

The Performance Evaluation System and the Impact on Employee Motivation: Do Performance Appraisal Rewards Play a Role in Motivating and Engaging Employees?

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Abstract

Motivation is the process that initiates goal-oriented behaviors, guides them, keeps employees focused, engaged and with a positive attitude. Therefore, understanding the relationship between staff motivation and performance is crucial to the company's organizational culture and employee engagement.

This study aims to explore the impact of motivation on the overall performance of a company and even if it complements the existing literature, it leaves room for future research opportunities on the topic discussed. We will also investigate the relationship between motivation and human resource management, analyzing whether it is important to treat each employee individually and consider that each person is different and has different needs or whether employees should be treated collectively, as a group.

The results were collected by analyzing various qualitative and quantitative data and by conducting a comprehensive research in the most relevant research platforms, numerous books and official electronic resources related to employee motivation, performance management and evaluation.

Keywords: *Motivation, Human Resources Management, Performance Evaluation, Rewards, Appraisal System*

JEL classification: M12, M54, O15

DOI: 10.24818/RMCI.2021.5.722

1. Introduction

Motivation is typically defined by what drives a human being to do what he does. The drives can be multiple and the variety is enormous. According to Ziglar, “Motivation is the fuel, necessary to keep the human engine running.” (Ziglar, 2019)

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Currently, many specialists agree that the human asset is, for any company, the most important asset of the 21st century. Unfortunately, some companies don't realize how important employee motivation is. It can help the management of a company to understand why employees do what they do and why they act or perform in a certain way. Employees who have a higher level of motivation carry more responsibility, can work more efficiently and have a greater inventiveness than employees with a low motivation level (Blaskova & Grazulis, 2009). The main factors that could influence employee motivation are fair remuneration, education of the employees or the development of the competences, proper management style, job workplace security, flexibility and the quality of the environment. Moreover, it needs to be clear for managers that employees have different needs so it's up to each employer to make enough effort to meet the individual needs of employees (Poláčková, 2016).

According to (Tosi, Mero, & Rizzo, 2000) the concept of motivation has both managerial and psychological meaning:

Firstly, the managerial implication refers to the activity of the managers to influence employee behavior in order to achieve the desired results by the organization that supports the relationship between performance, motivation and ability.

Secondly, the psychological implication of motivation refers to the process that drives an individual's direction, persistence and intensity of an effort towards achieving a goal.

As a concept, motivation has been intensively studied and some of the most relevant theories are Herzberg's motivator-hygiene theory, Maslow's theory and McGregor's Theory X and Theory Y.

The purpose of this research is to enrich the existing literature on the impact of motivation over company's performance by providing a better understanding of the motivation concept and the importance of it in the wellbeing of a company.

Therefore, we consider it is important to start with the existing perspective on the concept of employee motivation and to continue by analyzing whether or not rewards have an impact on employee motivation. To have a better overview, we will summarize the results and finish this research paper with a few recommendations based on the findings.

2. Literature Review

2.1 A perspective on the science of employee motivation

People are social creatures who are motivated and responsive to the social environment. Motivation is a force, a stimulus or an influence that is related to a need or desire and causes a person to act. People can be motivated by factors other than money.

Motivation has been described as an approach that aims to stimulate, guide, and encourage appropriate employee behavior and therefore higher performance (Luthans & Sommer, 2005).

Motivation is one of the key factors in the success of public institutions. Moreover, motivation is directly related to performance. Many studies show that unmotivated employees perform less well than when they were motivated. Public organizations have noticed this and are increasingly changing their approach by turning their attention to various motivational strategies and sometimes using specialized trainers that can run Motivation and/or Career-Development Training Programs. It is very important for institutions to know their employees well in order to know what motivational techniques managers need to apply for the purpose of achieving the expected results (ÖZLEN & Hadžiahmetović, 2013).

The absence or low level of motivation can lead to a decrease in employee performance which can result in a decrease in the competitiveness, performance and productivity of the team or the public organization in general (Girdwichai & Sriviboon, 2020).

Over time, several theories with an impact on motivation have been highlighted in the literature. Some of the most relevant are Herzberg's motivator-hygiene theory, Maslow's theory and McGregor's Theory X and Theory Y.

Herzberg's theory is based on motivating factors which are also called job satisfiers and hygiene factors which are called job dissatisfiers. This theory assumes that under certain conditions, whether the factors exist or are missing, we will observe a variation in the motivation level of the employees. The presence of hygiene factors is one of the preconditions for achieving performance but is not the main factor that determines performance. If hygiene factors are missing, then we encounter demotivation of employees and decreased performance. Therefore, organizations must ensure optimal hygiene conditions (Syptak, Marsland, & Ulmer, 1999).

A big part of motivation is related to employee needs. In this sense, the pyramid invented by Abraham Maslow comes handy because it explains very well the fact that the needs are instinctive and each need has a different importance. The hierarchy of the needs can be realized having in mind the order of the needs that people want to satisfy first (McLeod, 2020). The strongest needs are placed at the base of the pyramid and then as the hierarchical level increases, the needs are getting weaker as it can be seen in the figure below (Lefter, et al., 2008):

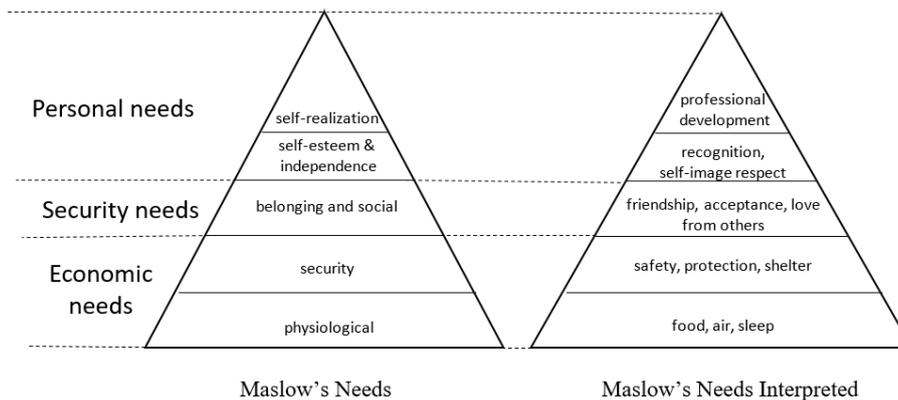


Figure 2. Representing Maslow's hierarchy of needs and interpreting it
Source: adapted from (Lefter, et al., 2008)

At the base of the pyramid, as a "foundation", in the category of economic needs, we find the physiological or basic needs that are strictly related to the survival of the employee (air, water, housing, food, clothing). Security or safety needs are based on the existence of job security but also stability and avoidance of problems during work.

Once the physiological and safety needs are met, other higher needs arise, located at the next levels. The needs regarding belonging to a group are part of the category of social needs according to which the individual feels the need to belong to a social group in which to be recognized by other employees for team membership.

In the category of personal needs is the need for self-esteem, which is related to the respect, esteem, consideration given to the individual by other employees. The same category, located on the last level of the pyramid, includes the needs related to self-realization or self-transcendence. The need for self-realization is the only type of need that is not exhausted as a motivational value and is relatively rare being extremely difficult to achieve because it requires the realization of all previous needs.

What is interesting to mention is that based on this theory the progress of a person from one stage to another depends on how this person gets what he needs at each level of his development. Making a parallel with the organizational environment we can say that they must provide employees with the necessary resources so that it can achieve the expected performance (Kopelman & Prottas, 2013).

According to McGregor, theory X is based on the fact that employee motivation is largely monetary, with security on the second place and theory Y presents the opportunity to align personal goals with organizational ones. This can be done using as a motivator the employee's need to fulfill. If theory X can take either a soft or a hard approach, theory Y management does not involve a soft approach to getting results (Kopelman & Prottas, 2013).

2.2 Linking performance evaluation rewards with the employee motivation

Recent analysis, conducted in a public institution, which had a sample of 180 respondents showed that there is a major influence of motivation on employee performance and implicitly on the harmonious development of a high-performance work environment capable of encouraging employees to achieve their proposed objectives. Motivation is considered one of the keys to the success of a public institution (Vijayalakshmi & Yamuna, 2017).

Another baseline study conducted in Bosnia and Herzegovina reinforces the idea that human resources management plays an extremely important role in the survival and development of a public institution even in a country with a poorly developed economy. This study was conducted on a sample of 193 respondents. The analysis was performed based on questionnaires and the result showed that human resources management is implemented at a low level in this country. This is due to a low presence of motivation among employees, which generates a negative emotional impact thus affecting the quality of services provided by employees (ÖZLEN & Hadžiahmetović, 2013).

The influence of training on employee motivation was also analyzed in Turkey, based on a study conducted on a sample of 200 respondents from various fields of activity which aimed to highlight the relationship between staff training and motivation. The study was conducted based on questionnaires and the result showed that there is a close relationship between the employees' motivation level and their level of training. It was also highlighted that employee training comes from two sources. Firstly, the individual school training that everyone has at the time of employment and secondly, the level of training offered by institutions in which they work, both having a strong influence on motivation and performance level (Ozkeser, 2019).

Another study conducted on a sample of 290 respondents representing employees from various banking institutions, aimed to analyze the level of performance of the employees when they were motivated by rewards, based on a human resources management system focused on rewarding the employees. The result of this analysis revealed that the relationship between intrinsic rewards and employee's performance is significantly influenced by intrinsic motivation as well as extrinsic rewards. Moreover, the intrinsic rewards that are one of the determining factors of motivation are also closely related to employee performance. This is possible due to a human resources management system that supports and encourages the relationship between motivation and employee performance (Danish, Khan, Shahid, Raza, & Humayon, 2015).

A study conducted in Turkey based on a sample of 116 respondents, belonging to the banking sector, highlighted that there is a direct relationship between the reward system applied in that organization, the motivation of employees and their performance. Therefore, the analyzes performed in this study highlighted a positive relationship between employee motivation and their performance. On the other hand, it was emphasized that the intrinsic motivation is

not affected by the monetary compensations but by the promotion opportunities within the organization (Güngör, 2011).

3. Research Methodology

This study was conducted through an extensive analysis of the literature in both employee motivation and performance areas, aiming to assess whether motivation has an impact on a company's overall performance, whether performance rewards increase or not employee performance, what kind of rewards are better and how it is best to apply. Therefore, the targeted domains are Human Resources Management, Performance Management and Evaluation System.

To achieve the goal of this research, an analysis was conducted in various journals, books, official websites and various search engines such as ProQuest Central, Elsevier Ebooks, PubMed, Emerald Management EJournal and Web of Science, an online bibliographic and bibliometric database, comprising mainly scientific journals, conferences, books. Access to most of these resources is provided by the University of Economic Studies in Bucharest.

As a research method we decided to use a descriptive one because the topic is very widely discussed and because it provides a better overview of the topic discussed.

4. Research Results and Discussions

As many studies have shown, highly motivated employees show greater life and work satisfaction. Motivation increases the creativity and initiative of the employees and provides a sense of empowerment. Oppositely, a decreased level of motivation can affect the employee negatively so it's important for the companies to pay attention and recognize demotivation from early stages. Some signs that an employee has become demotivated can include mood change towards colleagues or negative/inappropriate comments, lack of input in the general activity, lack of punctuality, the desire to do the bare minimum, increased absence. Also, whenever is a shortage in the institution that can be a symptom of demotivation and/or poor management. Shortages can result from job stress, heavy workload and burnout, lack of career progress and even issues that are outside of work such as bereavement, family illness or financial worries.

Another challenge can appear when companies are facing amotivated employees which can be classified as employees that have low productivity, lack of focus and commitment, increased absenteeism. In this case, the organization must devote more time and resources, knowledge and skills to analyze the reason behind the employee's feelings and turn, by using appropriate incentives, that behavior into a motivated one.

Those challenges can be overcome by developing a strong manager-employee relationship. This will help managers notice any problems when things are not going well.

Employee motivation can also increase the environmental harmony and therefore, the overall performance of the company. Also, motivated workers are more loyal, remain longer in the company and on a short term can give birth to an improvement of the business.

Based on the reviewed literature we can admit that it is important for each public institution to have their own set of motivators and individual incentives that make the employees work better and have higher performance. No matter if public institutions use monetary or non-monetary incentives, the goal should be to stimulate the motivation of the employee. Moreover, it's very important to know what the needs of each employee are and use the proper incentives.

Incentives should be customized for each employee to meet the requirements and individual necessities, make them feel valued, considered meaningful and cared for.

This research is useful to understand better why employee motivation is essential for the success, growth and development of companies even if, sometimes, it's a challenge. Also, it can be helpful because it provides a better understanding of why simple things like creating a supportive work environment, developing a strong recognition system, encouraging employee's participation in decision-making can have a huge impact on employee motivation and therefore on overall company's performance.

5. Conclusions

According to the specialized literature as well as to the previously presented studies, public institutions make intensive use of systems and strategies for rewarding employees, using it as a motivational tool with the goal of increasing employee performance. Public institutions are constantly trying to adapt their rewards system, to become more and more efficient and suitable for the needs of employees. These periodic changes in the reward systems are made to remain competitive in an organizational environment that is in a continuous transformation due to the evolutions of external environmental factors.

To sustain a business on an upward trend in a highly competitive business environment, to maximize employee productivity and to adapt the business to new market trends, a change in human resource management is needed to support all these transformations generated by the business environment.

Finally, we believe it's important to link motivation to the overall performance of the public institution because most of the times has a positive impact on quality performance.

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