show how well the organisation is performing and this in turn has an effect on the organization's objectives. An individual's performance can have far reaching effects like, reaching the higher market share or maximizing the profits.

Motivation of employees can reduce attrition rate and make the employees committed to the company. Appraisals are a source of motivation for employees. Motivation is defined as a driving force which helps and encourages a person to achieve his goals and objectives. Motivation can also be defined as a set of forces that energize, direct and sustain behavior (Hittet *al.*, 2009; Lyman W. 2005). An organization becomes successful when its leadership is strong and engaged and promotes motivation. It is very important for the Human Resource managers to always be in touch with what is important and what is good for employees.

2.8. Empirical Literature

Various studies reached different conclusion with regard to the effect of Performance appraisal on employee motivation. Natalie (2014) has shown the performance appraisal system has helped to improve job performance at work (m=3.20). This means that performance appraisal system is often considered one of the most important factors for employee motivation. But for Jose, (2011) the department which had the highest number of employees going against the appraisal and saying it's de-motivating and ineffective they felt that their managers do not give them any feedback which will help them improve their performance. His research explains majority of employees do not get motivated with performance appraisal and the main reason is the managers do not know the right way to

conduct an appraisal and no feedback is given to the employees to know if they have performed well or not and no action is taken if they require any further work related training.

The rating scale method offers a high degree of structure for appraisal and motivations if the appraisal process is done accurately according to the current job description and experience that has a direct impact on the employee's motivation to give their best (Natalie, 2014).

Natalie, (2014) argued that the primary purpose of an appraisal system is to screen out those who cannot or would not do the job as required. The study revealed that a number of the respondents mentioned that the appraisal system does not manage them better. According to her, HR department does not follow up training needs identified through appraisal that helps to develop and prepare individuals for higher responsibilities. It seems the performance appraisal system does not determine how well the employees perform on their jobs and motivate them. Mudela, (2015) also explained the purpose of performance appraisal is for decisions like Bonus, annual increment and promotion but not for personnel decisions like promotion, termination and layoffs.

According to Shaemi B.A,*et al.*, (2012) the evaluation of employees` performance has contribution on employee motivation. Those researchers tested the data with $P < 0.05$ for its contribution and showing, its positive contribution with 0.441 correlation coefficient on the study of the effect of employees` performance appraisal procedure on their motivation, which is related with the topic study of this research. Natalie (2014) also showed that the strong positive correlation between the appraisal system and employee motivation in her study.

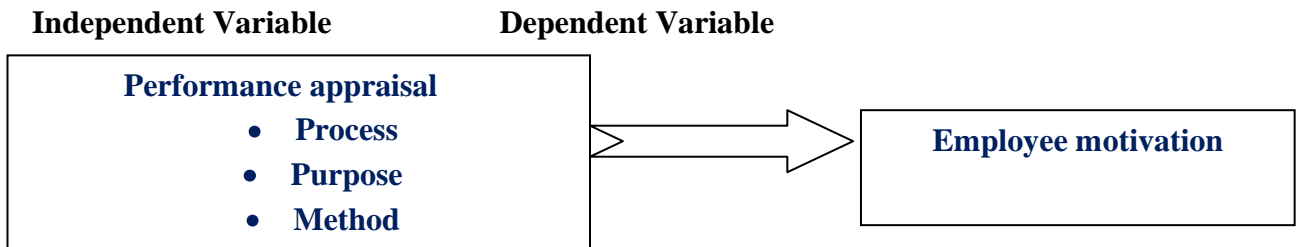
The study underscores the importance of perceived accuracy as a factor that is positively related to appraisal satisfaction and motivation to improve performance. (Selvarajan and Cloninger). Multi source appraisals from self, peers, customers, and other sources tend to be perceived as more accurate and fairer, which in turn may result in higher levels of appraisal satisfaction and motivation to improve performance based on appraisal. (Methods).

2.9. Conceptual Framework

In this research the independent variable is Performance appraisal and the dependent variable is employee motivation. There can be a lot of factors that can affect employee work place motivation. Performance appraisal is one of them which affects through its elements or components; process, purpose and performance appraisal methods which will be discussed in this specific research.

Based on the above theoretical literatures and empirical evidences from different researcher’s findings the graphical relationship of the independent and dependent variables are presented as follows.

Figure2. 1 Conceptual Framework



Source: Developed by the Researcher (2017)

This model shows that if an organization implement proper performance appraisal system employees will be motivated to work for the success of the organization by exerting their efforts andthe organization as well as individuals can attain their specific goal.

2.10. Chapter Summary

This chapter reviewed literature on the effect of performance appraisal on employee motivation using a survey of East African pharmaceutical Plc. The first section reviewed the definitions of performance management and appraisal the extent to which performance appraisal process method and purpose affects employee motivation. The second section explained different theories of motivation, motivation factors and how appraisal affects staff motivation and the relationship between performance appraisal and employee motivation. Finally the view of different researchers about effect of performance appraisal on employee motivation was reviewed.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Description of the Study Area

This chapter presents the research method and procedures that was used to carry out this study. It includes the research approach, data and variables and explanation of validity and reliability, research design, population studied and sampling strategy, the data collection process, the instruments used for gathering data, ethical consideration and how data was analyzed and presented.

3.2. Research Approach

The research was designed to evaluate the effect of performance appraisal on employee's motivation in East African pharmaceutical Plc. The researcher used the mixed approach which comprises both qualitative and quantitative method. The researcher has selected quantitative research approach for its convenience on describing a research problem through description of trends on the selected population. Quantitative research approach availed the opportunity for the researcher of collecting numeric data from the target population using instruments with preset questions and responses. The qualitative method helps in depth understanding of individual's perception and their suggestions but the quantitative approach helps the reader to understand better as it provides a numerical data which can be viewed and compared. Tashakkori and Teddlie (2003) explained mixed approach provides the opportunities to find and gain in depth information and answer to the raised issue or research question.

3.3. Data and Variables

In this thesis work, there was identifying data pertinent to the performance appraisal practice in East African Pharmaceutical Manufacturing Company. The data relating to performance Appraisal was generally considered as part of the independent variables. Major issues addressed in this independent variables category relate such items as method, purpose and process of performance appraisal as perceived by employees. When it comes to the dependent variables category the main issue was the level of motivation of the respective employees which is also captured by gaining employee perception.

3.4. Research Design

As the research demands responses from large group of participants, survey research was found to be the preferred method for the study. For the purpose of this research, to arrive at correct analysis and interpretation a survey method substantially descriptive research design was used, but also the explanatory method was applied in order to explain the relationship between the independent and the dependant variables which were the main business of the thesis work performance appraisal and employee motivation at work place. Descriptive research was considered to be more systematic and structured in data collection process, analysis and evaluating results. It was also preferable for interpreting results by comparing them with prior predictions and past researches. According to Robson (2002) it interprets a precise profile of individuals, events or situations. The method enables the researcher to describe how the performance appraisal affects employee motivation at work place.

3.5. Population and Sampling Technique

3.5.1. Population

The population of interest consists of 120 non managerial employees of EAP. The target population were permanent (full time) non managerial employees of the organization who have experience of more than or equal to one year. This sample size was believed to be statistically sufficient to ensure the desired level of accuracy and these employees exposed for performance appraisal in EAP at least once and it was believed that they have enough knowledge about appraisal practice of the company. Those employees of the company who were not permanent or served less than one year were excluded from the study due to the feeling that they won't provide reliable information

3.5.2. Sampling Design

3.5.2.1. Sampling Frame

It is the process of extracting a sample which is representative of the sample units.

3.5.2.2. Sample Unit

For the purpose of this study, the sample units / population were full time non managerial employees listed in each department, 120.

3.5.2.3. Sampling Technique

Stratified random sampling technique was used in order to get a representative sample from all departments nominated to represent in this study. With stratified sampling, the population

was divided into groups, based on some characteristic in this case department. Then, within each group, a probability sample (a simple random sample) was selected to give equal opportunity for all members to be selected. In stratified sampling, the groups are called strata (Cooper and Schilndler, 2006).

Stratified random sampling is a probability sampling procedure in which simple random sub samples are withdrawn from within different strata that are more or less equal on some characteristics.

3.5.2.4. Sample Size

The sample size is a smaller set of the larger population (Cooper and Schindler, 2006). Determining sample size is a very important issue for collecting an accurate result within a quantitative survey design.

One of the real advantages of quantitative methods is their ability to use smaller groups of people to make inferences about larger groups that would be prohibitively expensive to study (Fisher, 2007). According to Hussey and Hussey (1997) no survey can ever be deemed to be free from error or provide 100% surety and error limits of less than 5% and confidence levels of higher than 95% can be regarded as acceptable. Bearing this in mind, at a confidence level of 95%, the margin of error would be 0.5%. To obtain the minimum population sample for this study, the researcher used stratified sampling as a technique using Yamane's formula (Yamane, 1967) as follows:

$$n = N / 1 + N(e)^2$$

Where n is the sample size, N is the population size and e is the margin of error.

$$n = 120 / 1 + 120(.05)^2 = 92$$

Therefore a sample size of 92 was selected from a total population of 120 employees. The selection of the sample is sufficient and representative enough of the entire population which is large enough to produce results among variables that are significantly different and it broadens the range of possible data and forms a better picture for analysis.

Table 3.1 Sample Population Distribution

Department (Category)	Total population	Sample size	Percentage (%)
Administration	21	16	17.4
Engineering	13	10	10.9
Finance	3.0	2.0	2.2
Marketing	10	8.0	8.7
Production	52	40	43.5
Quality Assurance	3.0	2.0	2.2
Quality Control	15	12	13.0
Research and Development	3.0	2.0	2.2
TOTAL	120	92	100

3.6. Data Sources and Tools for Data Collection

In order to achieve the study's objectives both primary and secondary sources of data were used. Primary data was collected through open and closed end questionnaire directly from representative non managerial employees of EAP about the effect of Performance Appraisal on Employee motivation. The targeted employees found in different departments from both sex and different status having greater than one year tenure in the organization. Depth interview was also conducted with HR manager as a primary data. Secondary sources such as, company appraisal forms, published books and various scholarly written journals and articles were consulted extensively.

3.6.1. Primary Data Tools:

Questionnaire:

A questionnaire consists of 40 structured questions on a particular theme. The questionnaire has five sections. The first section was questions about characteristics of respondents, the second section established the influence of performance appraisal method on employee motivation and the third section determined the extent to which PA process affects employee motivation. The fourth part was about purpose and the fifth part was about level of motivation of employees. This method was preferred, because it is easy to use and covers a larger audience in a short period of time and in a relatively cost effective way. This tool gave freedom of expression to the respondents that were expected to provide information and capture important themes of the study on effect of performance Appraisal on employee

motivation. A five-point Likert-type scale and rankings were used (ranging from strongly agree to strongly disagree) to reflect the appropriate levels of measurement necessary for statistical analysis.

In this study questionnaire was adopted from Martinpatchen, *et al.*, (1965) for motivation questions and Arega Mudela (2015) who conducted assessment of performance appraisal practice in United Bank Share Company with a slight modification. The modification was done by incorporating additional questions which were not mentioned in their questionnaire but were important for this study and excluding those questions which have no relevancy for the topic under study by consulting the experts in the field. The type of questions used were both open ended and close ended with the structured format. The questionnaires distributed to all non managerial representative employees (samples) randomly who were in the company for more than or equal to one year, having a chance to expose for appraisal at least once in EAP and had better understanding about the topic under study.

Interview

Interview was used as one of the tool for collecting data regarding the methods, process and purposes of performance appraisal and its effect in employee's motivation. The researcher interviewed HR manager of EAP PLC to triangulate the data with supplementary qualitative data.

3.5.2 Secondary Data

The secondary data was sourced from company appraisal forms, reports and other relevant documents which are highly related to the subject matter under study. This category of data used to review the related literature and justifying the choice of certain decisions that will be taken. Collection of secondary data used to assess the existing processes, procedures, and forms which are linked with the performance appraisal system.

Pilot Study

A pilot test of a questionnaire is a procedure in which a researcher makes changes in an instrument based on feedback from a small number of respondents who complete and evaluate the instrument. The participants in the pilot test provided written comments directly on the survey which will help to determine whether the individuals in the sample were capable of completing the survey or not. It also measured how much they can understand the questions (Creswel, 2012).

Before distribution of questioners to the sample group, pilot questionnaires were prepared and administered to 20 respondents to ensure the objectivity and clarity of the items. Questionnaires were pre-tested; and any suggestions for improvements encountered during the piloting process were incorporated in the final questionnaire. Based on the feedbacks collected from the pilot test, the researcher modified the survey questions to reflect those concerns. The pilot group provided feedback on the questionnaire has been excluded from the final sample for the study.

3.7. Validity and Reliability

As Joppe M. (2000), stated that, Instrument validity pertains to the ability to accurately measure what to intend to measure based on objective of the study. It is used to make sure that all the relevant variables are included and irrelevant ones were excluded. It also assures all the variables considered are accurately measured. A pilot questionnaire was distributed for 20 randomly selected employees before the main questionnaire was done and the result was evaluated for its validity and reliability using cronbach's alpha (α). Cronbach's Coefficient alpha (α) is calculated to estimate the internal consistency of reliability of a measurement scale. Therefore the result is equal to 0.95 which is in between 0.7 and 1 and no deletion or removing of data was required.

Table 3.2 Reliability statistics

Cronbach's Alpha	No. of Items
.950	39

Source: Developed from the research

3.8. Data Collection Procedure

To improve the response rate, there was a cover letter explaining the reasons for the research from the university and a research permit from EAP management providing a guarantee of the respondents' confidentiality. Permission was obtained from the respective department heads to inter in to the manufacturing and other sensitive areas. The proper dressing code of the factory was followed. Questionnaire was distributed to the respondents by the researcher physically. Explanations were given to respondents about the purpose of the research and on the questionnaire items when questions arise from the respondents. The data collection took a total of three days. The collected data was checked for completeness. 87% response rate was obtained; out of the 92 questionnaires distributed only 80 were found to be completed. Each

completed questionnaire was treated as a unique case and a sequential number was given to administer and analyze.

3.9. Data Analysis

The questionnaire was consisting of two parts. Part one prepared to gather general information about the respondents' demographic characteristics and the second part was about personal perception of performance appraisal and Motivation. Questions in this part were assessed by using a 1-5 Likert scale. Each question of the questionnaire assigned a number "1" indicating as strongly disagree, "2" indicating as disagree, "3" indicating as neither agree nor disagree (neutral), "4" indicating as agree, and "5" indicating as strongly agree. At the end, the study tried to give recommendations on actual practice of the contribution of performance appraisal which is a performance management system to motivate employees at work place.

The collected data were edited to improve the quality of data for coding, coded and entered into the Statistical Package for Social Sciences (SPSS) program which is one of the most widely used computer software packages for analysis of quantitative data. This study used descriptive statistics. According to Mugenda(2009), descriptive analysis involves a process of transforming a mass of raw data into tables, charts, with percentages and mean values, which are vital parts on making sense of the data. In this study, the descriptive statistics such as percentages have been used to show demographic profile of participants. On the other hand, mean values that show central tendency of responses were used to make analysis on items which are related to the basic questions of the research. In order to analyze the collected data and summarize findings for the study, the author also used correlation of variables and regression statistics to assess the relationship between the independent and dependent variables; which are performance Appraisal and Motivation.

Qualitative data analysis method also employed to analyse qualitative data gathered using the interview and documents from the company. In this study, primarily data collected through utilization of questionnaires and interview. The data collected through questionnaire filled by the current staffs of the company and interview conducted with HR manager of the company.

3.10. Ethical consideration

When carrying out research it is important that participants are aware of why it is being carried out, and what will be done with the information they provide. If this is not made clear,

the information given may not be entirely truthful or accurate. It is important to inform respondents that participants' identities will not be shared and that there is full confidentiality. It is also important that in quantitative research, investigators must be completely objective and try not to influence a study with their own values and perceptions (Burns & Grove, 1993).

Permission was gained from the Management of EAP and HR Department to carry out the research. The researcher allowed distributing the questionnaire and collecting from the respondents personally. Every questionnaire that was distributed was attached to a cover letter which clearly explained the purpose of the survey questions.

The researcher guaranteed anonymity and confidentiality of information collected from the individual participants. The organization data was obtained in the form of documents and operational manuals. After completing the interview and collecting the questionnaire, the participants were debriefed to make sure they will not have any problems or concerns with the interview or questionnaires. Among many considerations, respect for audiences and the use of data honesty, without changing or altering the findings to satisfy certain predictions Throughout the data collection and analysis procedures, confidentiality of respondents was maintained to safeguard their rights.

CHAPTER FOUR

DATA ANALYSIS DISCUSSION AND INTERPRETATION

4.1. Introduction

This chapter presents the findings of the primary data collected from the respondents using the questionnaire and interview as the tools for the research. The general objective of the study was to determine the effect of performance appraisal on employee motivation using a survey of EAP PLC found in Addis Ababa.

The study was guided by the following specific objectives: To evaluate the existing performance appraisal system; which is to establish the extent to which performance appraisal process affects employee motivation, to determine the effect of performance appraisal method on employee motivation, to examine the purpose of performance appraisal in motivating employee. It is also to examine the level of employee motivation and to determine the relationship between performance appraisal system and employee motivation in EAP.

The chapter presents an analysis of the information designed to respond to the research objectives as outlined in the study. There are five subsections presented in the questionnaire. The first is a general section which addresses the respondents' demographic characteristics. Followed by four subsections that address specific research objectives which include general information, the extent to which performance appraisal process affects employee motivation, the extent to which performance appraisal purpose affect employee motivation and the effect of the method used in appraising employee performance in EAP, the level of motivation and the relationship of PA and Motivation.

Ninety two (92) questionnaires were distributed to the respondents but the response rate was 86.9% that is only 80 questionnaires were collected from respondents. The response rate was adequate enough to comprehensively answer the research objectives. The results are indicated in the Table 4.1.

Table 4.1 Response rate of respondents

Category	Target Respondents	Response	Response rate
Administration	16	8	50
Engineering	10	8	80
Finance	2	2	100
Marketing	8	6	75
Production	40	40	100
Quality Assurance	2	2	100
Quality Control	12	12	100
Research and Development	2	2	100

4.2. Demographic Information of Respondents

The first part of the questionnaire consists of five items about demographic information of the respondents. It covers the personal data of respondents such as: Gender, Age, Educational Background, Department and Year of Service in EAP. The following subsequent tables will indicate the total demographic characteristics of the respondents.

4.2.1. Gender of Respondents

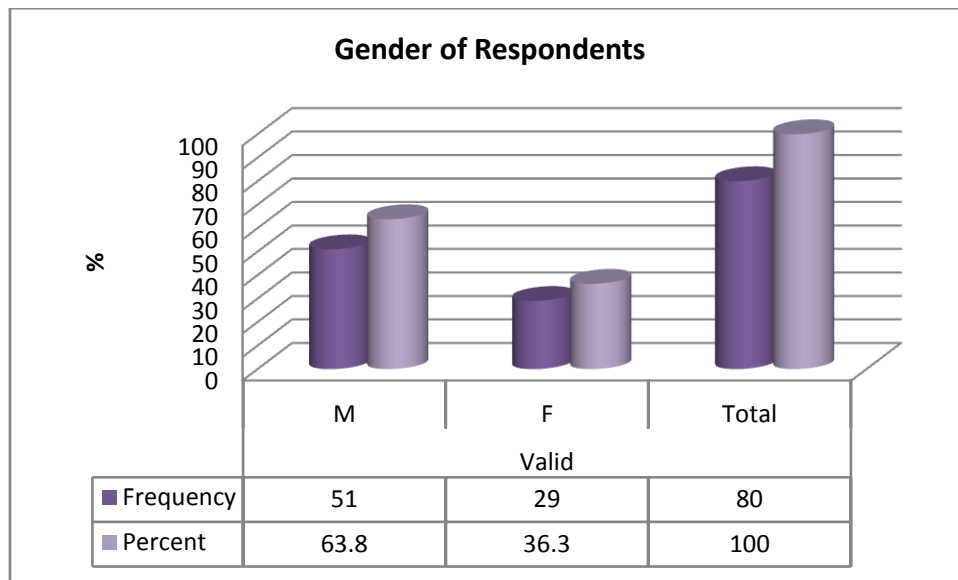


Figure 4.1 Gender of Respondents

As shown in the figure 4.1, of the total respondents 63.8% (n=51) were Male and the remaining 36.3% (n=29) were Female. This shows that the company is male dominated.

4.2.2. Age category of Respondents

Table 4.2 Age Category of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	25	31.3	31.3	31.3
	26-35	35	43.8	43.8	75.0
	36-45	17	21.3	21.3	96.3
	46-55	3	3.8	3.8	100.0
	Total	80	100.0	100.0	

Source: Survey data, 2017

With regard to respondents' age category, the highest group of respondents' i.e. n= 35 (43.8%) falls under age category of 26-35. The next higher group n= 25 (31.3%) fall under age category below 25. This implies that about 60 % of the respondents are below 35 years of age. Therefore most of EAP employees are youngsters. The remaining group of respondents 17 (21.3%) is between 36 to 45 years and 3 (3.8%) of the respondents are categorized over 55 years. This again is balanced enough as per the actual age distribution of most Ethiopian companies.

4.2.3. Educational Level

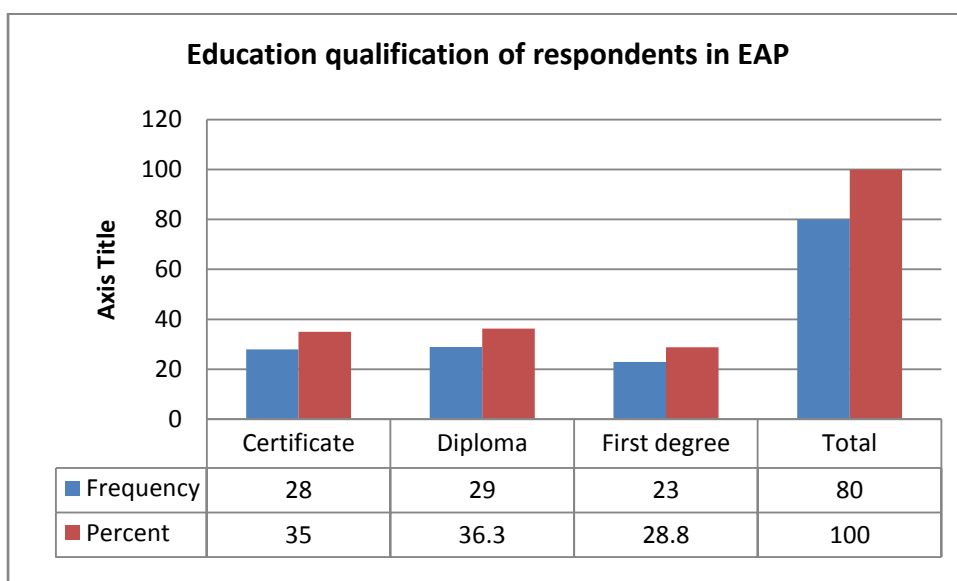


Figure 4.2 Educational Level

The study sought to determine the educational level of the respondents whom involved in the study. From the above figure we can see 35 % of the respondents holding certificate, 36.3 % of respondents are in diploma level and 28.8 % holding first degree. The findings indicated that majority of the respondents had diploma somehow educated to provide responses on performance appraisal system. In addition such a respondents profile is consistent with the actual educational profile of employees in the organization.

4.2.4. Tenure (length of service) of employee in EAP PLC

In terms of length of service of respondents in the organization, out of the total respondents 70% of the respondents have been serving the company for more than a year but less than five years. The next higher percentages 23.8% of respondents have been working six to ten years and 6.3% of the respondents have served for 11 years and above. Thus, the findings indicate that majority of the respondents are relatively exposed for at least one appraisal period and experienced to answer the appraisal question.

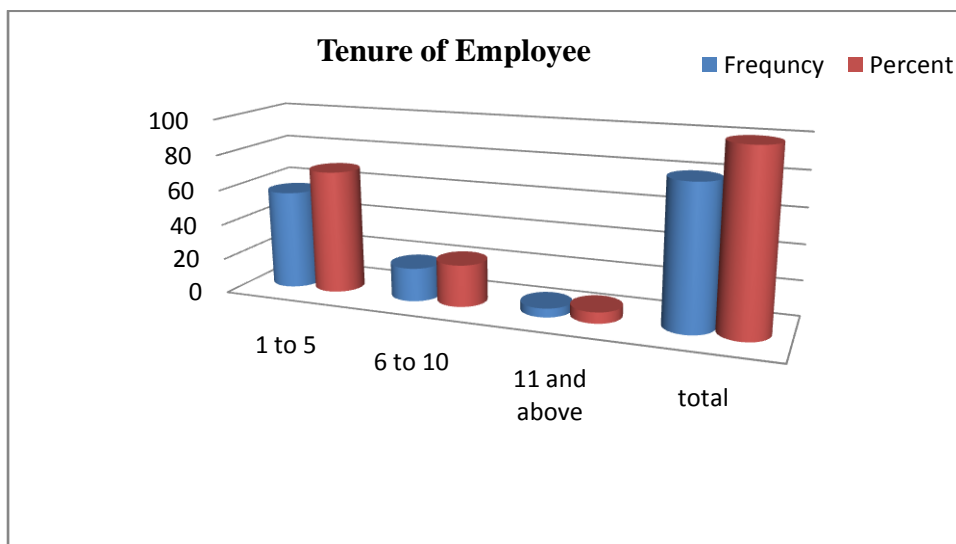


Figure 4.3 Work Experience

4.2.5. Departments of respondents.

4.2.6. Table 4. 3 Department of respondents

Valid		Frequency	Percent	Valid Percent	Cumulative Percent
	Administration	8	10.0	10.0	10.0
	Quality Assurance	2	2.5	2.5	12.5
	Quality Control	12	15.0	15.0	27.5
	Engineering	8	10.0	10.0	37.5
	Production	40	50.0	50.0	87.5
	Marketing	6	7.5	7.5	95.0
	Finance	2	2.5	2.5	97.5
	R&D	2	2.5	2.5	100.0
	Total	80	100.0	100.0	

Regarding the departments where they are working, majority of the respondents n=40 (50%) are working under production department which is the main business of the organization (manufacturing co.) that holds the major share of the employee. The second largest group, n=12 (15%) are working under quality control department which is the second main business that involved in monitoring the process and testing of products. Administration and Engineering departments each of them has n=8 (10%) of the respondents to give a supporting activity; administering the best resource human being and maintenance of machineries and equipments respectively. Marketing department has around 7.5% for sales and distribution and relatively the least percentage of employees working under Quality Assurance, Finance, and Research and Development department 2.5% each, where occupied by professionals.

4.3. Performance Appraisal System

Effective performance appraisal system could be one of the causes of employee motivation. To determine whether PAS cause employee motivation, the assessment was done through its major components Method, Process and Purposes of performance appraisal.

4.3.1. Performance Appraisal Method and Employee Motivation

In this sub section the appraisal Method used in the organization and its effect on employee Motivation was surveyed from the respondents as follows.

Table 4.4 Response on effects of method on employee motivation

NO	ITEMS	Response Rate	SD	D	N	A	SA	Total
1	The rater rank employees within their departments from highest performers to poorest performers.	Frequency	10	2	26	19	23	80
		Percentage	12.5	2.5	32.5	23.	28.8	100
		Mean	3.5375					
2	Employees are ranked in groups that include best workers, worst workers and one or more categories in between	Frequency	11	11	14	22	22	80
		Percentage	13.8	13.8	17.5	17.5	27.5	100
		Mean	3.4125					
3	The rater compares every employee with every other employee in the work group	Frequency	4	14	17	22	23	80
		percentage	5	17.5	21.3	27.5	28.8	100
		Mean	3.5750					
4	List of traits evaluated by a five point rating scale, appraisal consisted of a number of dimensions such as volume of work, quality of work, job knowledge, dependability, cooperation etc	Frequency	9	4	11	32	24	80
		percentage	11.3	5	13.8	40	30	100
		Mean	3.7250					
5	The rater uses behavioral oriented statements representing good, average and poor performance along each dimension.	Frequency	1	12	12	40	15	80
		percentage	1.3	15	15	50	18.8	100
		Mean	3.7000					
6	The rater keep record of specific examples of effective performance on part of each employee.(CI)	Frequency	3	10	14	29	24	80
		percentage	3.8	12.5	17.5	36.3	30	100
		Mean	3.7025					
7	The rater defines performance dimension by developing behavioral anchors associated with different levels of performance (BA)	Frequency	8	9	14	34	15	80
		percentage	10	11.3	17.5	42.5	18.8	100
		Mean	3.4875					
8	The rater manages the behavior of employees through a formal system of behavioral feedback and reinforcement.	Frequency	12	13	7	30	18	80
		percentage	15	16.3	8.8	37.5	22.5	100
		Mean	3.3625					
9	Individuals usually perform a number of simulated tasks such as leaders group discussion role playing etc.(AC)	Frequency	8	12	19	22	19	80
		percentage	10	15	23	27.5	23.8	100
		Mean	3.5250					
10	Does the measure of a rater and feedback information	Frequency	9	15	20	26	10	80

	used to motivate employee to higher level of productivity? (ProMES)	percentage	11.3	18.8	25.0	32.5	12.5	100
		Mean 3.1625						
11	Do managers and employees work together and use multiple sources to evaluate person and system factors to solve performance problems?	Frequency	11	8	18	31	12	80
		percentage	13.8	10.0	22.5	38.8	15.0	100
		Mean 3.3125						
12	Do both internal and external customers involve in setting standards and measuring performance ?(QA)	Frequency	11	9	21	27	12	80
		percentage	13.8	11.3	26.3	33.8	15	100
		Mean 3.2500						
13	Are you satisfied with the current appraisal method in enhancing your motivation?	Frequency	8	10	14	33	15	80
		percentage	10.0	12.5	17.5	41.3	18.8	100
		Mean 3.4625						

Source : Survey data 2017

Regarding ranking of employees from highest performer to poorest performer in each department, Majorities of the respondents n=42(52.6%) agreed with n=26(32%) undecided and the least n=12 (14.5%) disagreeing with the mean value of 3.5375 from this we can infer that rater ranking employees from highest performer to poorest performer in each department of EAP. This shows the consistency of rater ranking within the departments.

Group ranking as best workers worst workers and some other name given in between will help to motivate the one who is performing good and initiate other to perform as well. The result showed more than average of the respondents which are n=44 (55%) of the employees agreed n=14 (17.5%) are neutral and n= 22% (27.6) disagree. Even if the mean (M=3.4125) shows more than average respondents agree in group ranking significant amount of employees disagree about group ranking as a source of motivation.

Comparing every employee with each other is a good way of rating that helps to identify the skill and training gap between employees and the finding from respondents showed n= 23 (28.8%) strongly agreeing, higher magnitude from all opinions in this specific question, n=22(27.5) agreeing, n=17(21.3%) neutral (un deciding) and n=14(17.5%) disagreeing and last but not least n=4(5%) strongly disagree with a mean value of 3.570. in which majority agreed on the way performance rating used individual comparison.

Findings on table 4.6 indicates majority of the respondents n= 56 (70%) agreed, n=11 (13.8 %) were neutral and n= 13 (16.3%) disagree. With the greatest mean value from others m=3.7250. This data infers Graphic rating scale method which is used by EAP currently is supported by most of employees. List of traits are evaluated by five points rating scale in which appraisal consisted of number of dimensions such as volume of work, quality of work, job knowledge, dependability, cooperation etc. The supervisor rates each subordinate by giving the score for each factor that best describes employees' performance for each trait. The assigned values for the traits are then totaled and the average point becomes the performance appraisal result of the employees and the net result is converted in to percentage.

The data from interviewing Human Resource manager confirmed that the organization used graphic rating scale method to measure employee performance.

Relatively next large percentage of respondents n=55(68.8%) agreed, n=12(15%) neutral, similarly n=12(15%) disagreed with almost negligible n=1(1.3%) with the third larger mean value 3.70 for the statement “rater uses using behavioral oriented statements representing good Average, and poor performance along each dimension”. From this we can conclude that behavioral statements are used by the rater in rating Employee in EAP.

The method which is keeping record of specific examples of effective and in effective performance on the part of each employee that helps while rating employees is supported by n=29(36.3%),strongly supported by n=24(30%), n=14 (17.5%) neutral and n=10(12.5) disagreement and only n=3(3.8%) strong disagreement with the second highest mean value of 3.7025. from this it can be inferred the rater in EAP keep record of specific examples of effective and ineffective performance on the part of each employee.

Response regarding the rater defines performance dimensions in developing behavioral anchors associated with different levels of performance n=49 (61.3%) agree, n=14 (17.5%) neutral, and n=17(21.3%)disagree with mean value of 3.4875. Since most of the respondents agree, the rater in EAP defines performance dimensions in developing behavioral anchors associated with different levels of performance.

According to the response rate, 48 (60%) agreed, 25 (33.3%) disagreed and least number of respondents 7 (8.8%) neutral about management of employees’ behavior by the rater through a formal system of behavioral feedback and reinforcement with the mean value of 3.3625.In EAP there is a formal system of behavioral feedback and reinforcement to manage employees’ behavior.

As shown in table 4.5 of item (9) above, the respondents express their feelings on the statement “individuals usually perform a number of simulated tasks such as leaderless group discussion, role playing etc” Thus, 22 (27.5%) of the respondents agreed with the statement, 19(23.8%) not sure, 19(23.8%) strongly agreed 12 (15%)disagree and 8 (10%) strongly disagree.This implies that majority of respondents agree on performing tasks without leaders by forming group and using discussion since it is a processing company and mostly the operators and the supervisors are the event manager.

The statement “measure of a rater and feedback information used to motivate to higher level of productivity” is responded as 36 (45%) agreed, 24 (30.1%) disagree and neutral of 20

(25.0) and mean value of 3.1625. we can infer from this even though quarter of the employee were neutral the majority of the respondents agreed feedback is used to motivate employee.

With regard to solving performance problem using multiple sources to evaluate person and system by working together both management and employee the result was 43(53.8%) agreed, 19 (23.8%) disagreed and 18 (22.5%) neutral (not decided) with the mean value of 3.3125. The result indicated the level of agreement is far more than the level of disagreement.

Participation of external and internal customers on preparation of performance appraisal method and performance appraisal of employees, 33.8% were neutral the rest 25.1% agreed there is a participation of both internal and external customers involvement on preparation of performance standards and measurement of performance of employee.

As discussed in the literature review, effective performance appraisals include a high level of employee participation. Lawler et al (2012) stated that Performance management systems are effective when they are based on goals that are jointly set and are driven by an organization's business strategy. To ensure the employees have a connection with the procedure and feel involved in the appraisal is vital for the effectiveness of the system.

There are many perspectives to performance appraisal and an employee can take performance appraisal in many ways, it can motivate or not motivate an employee and therefore it is very important the rater or supervisor explain them for what purpose it's been taken. Most of the respondents about 60% are satisfied with the current appraisal method in enhancing their motivation and 28% of the respondents replied not decided (are neutral). There is relatively small percent of respondents (18%) of respondents replied they did not satisfied with the existing performance appraisal method in enhancing their motivation.

In addition to the response of employee, HR manager confirmed through his interview the company uses mix of Graphic Rating Scale (GRS) and Critical Incident (not much) method to evaluate employee's performance annually. According to his explanation most of the time the appraisal result is used for administrative purposes bench marking 65% of performance result. The employee who has got above 65% has a right to take a bonus as per collective agreement; if the performance is below this specified percentage (65%) administrative action will be taken step by step as per the collective agreement to improve the performance for the next evaluation period.

4.3.2. Performance Appraisal Process and Employee Motivation

The study was intended to investigate from the respondents the effect of performance appraisal process on employee motivation using descriptive statistics. There were eleven statements which deal with how the respondent feels about performance appraisal process. This help to identify whether the employees benefit from performance appraisals and gets motivated.

Table 4.5 Effects of Performance Appraisal Process

	N	Minimum	Maximum	Mean	Std. Deviation
I am satisfied and motivated with the way appraisal system is used to evaluate my performance	80	1.00	5.00	3.3750	1.32527
There are clear performance criteria (standards) set for my job	80	1.00	5.00	3.9500	1.01757
I clearly understand the purpose of performance appraisal process	80	1.00	5.00	3.7125	1.20331
Performance appraisal identifies performance problems to improve employee productivity and motivation	80	1.00	5.00	3.5875	1.20855
The performance appraisal system allows me to receive feedback about my job performance.	80	1.00	5.00	3.7500	1.06141
I am satisfied with the way the performance appraisal system is used to set my performance goal for each performance period.	80	1.00	5.00	3.4250	1.29042
The most recent ratings I received are based on my activities I am responsible for at work and that motivates me to do more	80	1.00	5.00	3.6125	1.21690
Are you satisfied with the solutions put in place to deal with performance appraisal problems that would enhance your motivation?	80	1.00	5.00	3.5625	1.16753
The performance appraisal system has helped to improve my job performance	80	1.00	5.00	3.6375	1.17186
I feel more motivated after performance appraisal	80	1.00	5.00	3.5125	1.17994
Are you satisfied with the current performance appraisal process in enhancing your motivation	80	1.00	5.00	3.6000	1.24880
Valid N (listwise)	80				

Source: Survey data 2017

Mean value:Key: ≥ 4.5 = Very High, 3.51-4.51= High, 2.51-3.5= Moderate, 1.51-2.5= Low; < 1.5= Very Low(Creswel, 2012).

The study intended to investigate the effect of performance appraisal process on employee motivation from the respondents involved in the study. When looking at the responses as a whole, all the results were in the range of (2.51-3.5)= Moderate or above responding agreeing or strongly agreeing. There were also significant amount of respondents who were choosing undecided but the magnitude of disagreeing and strongly disagreeing were quite low. The findings for each statement presented and discussed here under.

The findings from descriptive statistics indicate that a high scoring mean suggested that the presence of clear performance criteria (standards) set for their job (m=3.95). These standards are quantified and pegged against an individual evaluation which is essential for employee motivation.

Feedback is one of the major components of performance appraisal after rating the performance of employees. It is necessary to let them know their progress. In this regard majority of the respondent agree on the statement “The performance appraisal system allows me to receive feedback about my job performance” (m= 3.75) which means there is a system to get feedback for improvement of the existed quality of performance. While a lesser number of the respondents disagreed and strongly disagreed. This element seems to be implemented in some but not in others. Performance Appraisals need to be parallel across the board for the system to be effective throughout the whole organization. Fletcher (2004) also noted that ensuring feedback is specific and accurate; it is one of the most important elements of performance appraisal. Some researchers like Show *et al.*, (2008) argue that feedback from multiple sources can be intimidating, threatening and expensive.

The understandability and clarity of the purpose of performance appraisal process score a high mean value (m=3.7125), indicates that the large number of respondents clearly understands the purpose of performance Appraisal process. The third group of respondents (m=3.6375) agreed on the existing performance appraisal system which has helped to improve their job performance.

To measure the accuracy of the performance appraisal system the participants were asked whether the performance rating is based on how well they do their job and the mean value of the respondents (m=3.6125) suggested the most recent ratings they received motivates them to do more. This means that performance appraisal system is often considered one of the most important factors for employee motivation.

A respondents with (m=3.60) suggested that they are satisfied with the current performance appraisal process in enhancing their motivation which means that the appraisal process is accurate according to the current job description and experience which may have a direct impact on the employee's motivation to give their best. A group of respondents with (m=3.587), moderately agreed that the performance appraisal identifies performance problems to improve employee productivity and motivation. Other group of respondents having (m=3.56) moderately satisfied with the solutions put in place to deal with performance appraisal problems that would enhance their motivation.

A respondents (m=3.5125) suggested that they feel more motivated after performance appraisal. A number of respondents responded that they were moderately satisfied with the way the performance appraisal system is used to set their performance goals for each rating period (m=3.425). Having the employees involved in setting the objectives of the appraisal is linked to improved employee satisfaction. Typically the employees identify the skills needed for them to achieve the organization objective. Respondentswitnessed that there are predetermined sets of objectives for their performance appraisal which makes them to get focused on areas of work which are considered to be their core functions. As long as they know the focus areas for their day to day work assignments, they can be more productive and motivated.

Relatively less mean scoring from all mean values (m=3.375) for the level of satisfaction and motivation of employee on the way of appraisal system used to evaluate their performance. Based on the fact that a mean of 3 is indicative of the average level of satisfaction and motivation on this scale, it can be concluded that respondents are moderately satisfied with the overall job. The result from interview also indicates that the performance appraisal process has parameters used to measure PA and the formats are justifiable and triggers to evaluate critically, so that one can observe what has been completed.

4.3.3. Assessment of Performance Appraisal Purpose

The study was intended to assess performance appraisal purpose in this specific organization EAPby forwarding the following nine questions. It is also used to describe the response of the representatives of the total population and the relationship of PA purpose with employee motivation using statistical correlation. The detail of the result is attached as an annex 2.

Table 4.6 Items for Assessment of performance Appraisal Purpose

Table 4.6 Items for Assessment of performance Appraisal Purpose

Questions for Assessment of Performance Appraisal Purpose	
25	The company uses performance based payment, such as bonus and incentives to motivate employees.
26	Personnel decisions for promotion, termination, and layoff is purely based on Performance Appraisal.
27	The result on PA uses to reward good performer employees in better way than other less performer employees. (Compensation).
28	The purpose of performance appraisal in EAP is basically to identify and prepare individuals for increased responsibilities and motivation
29	The HR department follows up seriously the training needs identified during appraisals.
30	The appraisal data are used by the HR department for other development decisions like job-rotation, job enrichment and the like.
31	In EAP PLC. performance appraisal is used to develop employee`s knowledge, skill and efficiency.
32	Managers and subordinates agree on performance expectations in advance of appraisal period.
33	My supervisor provide a continuous feedback on my performance.

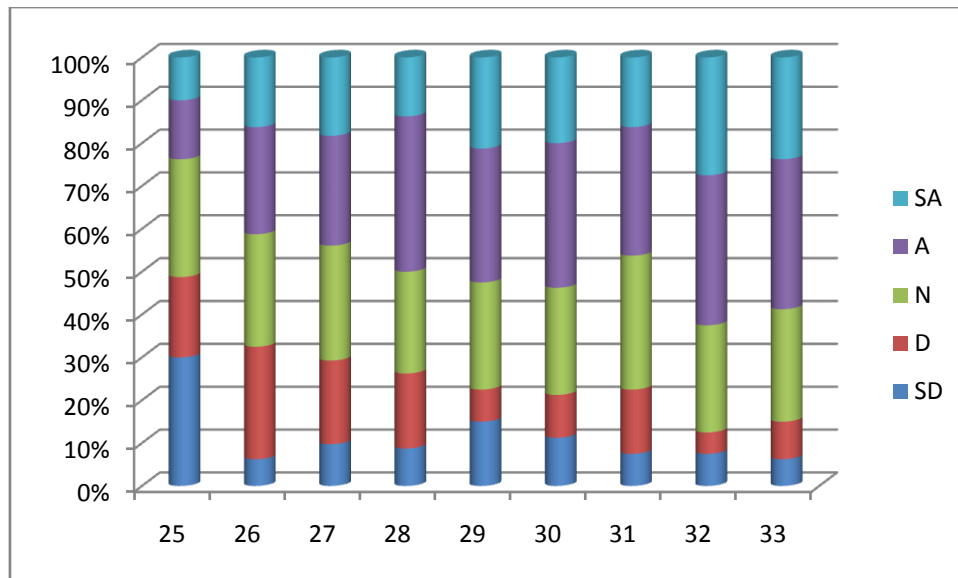


Figure 4.4 Assessment of Performance Appraisal Purpose

The statement with the highest score of disagreement was statement twenty five, which relates Promotion and rewarding being based on performance appraisal results. The responses obtained 30% (n= 24) strongly disagree and 18.8 % (n=15) disagree. From the response we can see the organization didn't base the result of performance appraisal for reward and promotion decisions and 27.5% (n=22) are neutral. This dimension shows almost half of respondents 48.8% were in disagreement and relatively the smallest group, 23.7% agreed on the purpose of performance appraisal on this specific issue. (Q25)

On the other hand statement thirty two has the lowest volume of disagreement which is 12.5% (n=10) disagreement where 25% (n=20) neutral, 35% (n=28) with agreement and 27.5% (n=22) the highest volume of strongly agreement. This data implies Managers and Subordinates clearly understand what the organization goal and performance expectations in advance of appraisal period. (Q32).

The respondents, 41.3% (n=33) agreed, 32.3% (n= 26) disagreed and 26.3% (n= 21) were neutral in making personnel decisions for promotion, termination, and layoff based purely on performance appraisal. Extremes of the scale least respondents, 6.3% (n=5) strongly disagree and 16.3% (n=13) of the respondents strongly agree this shows that the PA is purely used for decisions like promotion, termination, and layoffs of employees (Q26) but it is controversial with the result of item no 25 in which 48% of the respondents disagree on using the evaluation result for paying bonus and promotion.

The major respondents 45.1 % (n= 36) agreed, 27.5% (n=24) disagreed and 21.5% (n=22) feel neutral on rewarding good performer employees in better way than less performer

employees in EAP. The employee attitude to the way how the employee could reward is positive. (Q27)

Majority of the respondents 36.3% (29) agree and 13.8 % (n=11) strongly agree that shows they are more prone to the purpose of performance appraisal in EAP. Whereas 23.8 % (n=19) have not decided yet, 17.5% (n=14) disagree and the least 8.8% (n=7) respondents strongly disagree with the activity. More than half of the respondents agree on the purpose of performance appraisal in EAP is basically to identify and prepare individuals for increased responsibilities and motivation. (Q28)

From the respondents about 52.6% (n=42) agree, about 22.5% (n=18) disagree and 20 (25%) are neutral on the issue that HR department follows up seriously the training needs identified during appraisal. Training needs identified during appraisal is followed by HR department. (Q29)

33.8% (n=27) of the respondents agree and 20% (n=16) strongly agree totally majority of the respondents 53.8% (n=43) are agreed using the appraisal data for developmental purposes like job-rotation, job enrichment and the like by the HR department. On the contrary, 11.3% (n=9) of respondents consider it is ridiculous to imagine (strongly disagree) and the least 10% (n=8) disagree for the same activity used by HR department for developmental purposes. (Q30)

Performance appraisal is used for developing employees' knowledge skill and efficiency. This is because 46% (n=37) of the respondents of EAP agreed, 31.3% (n=25) are neutral and 15% (n=12) are disagree and the least 7.5 % (n=6) strongly disagree on the statement "In EAP PLC. performance appraisal is used to develop employee's knowledge, skill and efficiency". (Q31)

Responses regarding the statement "supervisor provides a continuous feedback to the employee about their performance" were 35% (n=28) agree, 23.8% (n=19) strongly agree, 26.3% (n=21) neutral, 8.8% (n=7) disagree and the least 6.3% (n=5) are strongly disagree. Since most of the respondents agree supervisors in EAP provides continues feedback to the employee about their performance that helps to improve their next performance. (Q33)

4.3.4. Assessing the extent of employee motivation (Level of Employee Motivation in EAP)

The level of motivation of employees in EAP from the response of the respondents as follows.

Table 4.7 Level of motivation

No.	Item	Mean	Rating
1	Would you say you work harder than other people doing your type of work at EAP?	3.68	4
2	Do you agree to do some extra work for your job which is n' t Really required of you	3.62	5
3	On most days on your job does time seem to drag for you?	3.44	6
4	Do you try out, on your own, a better or faster way of doing something on the job?	3.89	1
5	Have you suggested to your supervisor a different or better way of doing something on the job?	3.85	2
6	You have done some extra work for your job which isn't really required of you frequently	3.82	3

Source: Survey Data 2017

Mean value:Key: ≥ 4.5 = Very High, 3.51-4.51= High, 2.51-3.5= Moderate, 1.51-2.5= Low; < 1.5= Very Low(Creswel, 2012).

The study intended to investigate the level of motivation from the respondents (employees) involved in the study. Accordingly, the finding with the largest rating which is found on item 4 of table 4.7(m=3.89) has indicated that most of the respondents have supported that they are doing their jobs in faster and better way which indicates they are motivated to do things on their own.

On another finding placed on item no 5 of table 4.7, participants with the second highest rate (m=3.85) reflects that the employees suggest to their supervisor a better way of doing things that indicates employees are participating in decisions and having a good communication with their supervisors which gives motivation intrinsically.

On item 6 of table 4.7 which has been ranked in the third position, many respondents have said that they have done some extra work for their job which isn't really required of them frequently (m=3.82) from this we can conclude employees are motivated since they did extra work for their job voluntarily.

Based on item 1 of table 4.7, considerable number of respondents gave significant rating at fourth position (m= 3.68) refers individually employees felt work harder than other people

doing his or her type of work. Employee believed on doing hard work better than others implies there is an individual motivation.

As shown on table 4. 7, item 2 significant of respondents agreed to do extra work with the mean value (m=3.62) rating as fifth. From statistical result it can be inferred employees are motivated because they agreed to do an extra work even if it doesn't require of them. At last the least result from the given items scored sixth, item 3 result also showed a mean value of above average (m=3.44) in most days on their job does time seem to drag for them. From this it can be concluded employees of EAP has been motivated to do their job.They want to do more they feltthat the time has passed away.

Table 4.8 Overall level of motivation

N	Valid	80
	Missing	0
Mean		3.67
Minimum		1
Maximum		5

Source: Survey Data 2017

The overall investigation using all the six motivation questions showed that the motivation level is above average, having a mean value of (m=3.67) that implies the employees are motivated to find and suggesting better way of doing their jobs and also motivated to do their jobs in fastest way than the standards set which contribute to enhance organizational profit by minimizing cost. Motivated employees are the change maker to themselves and the organization who always strive to get new way of doing jobs using their skill and knowledge. For the organization having a motivated employees mean winning its competitor using a competitive advantage which strongly differs it from other organizations.

4.3.5. Correlation between Independent and Dependent variable

Correlation analysis was applied to test the “Interdependency” of the variables. In this section, the direction and degree of the strength of the relationship among the variables PA and employee Motivation were determined by Karl Pearson’s correlation coefficient. Karl Pearson’s coefficient of correlation is also known as the product moment correlation coefficient. The value of ‘r’ lies between -1 and 1. Positive values of r indicate positive correlation between the two variables (i.e., changes in both variables take place in the statement direction), whereas negative values of ‘r’ indicate negative correlation i.e., changes

in the two variables taking place in the opposite directions. A zero value of ‘r’ indicates that there is no association between the two variables. For this study diction rule given by Bartz (1999) was used and described as follows

Interpretation of r value

Value of r	Description
0.8 or higher	Very high
0.6 to 0.8	Strong
0.4 to 0.6	Moderate
0.2 to 0.4	Low
0.2 or lower	Very low

Question under each elements of performance Appraisal (process, Method and purpose) are grouped, analyzed and findings are presented in the respective table to show “How the performance Appraisal system affect employee motivation” using correlation coefficient of the two variables.

4.3.5.1. Correlation between Method and Motivation.

4.3.5.2. Table 4. 9Correlation of Method and Motivation

	Motivation	Method
Motivation	Pearson Correlation	.483**
	Sig. (2-tailed)	.000
	N	80
Method	Pearson Correlation	.483**
	Sig. (2-tailed)	.000
	N	80

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

The findings (r=0.483, p<0.01) in Table 4 suggested that there issignificant positive correlation between the Method used for appraisal of employee and employee work place motivation.

4.3.5.3. Correlation of Process and Motivation

Table 4.10 Correlation of process and Motivation

		PROCESS	MOTIVATION
PROCESS	Pearson Correlation	1	.398**
	Sig. (2-tailed)		.000
	N	80	80
MOTIVATION	Pearson Correlation	.398**	1
	Sig. (2-tailed)	.000	
	N	80	80

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

The findings in Table 4 Confirmed there is moderate Positive Correlation between the Method used in appraising employee and employee work place motivation ($r=0.483$, $p<0.01$) in East African pharmaceutical company.

4.3.5.4. Correlation between Performance Appraisal Purpose and Motivation

First Purpose of Performance Appraisal and Motivation questions are grouped then analyzed and the result is as follows

Table 4.11 Correlation of Purpose to Motivation

		MOTIVATION	PURPOSE
MOTIVATION	Pearson Correlation	1	.381**
	Sig. (2-tailed)		.000
	N	80	80
PURPOSE	Pearson Correlation	.381**	1
	Sig. (2-tailed)	.000	
	N	80	80

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

The results in Table 4.14 confirmed the Process used in appraising employee and employee work place motivation has a moderate relationship or moderately correlated having a value of ($r=0.381$, $p<0.01$).

4.2.6.4. Correlation of Performance Appraisal and Employee Motivation.

Table 4.12 Correlation of PA and Motivation.

		MOTIVATION	PERFORMANCE APPRAISAL
MOTIVATION	Pearson Correlation	1	.446**
	Sig. (2-tailed)		.000
	N	80	80
PERFORMANCE APPRAISAL	Pearson Correlation	.446**	1
	Sig. (2-tailed)	.000	
	N	80	80

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

The findings in Table 4.12 suggested that there is moderate positive correlation between Performance Appraisal and employee work place motivation which explains an increase in an improvement of the process, method and implementation of the purpose of performance appraisal results an increase in employee motivation which in turn enhances the organizational growth. From all the three elements of performance Appraisal used for this research, Performance Appraisal method with ($r=0.483$, $p<0.01$) in Table 4.9 has shown a higher correlation than the other two, The second higher(stronger) correlation is between Performance Appraisal Process and Employee Motivation with ($r=0.398$, $p<0.01$) and the weaker one is a correlation between Purpose of Performance Appraisal in EAP and Employee motivation with ($r=0.381$, $p<0.01$) but all of the result show a moderate correlation since it lies within the limit (0.381-0.483).

In general the finding showed there was a relationship between the two variables of interests for this study, Performance Appraisal and employee work place Motivation. Since every element of Performance Appraisal (process, method and purpose) has a positive correlation with Motivation (dependent Variable). On the basis of statistical test the p-value of spearman correlation between performance appraisal and employee work place motivation is 0.446 ($r=0.446$, $p<0.01$) which confirmed the existence of significant positive correlation between Performance Appraisal system and employee work place Motivation in EAP that establishes performance Appraisal affects the employee work place motivation.

4.3.6. Regression analysis

The researcher used linear regression as a continuation of correlation in which independent variable (PA) used to predict dependent variable (Motivation).

Table 4. 13 Model Summary of Regression

Model	R	R square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F change	df1	df2	Sig.F Change
1	.467a	.218	.208	.825	.218	21.755	1	78a	.000

a. Predictors: (Constant), Performance Appraisal

b. Dependent variable Employee Motivation

In the above table the required measure is the R square (model summary) in which it is the measure success of the model. It shows how much variance of dependent variable is capture. In this case the adjustedR square =0.208 and it can be interpreted as the weighting combination of performance appraisal explained approximately 20.8% of change in employee motivation is due to performance appraisal and F value is 21.755 at sig.f change = 0.000 showing that model is good fit. The result of regression analysis presented as performance appraisal significantly predict employee motivation.

As a summary, the above result indicates that the relationship formulated between independent and dependent variables in this specific research are in agreement with their respective theories. However the relationship is moderately significant which require other researchers to re-check it in similar or different organizations.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

In this section, the researcher comes up with summary, conclusions and recommendations of the study in relation to literature review by addressing the basic questions of the research. Accordingly summary, conclusions and recommendations are dealt in relation to the objectives of the research that includes determining the influence of performance Appraisal on Employee motivation, the level of motivation and the extent of PA's effect on employee motivation.

5.1. Summary of Findings

Concerning the influence of performance appraisal practices on employees motivation, the research established that there are significant elements in employees appraisal practices which are important on enhancing motivation. The general objective of the study was to determine the effect of performance appraisal on employee motivation using a survey of East African Pharmaceutical PLC found in Addis Ababa. The study was guided by the following specific objectives: to establish the extent to which performance appraisal process affects employee motivation,(to determine the effect of performance appraisal method on employee motivation and to determine the purpose of performance appraisal), the level of employee motivation in EAP and to evaluate the extent of performance Appraisal effect in employee motivation.

Performance Appraisal Process and Motivation

As it has been gathered from the employees performance appraisal process has an effect and important for employee motivation. Descriptive statistics in the form of arithmetic means and standard deviations for the respondents were computed for the dimensions that have been assessed through the questionnaire indicates that the mean values for individual item is between 3.37 and 3.950. It therefore appears that respondents in the given sample are moderately satisfied.

The highest mean value (3.95) was for the item performance standards are quantified and pegged against an individual evaluation which is essential for employee motivation and relatively the lower mean scoring from all values ($m=3.375$) for the level of satisfaction and motivation of employees on the way of appraisal system is used to evaluate their performance. Even if it seems the lower value from others, based on the fact a mean value of

3 is indicative of average level of motivation. Performance appraisal system has helped to improve job performance at work.

The regular assessment of performance leads to employee motivation. Performance appraisal rating can be considered as a technique that has a positive effect on work performance and employee motivation. The employees may be motivated if the appraisal process is based on accurate and current job descriptions it also identifies performance problems to improve employee productivity and motivation.

The Pearson's Product Moment Correlation Coefficient was computed for the purposes of determining the relationships: It can be seen from the Table 4.14 ($r=0.381$, $p<0.01$). Which confirmed the Process used in appraising employee in EAP and employee work place motivation has a moderate relationship.

Method of performance appraisal and Motivation

Regarding method used during performance appraisal, based on data gathered from employees, the research findings enabled to establish that employees are comfortable with method. The performance appraisal method used in EAP is Graphic rating method which has a highest mean value ($m=3.725$) this data infers graphic rating method is supported by most of the respondents.

Relatively next large percentage 66.3% with mean value of ($m=3.702$) was for critical incident methods which keeping the records of specific examples of effective and ineffective performance in the part which helps while rating employees. The item which has the lower mean value ($m=3.3125$) for the participation of both internal and external customers on preparation of performance standards that showed the organization has not developed a system to participate its external customer on employees appraisal system.

Customers can recognize the employees when they do a good job in evaluation process that are important for employee's motivation. Subordinate evaluations may give valuable information to improve on the employee's motivation. Peers or co-workers often know the job of the individual employee better than the supervisor does and they are more directly affected by the employee's actions, either positive or negative. Fair assessment of the employee's performance may enhance their motivation. Employers should also note that performance evaluation is a continuous process and not one that happens only twice a year. The reasonable expectations of the ratings can lead to honest feedback for employee motivation. The correlation coefficient indicated the relationship of performance appraisal

method with the employee work place motivation. The findings in Table 4.15 Confirmed there is moderate Positive Correlation between the Method used in appraising employee and employee work place motivation ($r=0.483$, $p<0.01$) in East African pharmaceutical company.

Performance appraisal purpose and Motivation

The purpose of performance appraisal has an effect on employee motivation. The purpose of performance appraisal is established to serve both administrative and developmental purposes in order to achieve the individual and organization objective. Some managers tend to be liberal or strict in their administrative action which is not based on performance rating of employee which may affect the employees' motivation. Relatively highest percentage (53.8%) exhibited for the item performance appraisal is used for developmental purposes like job rotation, job enrichment are fairly based on the performance results.

The percentage values indicating those areas where employees were most likely dissatisfied (48.8%) was the performance appraisal is unjust for promotion, bonus and pay scheme. The minimum requirement to get bonus is satisfying 65% of performance appraisal result if not the Administrative measure will be taken to improvement but there is no incentive scheme if an individual get above these standards. Regular trainings and organizing opportunities for developing knowledge and skill of employee has been given less emphasis (53.8%). The study established that proportion of the respondents agreed ratings are based on reasonable expectations from their work. Focus should be given for administrative

The correlation coefficient in Table 4.14 shows that there is statistically positive and significant relationship exist between performance appraisal purpose and employees motivation ($r=0.381$, $p<0.01$). If the change or improvement in Performance Appraisal (purpose) to employees is experienced, then there would be a corresponding change in work place motivation.

Level of Motivation

The level of motivation in employees of EAP The overall investigation using all the six motivation items showed that the motivation level is between ($m=3.44-3.89$) all the respondents seems moderately satisfied or motivated with the existing system. The highest mean value ($m=3.89$) implies that employees are motivated to find and suggesting better way of doing their jobs. Employees are motivated to do their jobs in fastest way than the standards set which contribute to enhance organizational profit by minimizing cost. Overall mean value for motivation ($m=3.67$) indicates that there is a moderate level of Motivation of employee.

Relationship of Performance Appraisal and Employee Motivation

The relationship of performance appraisal and employee motivation has measured using Pearson correlation. Coefficient of correlation is positive which is ($r=0.446$, $p<0.01$).it is significant enough to show how the relationship of the two variable of interests. All the three elements of performance appraisal have a positive correlation coefficient with employee motivation. The values of Correlation Coefficient in case of significant relationship vary from lowest 0.381**to highest 0.483**. The lowest value corresponds with purpose while highest value is for method used to evaluate. Positive correlation explains that the improvement in any of this elements will bring motivation of employees which in turn brings an attainment of organizational and employee goals.

From the regression coefficient we can also concluded that approximately 21% of motivation change is due to PA. It also showed the existence of performance appraisal effect on employee motivation.

5.2. Conclusions

Performance Appraisal Process

Performance appraisal system in EAP is often considered as one of the most important factors for employee motivation. The employee and HR staff witnessed there is an appraisal system conducted bi annually that is essential for measuring job performance and employee motivation. The findings showed that employees were moderately satisfied with existing PA process. PA process has a positive coefficient of correlation with employee motivation in EAP.

From this, the Performance appraisal process in EAP considered as a technique that has a positive effect on work performance and employee motivation.

Performance Appraisal methods

The rater helps employees understand what they need to do to improve their performance the Performance appraisal method should be selected properly that can be appropriate for the organizations goal, the employee's goal and motivation. The undertaking organization EAP used the graphic scale method which is clear and easy to understand. The result from correlation showed that performance appraisal method and employee work place motivation has positive correlation and has an effect on employee motivation.

Performance Appraisal purpose

The primary purpose of an appraisal system is to take an administrative action that is to reward employee who has got done his/her job as per the organization goal and to sieve out those who cannot or would not do as per the requirements and penalize accordingly. Secondly it is to screen out the gap of knowledge and skill of employee to perform the specific task and to give on job or off job trainings or to add a developmental knowledge and skill in order to motivate the employee to attain the individual as well as the organizational goal.

The finding showed that purpose of performance appraisal was partially implemented; only the developmental purpose was fair. Promotion, rewarding bonus and pay scheme was not based on performance result. It was unjust. The result from correlation showed that performance appraisal purpose has positive and significant correlation with employee motivation. From the above result it can be concluded the performance appraisal in EAP affects employee motivation.

Level of employee motivation

The level of motivation derived from all responses of the respondent's shows above average; positive result. As can be seen from the positive results of performance appraisal Process and Method, performance system is fair which contributes to enhance the level of motivation. The reason behind might differ from individual to individual. There is a suspicious opinion on the researcher side it might be due to afraid of losing their jobs or the interesting nature of the job. Hence this seems controversial as large number of respondents agreed on that the treatment of performance appraisal result for administrative purpose is failed. Promotion and benefiting is unjust, not based on performance Appraisal.

Relationship of Performance Appraisal and Employee motivation

The relationship of performance appraisal and employee motivation in general is positive. As we have seen from the correlation of the individual elements of Performance Appraisal Process, Method and Purpose with Motivation of employees. Over all PA has showed significant positive correlation ($r=0.446$, $p > 0.000$) with the employee work place Motivation which in turn showed the existence of relationship. From the regression coefficient we can also concluded that approximately 21% of motivation change is due to PA that indicated performance appraisal affects employee motivation.

5.3. Recommendations

Recommendations for Improvement

There are challenges in most companies to implement effective appraisal system to motivate their employees to enhance the employees as well as organizational performance. Employees, technically known as Human Resources are considered as the most important assets and means of competitive advantage. Therefore are needed to be motivated; the motivated employees will bring improvement in productivity.

Performance Appraisal Process

The study recommends that the performance appraisal system is an important factor for employee motivation in EAP. Even if employees are fairly satisfied with the existing PA process;

- There should be regular assessment of performance to enhance their motivation.
- The appraisal process should be accurate and consider the current job descriptions to boost the employee productivity and motivation
- Human Resource department of EAP must take an active role in participating employees in preparation of performance appraisal in advance of evaluation that helps to identify where the deviation is from the employee's interest in addition to the feedback during appraisal.

Performance Method

- ✓ Performance Method HR should revise the best alternative method to increase the accuracy of performance evaluation to reduce its subjectivity

Performance Appraisal Purpose

Even if Performance appraisal result is used for developmental and administrative purpose, in EAP only the developmental purpose is fairly implemented. The benefit scheme is not depend on the appraisal results. rather used to penalize the employee who perform below the specified standards, on the other hand the benefit did not delivered to employee who performed as per or more than the stated standard, which in turn has an effect on employee motivation. Therefore

- There should be promotion; reward and Pay scheme based on the evaluations results to motivate employees.

- Career Management plan to exploit the potential of employees and provide opportunities to develop their abilities and careers by giving training, coaching and mentoring is also another important factor to sustain the human capital.
- Recognize Small and Large Accomplishments - Employees should be rewarded when they meet large goals as well as smaller milestones. Incentive like supplier's visit, recreation monetary and non monetary rewards should be under consideration.

Level of Employee Motivation

The level of motivation derived from all responses of the respondent's shows positive result. The reason behind might differ from individual to individual. Manufacturing companies' especially pharmaceutical manufacturing companies should focus on their non managerial staffs who are (engaged in producing drugs); which cause an irreversible damage in customer's life and huge investment. The vulnerability to damage must be always in mind and the non motivated employee may not be as effective as needed. Therefore

- The management of EAP should work hard to enhance motivation by rewarding and benefiting employees based on performance appraisal result which is found as a major finding in which most of the respondents agreed in its inconsistency.

Recommendations for Further Studies

The current study investigated the effect of performance appraisal on employee motivation in East African Pharmaceutical PLC in Addis Ababa. The researcher found only around 20.8 % of motivational change will bring by PA (considering only its elements process, method and purpose) on this specific organization. The researcher recommends future can apply the same research objectives to determine the effect of performance appraisal on employee motivation using same elements or other elements of PA in similar or other organization.

Other factors which have a direct or indirect effect on employee motivation with in performance management system should be considered in the future studies since Motivation of employees' means a way to accomplishment of organization and individual goal.

If organizations can implement these recommendations, they will reap the benefits of more motivated employees willing to invest more discretionary effort to make their organizations successful. This discretionary effort will provide organizations with an even more competitive edge that will enable them to win in the talent marketplace.

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Annex one

ADDIS ABABA UNIVERSITY

College of Business and Economics

School of Commerce BAIS Department-Graduate Studies Program

Questionnaire

Dear respondent,

I am a student at Addis Ababa University College of Business and Economics School of Commerce, collecting data for conducting a study on topic "effects of performance appraisal on employee motivation in EAP PLC" to partial fulfillment of Master of Arts degree in Human Resource Management program.

In this regard I kindly request you to provide me reliable information that is to the best of your knowledge which determines the quality of the study and the findings from the study would meet the intended purpose. I strongly assure you the information from you will be kept confidential.

I would like to extend my deep-heart thanks in advance for being a volunteer to spare your most precious time in filling this academic questionnaire.

Sophia Haile.

Part I- Demographic Profile of the Respondents

Kindly requested to make a (√) mark where applicable and do not indicate your name.

1. Gender : Male Female
2. Age: 18-25 25-35 36-45 46-55 Above 5
3. Educational back ground: Certificate Diploma
First Degree Masters degree and above
4. How long have you been with EAP Plc.?
1-5years 6-10 years 11 and above years
5. Department: _____

PART II - Questions on performance appraisal

Please read each statement in this part carefully and show the extent of your agreement on the statements by putting "√" or "X" mark in the boxes using the following rating scales (Likert Scales):

Strongly Agree (SA) = 5, Agree (A) = 4, Neutral (N) = 3, Disagree (D) = 2, and Strongly Disagree (SD) = 1.

Section I: performance appraisal methods and employee motivation.

Effects of performance appraisal Methods on employee motivation		SD	D	N	A	SA
1	The rater rank employees within their departments from highest performers to poorest performers					
2	Employees are ranked in groups that include best workers, worst workers and one or more categories in between					
3	The rater compares every employee with every other employee in the work group					
4	List of traits evaluated by a five points (or some other numbers of points) rating scale, appraisal consisted of number of dimensions such as volume of work, quality of work, job knowledge, dependability, cooperation etc.					
5	The rater uses behavioral oriented statements representing good, average, and poor performance along each dimension					
6	The rater keep record of specific examples of effective and ineffective performance on the part of each employee.(CI)					
7	The rater defines performance dimensions by developing behavioral anchors associated with different levels of performance(BA)					

8	The rater manages the behavior of employees through a formal system of behavioral feedback and reinforcement					
9	Individuals usually perform a number of simulated tasks such as leaderless group discussion, role playing etc (AC)					
10	Does the measure of a rater and feedback information used to motivate employee to higher level of Productivity (ProMES).					
11	Do managers and employees work together and use multiple sources to evaluate person and system factors to solve Performance problems.					
12	Do both internal & external customers involve in setting standards and measuring performance (quality approach).					
13	Are you satisfied with the current appraisal method in enhancing your motivation?					

Section II: Performance appraisal process and employee motivation

Effect of performance appraisal process on employee motivation		SD	D	N	A	SA
15	I am satisfied and motivated with the way appraisal system is used to evaluate my performance					
16	There are clear performance criteria (standards) set for my job					
17	I clearly understand the purpose of performance appraisal process					
18	Performance appraisal identifies performance problems to improve employee productivity and motivation					
19	The performance appraisal system allows me to receive feedback about my job performance.					
20	I am satisfied with the way the performance appraisal system is used to set my performance goal for each performance period.					
21	The most recent ratings I received are based on my activities I am responsible for at work and that motivates me to do more					
22	Are you satisfied with the solutions put in place to deal with performance appraisal problems that would enhance your motivation?					
23	The performance appraisal system has helped to improve my job performance					
24	I feel more motivated after performance appraisal					
25	Are you satisfied with the current performance appraisal process in enhancing your motivation					

Section III: Performance appraisal purpose and employee motivation.

Effect of performance appraisal purpose on employee motivation		SD	D	N	A	SA
25	The company uses performance based payment, such as bonus and incentives to motivate employees.					
26	personnel decisions for promotion, termination, and layoff is purely based on Performance Appraisal					
27	The results on PA uses to reward good performer employees in better way than other less performer employees.(compensation)					
28	The purpose of performance appraisal in EAP is basically to identify and prepare individuals for increased responsibilities					

	and motivation					
29	The HR department follows up seriously the training needs identified during appraisals					
30	The appraisal data are used by the HR department for other development decisions like job-rotation, job enrichment and the like.					
31	In EAP PLC. performance appraisal is used to develop employee`s knowledge, skill and efficiency.					
32	Managers and subordinates agree on performance expectations in advance of appraisal period.					
33	My supervisor provide a continuous feedback on my performance					

Section IV: Motivation

34	Would you say you work harder than other people doing your type of work at EAP?	SD	D	N	A	SA
35	Do you agree to do some extra work for your job which is n' t Really required of you?					
36	On most days on your job does time seem to drag for you?					
37	Do you try out, on your own, a better or faster way of doing something on the job ?					
38	Have you suggested to your supervisor a different or better way of doing something on the job?					
39	You have done some extra work for your job which isn't really required of you frequently					

Interview Guide

Semi-Structured Interviews of HR Department Manager in EAP Plc

Name: _____

Sex: _____

Age: _____

Department: _____

Years of stay in EAP PLC: _____

Questions

- What do you have to say about the performance appraisal procedures of EAP?
Are you happy with it?
- Do you think the performance appraisal process plays an important role in employee motivation?
- What type of performance appraisal method is used in the organization?
- For what purpose do you mainly use performance appraisal result?
- Do you think that performance appraisal has an effect on employee motivation?
- Do you feel motivated after performance appraisal is conducted?

Annex Two

Table 4.6 Assessment of Performance Appraisal purpose

Items		Response Rate	Level of Agreement					
			SD	D	N	A	SA	Total
25	The company uses performance based payment, such as bonus and incentives to motivate employees.	Frequency	24	15	22	11	8	80
		Percentage	30	18.8	27.5	13.7	10	100
26	personnel decisions for promotion, termination, and layoff is purely based on Performance Appraisal	Frequency	5	21	21	20	13	80
		Percentage	6.3	26.3	26.3	25	16.3	100
27	The result on PA uses to reward good performer employees in better way than other less performer employees. (Compensation).	Frequency	8	16	22	21	15	80
		percentage	7.5	20	21.5	26.3	18.8	100
28	The purpose of performance appraisal in EAP is basically to identify and prepare individuals for increased responsibilities and motivation	Frequency	7	14	19	29	11	80
		Percentage	8.8	17.5	23.8	36.3	13.8	100
29	The HR department follows up seriously the training needs identified during appraisals	Frequency	12	6	20	25	17	80
		Percentage	15	7.5	25	31.3	21.3	100
30	The appraisal data are used by the HR department for other development decisions like job-rotation, job enrichment and the like.	Frequency	9	8	20	27	16	80
		Percentage	11.3	10	25	33.8	20	100
31	In EAP PLC. performance appraisal is used to develop employee`s knowledge, skill and efficiency.	Frequency	6	12	25	24	13	80
		Percentage	7.5	15	31.3	30	16.3	100
32	Managers and subordinates agree on performance expectations in advance of appraisal period.	Frequency	6	4	20	28	22	80
		Percentage	7.5	5	25	35	27.5	100
3	My supervisor provide a continuous feedback on my performance	Frequency	5	7	21	28	19	80
		Percentage	6.3	8.8	26.3	35	23.8	100