

**THE RELATIONSHIP BETWEEN PERFORMANCE APPRAISAL SYSTEM,
EMPLOYEE MOTIVATION AND LABOR PRODUCTIVITY: A STUDY OF PESAPAL
ORGANIZATION**

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DECLARATION

I declare that this research project is my original work and has not been presented for the award of any degree or diploma in any other university.

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DEDICATION

To my supportive, loving and caring family, who have been a role model to me and mentors and mentees who have walked with me this academic journey. I convey my sincere appreciation to my entire family and friends for constantly praying for me, believing in me, inspiring, supporting and cheering me on.

I am grateful to the Pesapal organization's management for their unwavering support and granting me permission to use the institution as a research site. My gratitude goes to each employee who was instrumental in preparation of this project.

I also wish to dedicate this work to all organizations that strive to understand the value of investing in a robust and effective performance appraisal system that is simplified and useful to every employee in terms of understanding their strengths and areas for improvement.

This humble work is the sign of my desire to see organizations with functional and effective performance appraisal systems.

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ABSTRACT

The research looked at the relationship between Performance Appraisal System, employee motivation, and labor productivity at the Pesapal organization. The current performance appraisal system in many organizations lacks structure which generates discontentment among employees and supervisors as it is considered tedious, rigid and time consuming compared to the value added, thus the Performance Appraisal System is regarded as an unnecessary process rather than the important tool it is to enhance motivation and improve productivity. This study sought to find how this problem can be mitigated through exploring the relationship between Performance Appraisal System and employee work motivation, evaluating the relationship between Performance Appraisal System and labor productivity and determining how employee's work motivation relates to labor productivity at Pesapal organization. The study utilized correlational research design. A sample of 90 participants was used in the study. Stratified sampling was employed to select the respondents. Both descriptive and inferential statistics (Chi-square and Regression) were used to infer the sample results from qualitative data. Qualitative data was coded, analyzed and presented through narrations. The findings of this study showed that the presence of a performance appraisal system improves employee work motivation by 33.8% on average ($\beta=.338$, $p=.063$). Employee work motivation is significantly and strongly positively related to performance appraisal systems ($\chi^2=3.41$, $p=0.0647$). Respondents working in organizations with a performance appraisal system, in particular, were found to be 8.7 times more likely to have labor productivity driven by work context factors than those working in organizations without a performance appraisal system. This study concluded that employees who work in organizations that have a performance appraisal system are more likely to have labor productivity driven by work context factors than those who work in organizations that do not have a performance appraisal system.

ABBREVIATIONS

PAS	-	Performance Appraisal System	
PA	-	Performance Appraisal	
PM	-	Performance management	
SEM	-	Standard Error of Measurement	
SPSS	-	Statistic Program for Social Sciences	
IV	-	Independent Variable	
DV	-	Dependent	Variable

CHAPTER ONE

INTRODUCTION

1.1 Background

Organizations require efficacious performance management systems to attain their goals and purpose. Performance management is a process that empowers employees to perform their duties and responsibilities putting in their best efforts with the aim of attaining or exceeding the set goals and standards according to the organization's set objectives (Gunnigle & McDonnell, 2008). A huge element of performance management systems is Performance Appraisals Systems (PAS) which is an essential instrument in organizations that allows managers to set targets and monitor progress of employee performance over a certain period of time (Daoanis, 2012; Samwel, 2018). HR tool asserts that an effective appraisal system assesses achievements and instigates progress plans of the objectives and goals of the organization (pp. 237). The main goal of performance management is to evaluate, monitor and improve workers' performance and to align means of performance appraisal with strategic objectives of the organization (Samwel, 2018; Decramer, et. al., 2013).

According to a study conducted by Deloitte's HR firm, less than 40% of employees and fewer than 45 percent of human resource managers value performance reviews. They agree that performance appraisals foster anxiety and competitiveness among employees and necessitates managers who are highly trained in assessment, this can be tedious (Bersin, 2009). Similarly, Onashile (2017) conducted a study on impact of performance appraisal (PA) on employees' productivity that almost a third of the employees were unsatisfied with their present performance reviews, indicating a disconnect between workers' and supervisors' conceptions of employees' roles and performance goals. Aly and El-Shanawany (2016) posit that, employees' dissatisfaction is influenced by inadequate feedback, insufficiently structured appraisal systems, unfairness of PA process, and the use of performance appraisal to constrain causing employees' dissatisfaction and influencing their motivation.

Njeru (2013) did a descriptive research study in Kirinyaga Central District on the purpose of PA on work performance in the public sector. The findings suggest that the vast majority of civil servants accomplish the goals and targets they set but only a handful receive feedback on their

performance. In addition, Muriuki (2016) revealed that employee motivation is aided by performance evaluation in a study conducted at the Ministry of East African Community, Labor and Social Protection. Furthermore, a study conducted by Were and Nyakwara (2018) on the influence of performance appraisal techniques on civil servants' motivation in Kenya's tourism department asserts that PAS procedures such as human resource accounting, behaviorally anchored rating scales, 360-degree performance appraisals, and management by objectives have been shown to have a remarkable impact on worker motivation. Nevertheless, these studies on the impact of performance appraisals on motivation fail to explain the relationship between PAS, employee motivation and labor productivity in Kenya.

Employees are vital assets in any organization as they determine the success of the institution but they have to be motivated to remain productive (Daoanis, 2012). Grubb (2007) argues that employees are regarded as cogs in the machine that produces commodities and services, they are essentially treated as „productive resources“ in the performance appraisal. The assumption that a properly done performance appraisal will have a favorable effect on an individual's future performance is inherent in many studies. If employees are motivated, productivity will increase.

Motivation is the cognitive power that a person possesses that is responsible for initiating goal-oriented perceptions and behavioral processes. These processes encompass a person's internal mental psychological forces together with external environmental forces and influence the orchestration, strength, and resilience of the individual's behavior towards a certain objective (Kanfer, 2009; Shkoler & Kimura, 2020). Appelbaum, Roy & Gilliland, (2011) recommend that sufficient training is essential for both the managers and employees so as to minimize common erroneous rating in performance appraisal. Consequently, they recommend coaching of managers to enhance their skills on cultural legal and client variances as well as giving them the necessary opportunity to create bonds with their employees.

Behavior is usually purposeful and individuals may possess intrinsic motivation which is determined by an internal drive/reward and personal fulfillment. Others may possess extrinsic motivation whereby a person's drive to work is determined by the kind of job they are doing, the organization, and the employee's environment (Shkoler & Kimura, 2020). Individual's perceptions influence their judgement, decisions and attitudes towards a particular activity and

this is no exception in organizations where performance appraisal systems are used (Mensah & Seidu, 2012). Wang et. al., (2017) concluded that besides performance, job satisfaction is the result of motivated workers and influences retention leading to a vibrant organizational system.

Motivation theories are classified by their definitions and intention although research shows a close relationship between the theories and elaborate the numerous motives that influence people's behavior, performance and employee satisfaction at the organization (Dinibutun, 2012; Badubi, 2017). For instance, content theory emphasizes on components and necessities that invigorate and energize individuals' behavior to enhance their performance. Motivation theories focus on workers' inner components which energize and drive individuals' work behavior (Kian, 2014).

Conversely, Ryan & Deci, (2000) describe extrinsic motivation as the act of conducting a task so as to acquire an external incentive such as punishment avoidance, praise and rewards. Grubb (2007) highlighted the importance of understanding employee motivation as a key factor determining individual employee labor productivity and organizational competitiveness. Employee productivity refers to the evaluation of the effectiveness of an individual or group of people working together. Productivity of an individual can be assessed in respect of the worker's yield in a given period of time and it is evaluated to an average in comparison to other employees doing similar work (Hanaysha, 2016). For organizations to attain the maximum productivity level, they need to factor in finer motivation strategies for employees through effective PAS because when a clear purpose of effective PAS is lacking, employees lack motivation affecting productivity (Bulto & Markos, 2017).

Through performance appraisals systems, organizations can integrate the needs of the employee using the available career advancement opportunities in the organization. To enhance the organizational labor productivity, it is ideal to align the priorities and aspirations of the employees with available career chances in the organization. Career development is an element of performance appraisal which enables an employee understand his current level, inspired to develop himself, focus on the organization, and acknowledge individual successes. Career development process entails assessment where PAS is key coupled with training and coaching by supervisor, preparation, implementation and decision making. The process is strengthened by

utilizing the cyclic performance appraisals. The employee is also able to set his career development targets and the next steps to venture in to realize their objectives (Shaito, 2019).

1.2 Statement of the Problem

Piggot-Irvine (2003) conducted a number of studies on the critical essential components needed to conduct an effective performance appraisal. Training is an indispensable requirement for conducting effective performance evaluations. Managers must be trained in areas such as management, counseling and coaching, dispute resolution, performance criteria, provision of employee feedback and connecting the system to pay. To keep their performance appraisal skills sharp, appraisers must be retrained on a regular basis. Each year, the appraiser should be assessed on the process used in conducting performance appraisals for their employees. However, in many organizations, performance appraisal systems are not well structured or well implemented making the process ineffective.

Numerous studies on performance done to investigate the effect of performance appraisal processes on employee contentment and workers' motivation as well as work performance in various organizations (Mensah & Seidu, 2012; Wang et. al., 2017; Aly & El-Shanawany, 2016; Muriuki, 2016; Njeru, 2013; Were & Nyakwara, 2018; Ali et al, 2012; Malik & Aslam, 2013). However, these studies on the effect of performance evaluations on workers' motivation fail to elaborate how performance appraisal systems influence both motivation and labor productivity as well as the relationship between motivation and labor productivity in Kenya. Many organizations consider PAS as one of the most essential instrument in tracking the employees' contribution to the organization. However, the process still generates discontentment among employees and is usually perceived as unproductive and biased mainly because many organizations lack the knowledge of gaining employee's trust and struggle to effectively utilize PAS to provide the candid feedback to improve employee performance and productivity. A majority find performance management systems tedious, rigid and a timewaster compared to the value added, making both the supervisors and employees regard PAS as an unnecessary process rather than the important tool it is to enhance motivation and improve productivity (Getachew, 2017; Pulakos, 2004). Similarly, Grubb (2007) posits that many employees and supervisors despise performance appraisal because it does not achieve the desired and expected effects, he

argues that if not effectively done, the process can diminish employee productivity, satisfaction and motivation.

Georgesesen & Harris (1998) postulate that, given the organizational hierarchy in many organizations, the employee is at the bottom and may feel socially alienated, powerless with a perception of exclusion from decisions that impact them like issues of wages, pension benefits and career development. Performance appraisal steps in to bridge this gap through effective feedback mechanism after the process is done. Performance appraisal also has a great implication to employee motivation (Mash & Kremer, (2016). This remains a challenge in numerous organizations that have stipulated guidelines of performance appraisal for managers in place but the process is not conducted fairly due to bias in the results, busy work schedules and /or appraiser's subjectivity. This study seeks to evaluate the relationship between performance appraisal, employee motivation and labor productivity.

1.3 Purpose of the study

The study seeks to determine the relationship between Performance Appraisal Systems, employee motivation and labor productivity.

1.4 Objectives of the Study

1. To explore the relationship between Performance Appraisal System and employee work motivation at Pesapal organization.
2. To evaluate the relationship between Performance Appraisal System and labor productivity at Pesapal organization.
3. To determine how employee's work motivation relates to labor productivity at Pesapal organization.

1.5 Research questions

1. What is the relationship between Performance Appraisal System and employee work motivation at Pesapal?
2. What is the relationship between Performance Appraisal System and employee labor productivity at Pesapal?
3. How does employee work motivation influence employee labor productivity at Pesapal?

1.6 Hypotheses

H1: There is a relationship between Performance Appraisal System and employee work motivation at the Pesapal organization.

H2: There is a relationship between Performance Appraisal System and labor productivity at the Pesapal Organization.

H3: There is a relationship between employee motivation and labor productivity at the Pesapal Organization.

1.7 Justification of the study

There has been little scholarly attention paid to the relationship between performance appraisal systems and both employee motivation and labor productivity. Since its inception, Pesapal organization is yet to conduct a review of the efficacy of the staff performance appraisal system in regards to staff motivation. The study's findings will aid in understanding how performance appraisal influence employee motivation and labor productivity, as well as provide insights to organizations by identifying the challenges of performance appraisal and how this affects work performance. The study further seeks to analyze pragmatic ways that Pesapal organization can use to mitigate any evaluation problems in the organization's appraisal system. This study will shed light on the gaps in the current PAS as a means of enhancing employees' motivation and labor productivity.

This study hoped to build on social comparison theory which outlines individual attitudes, abilities, and traits in comparison with others. It shall also build on feedback intervention theory which emphasizes on how feedback actually affects subsequent performance behavior.

1.8 Significance of the Study

This study will determine the relationship between performance appraisal systems, employee motivation and labor productivity at Pesapal organization- in Nairobi, Kenya. The benefits from this study will be numerous:

1.8.1 Employees

The study intends to inspire employees by enhancing their work motivation and productivity at the workplace and consequently aligning their goals with those of the organizations. The result from this study will be of help to other organizations in creating awareness on performance

appraisal processes and enhancing the employees' performance as well as motivating them to increase productivity.

1.8.2 Human Resource Management

Every organization has a way of monitoring the key performance indicators to measure how each employee is contributing to its growth. Some good human resource operations including recruitment, coaching, career development and employee evaluations. This study will contribute to HR personnel in identifying untapped potential of mental and physical competences of their employees and better utilization of such resources which help them motivate employees in accomplishing the goals of the organization.

1.8.3 Academicians and Researchers

This study adds to the knowledge of the influence of the performance appraisal system on employee motivation and labor productivity. The study will be beneficial to academicians and researchers who may be intrigued by future research in a similar field.

1.9 Scope

This study was conducted at the Pesapal organization in Nairobi County. Employees from the Pesapal organization were the targeted respondents. The study sought to establish how performance appraisal relates to employee motivation and performance at work. The independent variable of this study is Performance Appraisal System which was operationalized in terms of written PA and oral PA. The first dependent variable, employee motivation was investigated in regards to the employee's intrinsic and extrinsic motivation. The second dependent variable, labor productivity was interpreted from employee's job content factors, work context & personal factors. Confounding/ intervening variables- included age, gender and education level.

1.10 Limitations and delimitations

This study sought to establish the relationship between Performance Appraisal System in augmenting employees' work motivation and labor productivity. Performance appraisal being a sensitive subject, the researcher used a questionnaire for data collection, and the answers might be highly biased according to what is expected and acceptable of employee by the organization, and the answers may not necessarily match the facts. Confidentiality of the respondents in filling the questionnaire was a challenge but the researcher had research assistants who ensured the

respondents' privacy and the system prevented personal identification. The findings of the research was exclusively limited to one organization. There was also apprehension and fear of being exposed to COVID.

1.11 Operational Definition of terms

1.11.1 Motivation

Saraswathi, (2011) defines motivation as the eagerness to employ excess standards of effort, towards achieving organizational goals, determined by the attempt to content the person's need.

1.11.2 Performance

Performance is what the organization expects an employee or a group of employees to deliver in a given time frame. The organizational objectives may be communicated with regards to outcome or endeavors made, duties and standards, with stipulation of standards previously established (Kumari & Malhotra, 2012).

1.11.3 Performance management (PM)

PM are the measures taken to administer, control and verify institutional procedures that are geared in the direction of increasing workers' productivity (Samwel, 2018).

1.11.4 Performance Appraisal (PA)

PA is an important instrument used to evaluate the structures put down by an organization to its employees. It is used to monitor employee's accomplishments against organizational goals and to recognize an employee's strengths and potential for future enhancement and evaluated whether the institution's goals are realized (Daoanis, 2012).

1.11.5 Employee productivity

This refers to the evaluation of the effectiveness of an employee or set of employees. Productivity of an individual may be assessed in regards with the employee's yield in a given time frame and it is evaluated in comparison to other employees doing similar work (Hanaysha, 2016).

1.11.6 Appraisee

One who is appraised; one undergoing an appraisal.

1.11.7 Appraiser

A person who carries out an authorized evaluation of a worker's performance.

1.11.8 Intrinsic Motivation

An activity that an individual engages in that is inherently satisfying and enjoyable rather than its instrumental value. Intrinsic motivation is inspired by an internal drive to simply have fun or attempt a challenge rather than because of external incentives (Ryan & Deci, 2000).

1.11.9 Extrinsic Motivation

Extrinsic motivation is reward- driven behavior that is multifaceted and varies in individuals. Rewards or other incentives are used as motivation for specific activities, (Ryan & Deci, 2000).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section explores literature on PA, employee motivation and labor productivity in organizational setting. This section's study reviews are as follows: PAS, employee motivation, labor productivity, relationship between PAS and employee motivation, the relationship between PAS and labor productivity, the relationship between motivation and labor productivity, relationship between the IV/DV and the confounding variables, methods of PAS, theoretical framework and the conceptual framework.

2.1 Performance appraisal System

PAS is an essential instrument that evaluates the structures put down by an organization to its employees. It is used to monitor an employee's accomplishments against organizational goals and to recognize an employee's strengths and potential for future enhancement and evaluated whether the institution's goals are realized (Daoanis, 2012). Dijk & Schodl (2015) define performance appraisal as the procedures utilized by organizations to evaluate the yield of their workers in a given time period. Ismail & Gali (2016) highlight that both the organization and the employee benefit from performance appraisals, employees are kept focused on achieving the organization's goals as a result of the feedback, as well as maintaining strong morale and continuous attempts in enhancing performance.

Oshode et al., (2014) inform that effective evaluation structures are those in which appraisers are able to quantify an individual performance and the inspiration to allocate the most correct ratings, therefore measurement issues, as well as issues of appraiser's motivation, are vital for the performance appraisal process. Effective performance management has several feasible outcomes which are: role clarification and specified work tasks and objectives, improving employee and group productivity, enhancing employee's capacity to their maximum potential via constructive feedback mechanism, mentorship and coaching, instilling behavior that is in line with the institution's core beliefs, culture, aims and objectives, establishing an operational policy for employees that caters for their welfare like remuneration; and enhancing a good rapport in the organization (Pulakos, 2004). Grubb (2007) similarly posits that performance evaluations are

activity-based and may be for personnel actions for instance: promotion and positioning, performance compensation, training and professional development, awards and acknowledgement, disciplinary measures, and for determining selection criteria.

Chartered Institute of Personal Development (CIPD) (2016) point out the principal goal of an appraisal is to enhance employees' performance and productivity thus organizations utilize them for management or developmental purposes. Developmental performance appraisals are equally preferred to realize the worker's capabilities and areas of improvement as well as any mentorship requirements, whereas performance appraisals for administrative purposes are utilized in making wage decisions and promotion concerns, to authenticate the criteria for selection, to make redundancy decisions and contracts or for legal purposes.

PAS is a vital human resource instrument that tracks the workers' contribution to the organization. Levinson (1976) suggested three major roles of performance appraisal: to give adequate feedback to an individual on their performance; to improve employee work practices to more productive ones; and to dispense information to managers for developmental and administrative reasons. In addition, the goal of the PA process is two-fold: it enables the organization to establish the worth and productivity that employees accord the organization, and it also helps employees in career development (Valamis, 2018).

In relation to employees' development performance appraisals helps managers to identify training programs after analyzing their strengths and weaknesses. The organization can harness employee's strengths through creating new positions designed for efficient employees whereas development programs are set to harness any hidden capabilities that the employee may be possessing. Through PAS, managers can draw a criteria of merit and are able to chalk out compensation packages for employees which may include compensation packages such as bonuses, extra benefits or allowances (Valamis, 2018).

According to Ochoti et al., (2012), employee attitudes regarding PAS are substantially correlated to satisfaction with the system. Employee perceptions toward PAS are important for organizations to understand because they can influence its success. The efficiency of PAS is influenced by employee perceptions of its impartiality; nevertheless, bias can spring-up despondency with the technique. Workers' perception of PAS is an essential factor in the

system's acceptability and success. PAS fails because of high levels of discontent and feelings of injustice and inequality in the ratings (Ochoti et al., 2012). Millward (2005) adds that a well-conducted development appraisal is done in a facilitative manner, encouraging self-appraisal of the individual's strengths and weaknesses. The post-appraisal development interview enables each employee to get feedback on their contribution to the organization and provides a chance to discuss how the employee can improve (Millward, 2005).

Organizational roles, managerial methods, and communication styles all have an impact on employee impressions. Ismail & Gali (2016) points out that employee reactions are more significant than technical components of the performance appraisal system, such as rating errors and rating accuracy, for the system's success. Therefore, employee perspectives, whether true or erroneous, cannot be disregarded; the supervisor must be conscious of the power of perceptions and understand the scenarios likely to lead to wrong impressions, as well as come up with fair strategies to manage these perceptions. Effective supervision may control employee views to a large extent; nevertheless, the supervisor must always consider perception to be the perceiver's reality (Agarwal & Dewan, 2016).

In addition, to enhance an effective appraisal process, evaluations ought to focus on the outcomes that are within the employee's control, lucid and congruent goals and procedures should be well communicated to employees, and their views and engagement should be permitted in the evaluation process (Oshode et al., 2014). If employees perceive performance assessment dissatisfaction, injustice and inequity, the performance process shall be deemed to have been failed (Palaiologos et al., 2011). Warokka et al., (2012) argue that if workers discern it to be partial, unfair, and irrelevant the performance assessment method will create dissatisfaction. This may affect employee motivation resulting to reduced labor productivity.

2.2 Employee motivation

Shahzadi et al., (2014) describes employee motivation as a rumination of the amount of power, devotion, and innovation that an individual brings to their work. Employees who are motivated are more self-driven and more dedicated to their job compared to less motivated employees (Shahzadi et al., 2014). Performance appraisal serve as a motivation instrument. Through employee assessment, their efficiency can be established if they achieve and surpass their targets. This motivates the employee to improve his performance in the future. Grubb (2007) points out

that performance appraisals are carried out with the goal of enhancing individual employees' contributions and motivation, and, as a result, improving the general effectiveness, and organizational productivity.

Extrinsic motivation involves an activity that one does in order to gain a form of reward whereas intrinsic motivation is an activity done for self-satisfaction or pleasure of the particular task, as opposed to its instrumental value (Ryan & Deci, 2000). On the contrary, Grubb (2007) argues that performance appraisal is based on a behaviorist understanding of extrinsic motivation, which assumes that people would improve in order to obtain rewards. He asserts that it is founded on the premise that just telling employees what they are doing wrong will motivate them to improve their performance in exchange for more wages, recognition, or a promotion.

Motivation theories are classified by their definitions and intention but research shows that they are closely linked and elaborate the numerous motives that influence people's behavior, performance and employee satisfaction at the organization, (Dinibutun, 2012; Badubi, 2017). Legault (2017) informs that self-determination theory explains intrinsic and extrinsic motivations, how they affect perceptions in several aspects, together with personality, social and cognitive development. The theory focuses on the fundamental psychological requirements of autonomy, relatedness and competence, elaborating their crucial significance in self-initiated motivation.

Self-Determination Theory focuses on influence of social and cultural factors on individuals' cognition, well-being and the quality of their performance. The theory proposes that if any of the three psychological needs are thwarted, this will have a detrimental effect on the individual motivation. The Theory postulates that individuals are self-motivated when their three innate psychological needs for connection, competence, and autonomy are satisfied. Individuals tend to be motivated by a need to grow and realize their full potential. When these needs are fulfilled, an individual yields improved mental health and self-motivation but once frustrated results to reduced motivation and well-being. In intrinsic motivation a person possesses a natural desire and spontaneous interest to engage in an activity (Ryan & Deci, 2000). Self-determination theory explains that all individuals require autonomy -the desire to be free and independent, competence- the desire to be knowledgeable and accomplished; and relatedness- the desire to

associate with others (Legault, 2017). Understanding self-determination theory can assist organizations improve their creativity, purpose, and satisfaction by using the basics of this theory to motivate their employees (Legault, 2017).

2.3 Labor productivity

Employee productivity refers to the evaluation of the effectiveness of an employee or set of employees (Hanaysha, 2016). Monyei et al., (2020) posits productivity as the degree to which workers put in their effort to meet the organizational objectives. Productivity is the quantity and timeliness of the yield, and employee punctuality, or teamwork exhibited at work (Monyei et al., 2020). According to International Labor Conference, (2008) employees' skills and competencies are essential for organizations' productivity, growth and development (pp. 6). Zaid et al., (2016) describes productivity as a broad measure of an organization's ability to generate a good or service. They assert that productivity is a measure of how well specified resources are managed to achieve time-bound goals and objectives effectively.

The term "productivity measure" refers to how well an organization's resources are used to generate output (Zaid et al., 2016). Mose et al., (2013) highlighted performance measurement as one of the essential instruments that help organizations in evaluating performance and enhancing motivation. Güngör (2011) adds that if an employee perceives increased productivity as an alley to the realization of individual goals, they'll most probably be more productive. Conversely, if he perceives reduced productivity as an alley to the accomplishment of his/her goals, s/he will lower their labor productivity. An employee is more likely to be motivated to work harder if he believes his previous efforts have resulted in rewards.

Hanaysha (2016) conducted a study to investigate the effect of work engagement on employee productivity. The findings showed that workplace involvement had a considerable favorable impact on employee productivity which corresponds with the findings of Monyei et al., (2020) who concluded that the productivity of deposit money banks is negatively correlated with organizational paranoia. This implies that employees who are committed to all aspects of work engagement have a considerable favorable impact on labor productivity.

In addition, feedback on productivity is an essential dimension of Performance Appraisal Systems. For the productivity feedback review to be effective it ought to be immediate, direct,

accurate and credible. The objective of productivity reviews is: to enhance employee(s) results and commitment, work attitude, team-spirit and job satisfaction (Monyei et al., 2020). Furthermore, employees who are motivated are more self-driven and more dedicated to work harder compared to less motivated employees (Shahzadi et al., 2014).

2.4 The relationship between Performance appraisal system and employee motivation

According to Daoanis (2012), the effectiveness of PAS is dependent on the right procedures implemented to offer the best quality to the whole organization. Effective Performance Appraisal System is a key instrument of communication & motivation within the organization has to be carried out in a fair and transparent manner (Kumbhar, 2011). Motivation is goal oriented. A goal is a definite outcome an employee works towards achieving. Goal setting and feedback helps increase individual performance thus improve employee performance (Saraswathi, 2011; Kuvaas, 2006). Similarly, Aydin (2018) reiterated that performance appraisal is a huge contributing factor on workers' motivation and productivity emphasizing that organizations endeavor to enhance its yield by capitalizing on improving employee performance pointing out to performance appraisal as one of the strategies used to measure employee performance. Kumbhar (2011) describes PA as the process of acquiring, assessing, documenting information regarding the comparative value of the employee or their contribution towards the growth of the organization and providing a feedback mechanism which enables an appropriate equitable reward system.

Ryan & Deci (2000) defined intrinsic motivation as an action undertaken for the sake of one's own benefit, instead of a specific benefit, and it reflects humans' inherent need to grasp and digest information. This expresses intrinsic motivation as the pleasure an employee derives from completing a task. Some tasks are intrinsically motivating for workers, whereas others are not, and not all people are motivated by the similar tasks (Ryan & Deci, 2000). Antecedent research reveals that intrinsic incentives are more preferred to extrinsic rewards due to employees view intrinsic incentives as more secure outcomes of executing an assignment than extrinsic rewards. Similarly, Nasri, & Charfeddine (2012) confirm that intrinsic motivators are more successful in inspiring employees than extrinsic motivators.

In contrast, Ryan & Deci (2000) inform that extrinsic motivation arises whenever an activity is undertaken so as to get a distinct outcome. Extrinsic motivation differs depending on how

autonomous it is; an individual may achieve their targets because they're afraid of being chastised or dismissal, or an individual may take-up a task because it will result in a future increment of wages, promotion, or gratuity (Ryan & Deci, 2000). Urdan (2003) posits that because both inner and extrinsic drive exist, the basis of a worker engaging in a specific task will be highly-defended, and extrinsic rewards will probably replace intrinsic motivation as the main motivation for doing so, because of the two motivators, extrinsic incentives will be the more dominant.

Malik & Aslam (2013) in their comparative analysis study on performance appraisal and employee's motivation suggested that organizations should concentrate more on the magnitude of workers' contentment with the PA process so as to enhance their motivation as this results to improved workers' performance and productivity. A similar study inferred that employee performance appraisal processes have a remarkable positive effect on their intrinsic motivation and once the technique is strengthened employee productivity is enhanced (Ali et al., 2012).

Bergström, & Martínez (2016) led a descriptive research to determine managers' perception of the effect of extrinsic and intrinsic motivation on employee motivation. The study concluded that supervisors' perceptions of the effect of intrinsic and extrinsic motivation on employee commitment are majorly from the perspective of employees, what are motivating factors such as work context, work relationships, coaching, employee well-being and career development, remuneration, and institutional systems. Supervisors will witness a huge difference in their employees' work outcomes if they include flexibility into their company, open the door to new ideas, and give their staff the opportunity to make their own judgments (Bergström & Martínez, 2016).

Aly & El-Shanawany (2016) conducted a cross-sectional descriptive correlation study with 323 nurses. The findings suggest workers' discontentment with the PA process and were demotivated at work. Furthermore, intrinsic motivation had a remarkable influence to the workers' performance and productivity. This implies that contentment with PA plays a significant role in enhancing employee motivation and productivity. Furthermore, perceived managerial and organizational factors can impede employee contentment with the performance appraisal process.

Arooj & Abid (2017) led a correlational study to evaluate the relationship between intrinsic and extrinsic motivation on employees' work performance. Results from the study showed remarkable positive link between employee work performance and intrinsic and extrinsic motivation. This research found that intrinsic and extrinsic motivation had a substantial effect on work performance.

Perceptions of equity are linked to work motivation. Equity theory posits that employees contrast their inputs versus outcomes ratios with the inputs versus outcomes ratios of other workers, if an individual discerns any unfairness in the ratio then s/he perceives that justice and equity exist. Nonetheless, if the ratio is believed to be unequal then inequity exists resulting to the feelings of inequality. (Saraswathi, 2011). Dangol (2021) also affirms that fair evaluation of the individual's performance is likely to improve their motivation.

According to Saraswathi (2011), job satisfaction factors are mostly due to the nature of the job, career development, tasks assigned, accomplishment and the reward system. The causes of job dissatisfaction are linked to work environment like supervision, reward system, work policy and administration. These motivational problems contribute in employee motivation and consequently productivity and have to be tackled to enhance organization's effectiveness. If an appraisal system is not motivating it's definitely not effective (Daoanis, 2012).

Ali & Ahmed (2009) indicated that incentives are administrative instruments that aid in realizing the goals of the organization as they influence employee behavior. Incentives offered to employees had a positive influence to work motivation and satisfaction resulting in higher levels of job performance. A majority of organizations utilize a variety of incentives like promotion, pay, and bonuses which motivates workers and enhance their performance (Ali & Ahmed, 2009). However, Dangol (2021) highlights that appraiser's rigidity during PAS may affect employees' motivation. PA feedback ought to be done in a constructive way as it can impact on the worker's motivation.

Furthermore, Ahmad & Bujang (2013) noted that the fairness of the evaluation process is a big concern with performance appraisal activity. Employee performance appraisals that aren't done correctly lead to unhappiness with the system. Appraisers struggle to conduct performance appraisals accurately because they lack the necessary skills, resulting in insufficient and poor

results. Due to a lack of training, appraisers are frequently unable to conduct the PA successfully, leading in prejudice (Kondrasuk, 2011).

2.4.1 The relationship between Age and performance appraisal

As one grows older, a person's ability to work decreases. Physical robustness and cognitive ability both deteriorate, chronic illnesses as well as multiple health problems are aggravated. The rate at which one's body ages varies greatly depending on the elements that speed up or slow down the process. It's impossible to point out the precise instant when the body starts to age and the ability to work starts to deteriorate. Not only does healthier living circumstances enhance life expectancy but also increase the amount of time that machines can operate efficiently. People of the same chronological age may differ biologically, and hence in their ability to participate in society (Rembiesz, 2017). Similarly, Bertolino, Truxillo & Fraccaroli (2013) concluded that older and younger workers were viewed differently. These perceived differences on these reflected actual age-related changes and appraisers' decisions about elderly and younger employee may be influenced by age-related perceptions.

Rembiesz (2017) argues that workplaces that are ergonomically compliant are more likely to extend workers' lives and improve their health. He insists that employees of all ages can be productive. The use of ergonomic principles in the design of workstations and physical working spaces results in significant benefits for both workers and employers. Reduced job tiredness, fewer incidences of job-related illness and occupational accidents, and improved job efficiency are among these benefits. As a result, ergonomic criteria address the basic goal of organizations which is to improve productivity.

2.4.2 The relationship between gender and performance appraisal

Despite the fact that gender diversity is a well-researched topic that addresses numerous elements of men and women having the similar platform to work, develop, and leave their mark in organizations, vestiges of gender discrimination continues to harm organizations with extensive biases like subjectivity in performance appraisal, potential bias, and promotion prejudice. When job performance is unattached to gender, gender preconceptions have a substantial impact on employee performance appraisals (Gupta, 2019). According to Dipa (2007), appraisers usually overlook the fact that unfair negative assessments are frequently accompanied by a lack of motivation, thus performance appraisals fail to appraise employees.

without prejudice or discrimination. As Dipa (2007) argues, this is the result of gender-specific bias, which is one of the most vulnerable areas of performance rating.

Bertrand, Goldin & Katz (2010) inform that more to the supply-side aspects like gender disparities in training and time given to the job, gender variations in organizations, work tasks and promotions have been recognized as contributing to the gender gap in career development. Furthermore, the time surrounding a first birth, gender differences in organization participation play an important impact. For females, having children is linked to reduced job experience, more career interference, minimal work hours, and remuneration reduction, but not for males. The one exception is that women with lower-earning husbands do not experience a negative impact of children on employment and wages (Bertrand, Goldin & Katz, 2010).

Conversely, Blau & Kahn (2016) in their study on gender wage gap inferred that women's education, experience, and occupational representation were found to play a significant impact in closing the pay gap between women and men. This is owing to the gender disparity in education being reversed, as well as a significant reduction in the gender experience gap.

2.4.3 The relationship between Level of education and performance appraisal

According to research, academic qualifications have a remarkable effect on employee performance. Higher levels of education imply more skills and creativity which enhances work performance. This improves their capacity to create and perform better in work. In addition, people's capacity to comprehend and their ability to employ advanced technology is dictated by their educational background (Kasika, 2015).

Employees' perceptions of PAS are impacted by their age, experiences, and degree of education. According to Gurbuz & Dikmenli (2007), less experienced and younger employees are more concerned about their performance during appraisals than older and experienced workers. This may affect the performance appraisal process as it creates unnecessary anxiety during performance evaluations. Employees that participate in performance appraisal on multiple occasions, through the feedback system, they gain important expertise, information, and experience regarding the procedure and its goal.

2.5 Relationship between performance appraisal and labor productivity

Kumbhar (2011) stated that performance appraisals play a significant role in the organization's ability to accomplish its goals and targets and productivity increases if performance appraisal system is conducted without biasness. The challenges faced by most Non-governmental organizations is dependent on the effectiveness of its performance management system which eventually affects how effective an employee performs. Performance appraisal is very essential for the employee, as it points out their areas of weakness and with appropriate feedback, improvement in the said areas leads to increased productivity for the organization. Based on PAS assessment, an organization conducts training need analysis for the employees which helps identify the gaps in its employee capability. The organization is able to bridge these deficiency gaps by providing training programs as a result, the employee gives quality work leading to maximum productivity for the organization.

Kumari & Malhotra (2012) equally reiterate that the existence of an organizations is dependent on its performance, if employees fail to perform adequately the organization will not survive. This can only be achieved when each employee has goals and objectives that are linked to the strategies of that of the institution. PAS aligns individual's objectives with those of the organization. The employee is presented with clear defined goals and PAS provides periodic, just, precise feedback and coaching to enhance and motivate them to accomplish to the best of their ability in increasing productivity. Aydın & Tiryaki (2018) determined that PAS was a key requirement to achieving employee targets and had a positive impact on workers' productivity. Workers' motivation had a significant positive impact on their productivity. Similarly, Onashile (2017) concluded that employee development was aided by performance appraisal, which key in increasing employee productivity and organizational performance.

Paul et al., (2015) pointed out that incentives and promotion for employees who perform well increases their commitment, loyalty and their level of productivity in the organization. PAS also identifies employee strengths and weaknesses that could produce opportunities or threats that can affect productivity. Similarly, Mwema & Gachunga (2014) emphasized that PAS based on organization's goals, targets, employees' accomplishment and time management enhances employees' productivity. According to Cravens et al., (2015), PA affects workers' motivation and resulting to improved work satisfaction, retention, and labor productivity.

Research points out that PAS may be used for various objectives at the same time. For instance, an organization can utilize the data to improve employee performance, supplement human resource selection, or make award decisions. Employee motivation, satisfaction, and views of equity and fairness are all positive results of performance reviews (Iqbal, 2012). In addition, employee perceptions of the PAS have been demonstrated to influence both employee productivity and organizational yield (Culbertson, Henning & Payne, 2013). This signifies that employee contentment with the PAS moderates the system's beneficial effects. Kumbhar (2011) informs that performance appraisal should evaluate employee's performance as objectively as possible and that employees' productivity increases when an organization has fair PAS. The feedback of the appraisal ought to be timely and definite and has to be measured against the previously set targets and standards as it is employees' rights to know their progress in performance in the assigned responsibilities and to receive comprehensive feedback (Aydın & Tiryaki, 2018).

Organizations can use PA results to make administrative choices like whether and how much to give in pay raises, as well as identify staff training needs to improve employee performance (Mwema & Gachunga, 2014; Kondrasuk, 2011). All of this is only possible if appraisals are handled properly. Employees can use PAS to identify their strengths and limitations in connection to their jobs and functions in the company (Law & Tam, 2008).

Because human resource processes are not well understood, there is a chance of under/overstaffing, poor retention, and poor employee performance if the appraisee is exclusively responsible for performance issues. These roadblocks can result in poor task design and, as a result, poor performance (Iqbal, 2012). The success of human resource management and development techniques in assisting the organization in developing acceptable merit and employee conformity to performance criteria is thus measured by PA results. Bias, injustice, and unreliability may develop as a result of appraisers' lack of abilities (Ahmed & Bujang, (2013). According to Arthur (2015), training employees in performance appraisal has a favorable impact on their job performance.

Many organizations struggle with subjectivity in performance ratings. Employees are discouraged from supporting the performance appraisal process due to the subjectivity of PAS,

and the performance appraisal's goal is not met (Ahmad & Bujang, 2013). In addition, the reward system in some organizations is also a challenge, although workers may execute their tasks diligently, an incentive may not be given leading to low motivation and a reduction in their self-esteem, job performance and commitment to the organization.

Arthur (2015) identified a challenge to PA as a lack of policy communication to employees. The performance appraisal process is hampered by a lack of comprehension of the institution's performance technique and its goals. Arthur recommends that it is the institution's responsibility to educate its workers about the performance appraisal system. Organizations also face a hurdle in linking performance appraisals to reward systems. Employees expect appraisal results to impact management choices on pay raises and promotions. The majority of employees see performance evaluation as a management tool for determining salary increment and promotions (Arthur, 2015).

2.5.1 The relationship between age and labor productivity

The ever-increasing working-age population has a remarkable effect on workers' performance and consequently productivity which affects the organizational life (Hedge & Borman 2012). Older employees, on average, are more experienced, faithful, and have high moral sense and work enthusiasm, a greater percentage of older employees can be good to a company's productivity. Older age, on the other hand, is commonly linked to a lack of technical expertise, originality, creativeness, pliability to current information and health problems (Boockmann & Zwick, 2004).

Moreover, Aiyar, Ebeke & Shao (2016) point out that the aging of the workforce has a direct impact on labor productivity. If the productivity of different age cohorts varies, changes in the workforce's age distribution will alter average production per worker. The literature emphasizes that an employee's productivity differs consistently over the course of his or her working life, due to components like work experience and the depreciation of comprehension.

Contrary to this, a study of 1007 Dutch company leaders and personnel managers was examined by Remery et al., (2003). They discovered that when the proportion of senior employees is larger, older people are more likely to be seen as less productive, indicating that these are the workplaces with the most expertise on the subject.

2.5.2 The relationship between gender and labor productivity

Islam et al. (2018) led a study on the analysis of gender differences in labor productivity using data from 128 mostly developing economies collected through World Bank Enterprise Surveys. The findings show a significant unrestricted gap in labor productivity in female-led organizations is approximately 11% lower than in male-led organizations.

In relation to this, a study carried out by Gui-Diby et al., (2017) using organization-based data from 23 Asian nations to offer insight on the link between gender, financial restrictions, and productivity. The findings concluded that gender is not a major factor in determining productivity. The influence of gender on production can only be attributed to the existence of laws and institutions that hinder women from obtaining credit or enrolling in schools that can assist them in developing engineering or business skills. Gender has a stronger indirect impact on productivity than direct impact (Gui-Diby et al., (2017).

2.5.3 The relationship between level of education and labor productivity

According to Sweetman (2002), increase in academic attainment significantly impacts on productivity and that education is a worthwhile investment for every individual. Consistent, Nedomeleová & Kocourek (2016) examined the association between the number of years of formal schooling and labor productivity in 25 European countries over a 15-year period (1999– 2013). The findings show a strong link between school life expectancy and labor productivity.

In addition, Susanto's (2014) examined secondary industrial performance data for six manufacturing industries in Indonesia from 2002 to 2012, focusing on education, labor productivity, industrial performance, and infrastructure. The findings indicate that education has a positive impact on labor productivity. Education is a tool for increasing labor productivity. It is true that increased education has resulted in higher labor productivity. In addition, labor productivity is linked to industrial performance. Increased labor productivity leads to increased industrial output.

2.6 The influence of employee motivation on labor productivity

Dobre (2012) informs that employee motivation and performance are critical tools for any organization's long-term success insisting that organizations adopt strategies to enhance employee performance so as to accomplish their goals and targets. Individuals seek security, and the underlying needs are critical to their survival and when these requirements are met, they will

be more focused on work performance (Dobre, 2012). Gohari et al., (2013) reiterate that when employees believe their efforts are fully acknowledged and compensated, they perform at their highest level.

As suggested by Manzoor (2011), motivated employees work in the best interests of their organizations, resulting in increased growth, prosperity, and productivity. Employee motivation is boosted by empowerment and recognition. The more individuals in an organizations are empowered and recognized, the higher their motivation to work will be. Similarly, Ali & Akram (2012) adds that employees who are motivated and content will carry out their responsibilities assiduously and industriously. Moreover, these organizations are more successful because their workers are always seeking for ways to improve their work. However, Dobre (2012) points out that getting employees to perform to the best of their ability at work under stressful conditions is a difficult task, but it can be accomplished if they are motivated. Weldeyohannes (2015) led a descriptive study on employee motivation and its impact on productivity and concluded that motivated workers are clearly more productive than unmotivated workers. Motivated workers are able to utilize institution's resources, use the best of their knowledge and skills, make fewer mistakes, and have lower absenteeism and turnover which consequently enhances productivity.

Nadeem et al, (2014) led a descriptive case study of private organizations on the effect of employee motivation on employee performance. The study asserted that employee motivation has a significantly impacted on both the organization and workers' performance as it increased their effectiveness which aided in attainment of the organization's goals. They observed that organizations that care for their employees advance quickly because motivated employees are more likely to be productive than those who are not. Similarly, Gohari et al., (2013) depicted motivation as a result of rewards, is the most essential factor that influences employee performance. Employee motivation plays a key function in acquiring the best results in regards to efficiency and effectiveness in asserting that reward can influence job satisfaction consequently maximizing employee performance which in turn improves labor productivity. In addition, workplace environment, the relationship between employee and supervisors, the training and development process, job security, and comprehensive firm's rewarding policies equally motivate employee enhancing their productivity (Gohari et al., 2013).

2.6.1 The relationship between age and motivation

Boumans, Jong & Janssen (2011) oversaw a study in which 1036 workers took part to investigate the association of age on the link between work characteristics and workers' work motivation and job satisfaction. For data collection, a digital questionnaire was used. The findings revealed that older workers were much more motivated than younger ones. For younger employees, there was a stronger link between career opportunities and motivation than for older employees; as more career opportunities are made available to younger workers, their motivation grows. Consistently, the findings of Lord (2002) equally stated that intrinsic motivators for professional staff become more significant as workers get more financially secure as they get older.

Conversely, Catania (2014) studied 110 workers to assess the association between age and intrinsic and extrinsic motivation. It was found that the workers were more driven by intrinsic rather than extrinsic motivation. However, no remarkable difference was noted between the younger and older employees.

2.6.2 The relationship between gender and motivation

Meece, Glienke & Burg (2006) informs that the home and school environments have a significant impact on gendered patterns of motivation. Children arrive at school with gendered perceptions of their desires and potential; the family environs are vital in their developmental process. Because children observe and emulate traditional gender roles and are exposed to gender stereotypes in their classrooms, schools have an impact on their gender role conceptions, beliefs, and social identities. The fear of losing one's job and the unfair behavior of one's superior, have a significant impact on women's demotivation (Štefko et al., (2017).

Zhao and Seibert (2006) suggest that women and minorities face more barriers to entrepreneurship and, as a result, have lower entrepreneurial motivation. Employees' use of new technology is influenced by their gender. Female employees typically take longer to adapt to new technologies. The female gender develops a more positive attitude toward technological innovation in the workplace at a slower rate than the male gender, whereas the male gender has a faster rate of developing a positive attitude toward such innovations (Zhao & Seibert, 2006). On the contrary, Ufuophu-Biri & Chux (2014) conducted a study to evaluate the correlation between employee's gender and job motivation and job performance. Gender, work motivation, and work performance were found to have no significant relationship in the study.

2.7 Methods/Techniques of performance appraisal

There are different methods/techniques utilized for administering performance appraisals, each possess its own favorable circumstances and inadequacies. Contingent on the requirements of a worker or an association an execution examination strategy should be chosen. Performance appraisal techniques are divided into two distinct classifications specifically Traditional or past oriented methods and future/current oriented methods (Modern techniques) (Waheed, Abbas & Malik, 2018).

2.7.1 Past-Oriented Methods

Rating Scales

This technique comprises of various arithmetic scales depicting an individual's performance criteria such as tasks assigned, quality of work, communication skills and technical competence (Singh, 2015). Each rating scale ranges from excellent to poor and the sum total arithmetic scores are calculated to derive conclusions (Dagar, 2014). The main benefit of this technique is that it permits quantitative comparison of all workers' performance in the organization. The disadvantage is appraiser's biasness and data disparity due to being used by a variety of appraisers (Singh, 2015; Dagar, 2014).

Check-list Method

This technique is conducted based on explanatory statements about effectiveness and ineffectiveness of characteristics of workers in questions based in the form of „YES“ or „NO“. The appraiser reports or checks while the human resource department compiles the real assessment for the worker (Singh, 2015). The advantages of this method are that it is economic, easy to conduct and limited training is required. However, the disadvantages are appraiser's biases and it does not allow rater to give relative ratings (Dagar, 2014).

Forced Choice Method

This technique uses a sequence of comments set out in blocks of two or more with the appraiser indicating the true or false statements thus forcing him/her to make a choice while the genuine evaluation is done by HR department. The advantages of the method are the lack of biases due to forced choice; however, this can also be a disadvantage as it is hard to form correct comments (Dagar, 2014).

2.7.2 Future-oriented Method

360 Degree

In this technique, the evaluation of an employee relies on getting feedback about the employee from a variety of sources, including supervisors, colleagues, juniors, and clients who interact with the worker at the organization. This technique helps appraisers gather a range of perspectives about an individual's performance. For instance, a supervisor can assess a worker on expertise and adherence to rules, a colleague may assess teamwork, and a client may add information on how this worker interacts clients. These diverse sources of feedback, the appraisee obtains the results together with information and self-evaluations, giving the individual relative details (Dijk & Schodl, 2015; Idowu, 2017).

Idowu (2017) asserts that 360-degree appraisal systems allow to gather information regarding employees from different angles. These multiple assessment sources and opinions help to ascertain that an individual's performance is verified thus overcoming the disadvantage of subjectivity, prejudice and halo effect. The aspects rated usually focus on interpersonal attributes like leadership and team work. The Multisource, Multi-rater Systems (MSMR) ratings are aggregated and compared against the subject's self-rating in a written report (Anderson et al., 2005).

360-Degree appraisals systems have disadvantages that may prevent its effectiveness. For instance, Espinilla et al., (2013) suggests on usage of one aspect of expression like numbers or linguistic in 360 degree procedures may limit the potential to acquire a variety of details supplied by appraisers. They also tend to be time consuming due to the multiple sources of information needed and accurate interpretation of the findings may also be a challenge. In addition, it may be a challenge to use the ratings as an outcome measure for rating groups or they may sample different aspects of the appraisee's behavior (Anderson, et al., 2005).

Management by Objectives (MBO)

In this method of appraisal, supervisors and employees recognize, set plans and communicate goals to be focused on in the specified evaluation-review period. The targets progress is periodically discussed and eventually rewards are given based on achieved results. The process focuses on substantial objectives and domains like relational skills, loyalty (Kissflow, 2020). Since objectives are worked on mutual understanding, participation is key for all which enhances

teamwork. The MBO process consists of several steps with mutually defined targets of the PAS, clear objectives are shared with the employee, a work-plan entailing strategies on how to meet the objectives is prepared then implementation starts, (Idowu, 2017). MBO is also result-based and the objective approach used disperses power to subordinates and customizes each employee's performance with work tasks (Phiri, 2019). Ntanos & Boulouta (2012) add that the managers and employees must unite to implement and attain the objectives. The employee must have freedom of action and flexibility in order to successfully achieve the goals which promotes credibility and confidence. They also note that MBO requires continuous utilization of man- power and others sources, control and coordination of people and activities as well as continuous feedback.

Idowu, (2017) points out that the main disadvantage of MBO is that it focuses more on the outcome than the process which doesn't keeps a track of employees to see how their reaction on every incident. MBO also has a lot of routine processes with excessive feedback of the system. Poor communication skills and lack of knowledge on the organizational goals and formality of the objectives from the managers may hinder the MBO process (Ntanos & Boulouta, 2012).

Psychological appraisals

This technique is utilized in evaluating an individual's potential, rather than focusing on the past, consider the possibility for future success. In-depth interviews, psychological evaluations, and talks with supervisors are used to accomplish this. It centers on individual's cognition that is their attitude, intellect, emotions and motivation and various individual attributes that affect their work performance (Kissflow, 2020).

The main advantage of psychological appraisals is that they extricate quantifiable, target information regarding the individual's performance as well as capabilities thus may be used with other appraisal methods. Psychological appraisals however require trained professionals to administer.

2.8 Theoretical Framework

This study is anchored on the Social Comparison Theory and Feedback Intervention Theory.

2.8.1 Social comparison theory

Festinger 1954 proposed this theory. It suggests that people are always comparing themselves to others. When presented with facts of how others are, what others can and cannot do, or what

others have accomplished and failed to achieve, they relate this knowledge to themselves (Dunning & Hayes, 1996). This implies that employees are likely to compare themselves with other employees to make judgements about their performance. This means that the employee is not only concerned with their performance but also about how they measure up in relation to their colleagues. Furthermore, social comparison theory posits that employees are passionate about improving their performance when they are faced with negative comparative results (CIPD, 2016).

2.8.2 Feedback intervention theory

Kluger & DeNisi (1996) posit that when there is a misalignment between something an employee wants to do and the feedback acquired, the individual is powerfully motivated to improve their performance significantly. This theory assumes that informing an employee about the strengths and weaknesses in relation to the organization's standard will motivate the employee to enhance their performance. Frey (2018) informs that this theory explains why feedback is not always effective in improving subsequent performance. Because feedback is an essential component of many organizations, it is critical to learn more about how feedback influences subsequent behavior.

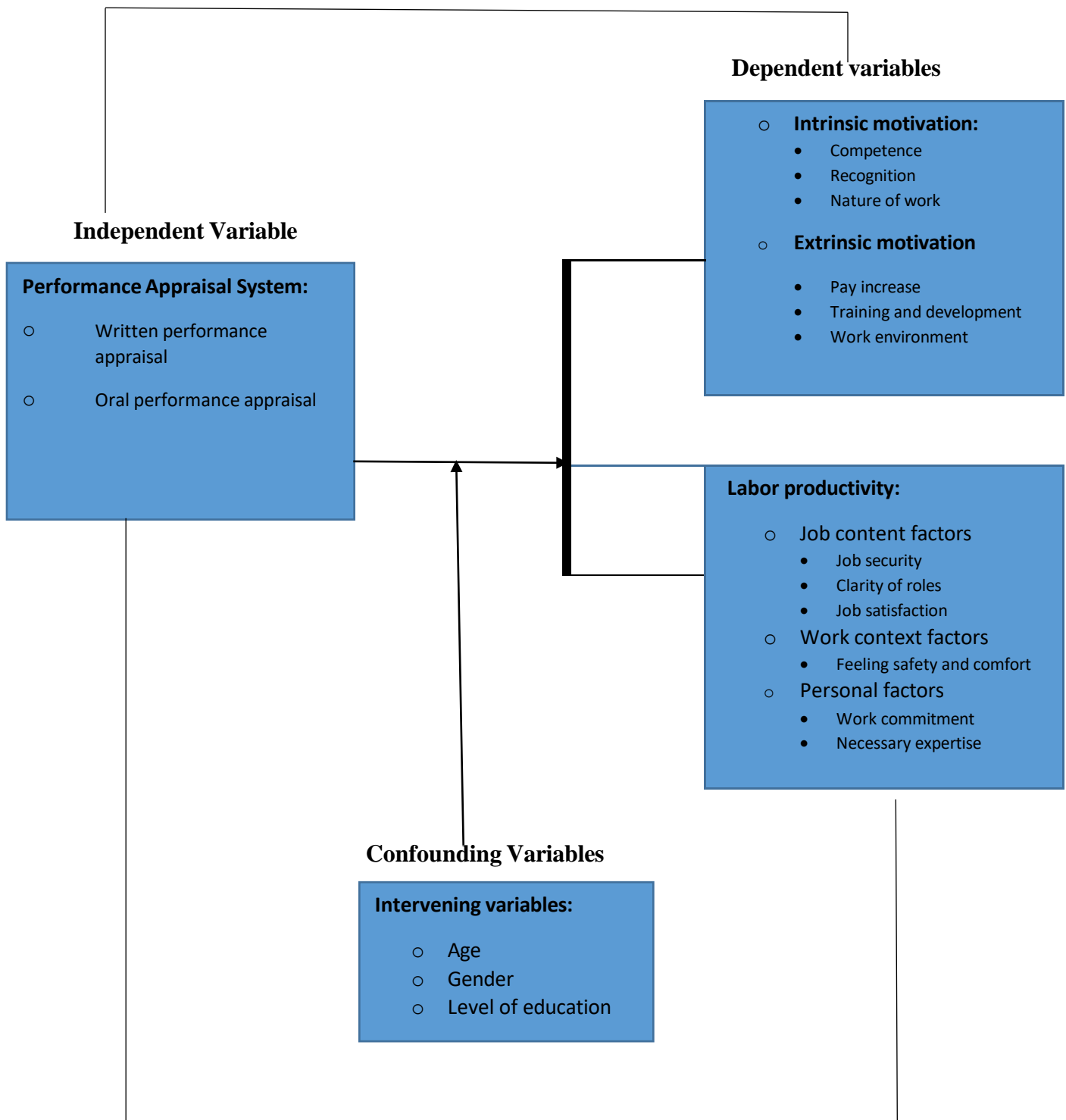
Kluger & DeNisi (1996) add that feedback is psychologically reassuring, and employees prefer getting feedback, even though when the cost of receiving it is high, individuals may decide not to pursue it. They concluded that people want to receive feedback on their performance whether it affects their performance or not. Moreover, employees may seek feedback on a regular basis, regardless of the fact that it may not be of value in improving their performance. Feedback intervention on job performance is typically accustomed to evaluate progress toward self-directed goals that may differ from the goal of achieving objectively superior performance, suggesting that feedback intervention has additional benefits aside from positive effects on immediate performance (Kluger & Denisi, 1996).

2.9 Conceptual Framework

The independent variable of this study is Performance Appraisal System, which was operationalized in terms of: written PA or oral PA. Pesapal organization has chosen PAS as an assessment tool to evaluate employee performance. The technique used to administer the

evaluation instrument has the ability to infuriate or motivate the workers in meeting the targets set by the organization. The output of PAS process communicated to the employer describes the developmental needs for the workers to the organization. The dependent variables are: employee intrinsic and extrinsic motivation whereas labor productivity is operationalized in terms of job content, work context and personal factors. Confounding/ intervening variables- include age, gender and education.

Figure 1: Conceptual Framework



Source: (Rusu, Avasilcai & Hutu, 2016)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This session described the research methods and processes that was used to conduct the study. Descriptions of the research design, target population, sample, research instrument, and data collection techniques, reliability and validity, and data analysis are included.

3.1 Research Design

According to Tesfaye (2018), research design is a strategic framework for action that connects research questions to the implementation, of the research strategy. The research strategy represents a blueprint describing the techniques and strategies for gathering and analyzing the data received. The research focuses on investigating the relationship of performance appraisal and employee motivation and labor productivity at Pesapal organization. The study adopted a correlation research methodology. This is due to the researcher's attempt to establish the relationship between PAS, employee motivation, and labor productivity, and this technique was deemed appropriate for gathering data for the study.

3.2 Target Population

The target population, according to Lavrakas (2008), is the entire set of units from which inferences are to be drawn from the research data. The study targeted Pesapal employees in Nairobi. The target population of 99 participants was distributed into three strata: Senior level management, middle management and lower management. A total of 20% of the population was questioned by the researcher. Correlational statistics require a sample size of at least 10-20% of the sample population (Mugenda and Mugenda, 2003). The lists of the details were obtained from the Pesapal human resources office.

3.3 Sample Size Determination and Sampling Techniques

A sample size of 10-50 percent is adequate in a correlation study (Mugenda & Mugenda, 2003). The responders were divided into three groups: managerial level, which includes senior management, middle management, and low level management. Hussey & Hussey (1997) denote that more often a combination of 5% alpha error (95% probability that a wrong hypothesis can be rejected) and a 20% beta error (80% probability that a true hypothesis is detected) is used for computing the best sample size.

$$n = \frac{Nt^2 \cdot p \cdot q}{d^2 + p \cdot q \cdot t^2}$$

Where:

N (Total population size) = 117

t (95% confidence interval) = 1.96

p (possibility of an event to occur) = 0.5

q (possibility of an event not to occur) = 0.5

d (acceptable error rate) = 0.05

n (sample size) = 90 (Cochran formula).

However, because the population is small, Cochran formula was modified to:

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

Where:

e (desired level of precision -i.e. the margin of error),

n₀ (Cochran's sample size recommendation),

N (Total population size)

n (New, adjusted sample size)

Therefore, the sample size for this study was 90 participants, which included 15 members of senior management, 27 middle level management, and 48 from lower level management. Stratified sampling was employed to select the respondents. According to Cooper and Schindler (2003), stratified sampling is a technique in which the sample is limited to include elements from each section, and it is important because researcher wants to know about the specific attributes population. This also encompasses division of a population and thereafter selecting samples at random from each group. The technique stratified the population while also ensuring that all departments, portions, and entities were represented. It also took into account the confounding variables such as age, education level, and gender that are included in the research.

3.4 Research instrument

The researcher used a Likert structured questionnaires for collection of the study's primary data. Questionnaires had five sections that captured demographic data of the respondents, performance appraisal system, employee motivation and labor productivity.

3.5 Data collection Technique

In order to obtain the essential information, the respondents received hard copies of the questionnaires whereas others were sent via email. The survey questions were self-administered to the participant in the study using the „drop and pick later' tactic whereas a few responded via email. Given the target respondents' hectic schedules. This ensured that the organization's daily workflow was less disrupted.

3.6 Piloting of research instrument

A pilot research was conducted in order to fine-tune the questionnaire by dispensing it to a few members of the target demographic who were not part of the sample size. The goal of the pilot test was to increase the readability of research instruments and prevent participant misinterpretation. By enlisting the help of experts, the pilot testing also ensured the validity of the surveys.

3.7 Reliability and Validity

The ability of a research tool to assess features of interest consistently over time as defined by Tiberious, Mwanja & Mwinzi (2016). It is the ability of a study instrument to yield accurate findings or data after different trials. It indicates internal consistency of the measurement device. Reliability and Validity evaluate the fitness of measure (Khawaja & Dileep, 2012). A number of questions were used to assess the effect of PAS on employee motivation and labor productivity. The Cronbach's alpha value was used to determine the variables' reliability and internal consistency. With an acceptable limit of at least 0.70 for each inquiry, a greater number indicates the most preferred reliability of measuring the tool utilized.

Validity refers to the extent to which evidence and theory support the interpretation of test scores necessitated by the usage of tests. The validity of an instrument is determined by how well it measures what it claims to measure (Tiberious, Mwanja & Mwinzi, 2016). It refers to the degree to which the results of data analysis accurately reflect the factors of the study. The content and

face validity of the research instrument was tested. The content-related technique was used to determine how closely the question items represented the topics addressed.

3.8 Data analysis

Data processing was done for cleaning, organization and coding using statistical standards. Data was then analyzed using Stata. For the various variables, Chi-Square and Probit regression analysis with marginal effects, chi-Square, and multinomial logistic regression was used. Summary statistics was generated to show how the confounding variables and the performance appraisal system affect the two dependent variables, employee motivation and labor productivity.

3.9 Ethical considerations

This study involved human subjects, who may be subjected to stressful or have a negative effect on the lives of the research participants. The researcher explained the research to the respondents in order to tackle this problem. Prior to beginning the rework, I obtained a license from the National Commission for Science, Technology, and Innovation (NACOSTI).

3.9.1 Informed Consent

The respondents were given informed consent and had the option of participating or not participating in the study. Every respondent had the option to refuse or withdraw from the study at any time and for any reason.

3.9.2 Anonymity

Respondents had the option to withhold personal information that they believe is sensitive or private. To protect the respondents' privacy, the researcher didn't use their names in the questionnaires, only relevant demographic data and random code numbers.

3.9.3 Confidentiality

Respondents to the study were guaranteed that their information was secure and that the data gathered was handled with utmost confidentiality. The researcher enumerated the data using number codes rather than names to ensure confidentiality. When the study was completed, the researcher discarded the used questionnaire forms.

3.9.4 Data Protection

The researchers discussed and convinced the respondents that the information gathered in the study was being used purely for academic purposes. The information provided by each participant was handled with care and confidentiality.

CHAPTER FOUR

DATA ANALYSIS

4.1 Introduction

This chapter discusses the findings from data analysis. There are three objectives which will be analyzed in the chapter. The first objective seeks to explore the relationship between PAS and employee work motivation at Pesapal organization. The second objective seeks to evaluate the relationship between PAS and labor productivity at Pesapal organization. The third objective seeks to determine how employee's work motivation relates to labor productivity at Pesapal organization.

In the first objective, the main types of analysis to be employed are Chi-Square with Cramer's V and the Probit regression analysis with the marginal effects. For the second objective, the Chi-Square with Cramer's V and the multinomial logistic regression will be carried out. Lastly, the third objective will be analyzed using the three-way Chi-Square with Cramer's V. Summary statistics will also be generated to provide details on how the confounding variables and the performance appraisal system vary across the two dependent variables which are employee's work motivation and labor productivity. The summary statistics will further help in shedding light regarding the measurement of the specific variables used in the analysis.

4.2 Response Rate

For this study, 62 employees working at the Pesapal organization were given questionnaires to complete whereas 28 questionnaires were shared via email.

Table 4.1: Response Rate

Class	Frequency	Percent
Filled questionnaires	75	83.3
Questionnaires not returned	15	16.7
Total	90	100.0

According to the data in Table 4.1, 75 employees out of a sample of 90 responded, while 15 did not. This resulted in an 83.3 percent response rate. A response rate of 50% is suitable for the study and reporting, a rate of 60% is decent, and a rate of 70% or greater is exceptional as

concluded by Kothari and Gang (2014); hence, this response rate was sufficient for analysis. Furthermore, Richardson (2005) asserts that a response rate of at least 60% is desirable and realistic for research questionnaires. As a result, a response rate of 83.3 % is considered excellent and satisfactory allowing the process of data explication.

4.3 Demographic data of the Respondents

It was necessary to learn about the respondents' backgrounds before setting the study's objectives. The respondents and the Pesapal organization were described using a variety of characteristics.

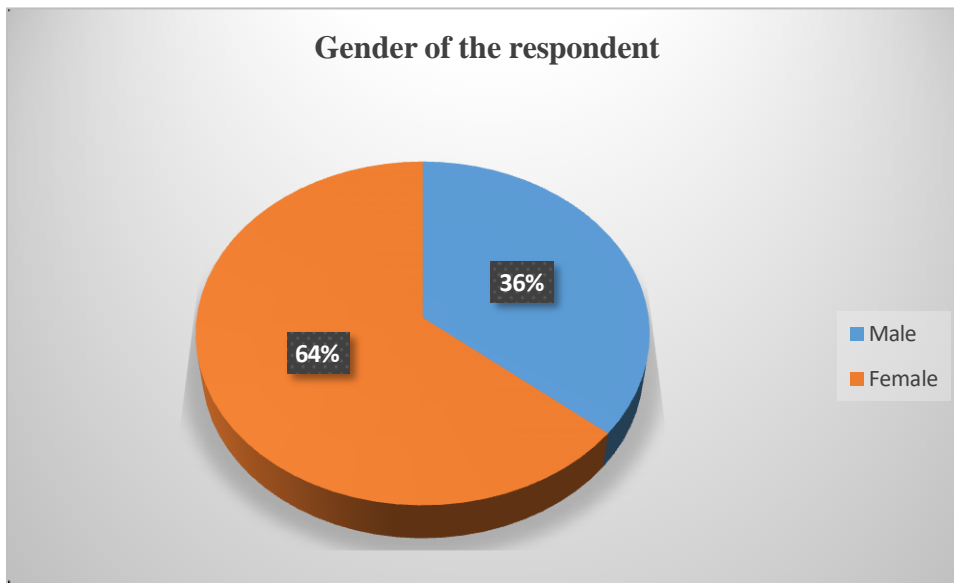


Figure 4:1 Gender of the respondents

The majority of respondents (64%) were female, whereas 36% were male, according to the gender characteristics indicated in Figure 4.1. This indicates that the female respondents outnumbered the male respondents in the organization, implying that the findings reflect both genders' perspectives.

Table 4.2: Age Range of the Respondents

Age Range	Frequency	Percent
21-25 years	18	24.0
26 to 30 years	24	32.0
31 to 35 years	16	21.3
36 to 40 years	15	20.0

41 to 45 years	1	1.3
50 years and above	1	1.3
Total	75	100.0

As stipulated in Table 4.2, the vast bulk of respondents 44.0% (33) indicated that they were above 31 years old and thus qualified to provide the accurate data sought in the study. Approximately 24% (18) of the respondents said they were between the ages of 21-25 years, while 32% (24) said they were between the ages of 26-30 years. The data revealed that the respondents ages are evenly distributed, showing that diverse ages' viewpoints were considered.

The respondents' educational level was sought so as to provide information about the educational level of the staff at Pesapal organization. This item's findings were tallied and displayed in Figure 4.2.

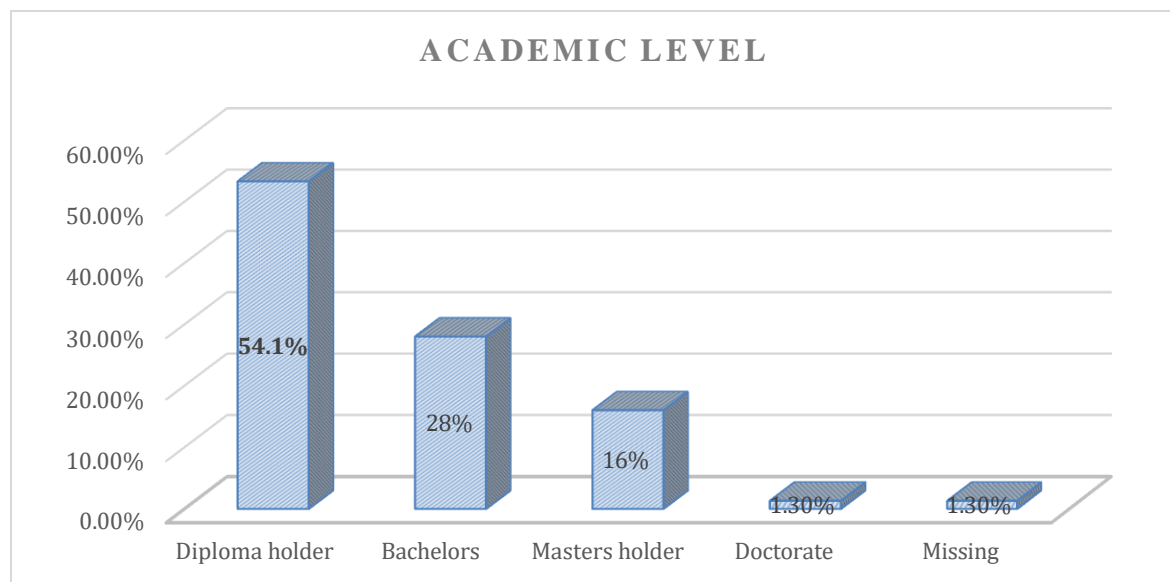


Figure 4.2: Academic Level of the Respondents

As per the findings, the vast proportion of respondents were diploma holders, accounting for 54.1% of the population, followed by university degree holders at 28%. 16% of respondents held a master's degree, while 1.3% held a doctorate. At the very least, all of the participants had

a diploma. This demonstrates that Pesapal organization personnel are academically educated and carry out their duties efficiently and professionally. This indicates that high motivation expectations exist.

The researcher sought to ascertain the respondents' assignment in the various job levels within the corporation's organizational structures. Table 4.3 summarizes the findings.

Table 4.3: Respondents' Designation

Position at organization	Frequency	Percent
Senior level Management	10	14.5
Middle level Management	21	30.5
Junior level Management	36	50.7
Missing	3	4.3
Job Position	Frequency	Percent
Total	70	100.0

As stated in Table 4.3, 50.7 % of the respondents confirmed to have worked in the Pesapal organization as junior management, 30.5 % as middle management, and 14.5 % as senior management. The majority of responses came from the junior and middle management ranks, according to the findings.

The respondents were asked how long they had worked for Pesapal organization. Work experience is important because it assesses respondents' comprehension of the study question. Almost half of the respondents interviewed for the study had worked for the institution for more than four years (49.3 %). In accordance with the study's findings, a vast number of the respondents had spent a significant period working for the organization. This enabled them to provide precise answers about what was going on within the organization.

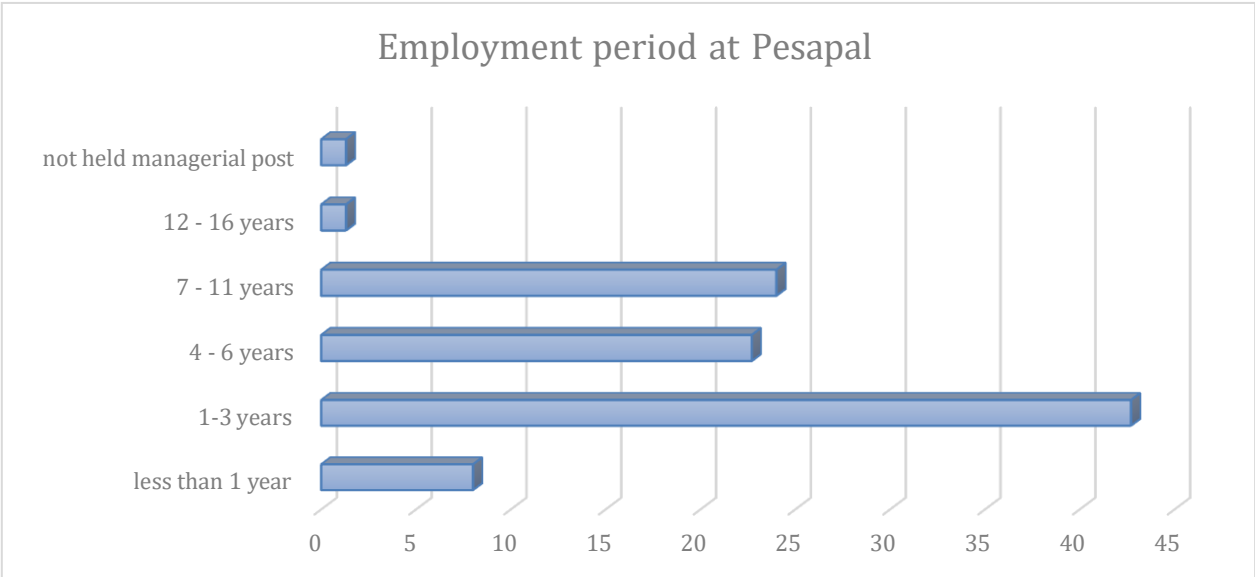


Figure 4.3: Working Experience at Pesapal Organization

4.4 Performance Appraisal Policy

Respondents were asked if their organization has a performance appraisal policy in order to assess awareness. Almost all of the respondents (97.3 percent) confirmed that the organization already had a PA policy in place when asked this question which provided a standard against which performance is measured. When respondents indicated that a performance appraisal was used in the organization, they were asked if the same PA form was used for all workers of the same cadre. As a result, a majority of the respondents agreed that employees of the same group used the same PA forms. The use of the same appraisal instrument for the same cadre of workers indicates procedural fairness, as affirmed by (Greenberg, 1986). The same is reinforced by social comparison theory, which focuses on individual attitudes, abilities, and traits in comparison to others, implying that when employees perceive fairness and equity in comparison to other employees in the same category or group, it influences their motivation and productivity. When employees believe that the performance appraisal system favors one type of group over another or there is no association between their work and the PAS, the system becomes ineffectual and demotivating.

To determine the appraiser of employees at Pesapal organization, the results of the respondents are shown in Table 4.4.

Table 4.4: Appraisers of the Respondents

Appraiser	Frequency	Percentage
Immediate Supervisor	50	71.4
Peer Colleague	2	2.9
Both staff and immediate supervisor	13	18.6
Myself	5	7.1
Total	70	100.0

According to the results, the majority (71.4 %) of respondents confirmed to have been appraised by their immediate supervisor whereas 18.6 % were appraised by both staff and their immediate supervisor. Furthermore, 7.1% of them appraised themselves, while only 2.9% were appraised by their peers. These findings suggest that appraisals are primarily conducted by immediate supervisor. This is in accordance with the findings of Smither et al., (2005), who revealed that regular meetings between the employee and the supervisor should be held for the sake of posterity. It is critical to communicate with employees on a regular basis about their progress in their area of expertise/operation. Similarly, this is also supported by feedback intervention theory which highlights the importance of feedback and how it influences subsequent performance behavior.

Respondents were asked how the appraisals were carried out to determine whether the PA process was systemized and documented, as shown in Figure 4.4. The PA was carried out, according to 69.9 % of respondents PA was in written form whereas 20.5 % was administered in both written and oral forms, while 6.8% of the participants indicated oral form only whereas the remaining 2.7 % indicated that the process was not standardized or documented. These results are congruous with those of Boswell and Boudreau (2002), who deduced that employee opinions determine the effectiveness of PAS.

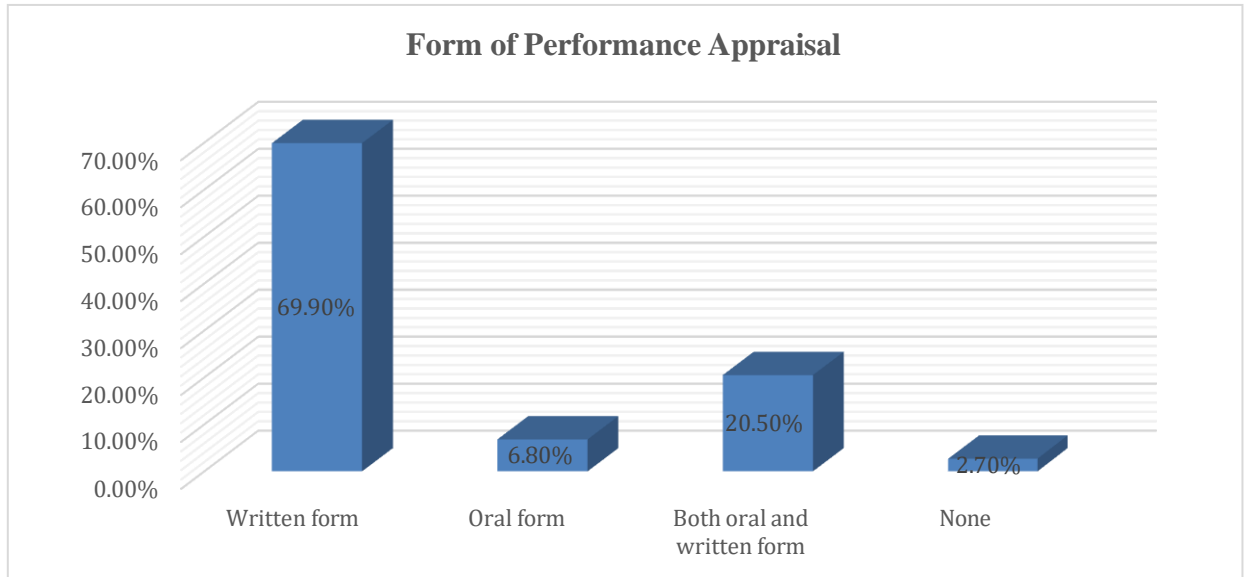


Figure 4.4: Type of Appraisal Form used in Appraisal Process

4.5 Summary statistics

Table 4.5 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
GENDER	75	.36	.483	0	1
AGE	75	2.2	.805	1	3
EDUCATION	74	1.635	.769	1	3
EMPLOYMENT	75	2.413	.639	1	3
Appraisal	73	.699	.462	0	1
Motivation	69	.594	.495	0	1
Productivity	75	1.853	.911	1	3

From Table 4.5, the preponderance of the respondents were females, 48(64.0%) while males were 27(36.0%). The variable was binary with “1” representing males and “0” representing females. On age, majority of the respondents, 33(44.0%) were 31 years of age and above, 24(32.0%), were aged between 26-30 years, while only 18(24.0%) respondents were aged between 21-25 years of age. The variable was measured as a categorical variable with “1” representing respondents aged between 21-25 years, “2” representing those aged between 26-30 years, and “3” representing those aged 31 years and above.

On education, majority of the respondents, 40(54.1%) had a Diploma, 21(28.4%) had a bachelor’s degree, while 13(17.6%) had a post-graduate degree. The variable was measured as categorical with “1” representing those with Diploma, “2” representing those with bachelor’s

degree, and “3” representing those with post-graduate degree. On employment, majority of the respondents, 37(49.3%) had been with the current employer for 4 years and above, 32(42.7%) had been with the current employer for 1-3 years, while 6(8.0%) had been with the current employer for less than 1 year. The variable was categorical with “1” representing those below one year, “2” representing those between 1-3 years with the current employer, and “3” representing those with 4 years and above with the current employer.

On PAS, 51(69.9%) respondents had reported that their organization had a performance appraisal system in place, while 22(30.1%) reported their organization did not have a PA system in set up. The variable was measured as a dummy with “1” representing employees who reported their organization to have a performance appraisal system policy in place and “0” representing those who reported that their organization did not have such a policy in place.

On employee motivation, majority of the respondents, 41(59.4%) reported their motivation to be extrinsic compared to 28(40.6%) respondents who indicated their motivation was intrinsic. The variable was measured as a dummy with “1” representing employees with extrinsic motivation and “0” representing employees with intrinsic motivation.

On labor productivity, majority of the respondents, 37(49.3%) indicated that job content factors () played an important role for their productivity, 26(34.7%) reported personal factors (like skills, abilities and training to perform duties) be the most important, while 12(16.0%) respondents indicated that work context factors were the most important in informing labor productivity.

4.5 Analysis of the relationship between Performance Appraisal System and Employee Work Motivation

Table 4.6: Marginal Effects on the relationship between performance appraisal and employee motivation

Motivation	Marginal effects	Std.Err.	Z	P>z	[95%Conf. Interval]
Appraisal	0.338	0.182	1.860	0.063	-0.018 0.694
GENDER	-0.201	0.169	-1.190	0.236	-0.532 0.131
AGE					
26-30_Years	-0.294	0.202	-1.460	0.145	-0.690 0.101
31_and_above	-0.025	0.211	-0.120	0.907	-0.438 0.388

EDUCATION						
Bachelors	-0.361	0.157	-2.300	0.021	-0.669	-0.053
Post-graduate	-0.781	0.108	-7.220	0.000	-0.993	-0.569

From Table 4.6, the Probit regression analysis was undertaken and the marginal effects obtained to establish the effect of PAS on employee work motivation. The results indicate PAS and an employee's education level play a significant role in influencing work motivation. Particularly, the results indicate that presence of a performance appraisal system improves employee work motivation by 33.8% on average ($\beta=.338, p=.063$). In contrast, possession of bachelors and post-graduate levels of education lower employee work motivation by 36.1% and 78.1% respectively ($\beta=-.361, P=.021$) and ($\beta=-.781, p=.000$).

Table 4.7: Chi-Square test for association between Appraisal and Motivation

Performance Appraisal System	Employee work motivation			
	Degrees of Freedom (DF)	Chi-Square Statistic (χ^2)	P-value	Cramer's V
1		3.41	0.0647	0.2257

Note: * Means statistically significant at the 10% level of significance

From Table 4.7, performance appraisal system has a significant and strong positive relationship with employee work motivation ($\chi^2=3.41, p=0.0647$). The findings corroborate those obtained from the Probit marginal effects. The implication is that organizations should put in place performance appraisal systems as they play an important role in improving the employee work motivation.

4.5 Analysis of the relationship between Performance Appraisal System and Labor productivity

Productivity	Coef.	St.Err.	t-value	p-value	[95% Conf Interval]	Sig
Model 1						
Appraisal	8.865	10.128	1.91	.056	.945	83.2 *
GENDER	.541	.466	-0.71	.476	.1	2.931
26-30_Years	2.356	3.191	0.63	.527	.166	33.489
31_and_above	2.07	2.744	0.55	.583	.154	27.81
Bachelors	1.419	1.288	0.39	.7	.239	8.406
Post-graduate	3.259	2.91	1.32	.186	.566	18.751
Constant	.022	.034	-2.52	.012	.001	.432 **
Model 2						
Appraisal	1.776	1.18	0.86	.387	.483	6.534
GENDER	1.472	.88	0.65	.517	.457	4.748
26-30_Years	.295	.221	-1.63	.103	.068	1.281

31_and_above	.741	.599	-0.37	.711	.152	3.613
Bachelors	1.056	.822	0.07	.944	.23	4.852
Post-graduate	.78	.717	-0.27	.787	.128	4.731
Constant	.676	.536	-0.49	.622	.143	3.201
Mean dependent var		1.847	SD dependent var			0.914
Pseudo r-squared		0.095	Number of obs			72
Chi-square		9.799	Prob > chi2			0.634
Akaike crit. (AIC)		158.372	Bayesian crit. (BIC)			190.245

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 4.8: Multinomial Logistic Regression Results on the relationship between appraisal and productivity

From Table 4.8, the multinomial logistic regression analysis was carried out. The job content factors category of labor productivity was used as the base category. Further, in model 1, the work context category of labor productivity was the interest category while in model 2, the personal factors category of labor productivity was the category of interest. The findings indicate that performance appraisal system has positive and statistically significant effect on labor productivity. Particularly, respondents whose organizations have a performance appraisal system were found to be 8.7 times more likely to have labor productivity driven by work context factors compared to those working in organizations with no performance appraisal system. This implies that PA system play a vital role in influencing labor productivity. It also informs that performance appraisal system and an employee's level of education both have a significant impact on work motivation.

Table 4.9: Chi-Square test for the association between Performance Appraisal and Labor Productivity

Performance Appraisal System	Labor Productivity			
	Degrees of Freedom (DF)	Chi-Square Statistic (χ^2)	P-value	Cramer's V
	2	2.7910	0.048**	0.1955

Note: ** Means statistically significant at 5% level of significance

From Table 4.5, the Chi-Square test for the association between performance appraisal system and labor productivity reveal that there is a strong positive association between the two variables ($\chi^2=2.8$, $p=0.048$). This indicates that performance appraisal systems positively influence labor productivity and as such organizations should endeavor to have performance appraisal policies in place since they positively influence labor productivity.

4.6 Analysis of the association between employee’s work motivation and labor productivity

Table 4.10: Chi-Square test for the association between work motivation and labor productivity

Employee work motivation	Labor Productivity			
	Degrees of Freedom (DF)	Chi-Square Statistic (χ^2)	P-value	Cramer’s V
	2	0.7843	0.076	0.1066

Note: * Means statistically significant at 10% level of significant

From Table 4.10, the Chi-Square test for the association between employee work motivation and labor productivity indicate that there is a strong positive and statistically significant association between employee work motivation and labor productivity ($\chi^2=0.7843$, $p=0.076$). This indicates that highly motivated workers are also highly productive ones. As such, organizations should put measures and policies in place to motivate employees with the ultimate outcome being improved productivity of employees. Employee work motivation could be enhanced through appropriate remuneration, promotions, recognition, among others.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 SUMMARY OF FINDINGS

- Majority of the respondents were females, 48(64.0%) while males were 27(36.0%). The variable was binary with “1” representing males and “0” representing females.
- On age, most of the respondents, 33(44.0%) were aged 31 years and above, 24(32.0%), were aged between 26-30 years, while only 18(24.0%) respondents were aged between 21-25 years of age. The variable was measured as a categorical variable with “1” representing respondents aged between 21-25 years, “2” representing those aged between 26-30 years, and “3” representing those aged 31 years and above.
- On education, majority of the respondents, 40(54.1%) had a Diploma, 21(28.4%) had a bachelor’s degree, while 13(17.6%) had a post-graduate degree. The variable was measured as categorical with “1” representing those with Diploma, “2” representing those with bachelor’s degree, and “3” representing those with post-graduate degree.
- On employment, majority of the respondents, 37(49.3%) had been with the current employer for 4 years and above, 32(42.7%) had been with the current employer for 1-3 years, while 6(8.0%) had been with the current employer for less than 1 year. The variable was categorical with “1” representing those below one year, “2” representing those between 1-3 years with the current employer, and “3” representing those with 4 years and above with the current employer.
- One performance appraisal system, 51(69.9%) respondents had reported that their organization had a performance appraisal system in place, while 22(30.1%) reported their organization did not have a performance appraisal system in place. The variable was measured as a dummy with “1” representing employees who reported their organization to have a performance appraisal system policy in place and “0” representing those who reported that their organization did not have such a policy in place.

- On employee motivation, majority of the respondents, 41(59.4%) reported their motivation to be extrinsic compared to 28(40.6%) respondents who indicated their motivation was intrinsic. The variable was measured as a dummy with “1” representing employees with extrinsic motivation and “0” representing employees with intrinsic motivation.
- On labor productivity, majority of the respondents, 37(49.3%) indicated that job content factors played an important role for their productivity, 26(34.7%) reported personal factors to be the most important, while 12(16.0%) respondents indicated that work context factors were the most important in informing labor productivity.
- The Probit regression analysis was undertaken and the marginal effects obtained to establish the effect of the PAS on employee work motivation. The results indicate PAS and an employee’s education level play a significant role in influencing work motivation.
- Particularly, the results indicate that presence of a performance appraisal system improves employee work motivation by 33.8% on average ($\beta=.338, p=.063$).
- In contrast, possession of bachelors and post-graduate levels of education lower employee work motivation by 36.1% and 78.1% respectively ($\beta=-.361, P=.021$) and ($\beta=-.781, p=.000$).
- PAS has a significant and strong positive relationship with employee work motivation ($\chi^2=3.41, p=0.0647$). The findings corroborate those obtained from the Probit marginal effects.
- The multinomial logistic regression analysis was carried out. The job content factors category of labor productivity was used as the base category. Further, in model 1, the work context category of labor productivity was the interest category while in model 2, the personal factors category of labor productivity was the category of interest.
- The findings indicate that PAS has positive and statistically significant effect on labor productivity. Particularly, respondents whose organizations have a performance appraisal system were found to be 8.7 times more likely to have labor productivity driven by work context factors compared to those working in organizations with no performance

appraisal system. This implies that performance appraisal system plays an important role in influencing labor productivity.

- The Chi-Square test for the association between PAS and labor productivity indicate that there is a strong positive association between the two variables ($\chi^2=2.8$, $p=0.048$). This indicates that performance appraisal systems positively influence labor productivity and as such organizations should endeavor to have performance appraisal policies in place since they positively influence labor productivity.
- The Chi-Square test for the association between employee work motivation and labor productivity indicate that there is a strong positive and statistically significant association between employee work motivation and labor productivity ($\chi^2=.7843$, $p=0.076$). This indicates that highly motivated workers are also highly productive ones.

5.1 DISCUSSION

On labor productivity, the majority of respondents, 37(49.3%), indicated that job content factors were important for their productivity, while 26(34.7%) reported personal factors as the most important, and 12(16.0%) respondents indicated that the presence of a performance appraisal system improves employee work motivation by 33.8 percent on average indicated work environment variables were the most influential in determining labor productivity The results indicated performance appraisal system and an employee's education level play a remarkable role in influencing work motivation.

Consistent with previous understanding of the performance evaluation system and employee motivation. Employee work motivation is significantly and strongly positively related to performance assessment systems ($\chi^2=3.41$, $p=0.0647$). Similarly, Aydin (2018) stated that performance appraisal is a significant contributor to worker motivation and productivity, emphasizing that organizations strive to improve their productivity by improving employee performance, citing performance appraisal as one of the strategies used to measure employee performance.

Intrinsic motivation, as defined by Ryan and Deci (2000), is the enjoyment an employee receives from accomplishing a task. Some activities are inherently motivating for employees, while others are not, and not all individuals are motivated by comparable duties (Ryan & Deci, 2000).

Previous study indicates that intrinsic incentives are favored over extrinsic rewards because employees regard intrinsic incentives as more secure consequences of completing a task than extrinsic rewards. According to Nasri and Charfeddine (2012), intrinsic motivators are more effective than extrinsic motivators in motivating employees.

In accordance to the findings of this study, the majority of respondents, 41(59.4%) identified their motivation to be extrinsic, contrasted to 28(40.6%) respondents who indicated their motivation to be intrinsic. According to the findings, a performance assessment system has a favorable and statistically significant influence on worker productivity. Respondents working in companies with a performance assessment system, in particular, were shown to be 8.7 times more likely to have labor productivity influenced by work environment variables than those working in organizations without a performance appraisal system. This suggests that performance assessment systems have a significant impact on worker productivity.

The Chi-Square test for the relationship between PAS and labor productivity shows a substantial positive relationship between the two variables ($\chi^2=2.8$, $p=0.048$). This shows that performance assessment systems have a good impact on labor productivity, and as a result, companies should strive to implement performance appraisal rules since they have a favorable impact on labor productivity. Similarly, Kumbhar (2011) claimed that performance assessment is critical to an organization's capacity to achieve its goals and objectives, and that productivity rises if the performance appraisal system is done without prejudice.

Performance evaluation is critical for employees because it identifies areas of weakness and, with proper feedback, leads to development in those areas, which leads to greater productivity for the business. An organization performs a training requirement analysis for its workers based on the PAS assessment, which helps identify gaps in employee competence. By delivering training programs, the company is able to bridge these shortfall gaps, resulting in excellent work and optimum production for the business.

Kumari and Malhotra (2012) also emphasize that an organization's survival is based on its performance; if workers fail to perform sufficiently, the company will not survive. This can only be accomplished if each employee has goals and objectives that are aligned with the institution's plans. PAS helps individuals connect their goals with those of the company. According to Ayn

and Tiryaki (2018), PAS was a critical prerequisite for meeting staff objectives and had a favorable influence on employee productivity. Staff motivation was found to have a substantial beneficial influence on employee productivity.

Similarly, Onashile (2017) stated that performance assessment helped employee growth, which was critical in boosting employee productivity and organizational performance.

According to Paul et al. (2015), providing incentives and promotions to employees who do well enhances their commitment, loyalty, and level of productivity in the organization. PAS also highlights personnel strengths and weaknesses that may result in opportunities or risks to productivity. Similarly, Mwema and Gachunga (2014) stated that PAS based on the organization's goals, targets, workers' accomplishments, and time management improves employee productivity. According to Cravens et al. (2015), performance assessment influences employee motivation, leading to increased job satisfaction, retention, and labor productivity. Training employees in performance evaluation, according to Arthur (2015), has a positive influence on their job performance.

The Chi-Square test for the relationship between employee work motivation and labor productivity shows a strong positive and statistically significant relationship ($\chi^2=7.7843$, $p=0.076$). This suggests that highly motivated employees are likewise highly productive. Previous research has found that motivated workers are more productive. For example, Dobre (2012) informs that employee motivation and performance are critical tools for any organization's long-term success, insisting that organizations adopt strategies to improve employee performance so as to achieve their goals and objectives. Individuals' desire stability, and the underlying requirements are important to their existence; if these needs are fulfilled, they are more focused on work performance (Dobre, 2012). According to Gohari et al. (2013), when employees think their efforts are adequately recognized and paid, they perform at their best.

Motivated employees, according to Manzoor (2011), work in the best interests of their organizations, resulting in increased growth, prosperity, and productivity. Employee motivation is increased through empowerment and appreciation. The more employees in a company that are empowered and acknowledged, the more motivated they will be to work. Similarly, Ali and Akram (2012) state that motivated and happy personnel would carry out their tasks carefully and

actively. Furthermore, these businesses are more successful because their staff are always seeking for new methods to improve their job. However, according to Dobre (2012), encouraging people to perform to their full capacity at work under stressful situations is a tough undertaking that can be done. Weldeyohannes (2015) undertook descriptive research on employee motivation and its influence on production, concluding that driven people outperform uninspired workers. Employees that are motivated are better able to utilise the organization's resources, apply their knowledge and abilities, make less mistakes, and have reduced absenteeism and turnover, which consequently enhances productivity.

Nadeem et al. (2014) conducted a descriptive case study of private businesses to examine the influence of employee motivation on workers' performance. Employee motivation, according to the study, has a major effect on both the company and workers' performance since it enhances efficiency and effectiveness, which assists in the accomplishment of the organization's goals. They discovered that businesses that care about their people progress faster because motivated individuals are more likely to be productive than unmotivated ones. Similarly, Gohari et al (2013) asserted that motivation as a consequence of incentives is the most important element influencing employee performance. Employee motivation is important in achieving the greatest outcomes in terms of efficiency and effectiveness, since rewards may affect job satisfaction, therefore increasing employee performance and, as a consequence, improving labor productivity. Furthermore, the workplace atmosphere, the connection between employees and supervisors, the training and development process, job security, and the overall firm's rewarding policies all inspire employees, therefore increasing productivity (Gohari et al, 2013).

5.2 CONCLUSION

The presence of a performance appraisal system improves employee work motivation by 33.8% on average ($\beta=.338, p=.063$). that work context factors were the most important in informing labor productivity.

Employees whose organizations have a performance appraisal system are more likely to have labor productivity driven by work context factors compared to those working in organizations with no performance appraisal system.

Performance appraisal system and an employee's education level play a significant role in influencing work motivation. Intrinsic motivators are more successful in inspiring employees than extrinsic motivators. Performance appraisal system play an important role in influencing labor productivity.

According to Feedback theory, when an employee is confronted with a disparity between what he or she wishes to achieve and the feedback received, the individual is powerfully motivated to significantly improve their performance. Because feedback is psychologically reassuring, informing an employee about their strengths and weaknesses in relation to the organization's standards will motivate them to improve their performance. Highly motivated workers are also highly productive ones. Motivated employees are able to utilize organization's resources, use the best of their knowledge and skills, make fewer mistakes, and have lower absenteeism and turnover which consequently enhances productivity.

5.3 RECOMMENDATIONS

- Organizations should put in place performance appraisal systems as they play an important role in improving the employee work motivation.
- Organizations should put measures and policies in place to motivate employees with the ultimate outcome being improved productivity of employees.
- Employee work motivation could be enhanced through appropriate remuneration, promotions, recognition, among others.
- Further research needs to be done on how age, gender and education level influence labor productivity and motivation.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Questionnaire for Employees

This questionnaire seeks information on performance appraisal. It is part of my Master of Arts studies in Organizational Psychology. Kindly fill in the information required. You can tick (✓) or write down the information. All information collected shall only be used for academic purposes and as such shall be treated with utmost confidentiality.

SECTION I: DEMOGRAPHIC INFORMATION

For each of the demographic questions below, please Tick (✓) the correct or most appropriate response.

1. What is your gender?

- a) Male
- b) Female

2. What is your age?

- a) 21 - 25 years
- b) 26 – 30 years
- c) 31 – 35 years
- d) 36 – 40 years
- e) 41 – 45 years
- f) 50 and above

3. What is the highest level of education you have obtained?

- a) Diploma holders
- b) Bachelor's degree
- c) Master's degree
- d) Doctorate
- e) Others (Specify)

4. How long have you been with your current employer?

- a) Less than one year
- b) 1- 3 years

- c) 4-6 years
- d) 7- 11 years
- e) 12-16 years
- f) 17 years or more

5. How long have you held a managerial position?

- a) Less than one year
- b) 1- 3 years
- c) 4-6 years
- d) 7- 11 years
- e) 12-16 years
- f) 17 years or more
- g) I have not held a managerial position

6. If you are a manager, how many people are you currently supervising?

- a) 1-3
- b) 4-6
- c) 7-10
- d) 11 or more
- e) I have not held a managerial position

7. What is the level of your position in the organization?

- (a) Junior level executive
- (b) Middle level manager
- (c) Senior manager

SECTION II: PERFORMANCE APPRAISAL SYSTEM

8. Does your organization have a performance appraisal policy in either written or oral form?

- (a) Yes, in written form
- (b) Yes, in oral form
- (c) Yes, in both oral and written form
- (d) No
- (e) I don't know

9. If Yes in (8) above, is the management's administration of the performance appraisal policy effective and efficient?

- (a) Strongly Agree
- (b) Agree
- (c) Moderate
- (d) Disagree
- (e) Strongly Disagree

10. If Yes in (9) above, is the policy shared with staff?

- Yes No

11. If Yes in (10) above, how is the policy communicated?

.....

12. In the course of your work in the organization,

- (a) Have you appraised any staff? Yes No
- (b) Have you ever received training on performance appraisal in your organization?
Yes No

13. Have you ever been appraised on performance while in this organization?

- Yes No

14. If Yes in (12a) above, does the organization utilize the same performance appraisal form for employees?

- Yes No

15. If Yes in (14) above,

i. Who appraised you? (You can select multiple options)

- (a) Myself
- (b) Peer Colleague
- (c) Immediate Supervisor
- (d) Both staff and immediate supervisors

ii. How frequent are you appraised? (Choose only one option)

- (a) Every three Months
- (b) Every six months

- (c) Every Year
- (d) Randomly/nonspecific
- (e) I'm not sure
- iii. How was the evaluation carried out? (Choose only one option)
- (a) With a performance appraisal form
- (b) Orally, without any supporting documentation
- (c) Both orally and with appraisal form
- iv. Did you have any pre-determined goals and objectives against which you were evaluated?
- Yes No
- v. If yes in part (iv.) above, who determined the goals and objectives? (Choose only one option)
- (a) Employee
- (b) Supervisor
- (c) Both supervisor and employee
- (d) I am not sure
- vi. In your opinion, was the performance appraisal conducted fairly?
- Yes No
- vii. If Yes in (vi.) above, was the performance appraisal motivating to you?
- Yes No

16. Please indicate how much you agree with the following statement about performance appraisal in your organization.

Performance Appraisal System	5	Strongly Agree	4	Agree	3	Moderate	2	Disagree	1	Strongly Disagree
(a) Performance appraisal is a crucial aspect in the Organization										
(b) The aim of the performance appraisal process is clear to me.										
(c) Prior to my evaluation, there are pre-determined objectives that are communicated to me										

(d) The most recent ratings I received were based on my work					
(e) The manner in which performance appraisal is used to evaluate my performance motivates me.					
(f) My performance evaluation is based on my responsibilities as an employee.					
(g) The organization's employee performance appraisal process is fair.					
(h) As an employee of this organization, the performance appraisal process motivates me.					
(i) My job performance and productivity has improved as a result of performance appraisal.					
(j) I am content with how the performance appraisal system is used to establish my goals and objectives for each performance period.					

SECTION III: EMPLOYEE MOTIVATION

In terms of the following, rate how the current appraisal system affects your motivation:

i. Extrinsic Motivation	Very high	High	Low	Very Low
(a) Training and development				
(b) Good workplace Environment				
(c) Pay increment				
(d) Commendable supervisory practices				
(e) Promotion				
(f) Good organizational practices				

ii. Intrinsic motivation	Very high	High	Low	Very Low
(a) Competency (Determination to succeed)				
(b) Workplace Environment				
(c) Relatedness (satisfying and supportive social relationships at work and a feeling of belonging to the organization)				

(d) Feeling of personal accomplishment				
(e) Feeling of recognition				

SECTION IV: EMPLOYEE LABOR PRODUCTIVITY

17. Please indicate how much you agree with the following statement about employee labor productivity

Employee labor productivity	5 Strongly Agree	4 Agree	3 Undecided	2 Disagree	1 Strongly Disagree
i. Job content factors					
(a) I have clear measures for each of my objectives.					
(b) I understand my role in the organization and I can obtain the information I require to perform my duties.					
(c) I believe work deadlines are favorable in my current organization.					
(d) I believe that performance appraisals in my organization asks pertinent questions when evaluating my performance.					
ii. Work Context					
(e) My work environment enables me to be extremely productive.					
(f) I thrive in extremely competitive environment					
iii. Personal factors					
(g) My skills and abilities are effectively utilized by the organization.					
(h) I receive the training I require to do my duties effectively.					
(i) I am committed to organization as it inspires me to give my very best at work					

18. Please indicate how much you agree with the following statement about employee labor productivity in your organization.

Employee labor productivity	5	Strongly Agree	4	Agree	3	Undecided	2	Disagree	1	Strongly Disagree
(a) My performance outperforms that of my colleagues with comparable qualifications.										
(b) There are career growth possibilities/opportunities in my organization										
(c) I believe that organization's motivation boosts productivity										
(d) My performance outperforms that of my colleagues with comparable qualifications.										
(e) When I achieve my targets, I feel a sense of personal fulfillment.										
(f) My self-esteem suffers when I perform poorly.										
(g) I take pride in performing my duties to the best of my ability.										
(h) I attempt to think of new ways to execute my job more efficiently.										

IMPROVEMENT OF PERFORMANCE APPRAISAL

19. What measures can be implemented to improve the effectiveness of performance appraisal and employee motivation at your organizational?






Any additional comments

Thank you for your participation!

APPENDIX II: RESEARCH BUDGET

ACTIVITY	EXPENSES
Printing and photocopying	5,000
Data Collection	3,000
Transport	4,000
Data Analysis	25,000
Publication Fees	30,000
Total	67,000

APPENDIX III: RESEARCH PERMIT

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 311161	Date of Issue: 19/August/2021
RESEARCH LICENSE	
	
This is to Certify that Ms. Betty Mbithe Muthiani of University of Nairobi, has been licensed to conduct research in Nairobi on the topic: The relationship between Performance Appraisal System, Employee Motivation and Labor Productivity: A study of Pesapal Organization for the period ending : 19/August/2022.	
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APPENDIX IV: INTRODUCTORY LETTER



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August 9, 2021


The Chief Executive Officer
National Council for Science Technology and Innovation.
P.O. Box 30623-00100
Nairobi – Kenya

REF: BETTY MBITHE MUTHIANI -C50/35486/2019

The above named is a student in the Department of Psychology, undertaking a Masters Degree in Organizational Psychology at the University of Nairobi. She is doing a project on **“The relationship between performance appraisal, employee motivation, and labor productivity: Study of Pesapal organization”**. The requirement of this course is that the student must conduct research project in the field and write a project.

In order to fulfill this requirement, I am introducing to you the above named student to kindly grant her permission to collect data for her Master’s Degree Project.

Sincerely,


Dr. Charles O. Kimamo
Chairman,
Department of Psychology

