



## Performance and Its Impact on Employee Motivation of "Osumi" Business Company

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### Abstract

*The purpose of this paper is the importance of performance appraisal in motivating employees of "Osumi" Business Company (for private reasons the name is not the real name). Performance evaluation regarded as one of the priority competitive elements for sustainable development. Already it accepted the simple fact that the performance management process adopted by managers, but also it is importance the assistance to employees in this process. In this way, it becomes possible not only the assessment of business management, but on the other hand the management of individual performance of each members of the organization. This paper contains the results and key findings. They are presented in the form of statistical data, which provided concrete results and recommended further measures.*

**Keywords:** Performance, Motivation, Human Resource Management, and The System of Performance Appraisal.

### 1. Introduction

Employees' performance is a critical issue in the strategy that most organizations must follow to achieve their goals. Boyett and Conn<sup>1</sup> express their insights about the importance of employees' performance when they say: Human performance is the key to total quality and total customer's satisfaction. Many companies have tried to obtain significant gains in quality or customer service through investments in technology or other non human means. All have failed. The fact is people make it happen.

But, what is meant by 'performance'? If we cannot define performance we cannot evaluate or manage it. It has been pointed out by Harrison<sup>2</sup> that performance is: The outcome of the interaction between an individual's needs, perception of the result required and the amount of effort, energy and expertise that individuals has, or wishes to apply to the task in hand.

Similarly, performance should be defined as the outcomes of work. They believe that these outcomes provide the strongest linkage to the strategic goals of the organization, customer satisfaction and economic contribution. These definitions suggest that it is a sort of interaction between what is inside people: needs, inclinations and capacities and what is within work: quantity, quality and satisfaction.

However, the real question needs to be answered: What should organizations do to aid the interaction between people and their work? It is believed that staff appraisal is one of the most effective tools that organizations can use to manage this interaction in an attempt to improve the performance of the individual and the organization. Some authors

<sup>1</sup> Boyett J.H and Conn H.P. (1996), *maximum Performance Management: How to manage and Compensate People to meet world competitions* Oxford: Glenbridge Publishing L.T.D

<sup>2</sup> Harrison R. (1997) *Employee Development*. London; Institute of Personnel Management

explain that staff appraisal is one of those occasions when an organization sanctions and encourages the expenditure of time and effort by both a manager and a member of staff for a formal 'interaction' aimed at improving the performance of the individual, the organization and the manager at their respective tasks.

The question, which arises, is: Do organizations need to have a formal appraisal scheme? Indeed, performance appraisal is one of the most vexed contentious practices in HRM. Most managers believe that their day-to-day communication with employees is enough to give them all information they require. That is to say, they believe that informal processes are sufficient, and that establishing a formal process is using a sledgehammer to crack a nut or "playing being god"<sup>3</sup>. Formal appraisal may create moral problems among employees and does little to improve production.

In a similar vein Bowman<sup>4</sup> claims that setting up appraisal in the public sector is a mistake. He continues to argue that in the TQM approach problems need to be examined at the level of the system, not the individual. Against this, Fletcher<sup>5</sup> argues that: No matter how hard it is to devise a satisfactory performance appraisal scheme; there is no real alternative to run to. Appraisal will take place in an unsecured and perhaps highly subjective form wherever and whenever people work together. They will automatically form judgments about their own abilities and performance and that of their colleagues. To try to deny this is foolish... Organizations that try to avoid the issue by not having an appraisal scheme will simply end up having the same process occurring without them being open to scrutiny or to control, with all the potential for bias and unfairness that this holds.

But, there is a need to examine, which of these viewpoints is more logical and close to practice. It is argued that if the informal appraisal is carried out well, then managers and their supporters have well-founded argument from their own point of view. However, experience tells that this type of appraisal is often done badly or unconsciously. For instance, a manager might spend a half a dozen of times a day talking to an employee about issues related to the job without ever knowing how his performance as a whole is viewed. Cooping<sup>6</sup> argues that many managers are strongly resistant to appraisal because they do not know how to operate them in a proper way. Consequently, it is important to set aside a time deliberately for the purpose of performance appraisal. The reasoning for this is that formal appraisal system can be used as a technique to improve the appraisal that already has taken place. Additionally, it will 'support and encourage' the manager in the continued appraisal of employees. Finally, formal appraisal will act as a regular check that the organization and its staff are working effectively and constructively towards common goals.

## 2. Benefits of Performance Appraisal

Although, it is widely accepted that performance appraisal should be an essential activity in contemporary management, however, this vital activity is still seen by others as a dangerous tool that might spoil the relationship between employees and their managers. Therefore, this discrepancy leads us to question: Where does the truth lie? It is argued that the compromised truth lies between the two extremes. Appraisal, when it is carried out properly, has many benefits and many beneficiaries. Gillen<sup>7</sup> explains this when he states: The overriding advantages of appraisal are that performance should improve and that benefits everyone. This, then, is the main reason for appraisal: quality feedback improves performance. That is central to modern management. Gillen believes that there are three parties can benefit from the process of performance appraisal: the Organization, the Manager and employees.

In a similar vein, Thomson and Mabey<sup>8</sup> suggest the following benefits:

Benefits for the Organisation:

- Assessing with succession planning and training and development analysis;
- Identifying gaps in human resource planning
- Improving communication
- Improving performance

Benefits for Manager

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<sup>3</sup> Michael A. (1987) *Human Resource Management in Practice*

<sup>4</sup> Bowman J. (1994) "Last an Alternative to Performance Appraisal: To total Quality Management" *Public Administration. Review. Vol.54 (2)*.

<sup>5</sup> Fletcher C. (1994), *Appraisal: Routes to improved Performance*. London, Institute of Personnel and Development.

<sup>6</sup> Cooping P. (2000), "Appraisal: an approach for success" *Training Journal*. July.

<sup>7</sup> Gillen DW (1996). "Transportation Infrastructure and Economic-Development – a Review of Recent Literature."

<sup>8</sup> Thomson R and Mabey C. (1997), *Developing Human Resource*. Oxford: Butterworth-Haeineman.

- Learning about employees' hopes, fears, plans and concerns about their present job and their future;
- A chance to reinforce and share important goals and priorities with employees so that they can see where their individual contribution fits in;
- Mechanisms to measure changes in employee performance;
- A greater understanding of individual jobs and ways in which they overlap, or where gaps exist, enabling them to make job design changes to increase organizational efficiency;
- A sound basis for transfer and promotion decisions;
- A motivational opportunity by ensuring they give recognition for good performance;
- A developmental opportunity to ensure that needs of the department and the organizations as a whole can continue to be met in the future.

#### Benefits for Employees

- The opportunity to receive constructive feedback on performance and how it is viewed within the organization;
- A springboard for agreeing training and development plans that will help the individual to overcome identified problems and improve future performance,
- A share appreciation of the manager's aims and priorities and a better understanding of how the individual's contribution fits into this;
- An opportunity to discuss the scope and constraints of the current job with the manager, while discussing objectives for the coming year;
- An opportunity to discuss career options
- Recognition of good performance and objectives achieved.

Nowadays, organizations encourage employees to be successful as well as to be ready for competitiveness, due to the fact that they are its resources and assets. No organization can survive in conditions of market economy without conducting performance, which begins with the people who are an asset and not cost. In such condition, organizations need to find out strategies to identify, encourage, measurement, evaluate, and promotion and reward employee performance.

This performance appraisal enables us to establish procedures, transparency, and promotion according to the meritocracy. The main goal of this paper is to test the impact of performance appraisal in motivating employees as well as the importance of this process. Performance management is defined as a systematic process for identifying, measuring, managing and developing human resource performance within organizations<sup>9</sup>.

Consequently, the management of performance on individual level for each of employee is the cornerstone to success.

Another definition states that performance evaluation is a continuous process of evaluating the performance of employees, because it is necessary for them to get feedback<sup>10</sup> about their performance.

For the effective performance appraisal, we must have clear standards for each valuation method that we use<sup>11</sup>. Also, to have an accurate measure of evaluation, our measures must be valid, reliable, acceptable, feasible, and specific and based on the mission and objectives of the organization.

Evaluation and motivation make development. An effective evaluation process of performance consists in two parts. Evaluation has to do with performance achieved by the employee, while motivation consists in employees' development in order to improve their performance in the future<sup>12</sup>. But do both well? Have you been in that position of performance appraisal as well as finish this process? Was the process a motivator process? Perhaps most of us can say no.

Let's look at this process with employees of the "Osumi" business company, which is a private business undertaking of about 30 employees. They freely admitted to participate. Inclusion criteria in the study: a) being an employee of Enterprise b) employed by at least 1 year because for the purpose of this paper it is important to assess the performance of employees within one year.

The questionnaire contains in total 12 questions. Variables intended to be measured are associated with

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<sup>9</sup> Human Resource Management, Robert N. Lussier-John R. Hendon. Second Edition, 2016.

<sup>10</sup> S.K. Johnson, L.O. Garrison, G.H. Broome, J.W. Fleenor, J.L. Steed, "Go for the Goals-Relationships Between Goal Setting and Transfer of Training Following Leadership Development, Academy of Management Learning and Education (2012) pp.555-569

<sup>11</sup> B.K. Gurchiek, "New HR Standard on Performance Management", HR Magazine, April 2013, p.74

<sup>12</sup> Fletcher C. (1999), *Appraisal: Routes to improved Performance*. London, Institute of Personnel and Development

performance evaluation, the impact that it has in motivating employees to achieve individual goals and success of the organization. To conduct the study was obtained authorization, wherein the subject received information about the study and their rights, was recognized with the true purpose of the study, stages, methodology and knowledge at the end with results.

Participants were informed that they are free to participate and are free if they want to leave the study were guaranteed confidentiality by storing data and making informed that they will be used only for this study. A very well known author of this field Porter<sup>13</sup>, states that "the competitive advantage of an enterprise, is developed through improvements as it does in the organization, the use of resources and manufacturing activities and distribution".

It is precisely these people who seek to enter in this competition, to achieve high indicators through effective use of the large strategic involvement at a high level of utilization of capacity, using a culture of regular and scientific procedures in working with staff.

Prahlad & Hamel underline the fact that the advantage in competition achieved through people. The main difference between good and bad work depends in the quality of staff employed, the level of their motivation, committed to give their contribution to the success of the organization<sup>14</sup>.

### 3. The Analysis of the Results Derived from the Questionnaire

The analysis shows that most employees do not have accurate information on the performance evaluation process. Only 7% of the employees are aware of the process as well as they are informed about the importance of evaluation of performance, while 25% of them do know that it is a evaluating process but are do not informed regularly. Let's look more specifically in the following:

#### 3.1 Do Employee have Knowledge of the Evaluating Process of Performance ?

	Nr.of interviews	%
Completely Agree	3	10
Agree	10	33
Disagree	14	47
Totally Disagree	3	10
Total	30	100%



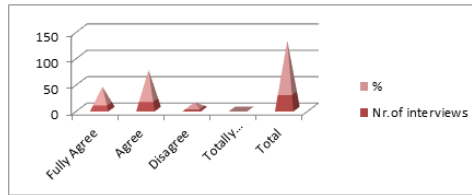
**Interpretation:** as we see employees do not have much information about the process of performance evaluation, 10% are well informed, 33% general knowledge, 57% have no information.

#### 3.2 Is Performance Evaluation Process Important?

	Nr.of interviews	%
Completely Agree	10	33
Agree	17	57
Disagree	3	10
Strongly Disagree	0	0
Total	30	100%

<sup>13</sup> Porter, L. Bigley, G. and Steers, R. (2003). *Motivation and work behavior 7th edition* New York the McGraw-Hill companies Inc.)

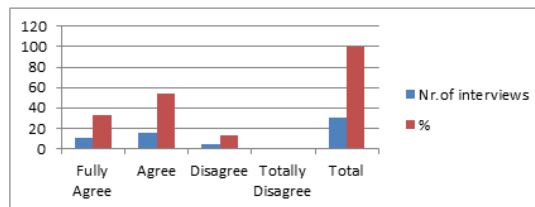
<sup>14</sup> Porter, M. /1985, and Prahlad C K and Hamel, G. /1990/, *The core competences of the corporation*, Harvard Business Review, May-June



**Interpretation:** 90% state that the process is important for the progress on the workplace, 10% did not express any interest.

### 3.3 Is the Performance Evaluation Process Important for Career?

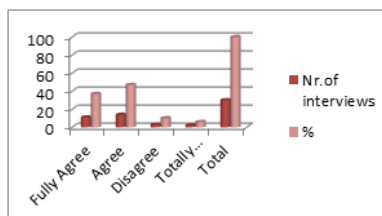
	Nr.of interviews	%
Fully agree	10	33
Agree	16	54
Disagree	4	13
Totally Disagree	0	0
Total	30	100%



**Interpretation:** Almost everyone thinks that performance evaluation is very important for career advancement. 87% think that the evaluation of performance plays an important role, but 13% do not think that this process plays such an important role.

### 3.4 Does the Performance Evaluation Process Provides the Right Feedback?

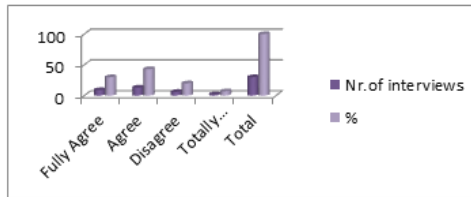
	Nr.of employees	%
Fully agree	11	37
Agree	14	47
Disagree	3	10
Totally Disagree	2	6
Total	30	100%



**Interpretation:** The majority of respondents think that performance appraisal system receives proper feedback from employees (84%) and 16% think the opposite.

3.5 Is Performance Evaluation a Way to Discuss the Progress of Employees?

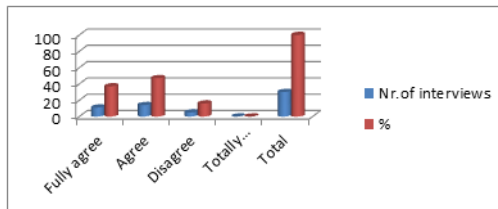
	Nr.of interviews	%
Fully Agree	9	30
Agree	13	43
Disagree	6	20
Totally Disagree	2	7
Total	30	100%



**Interpretation:** 73% think that performance evaluation is the best way to study and discuss the progress, 27% do not think so.

3.6 The Right Process of Performance Evaluation, Does it Lead to the Achievement of the Objectives from Individuals and Organization?

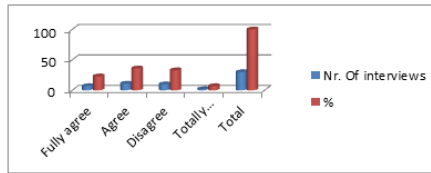
	Nr. of interviews	%
Fully agree	11	37
Agree	14	47
Disagree	5	16
Totally Disagree	0	0
Total	30	100%



**Interpretation:** 84% say yes, that the process plays an important role in achieving the objectives, not only the individual but also collective (organization), about 16% do not think they can have fair performance assessment.

3.7 Is any possibility for subjectivity in assessing performance?

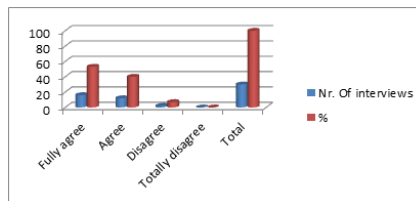
	Nr.of interviews	%
Fully agree	7	23
Agree	11	36
Disagree	10	33
Totally Disagree	2	7
Total	30	100%



**Interpretation:** 59% agree and 41% believe that it is objectively.

3.8 Does the performance evaluation increase cooperation?

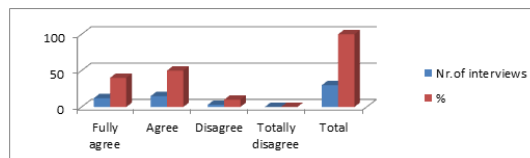
	Nr.of interviews	%
Fully agree	16	53
Agree	12	40
Disagree	2	7
Totally Disagree	0	0
Total	30	100%



**Interpretation:** According to respondents, cooperation is very important, 93% accept this assertion but 7% disagree.

3.9 Should evaluation of the work group be included in the performance assessment?

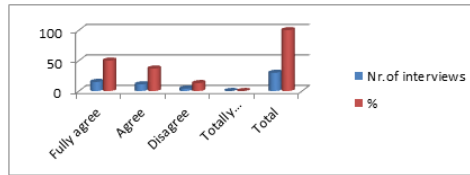
	Nr.of interviews	%
Fully agree	12	40
Agree	15	50
Disagree	3	10
Totally Disagree	0	0
Total	30	100%



**Interpretation:** The working group should be included in the evaluation process, because is result of all group members. 90% agree with this statement.

3.10 Does the performance process identify weaknesses and strengths of employees?

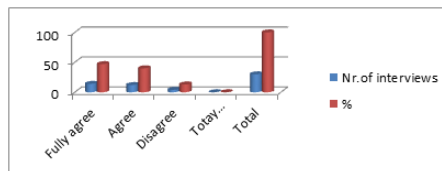
	Nr.of interviews	%
Fully agree	15	50
Agree	11	37
Disagree	4	13
Totally Disagree	0	0
Total	30	100%



**Interpretation:** The aim of performance evaluation is to improve employee performance, which reached as to identify the weak points of them. With the same opinion are respondents, 87% expressed a positive opinion and only 12% disagree.

3.11 A salary should be determined on the basis of performance?

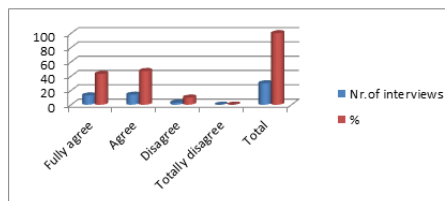
	Nr.of interviews	%
Fully agree	14	47
Agree	12	40
Disagree	4	13
Totally Disagree	0	0
Total	30	100%



**Interpretation:** Because of performance evaluation is done to motivate employees, the most important factor is salary per month. Nobody will be motivated by words. Employees respond positively, only 13% disagree.

3.12 Does the dissatisfaction of employees go down through performance evaluation?

	Nr.of interviews	%
Fully agree	13	43
Agree	14	47
Disagree	3	10
Totally disagree	0	0
Total	30	100%



**Interpretation:** If the process is fair based on individual performance evaluation 90% agree, only 10% disagree.

4. Conclusions and Recommendations

The analysis shows that performance assessment enables the identification of training needs of employees and development. Employees receive information through the process as they carry out the work, enabling also the



motivation. Thus, we conclude that the managers should put in place the first evaluation for development as the purpose of the assessment process.

The assessment includes a cyclic process consisting of four phases, planning, organization, leadership, and ends with a review of the results achieved in the work. If everything is planned very well, there will be reduced errors in the subjective evaluation. As a result, there are no losers in this process, but only winners. Taking into account this argument, suggested more training for staff information.

It is very important that employees should be explained the main object of evaluation to better have the performance of duty, to increase results from every employee at work and not giving penalties.

Employees believe that their high performance benefits affects only to superiors and not to them. This culture must change. Development of training will affect to change this mentality.

From the above, I think that company has more work to achieve high level of performance from all of employees. There are some employees that do not have enough knowledge about the performance evaluation.

We stress that the development of an "appropriate culture" requires top executives to engage in this system and not only them but also their staff in determining the requirements needed for behaviour. It is important to understand the principles, how to do the evaluation of performance, official rules should apply to employee performance evaluation.

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