

## PERFORMANCE APPRAISAL AND WORKER MOTIVATION: APPLICATION OF EXPECTANCY THEORY

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### ABSTRACT

*Organizations used performance appraisal as the primary instrument to measure worker performance in order to make decisions about rewards, promotion, and termination. Because performance appraisal is so critical, organization managers expend much thought and effort in developing the best methods for fairly assessing worker achievements to allocate rewards and promotion appropriately. It is necessary for the appraisal process to be reviewed frequently to ensure fairness, and support of the organization's mission in changing global markets. The present article explores the association between worker motivation and the performance appraisal. In addition, it highlights the development of the projected model using Expectancy Theory. The results underline how the various components of performance appraisal as perceived by workers can have mixed positive and negative effects on their motivation.*

**Keywords:** *Acquaintance, Worker motivation, Performance appraisal, Distributive justice, Model, Performance appraisal components, Expectancy theory, Procedural justice and Interactional justice*

### INTRODUCTION

Most organizations use performance appraisal (PA) as an instrument to assess the performance of its employees and the organization's overall performance. The components included in assessing performance contain a variety of different practices such as task performance, the nature of the appraisal system itself, the way the evaluation is conducted, rewards systems, worker training and development, and worker performance. PA is used to examine a worker's performance and to relate their present performance against previous

performance, to recognize the strengths and weaknesses throughout their journey with the company. PA consists of assigning specific work criteria, then assessing the worker's performance against these criteria, and finally providing feedback of the results to the worker to improve their performance [1]. Furthermore, the PA process can be characterized as setting performance standards at the beginning of the evaluation period; these standards should help workers know the performance level that the organization requires them to achieve its goals [2].

In order to provide workers with feedback and continuous assessment of their performance, the organization should set periodic, quarterly and annual plans for appraisal. Furthermore, monitoring worker performance during the year helps improve the quality of services, productivity, and outcomes that an organization provides. [3]. Performance monitoring should compare present performance with previous performance levels, to enable the individual to see progress and the concomitant rewards. Work achievement does not stop at the end of a project but constitutes an ongoing process over the year and the outcomes of the appraisal should be linked with those from prior appraisals. Hence every worker will receive a detailed record of their progress and improvement, and management will be better able to decide whether to implement a different training program to improve their skills or in some cases to let the worker go. In addition, [4] emphasized the importance of the worker's ability and readiness to be evaluated at any given time, and to differentiate short from longer-term appraisals on certain standards of performance in the organization. Equally important, PA operation in any organization cannot be effective if there is no PA management system to use during the evaluation, and so it is important to establish its regulations and guidelines. In this respect, implementing PA management system should be aligned with providing appropriate training, career path progress, safe working environment, and a competitive compensation system, which in return will increase worker skills and knowledge and the prosperity of the organization [5]. PA for the workers helps the organization evaluate its workers. However, assessing the performance of a worker would have no benefit if the results were hidden and not discussed with the employee [2]. In addition, addressing different types of authority and anticipated goals and performance to the worker will help them to achieve those goals and maximize the effectiveness of the organization [6]. This article investigates the association between worker motivation and an organization's PA system. The article addresses the following PA components:

- 1- Worker engagement with/ participation in establishing PA
- 2- Worker knowledge of/acquaintance with the organization's PA system.
- 3- Procedural, distributive, and interactional justice in relation to PA.

In order to explain the connection between the selected PA components and worker motivation and the desire to continue working for the organization, this article will first discuss the concept of Expectancy Theory (ET).

### **EXPECTANCY THEORY RECONSIDERED**

The PA system is one factor that could increase worker productivity in an organization:

The success, survival and competing power of organizations depend on the commitment of their members, and this may to a large extent depend on how satisfied the employees are in respect of the organization's appraisal mechanism, extent of participation in decision making as well as career planning strategies. (p. 124) [7]

ET was first introduced by Victor Vroom in 1964 and essentially focuses on the perception of three factors: expectancy, instrumentality, and valence. Put another way, a worker puts in effort to complete their tasks; along with this effort comes the performance to get the desired incentive [8]. For example, if the organization sets a reward for a project to be completed in a certain time, the significance of this reward will encourage the worker to complete the task in an effective way. Worker perception plays a large part in ET, as a worker must believe that exerting a certain level of effort will result in a performance that will be sufficient to exact the expected rewards from the employer. According to [9], Vroom ET posits that an individual's behavior when starting work at an organization is as follows:

- 1- The worker accepts working in an organization because of the compensations and experiences.
- 2- The worker's behavior is sequences of preference.
- 3- The worker expects different things from the organization
- 4- The worker will choose what is appropriate for him/her to achieve the end results.

[10], further explains the operational aspects of ET by stating that "Expectancy theory operates on the principle that provides a reward for engaging in a particular behavior or performance. When the reward is valued by the employee, he or she will be motivated to perform." (p.72)

Variables of ET are expectancy, instrumentality, and valence [11]. These functions of expectancy theory can be explained as the worker being inspired to the extent that they believe that:

- 1- Effort will produce performance (expectancy),

- 2- Performance will be compensated (instrumentality),
- 3- The incentives are significantly positive (valence) [10].

According to [12], expectancy is explained as the first outcome or performance of an individual being the result of the confidence level that is involved in a certain act. Instrumentality, which is considered the second level outcome, deals with an individual's perception that performance will be at a sufficient level to attain the outcome, which in return leads to the reward. Valence refers to the desirability that an employee attributes to the bond between the effort expended and the outcome upon completion of the task [13]. Valence, the end outcome, is the reward or incentive that an individual expects [12]. It refers to an individual's desire to translate their personal achievements into tangible gains, such as a raise in salary, promotion, or simply recognition. Consequently, if the incentive proposed by the corporation is not acceptable, the worker will not be stimulated to accomplish the corporation goals: "A person is motivated to the degree that he or she believes that effort will lead to acceptable performance (expectancy), performance will be rewarded (instrumentality) and the value of the rewards is highly positive (valence)." (p. 99) [14]

Table 1 shows researches that adapted ET and its relationship with worker motivation and performance.

**Table 1.** Description of Studies that Applied Expectancy Theory and its Uses

Study	ET description	How ET was used	ET equation
Bracket & Moussa (2016)	Increases an individual's cognitive and psychological processes to reach the expected level of efforts [15]	Describes an individual's reasons to contribute in boycott	$E \longrightarrow O$ E = Effort O = Outcomes
Hayibor & Collins (2016)	Perception of expectancy and outcome rewards cause an individual to be motivated [16]	Explains the relationship between sponsors propensities to support/not support the firm	Types of Expectancy E-P and P-O Effort-Performance (E-P) Performance-Outcome (P-O)
Brandi & Kemelgor (2015)	Perception of the results an individual expects, that will/will not encourage them to act [12]	Defines reasons that encourage businesspeople and entrepreneurs to go public	$MF = E * I * V$ Motivation Force (MF) E = Expectancy I = Instrumentality V = Valence

Babaei et al. (2015)	Explains why individuals act or behave in a specific manner/way [17]	Examines the association between organization performance and the effect mediating worker capability and human resource practices	ET = HRP + BO+ PO HRP = Human resource practice BO = Behavior outcome PO = Performance outcome
Chang, Hsu & Wu (2014)	Based on the association between rewards, performance, and effort [18]	Investigates the effect of rewards on a manager's motivation to make decisions and increase understanding information	IR $\longrightarrow$ RI IR = Intangible rewards RI = Read information
Carter (2013)	An individual will choose to complete the task and perform better if they see that the rewards is valuable. This action is based on specific behaviour [10]	Explains motivational factors for leadership and salesperson	M = ER M = Motivation ER = Equal reward
Shin & Lee (2011)	The choices of individual current and upcoming behavior are based on rational thinking [19]	Investigates the international students' motivational level in Australian hospitality sector	LE = FO $\longrightarrow$ SO LE = Level of Expectancy FO = First outcome SO = Second outcome

### PERFORMANCE APPRAISAL AS AN INSTRUMENT FOR WORKER MOTIVATION

PA is one of the major practices of performance management and the human resource department in an organization. Managers use results of worker appraisals to make decisions regarding promotion, training, career development, and so on. PA is defined as part of performance management that is executed in a rational manner, using a systematic approach to be able to examine worker performance [20]. [21] added that the organization uses PA to assess worker performance in completing tasks. PA is an instrument that an organization can use to be able to evaluate an individual's achievement of specific goals [22]. However, as [23] emphasized, objectives and specified activities should be practical, or else the PA will not be as useful as expected for the organization. Equally important, PA could be a method to allow managers/supervisors to assess worker performance and to allow workers to evaluate their performance on a continuous basis [24]. [25] agreed that worker self-evaluation has advantages for the organization, which might in return make workers consider PA as being fair and appropriate. In this respect, [13] emphasized the importance of managers and supervisors being mentors or instructors for workers who need training or need to improve

achievement levels. From the above, the author summarizes the important components of PA as follows:

1. PA is a method/instrument that can be adopted to conduct appraisals.
2. It is part of the performance management system that an organization could implement.
3. It is a continuous process.
4. The results/outcomes of PA should be discussed with the worker to improve/develop worker skills and competences; or PA would not be useful if the result is kept hidden.
5. It is two-way process which means that the manager evaluates worker performance and the worker assesses their performance.

The two studies conducted by [26] were concerned with the association between the perceived system knowledge (PSK) technique, the way workers responded to it, and the consequent development of new environment perceptions. The PSK technique is a “due process” style that generates an insight of equality and inspires workers to react with better work gratification and corporation devotion. The results from the researches approve that when workers comprehend the PA structure, they consent the comment eagerly. This perception forms a definite insight that builds a better devotion to the corporation [26].

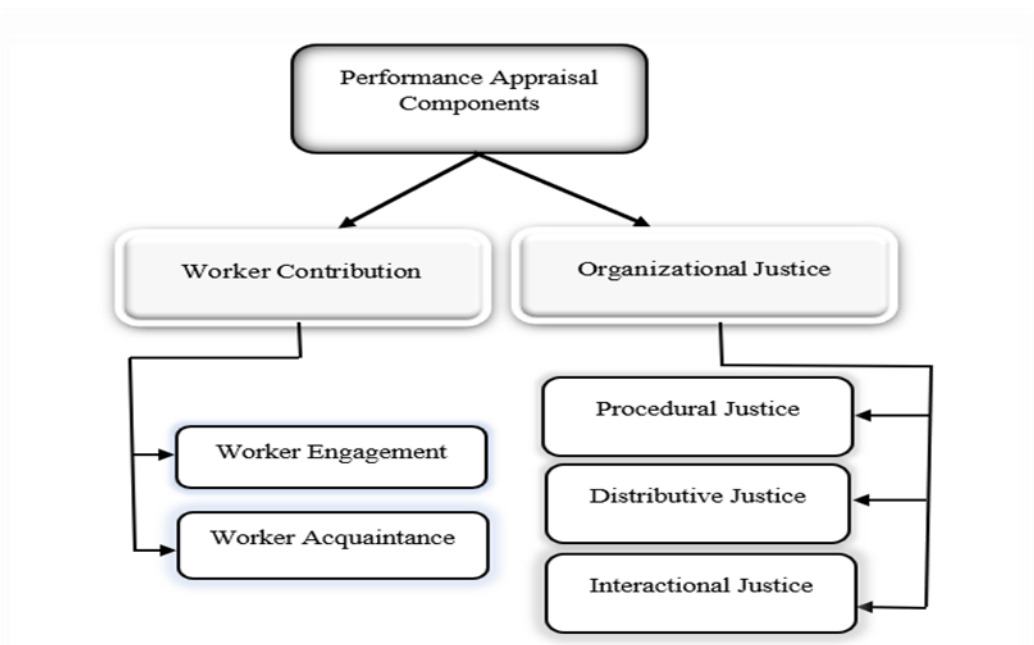
### **Explanation of the PA Components Model**

#### **Worker Engagement with/ Participation in Establishing PA**

The first component in the PA model is the engagement of workers in the process of designing and formulating PA system and regulation (**Fig. 1**). [27] defined worker engagement as allowing workers to complete their tasks and play their roles in the organization in a behavioral, physical, and intellectual manner. Further, [28] emphasized that worker engagement concerns the worker’s level of attending and engrossing tasks and roles in the organization. The decision-making process depends on the level of worker engagement [7], which eventually allows the organization to achieve its objectives and goals [29]. The different types of worker engagement in setting the PA contain, but are not limited to, designing PA forms and procedures, discussing PA results and feedback, fairness of PA conduct and level of satisfaction. In addition, worker engagement should involve participating in drafting, developing, and formatting the PA system and discussing the process’s phases with their managers or supervisors, which in return will give the workers kind of ownership and will enhance the achievement of objectives.

Equally important, [30] emphasizes the importance of self-evaluation by allowing worker to evaluate their performance then discuss the result with the manager/ supervisor. Self-evaluation along with manager/supervisor evaluation

will clarify the level of performance of a worker and compare how the worker perceives their performance and how the manager assesses the performance of the worker, reviews the outcome with the worker, and recommends any training program to attend.



*Figure 1. Performance Appraisal Components Model*

### **Worker Knowledge of/Acquaintance with the Organization's PA**

Worker knowledge is one of the components of PA that plays a major role in completing tasks, increasing productivity/service and maintaining quality. [31] indicated that knowledge of PA includes understanding and consenting to the rules and objectives of PA. Knowledge of PA consists of knowing how the PA system works, when the appraisal takes place (e.g., is the PA annual or quarterly?), and the components of PA. Equally important, a job description is the major factor for the PA system to work as intended. It will be easier for the organization to conduct PA if the worker knows the job responsibilities and skills need for the task to be completed. Therefore, understanding the job requirements increases the awareness of what PA is based on, and why the organization conducts it [31]. In addition, knowledge of PA reduces disagreements that might arise between worker and manager/supervisor, because the worker knows already about PA and its purpose to evaluate and assess skills and competences, and if necessary, provide training programs to improve or obtain new skills. In their study, [14] found that there is a significant relationship between worker knowledge PA and organization loyalty. Hence, Knowledge of PA contains an understanding of the organization's objectives, the purpose of conducting PA, what PA is used for, and

the relationship between workers and managers in terms of worker performance of other tasks. In addition, workers' knowledge should include their attitudes towards PA and any work-related decisions.

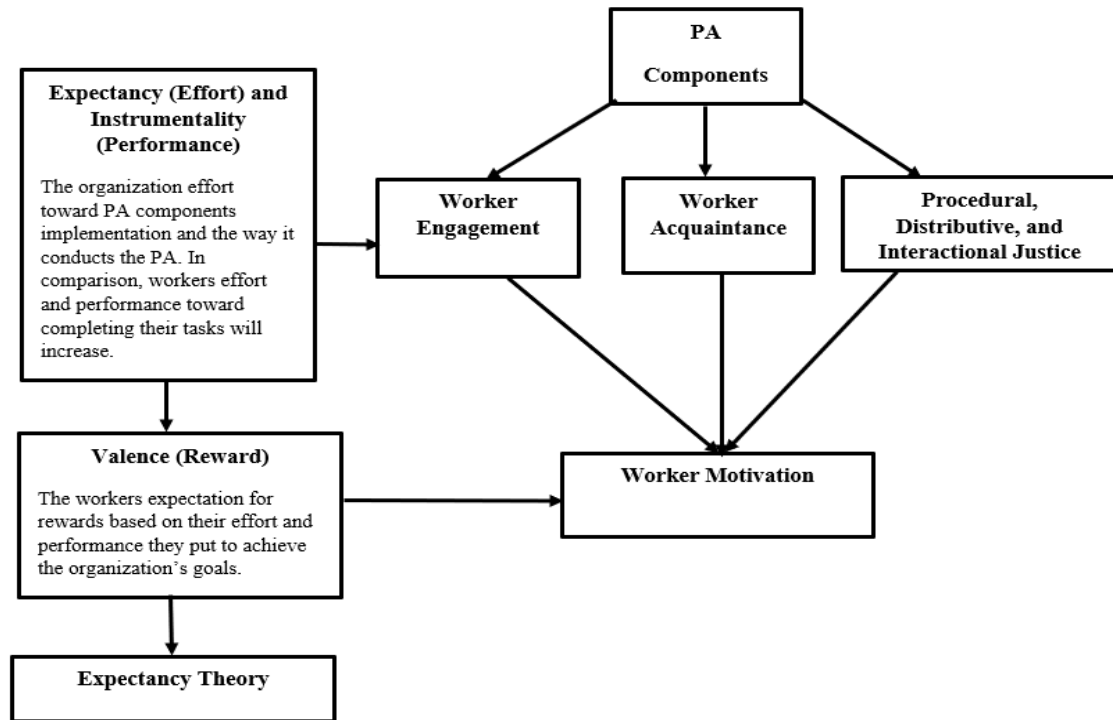
### **Organizational Justice**

Procedural, procedural, and interactional justice are the components of organization justice. Organizational justice emphasizes on the justice of decision-making about a worker [32]. The term fairness includes procedural, distributive, and interactional justice. Organizational justice as explained by [33] is how the organization applies fairness in a procedural and distributive manner. Procedural justice emphasizes the fairness process used to make decisions [34]. [35] defined procedural justice as the level of fairness used in the evaluation procedure. In addition, [2] detailed the different types of fairness perceptions that a worker considers when conducting PA, such as PA criteria and techniques. Distributive justice is based on the concept that the outcomes should be assigned in an equal approach [36]. In addition, [37] explained that distributive justice could affect worker performance, loyalty, behavior, and job satisfaction. Furthermore, "the distributive justice literature has considered the fairness of a number of different human-resource systems such as: pay, performance evaluation, promotions, raises, selection, and benefits" (p.51) [37]. [38] explained that the sensitivity of fairness is rounded on the rule of justice, which comes from justice judgement theory. In addition, the rule of justice is defined as "an individual's belief that a distribution of outcomes, or procedure for distributing outcomes, is fair and appropriate when it satisfies certain criteria" (p.4). The justice rules have two kinds which are: procedural and distribution. Distribution rule deals with incentives, resources, or reprimands distributed based on certain standards considered as fair. Procedural rule is defined as procedures based on specific standards considered fair and applicable [38]. The final element of organizational justice is interactional justice. Interactional justice focuses on the way in which PA is conducted, emphasizing fairness of the treatment between rater and worker. In addition, communication plays a significant role during the PA and regulations of the organization [39]. [40] pointed out that interactional justice consists of two elements: Interpersonal sensitivity which focuses on the type of treatment given to the worker in a fair process and Explanation which means giving the worker a fair explanation for negative outcomes. In their study, [26] explained the association between Perceived System Knowledge (PSK) method and worker reactions and attitudes in the organization. The PSK is a "due process" technique that forms an insight into justice and increases worker job satisfaction and organizational commitment.



### **Worker Motivation and Performance Appraisal Applying ET**

Motivation is one of the most researched concepts by practitioners and researchers. The importance of the term motivation as a concept and internal stimulus put great attention into finding out logical reasons behind worker/individual inspiration. Motivation has a lot of description. Motivation is an internal influence that encourages someone to accomplish their goals [41]. [42] emphasized that there are elements that inspire a worker to be motivated, such as authority, career development, promotion, and rewards. Furthermore, [43] explained motivation as an element that control the relationship between workers. In other words, if a worker finds what motivates them to continue the relationship with other workers, then they will maintain that relation. Moreover, motivation can be intrinsic and extrinsic. Intrinsic motivation is an internal power or behavior that inspire an individual to act; extrinsic motivation is external factors that motivate an individual to work. In the context of this article, motivation could be the expected consequence of PA; in other words, how PA components strengthen or weaken worker motivation. Considering the differences in the work environment, motivation would be affected by the degree of participation of a worker in the PA process, worker knowledge, and the provision for a system of procedural, distributive, and interactional justice (Fig. 1). Conversely, when employees perceive unfairness and inequity in the PA process, motivation will grow weaker and productivity will drop. There is a clear link between the tenets of ET and the strength of PA components (Fig. 2). Expectancy theory variables include performance, incentives and effort, and the PA components involve worker encouragement, knowledge, and procedural, distributive and interactional justice. This relationship operates well if the organization exerts reasonable effort to implement and execute the PA components and fairly conducting PA. The rewards will be mutual in terms of improving worker loyalty to the organization and motivation to work effectively and efficiently and at the same time achieve the organization's goals.



*Figure 2. Association between Performance Appraisal Components, Worker Motivation and Expectancy Theory*

## CONCLUSION AND RECOMMENDATIONS

This paper focused on PA components and their association with ET. The components include worker engagement with and acquaintance of the PA process, and the establishment of a procedural system that applies organizational justice, which includes procedural, distributive, and interactional justice in conducting PA. This study helps to clarify the relationship between ET and the PA components, with regard to how workers working in an organization that conducts annual PAs could be encouraged to work harder to achieve the company's goals, when they perceive that PA was conducted in a fair and equitable manner. It was found that a very effective way to show fairness was to engage workers in designing the PA system and regulations. Their feedback and increased understanding go a long way towards promoting an attitude of purpose and usefulness to the PA process. In return, workers deliver exemplary effort and performance in completing the tasks in accordance with the organization's objectives and goals, ensuring a mutual reward between organization and workers. The workers complete their tasks and duties with enthusiasm and competence, and the organization rewards the workers by fairly operating PA and subsequently giving additional benefits as

bonuses, advancement, or salary increases. Therefore, this article suggests the PA components outlined here as a guideline to achieving the purposes of PA, to inspire and stimulate workers rather than disappoint them by criticizing their personal performance or applying PA inequitably.

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