Effective Performance Appraisal – a study into the relation between employer satisfaction and optimizing business results

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Chapter 1. Problem Overview

1.1 Introduction

As an organization struggle to remain sustainable and competitive, strategic planners and human resources professionals need to collaborate more intensely in designing strategies that are productive and humane. According to many researchers, the most successful organizations in the 21st century will be those to adopt a focused and integrated HR processes and systems. "The art and science of empowering people, organizations and communities to create maximum productivity, quality, opportunity and fulfillment has never encountered so many challenges and opportunities"(Marquardt 2004, p.2).

The enormous transformation processes that take place in the social, political and economic areas drive the need for organizations to become more responsive to the rapid development of the global strategies and the local operational levels. Human Resource Management focuses on personnel related areas such as job design, resource planning, performance management system, recruitment, selection, compensations and employee relations. Out of these one function plays a critical role for the global success of the organization and this is performance evaluation. It is more significant than other processes because its outcomes indicate the success of the realization of the other areas in the field of Human Resources (recruitment, selection, placement, adaptation, training of the employees and other personnel activities). Building block for enhancing performance is creating a performance culture and implementing the performance management process. Assumptions of corporate management are that this culture makes people be truly engaged in the business of the organization. (Reid & Hubbell 2005).

A generation ago, appraisal systems tended to emphasize employee traits, deficiencies and abilities. With the development of the employee/organization relations modern appraisal philosophy emphasizes on the present performance and future goals. Modern philosophy also stresses on employee participation in mutually set goals with the supervisor. The underlying philosophy behind mutual setting of goals is that people will work harder for

goals or objectives that they have participated in setting. The assumption is that people want to satisfy some of their needs through performing work activities that provide them with a supportive environment. They also need to perform meaningful tasks, share the objectives setting, share the rewards of their efforts and continue personal growth.

1.2   Background

The evaluation of job performance have been called by many different names throughout the years – a tool of management, a control process, a critical element in human resources allocation and many others. The first appraisal systems were just methods for determining whether the salary of the employees in the organizations was fair or not. Later, some empirical studies have shown that reduction or future pay were not the main effects of the process. Performance appraisal was recognized for a tool for motivation and development in the United States in the 1950s. (Cardy & Dobbins 1994)

The practice to formally appraise workers has existed for centuries, but the interest in the area has grown rapidly in the last forty years. As early as the third century A.D. Sin Yu, an early Chinese philosopher, criticized a biased rater employed by the Wei dynasty on the grounds that Imperial Rater of Nine Grades seldom rates men according to their merits but always according to his likes and dislikes" (Patten 1977, p.352). At 17th century lawmakers in Ireland used a rating scale based on personal attributes (Hackett 1928).

The first recorded appraisal system in industry was Robert Owen's use of character books and blocks in New Lanark mills in Scotland around 1800. The character book recorded each worker's daily report. The character blocks were colored differently on each side to represent an evaluation of the worker ranging from bad to good and they were displayed in each employee's workplace. Owen was quite impressed by the way the blocks improve the behaviors of workers (Cardy & Dobbins 1994).

The social environment around organizations today has changed considerably since Owen developed his system. Although most organizations have standardized control systems for managing other types of resources and monitor their use, the system for managing human resources has been typically neither a standardized nor a generally accepted part of

organizational life. This is a residue of large scale economic shifts. When the economy was primarily based on manufacturing the evaluation of performance was simple. A manager could evaluate a worker by only counting the number of units produced. In a service economy, however, output is not so easily measured and the evaluation of performance is much more subjective and less clearly defined process. Often then, there is a serious conflict not only over how evaluation should be conducted but also over whether it should be conducted at all. Many researchers and reputable sources criticize the importance of the process. They have expressed debates about the authenticity of the process. Some of them, such as Daniels (1999), even called it useless and evil. He couldn't see how the appraisal improves performance and characterizes it as a step of firing process. He suggests that "the best performance appraisal is one that is done every day". Another critic, Derven (1990), explains that if the manager or supervisor is unskilled or couldn't give accurate feedback, then the appraisal process will have only a negative effect. Because of this every organization has to make carefully structured process and have to develop managers to focus activities and efforts and enhance business performance.

On the other side, some of the defenders, such as Lawrie (1990), describe the process as "the most crucial aspect of organizational life".

1.3   Purpose and Research Questions

Evaluating individual performance is a human resources process that exists in one or another form in any organization. Most of the managers and employees have only a few positive things to say about Performance Appraisal and many of them even dislike it.

The aim of the research is to investigate the employees' opinions about the performance appraisal and their attitude towards work. In my work I seek answers to the following questions:

How clearly do employees understand the purpose and outcome of the PA process?

How frequent do they receive feedback and is the feedback clear enough?

Analysis of a Performance Appraisal process and its application in a specific company – "HSL" – Bulgaria will be carried out and the process will be described. Opinions and attitudes of employees regarding performance evaluation process will be surveyed. The review of the appraisal system and employees' opinions will be followed by findings, recommendations of best practices and suggestions for improvement.

1.4. Methodology

In this master thesis I have decided to use a case study approach in a single Bulgarian organization, which is a subsidiary of a reputable multinational company. Data for the analysis will be collected from the existing available sources of information including company guidelines, communication packs and from qualitative interviews – interviews with HR practitioners and interviews with line managers. In addition a questionnaire will be distributed to company employees.

Based on the surveyed questionnaires I will draw a conclusion if there is a correlation between clear purpose and understanding of performance appraisal, timely and consistent feedback on individual performance and their eventual effect on the employees' satisfaction and engagement to the company. Assumption is that more engaged employees are more stimulated to stay in the organization and to work harder for meeting business objectives.

The hypothesis is:

"There is a correlation between clear purpose and understanding of performance appraisal and the level of satisfaction and staff engagement"

Through the questionnaires I will seek responses on two types of questions for both parts of the hypothesis. Answers will be reviewed and analyzed with the support of a statistical method.

There will be some recommendations for best practice use and improvement of the appraisal process in the final part of the research. They would be sourced again from the interviews with line-managers and the literatures examined.

1.5. Structure

The first chapter starts with an introduction of Personal Performance Management. The thesis purpose is presented and the chapter finishes with disposition. The "Literature Review" chapter includes presentations of some theory, in the area of Performance appraisal, in order to provide the reader with better understanding of the current research within this area and potential link between existing theories and the case study, which is presented in the next chapters. The third chapter presents an overview of the case study. There is more information included about the presented company and the subject of the research. In chapter four, summary and analysis of findings from the questionnaires and interviews with HR professionals, line managers and employees is outlined. Also the results considering the main hypothesis of the research are discussed in this chapter. Chapter 5 contains suggestions about how to use Performance appraisal as a winning strategy for an organization, what value the best practices could bring, usual pitfalls and mistakes and how to overcome these as well as suggestions for both employees and managers. The last chapter presents a conclusion of the study, based on the findings of the study and the accepted hypothesis.

Chapter 2. Theoretical framework

In this chapter I provide an overview of concepts for performance appraisal definition, cover purposes and goals, advantages and disadvantages, types of performance appraisal systems and link of performance appraisal with employee engagement.

2.1. Definition of performance appraisal

Performance appraisal has been described as "the process of identifying, observing, measuring, and developing human performance in organization" (Carrol & Scheider, 1982). This definition is very important, because it comprises all important components needed for the well-performed appraisal process. Identification criteria orientate the appraisal process to the determination of what has to be examined – performance related criteria and not so much performance irrelevant characteristics. The observation component means that the supervisors need to frequently observe the identified characteristics. The measurement component indicates that the superior has to translate the observations into a judgmental rating. They have to be relevant, but also must be comparable across raters in the organization. By development component, the definition shows that the performance appraisal should not only be the evaluation of the past. The supervisor, who makes the appraisal, should focus on the future and on the improvement of the results. The definition also suggests that effective appraisal can improve the human performance in the organization, which also means increased employee motivation. Performance appraisal can and should be linked to performance improvement process and can also be used to identify training needs and potential, agree future objectives, support a career development and solve existing problems.

Performance appraisal process is part of the performance management system. The term "performance management" was first used in the 1970s, but it did not become a recognized process until the latter half of the 1980. The most appropriate definition in the context of the research is that, performance management represents a strategic and integrated approach to delivering organizational success by improving the performance capabilities of both individuals and teams. (Armstrong and Baron, 1998).

2.2. Advantages and disadvantages of performance appraisal and the link with the employee engagement and feedback

2.2.1 Purpose and benefits of the performance appraisal

According to Malcolm and Jackson (2002) there are three main groups of purposes:

- **Performance reviews** –managers discuss with employees the progress in their current positions, their strengths and areas requiring further development;
- **Potential reviews** – the discussion is about employees' opportunities for progression, and the type of work they will be fitted for in the future and how this can be achieved,
- **Reward reviews** – usually separate discussion but linked to the appraisal system. The manager communicates decisions on rewards such as pay, benefits or promotion and provides feedback.

Let's have a look at the most critical benefit of the appraisal process. Generally these could be divided in 3 categories according to their importance for the organization, manager or employee:

BENEFITS FOR THE ORGANIZATION:

Performance Appraisal could be an effective source of management information, given to employees. Performance reviews are focused on contributions to the organizational goals. Some forms of these reviews include the question "What organizational goals were contributed to and how?"

Outcomes of performance appraisal can lead to improvements in work performance and therefore overall business performance via, for example increased productivity or customer service.

Malcolm and Jackson (2002) outline four different benefits for the organization. These are targeted training approach based on identified needs, future employee promotion decisions, effective bases for reward decisions and improved retention of employees. The importance of performance appraisal for training and promotion needs is also discussed by Mullins (1999).

Besides, he identifies an additional benefit: performance appraisal can help to identify inefficient work practices or reveal potential problems, which are restricting the progress of the company. Derven (1990) and Mullins (1999) suggest that performance appraisal can help the organization to identify the talented employees and future leaders in the company.

Derven (1990) believes that there is a straight connection between the job of an individual and the strategic goals of the organization and this can directly increase the profitability of the company. He gives an example that advantage can be achieved when a company builds its appraisal systems on measuring customer satisfaction.

BENEFITS FOR THE MANAGER:

The annual meeting gives an opportunity to the manager to formally recognize good performance and this would lead to more motivation from the workers (Derven 1990). Modern systems for performance appraisal depersonalize issues. Supervisors focus on behaviors and results, rather than on personalities. Such systems support ongoing communication, feedback and dialogue about organizational goals. Also they support communication between an employee and a supervisor. Performance appraisal provides a clear target of job standards and priorities and ensures more trust on the relation manager–worker (Derven 1990). Other management benefits of Performance Appraisal are the identification of high performers and poor performers as well as the identification of strengths and development areas. (Jackson & Schuller 2002).

BENEFITS FOR THE EMPLOYEE:

Performance appraisal takes into account the past performance of the employees and focuses on the improvement of the future performance of the employees.

It gives the staff the opportunity to express their ideas and expectations for the strategic goals of the company (Mullins 1999). Employees can find what is expected from them and what the consequences of their performance are. Ideally they receive a fair and analytical feedback for their performance (Derven 1990). Performance appraisal helps to rate the performance of the employees and evaluate their contribution towards the organizational goals. It helps to align the

individual performances with the organizational goals and also review employees' performances. Besides, enhancing motivation appraisal is about involvement in the 'big picture' - responsibility, encouragement, recognition for effective delivery and effort (Malcolm and Jackson, 2002). Performance Appraisal is a motivation for the employee, who performs well in the present to go on doing so and in the future (Derven 1990).

2.2.2 Concerns and challenges of the performance appraisal

Performance Appraisal is being widely practiced in the organization worldwide. Despite this fact there are a large number of managers, human resource professionals, human resource consultants and researchers that recommend companies to get rid of the performance appraisal systems.

The first and maybe be strongest argument is the existing discrepancy between the theory and the practical implementation. Authors, like Bernardin & Klatt (1985); Hall, Postner & Hardner (1989); Maroney & Buckley (1992), report there is a considerable gap between theory and practice and that human resources specialists do not make full use of the psychometric tools available. Counter argument maintained by line managers is that the process needs to be simple and easy to use; otherwise it becomes time consuming and cost ineffective. Another portion of criticism comes with the fact that performance appraisal increases the dependency of the employees on their superiors. Where the process is conducted by managers who are often not trained to be appraisers, the genuine feedback is obstructed because it includes subjectivity and bias of the raters, which leads to incorrect and unreliable data regarding the performance of the employee.

Performance Appraisal process can also be a bitter process which can create emotional pressures, stress and sometimes can adversely affect the morale and lead to demotivation.

Performance appraisals are often time consuming and use incorrect methods to measure performances. They are generating false results and the decisions taken can be politically influenced.

An example to support the points mentioned above would be the case of a call centre employee. The appraisal of a call center employee is based on the amount of work they do, the number of calls they receive, the amount of revenue they collect, the average time they spend on each call. But if analyzed, all these factors depend on other factors like the response of the callers, the availability of the information asked for, the nature of the calls etc. which are often not considered during appraisals. When an employee is being aware of all these secondary factors that have not been considered when they are assessed, the situation can create stress and dissatisfaction.

Walters (1995) outline the main Performance Appraisal challenges in the performance appraisal process:

- Determining the evaluation criteria. Identification of the appraisal criteria is one of the biggest problems faced by the top management. For the purpose of evaluation, the criteria selected should be in quantifiable or measurable terms.
- Lack of competence. Evaluators should have the required expertise and the knowledge to decide the criteria accurately. They should have the experience and the training necessary to carry out the appraisal process objectively.
- Errors in rating and evaluation. Many errors based on the personal bias like stereotyping, halo effect (i.e. one trait influencing the evaluator's rating for all other traits) etc. may creep in the appraisal process. Therefore the rater should exercise objectivity and fairness in evaluating and rating the performance of the employees.
- Resistance. The appraisal process may face resistance from the employees because of the fear of negative ratings. Therefore, the employees should be communicated and clearly explained the purpose as well the process of appraisal. The standards should be clearly communicated and every employee should be made aware of what exactly is expected from them.

2.2.3 Performance appraisal and employee engagement

There are several definitions for Employee Engagement.

Wellins, Bernthal, Phelps (2006) define engagement as extent to which people enjoy and believe in what they do and feel valued for doing it. Employee Engagement is assessed through attitudes or organizational climate surveys. Surveys are typically filled in by managers and employees. Scores from the survey are correlating with various business metrics including staff turnover, absenteeism, productivity, sales etc.

According to Wellins, Bernthal and Phelps (2006) right employees in right jobs, exceptional leadership and organizational systems and strategies are the key employee engagement drivers. An organization drives engagement by leveraging three sources of influence for change – employees, leaders and organizational systems and strategies. Such systems fostering engagements are for example hiring, promotion, performance management, recognition, compensation, training and career development.

Organizational systems and the importance of practices were studied by Huselid (1995). He found considerable support for the hypothesis that investments in high-performance work practices are associated with lower employee turnover and greater productivity and corporate financial performance. His results were based on a US national sample of nearly one thousand firms and indicated that HR practices that foster high performance also have an economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance.

Wright, Gardner and Moynihan (2003) ran a research whose results support the notion that businesses which manage employees by using more progressive HR practices can expect to see higher operational performance as a result.

Herzberg (1959) outlines some theories about work motivation. According to Hertzberg key motivators are achievement, recognition, responsibility, advancement and personal growth. These are also the elements of employee engagement.

It seems that when employees are managed with progressive HR practices they become more

committed to their organization. At least in part, this commitment leads them to exhibit proper role behavior (and thus lower workers' compensation costs, higher quality and higher productivity). These operational performance outcomes result in lower overall operating expenses and higher profitability.

Another important dimension of employee engagement power is closely related to business results. When the working environment is positive employees have a drive to do their best and the organization experiences higher level of productivity and profitability. Satisfied employees are positive and behave friendly to customers, which usually brings higher profits. Organizations with engaged employees have more satisfied customers because employees are also improving other factors, such as customer satisfaction, responsiveness, product quality, innovation. In the end higher engagement results into higher and faster revenue growth.

Treacy (2004) demonstrate the relation between double-digit growth companies and engagement. Employee Engagement scores were about 20% higher in double-digit versus single-digit growth companies.

Numerous studies researching the linkage engagement – overall business performance have been published. To date, a lot of employee engagement research has been conducted by consulting firms and studies that validate engagement models have yet to appear in scientific journals. Based on these studies, there is evidence that aggregated employee opinions relate fairly strongly to important business outcomes. Are business units profitable because their employees are engaged or are employees engaged because they work for profitable units? This is a question that needs to be explored in depth in the future studies.

2.2.4 Feedback

One of the most critical parts of the appraisal process is the direct communication between supervisor and individual. The information reflecting past performance and results and given by the manager to the employee is called feedback. It improves the effectiveness and helps in decision making within the organization. The feedback directs the individual to the organization missions and objectives.

In the ideal situation the employee receives information about how they are performing and where they could improve. Managers identify the weaknesses of the employees and together they make a plan for the employee's development.

The success of the feedback depends on the acceptance of the process. The source of the feedback must be perceived by the recipient as being trustworthy, credible, reliable, objective and properly motivated.

Feedback reactions are usually very different. The satisfaction with the performance appraisal is an indication of the degree to which subordinates are satisfied with the process and the feedback they have received. It serves as a report of the accuracy and fair evaluations of the performance. The outcome is that satisfied individuals after the performance appraisal will improve further working relationships with supervisors and colleagues.

The feedback can also bring negative reactions from employees. If perceived unfair, the feedback can cause behavioral changes such as absenteeism, lack of cooperation, lack of focus on priorities, unhealthy competition and even can cause staff turnover.

2.3. Types of performance appraisal

When the best method for evaluation is chosen, the following considerations should be taken into account: the accuracy and authentication of the criteria, appropriateness for the specified criteria, appropriateness for the given group of employees and the cost of the process – (how much time and money would be needed for the execution of the process).

Appraisal methods are discussed by Armstrong (1996).The method also must be simple and easily understandable for all people in the organization. Characteristics of the work, employees and the type of the organization have an influence on the way of determining the best method. In the situations, where there is a more routine work and more stable environment and the worker has no much space to show creativity and independency, the best methods are based on comparing with labor standards and rating scales. When the situation is vice versa – unstable environment, there is a space for solo decisions and the tasks are not only

routine one – it is better to choose methods towards meeting the goals or methods by objective. Evaluation reports are preferred when there is an evaluation of very self-reliant individuals. There supervisors appraise their creativity, flexibility and originality.

Performance appraisal frequently is based on overall ratings scales. If there is a performance-related pay scheme, these ratings determine the size of the salary increase. Rating scales could be two types: **behavioral**, which means good, average or inadequate performance or **graphic**, which are a number of scale points. The latter ones could be alphabetical (A, B, C etc.) or numerical (1, 2, 3 etc.) The scale points could be for example in the following order: excellent (A), highly acceptable (B,) acceptable (C), not entirely acceptable (D) and unacceptable (E). There are also scales that follow a different order: excellent, very good, good, average and poor (E). There are many different methods for the performance assessment. When comparative evaluation of two or more employees is required comparative evaluation methods are used.

There are ranking methods that require comparative evaluation of two or more employees. These methods were developed to eliminate the central tendency problem and to provide information used for reward allocation decisions. In their paper Lazear and Rosen (1981) argue that a compensation scheme, based on an individual's position within the company, rather than on his/ her absolute level of output will be a preferred and natural outcome of a competitive economy. Evaluating employees on the basis of their relative position can be linked to an incentive salary structure. Examples for comparative evaluation are ranking and forced distribution methods.

Ranking method
Ranking lists range all employees in the same group or department in order of their performance. Firstly, top and bottom performance are ranked and then come the others, toward the middle.

Forced distribution

This is another distribution method which requires that the evaluator assign employees into categories on the basis of their performance but limit the percentage of employees that can be placed in any category. Frequently used distribution recommendation is the following:

Rating	Percentage
A	5-10
B	10-15
C	60
D	15
E	5

Top 5%-10% and bottom 5% of employees are in the highest and lowest category and the rest are distributed into groups the middle.

360-degree Feedback

360-degree Feedback is a process in which employees receive confidential, anonymous feedback from the people who work around them. It gives a multi-dimensional picture about the performance of an employee from their mangers, supervisors, team leaders, colleagues and external and internal customers. The process works through questionnaires, which are confidential; the individual receives a summary of aggregated results.

Because feedback is anonymous providers feel safe to share their straight opinions. The feedback is also balanced because it is mirroring views of superiors, peers and subordinates. The potential problem with *360* is that after getting feedback the person should work together

with his/her line-manager towards identifying improvement measures and actions. Experience in "HSL" shows that very few employees use *360* effectively for developing purposes. Perhaps the reason behind is that there is no requirement for the employees to share their feedback with the line-managers and design future actions. It is left up to the employee's will whether he/ she wants to share feedback results or not.

Creamer and Janosik (1999) outlined some different approaches to the appraisal process, which could be easily divided by two approaches:

1. BEHAVIOUR BASED APPROACH

This method uses individual performance factors to appraise the performance, such as :

Conventional Rating Scale – assessment on the basis of the job description. If there are no behavior descriptions, the line-managers should describe the individual skills for the execution of the job.

Behaviorally Anchored Scale – the appraisal is rated on a scale, based on the specific behaviors of the workers.

Behaviors-Based Approach or behavioral frequency scale is based on how often employees show specific behaviors.

The weighted checklist – supervisors use a list of performance related statements with different weights. The performance of the employees is measured on that scale.

The main disadvantage of behavioral methods is that they can be very subjective because there are no quantitative criteria that can be used. In these cases line managers can be easily influenced by their own biases.

2. RESULTS FOCUSED APPROACH

This type of approach is based on the results shown by the employees. The main advantage of that approach is that the appraisal is generally perceived as fair and easy to understand by the

staff, which contributes to a high level of participation in the process. Another benefit is that this type of approach produces short and long term results in achieving the performance and organizational objectives. The disadvantage is that then the process is extremely oriented on the results and is not so much flexible tool to reflect, for example, effort if targets are not achieved due to change in economic environment. Another disadvantage could be that not all results are measurable. This may lead to a relative lack of attention for performance aspects which cannot be captured in, say, SMART terms.

In this type of approach, management compares the benefits and disadvantages. There are two general techniques of enacting result-focused approaches: Management by Objectives (MBO) and Accountabilities and Measures (Grote 1996).

I would specifically emphasize on the Management by objectives as a most advanced form of Results approach used in the appraisals.

Management by objectives (MBO) is an individual evaluation method which measures task outcomes rather than behaviors. (Drucker 1954)

The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards that were set. Ideally, when employees themselves have been involved with the goal setting and choose the course of their action they are more likely to fulfill their responsibilities. Because individual objectives are different for each employee results cannot easily be compared. In addition, MBO demands a considerable amount of time and paper work. On the positive side, MBO offers some unique features and advantages.

- Clarity of goals – with MBO comes the concept of SMART goals. If the goals are specific measurable and achievable, then they can play a motivating role for the employee and stimulate their performance. It could be even better if there is a linkage between organizational goals and performance targets of the employees. This will help

employees to see their own part in achieving company objectives.

- The focus is on the future rather than on the past. Goals and standards are set for the performance for the future with periodic reviews and feedback.

- Motivation – Involving employees in the whole process of goal setting and increasing employee empowerment increases an employee's job satisfaction and commitment.

It is also possible to combine different methods in one appraisal system. For example, Management by objectives with ranking and Forced distribution. Such combination will be described in the organization that was subject to the case study.

2.4. HSL practice

In the observed company "HSl", performance appraisal is a process part of the performance management, designed to increase employee's current motivation by providing feedback on strengths, weaknesses and development areas. The company management believes that an effective improvement of the individual performance brings improvement of the overall business performance of the organization and creates a performance driven environment. Performance appraisal process In "HSL" is part of the performance management system. In the performance review the line-managers discuss with the employees their strengths and development areas in order to stimulate them for further improvement on individual level. In the potential review line-managers discuss future career opportunities and how these can be achieved by identifying employees' development needs and career expectations. Reward review is a discussion, where line-managers communicate basic-pay, variable pay, promotions, benefits, etc.

"HSL" uses the combined methods in their performance appraisal system. The company uses Management by objectives plus Behaviors assessment since both performance and behaviors are seen as equally important factors. "HSL" is using a method for ranking employees based on relative comparison. Results are used for reward decisions at the end of the appraisal cycle. "HSL" has moved out the Forced distribution method and replaced it with an average budget

rule. This was made because labeling of people based on their performance was seen as inappropriate. "HSL" experience suggests that once a person falls in the Good category they will have difficult times to get out of it and move into Very Good although they might have changed performance level significantly. Currently used Individual Performance factor in the range of 0.5 to 1.5 with an average budget of 1.03 used as a method of control is seen as more fair and objective and is also preferred by employees and managers. However, the tendency to rank most people in the middle 0.8 and 1.2 in order to achieve an average of 1.03, still exists and is difficult to be avoided. 360-degree feedback is a widely used tool. There is an electronic questionnaire that is available for all employees to receive feedback from their superior, peers and subordinates. Once the employees receive feedback summary, usually they discuss it with their managers and determine together a course of development actions.

Chapter 3. Case study overview

In this chapter, the performance appraisal process in a "HSL Bulgaria" is described. The company is an existing one, under a fictional name. Information has been gathered in interview sessions with representatives of the company in the following categories – managers, employees and HR professionals.

In the first part, I introduce the company and interpret the appraisal process in the company. The second part I describe the methods used in the research.

3.1. "HSL Company"

"HSL Bulgaria" is a local Bulgarian company, a subsidiary of HSL International. It has been established in the early 90's with a business strategy to build a retailer network in Bulgaria. The business plan was to establish a network of over 100 outlets and today HSL has exceeded its target and has a leading position in its industry.

In 2009 "HSL"-Bulgaria has won second place in the Best Employers Survey run by Hewitt International amongst 91 participants. The survey is based on questionnaires filled by employees, leaders and HR specialists. Employee Engagement score measures the extent to which employees are attached to the company and the efforts they make for the interest of the organization. Employee Engagement in "HSL" scored 88%. This is a remarkable result which shows that employees are valuing their company, feel proud to work for it and would recommend the company as a stimulating workplace within their close relationships network. These results are confirmed by the People Survey, an internal attitudes survey run internally on yearly basis. Another Best Employers survey was carried out in 2006 and at that time the employee engagement factor was 55%. In the interviews with managers and team leaders they all confirmed that the significant growth in the employee engagement is a result from conscientious work with the employees in the areas of communication and engagement. A regular communication process was set up to inform people about future changes in the organization, business results, new projects, etc. There is an ongoing dialogue between staff and

management – employees can ask questions, challenge the status quo and come up with suggestions and new ideas.

3.2. Appraisal system in "HSL Company"

The company has been through various organizational and operational changes. Ways of working have changed gradually with the development of the company. The new type of industrial relations has been taking place, requiring development and change in the people management processes.

The international spirit of the company is felt on the local grounds. "HSL Bulgaria" is part of the Central and Eastern European Retail market unit. Central Eastern European countries are unified in cluster operations under a matrix organization management system. Many Bulgarian employees are reporting to cluster managers representing different nationalities. Some employees of the company have taken the opportunity to apply and have been selected for global and regional roles and have responsibilities beyond the Bulgarian borders. They often perform their roles in virtual environment, meaning that they are part of virtual teams sitting in different geographic locations. There are also Bulgarian employees, based in Sofia assuming managerial positions and being responsible for people from other nationalities in Europe but also outside European Union. This is the way which the company uses for developing employees and preparing local leaders for assuming future global leaders roles.

At present the company has a well developed Human Resources strategy that is aligned with shareholders' interests in the country. There are different systems and processes that put people management in the centre of business development strategy. One of these processes with a prime importance for people management is the Performance Appraisal. Twenty years ago it started as a simple process of target setting and performance review and has developed throughout the years to reflect the new type of employee-manager relations and company values. Today Performance appraisal is in the centre of the integrated HR management system, integrated to other processes as pay, learning, career development, selection, etc.

The company is changing its organizational behavior and implementing and promoting a high-performance culture. According to the management opinion there are two important elements that have to be rightly positioned and correctly implemented and these are discipline and leadership. When it comes to discipline, it is not about autocratic and controlling behaviors. It is more about letting people speak and share their opinions and ideas in an open and trustful environment. The company discipline does not only follow the guidelines, but it is also about reducing complexity, do things in a simpler and standard way with a focus on must-have priorities eliminating the nice-have ones. In "HSL" leadership skills such as achieving results, maximizing business opportunities, managing customer relations, coaching etc. are important not only for managers, but they are also part of the competence profile of people at different levels – not only for those who are on the top levels but also for those who are in customer facing jobs, marketing roles, financial planning etc. Leadership accountability and team work are also identified as aspired core skills and behaviors on company-wide level. Their meaning is defined in details in the context of company operations. These behaviors are also included in the performance appraisal assessment.

Speaking about behaviors they were added three years ago into the standard list of criteria for performance measuring and rewarding. Now if an employee deserves a high performance ranking result, he/she should demonstrate not only what has been achieved but also how – what behaviors they have exhibited in their work. This makes the appraisal assessment more complex and bureaucratic, but also determines a standard for behaviors – which of them the company can tolerate and which ones should be eliminated as unacceptable.

There is a growing focus on productivity and objectivity. The legal issue is related to diversity in gender, nationality, biases, etc. How to handle potential diversity bias and eliminate prejudice are issues addressed in the Performance appraisal communication pack prepared for managers and HR professionals.

Another aspect to be taken into consideration in the performance appraisal cycle is the cultural differences of people with different backgrounds, beliefs, education, and religion. There is a

special cultural awareness training offered to both employees and managers which helps people increase their self-awareness as well as building knowledge and appreciation of other cultures. HR professionals are delivering these workshops with an emphasis on cultural empathy and appropriate verbal and non-verbal communication skills that are important to cross-culture success.

At the beginning of the performance period specific objectives are identified. They derive from the overall business objectives and are cascaded bottom down in the organization. Each employee receives from his line manager his business objectives and personal targets. They are used as a basis on which the employee specifies his/her own targets. Using this approach, the organization ensures alignment between company objectives and employees goals. At the end of the performance period the progress and results are reviewed against these objectives.

The structured and formal performance review or discussion known also as appraisal interview plays an important role in the process. This is an opportunity to review the past performance against objectives set earlier as well as to identify any gap. For managers and supervisors this is the time to identify current performance level, discuss strengths and weaknesses and future opportunities. Appraisal discussion helps employees to understand how they are doing, receive coaching and feedback, clarify expectations about career development.

Clear and constructive feedback is also part of the process. In the performance appraisal guidelines it is communicated that giving and receiving feedback is an opportunity to share opinions. Employees expect feedback on their strengths, achievements but also weaknesses and development areas. Line managers collect feedback from other managers or colleagues of the employees under their line of subordination. These outputs must be recent, specific and should contain recommendations for improvement or doing things differently.

HR specialists in the company believe that in order to be productive the Performance Appraisal should be aligning the interests of the employees and the organization. In order to meet their

personal goals the employees would need to know what the formal opinion about their work and personal qualities is, what their opportunities to progress in their careers are and they should be aware what they need to improve. The organization should know how to utilize their skills, how to motivate employees, retain them in the company and develop them further to perform the company's objectives even more effectively.

In this part, I review the performance appraisal system in "HSL" following their structure:

PERFORMANCE APPRAISAL STRUCTURE

Step 1 Managers and employees discuss, identify and formalize the personal objectives

"HSL" is using MBO in their appraisal process. In the beginning of the performance period specific objectives are identified. They derive from the overall business objectives and are cascaded bottom down in the organization. Each employee receives from his line manager his/her business objectives and personal targets. They are used as a basis on which employees specify their own targets. Using this approach the organization ensures alignment between company objectives, its overall strategy, departmental goals and personnel targets. At the end of the performance period the progress and results are reviewed against these objectives.

The first element is the objectives setting. Overall business objectives are cascaded down into organization and individual targets derive from them, they should be agreed and documented by the end of February.

Step 2 Mid-year performance reviews

The managers and employees have a meeting in the middle of the performance period to review their objectives and targets. This is an opportunity for people to understand how they are doing their job and to have enough time to improve their performance if anything is going wrong. Targets are reviewed and if necessary some targets can be eliminated and others can be added in order to match business priorities. This meeting is in June/July.

Step 3 Formal process launches

Global HR Director issues the kick-off note about the Performance Appraisal cycle to all employees at the end of October. Guidelines and various learning materials for managers, employees and HR specialists are published on the Individual Performance Review website, which is regularly updated. Individual forms are available in the web based HR system.

The forms are divided in different sections. First part reflects performance targets, milestones, actions and deadlines in line with the SMART objectives principles. (Specific, Measurable, Achievable, Realistic and Time bound). The next section is concerning professional development plans and the last one is with the target section.

Step 4 Preparation

There is a period to prepare for the performance review both for the employees and for the managers by the end of November. Performance discussion goal is to analyze the past performance, individual development and share feedback. Both parties are required to prepare for the discussion. There are guidelines available for facilitating a productive discussion.

Step 5 Performance rankings

Next step is the performance ranking resulting in Individual Performance Factor (IPF) expressed in figure in the range of 0 to 1.5. IPFs are established in ranking sessions where ranking panel of line managers and HR are classifying people from one pool in a top-down order based on their performance and behavior. There is a big rule that average budget of one pool cannot exceed 1.03. Performance ranking should be completed by mid-December.

Step 6 Manager communicates to staff

The manager and the employee meet to discuss the manager's observations and outcomes by the end of February. The aim of the conversation is to review the strengths of the employee,

likely areas of improvement and future professional development plan. The employee is given the freedom to express his/her opinion on the topics.

Step 7 Remuneration review

An effective reward policy reflects and supports the achievement of the business strategy, recognizes contribution and links to individual rewards. Performance ranking outcome has an absolute value – Individual Performance Factor. IPF and position in the range between the minimum and the maximum of the salary scale determines the individual merit increase. Overall merit increase is established on the basis of country remuneration surveys. "HSL" Bulgaria is positioning remuneration system in the top quartile of the salary market. What portion of the overall increase the employee will receive is to a great extent established by his/her own performance result. The company has a system to grant a performance based bonus on a yearly basis, where the amount of bonus depends on the IPF and the result of the business scorecard. Thus two elements are determining the bonus – individual and overall company results. The score card is a set of specific business key performance indicators. Exceptional performance and behaviors are also rewarded through a special recognition scheme, depending only on individual performance outside the current job responsibilities. Special recognition awards can be both monetary and non-monetary.

Step 8 Employee Personal file is updated

Performance appraisal outcomes are documented and the annual performance cycle is closed at the end of February.

3.3. Method of research used

There are both quantitative and qualitative method approaches in the thesis. The quantitative approach is more objective. It is used to evaluate the evidence and to clarify theories and hypothesis. It is much more focused on the collection and analyzes of statistics. (Hunter & Leahey 2008). On the other side, the qualitative method is interpreting what the people think

and say. That method is much more subject to interviews and case studies and relies less on numbers. (Denzin & Lincoln 2005) In general, the qualitative method produces conclusions and hypothesis and the quantitative method verifies which hypothesis is true.

DIFFERENCES IN BOTH METHODS

- Qualitative method investigates the phenomena, while quantitative method confirms the hypothesis
- Qualitative method is semi-structured; It includes interviews and participant observations, while the quantitative one uses more structured approaches such as surveys and questionnaires.
- Qualitative method describes the relationships and variation, while quantitative method is used to predict the relationships and quantify the variation.
- Open-ended questions are used in the qualitative method, while in the quantitative the questions are closed in the questions formats.
- The data format in the qualitative method is textual, while in the quantitative one the data assign numerical values.

DATA COLLECTION

The required information needed for the thesis was collected through the use of questionnaires and interviews.

THE QUESTIONNAIRE METHOD

The questionnaire was composed in a brief and appropriate language to avoid ambiguity and to attract respondent's interest. (It is attached as an Appendix).

The questionnaire was send by e-mail by me to company employees (list of their names I received from the HR Department). Concerning confidentiality I agreed to the company that employees would fill in the questionnaire anonymously and would put their hardcopy into a

plastic black box, which was properly sealed. I also agreed with HSL to share with them a report summary and not individual questionnaire.

The questionnaire consists of different types of questions. Information about the demographic data of the participants is gathered from the multiple choice questions (closed), which just required that the right answers be ticked by the respondents. The demographic questions are used to correlate response between different types of groups. It is very important to find whether responses are consistent across groups. The main part of the questionnaire, which concerns the hypothesis of the thesis, consists of likert-scale questions. These questions help us to find how strongly the respondents agree with a particular statement. The answers of the questions are based on five-level scale and the options are: strongly agree, agree, neither agree or disagree, disagree, strongly disagree. In the research, there are also questions that require only YES/NO as well as unstructured questions (open ended) which allow the respondents to reply in their own words and give freedom of opinions.

I have used almost all types of questions in our questionnaire to confirm or reject our hypothesis and to find our conclusions and recommendations.

THE INTERVIEW METHOD

The interview method was also used to find some information needed for the research, which could not be found through questionnaire such as the structure of performance appraisal in the company, the importance of the process for the profitability of the company and for the level of engagement.

METHODS OF DATA ANALYSES

Tables and simple percentages were used in analyzing the variables. To test the psychometric properties of the three we carried out item total correlations and calculated the means, standard deviations and Cronbach Alpha's.

CRONBACH ALPHA

Reliability can be expressed in terms of stability, equivalence and consistency of a test. Consistency check, which is commonly expressed in the form of Cronbach coefficient, is a popular method.

Generally speaking, the higher the Alpha is, the more reliable the test is. There isn't a commonly agreed cut-off. Usually 0.7 and above is acceptable. (Nunnally, 1978). It is a common misconception that if the Alpha is Low, it must be a bad test.

LEVEL OF SIGNIFICANCE

For this study, the level of significance is 5%. This means if the probability is less than or equal to 5 %, then the null hypothesis is rejected and the outcome is statistically significant.

Chapter 4. SUMMARY OF FINDINGS

This chapter presents the data collected from the questionnaire. The hypothesis will be tested for acceptance or rejection by the statistical methods.

4.1. Answers from the questionnaire

The first part of the questionnaire presents some demographic data questions. Tables 2, 3 and 4 give information about the gender, age and professional level of the respondents.

 Questionnaires were distributed to seventy employees of the selected company, 41 were returned.

There are Tables 2, 3 and 4 on the next page, which reflects some demographic about the gender, age and the position in the company of the respondents.

61 % of the respondents are female, almost 1/3 of the participants are on age between 30 and 40, and more than half of the people are professional staff.

Table 2

GENDER	RESPONDENTS	PERCENTAGE
Male	16	39%
Female	25	61%
Total	**41**	**100%**

Table 3

AGE	RESPONDENTS	PERCENTAGE
20-30	12	29%
31-40	13	32%
41-50	10	24%
Above 50	6	15%
Total	**41**	**100%**

Table 4

POSITION	RESPONDENTS	PERCENTAGE
Junior staff	6	15%
Professional staff	24	59%
Management staff	11	27%
Total	**41**	**100%**

The second part of the questionnaire is connected with the hypothesis used in the research. There are 23 statements and the respondents are requested to tick the level of agreement or disagreement, based on their attitude towards work, opinion of the performance appraisal and their own satisfaction and engagement with the company. Tables 5 and 6 present all statements and the answers of the respondents. The questions are divided into 2 groups: the statements in Table 5 are linked to the frequency, understanding and clarity of the performance appraisal and feedback. The other questions (Table 6) reflect the level of engagement and satisfaction of the employees. These 2 groups of questions aimed to find out the correlation between clear purpose and understanding of performance appraisal and the level of satisfaction and staff engagement, which is the hypothesis of the research. The first two questions are explaining the variables. The questionnaire can be found in the Appendix.

Table 5

Statement	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
1. My manager discusses regularly my job performance with me	32%	46%	17%	5%	0%
2 .I clearly understand my manager's comments and opinion during the feedback	41%	49%	5%	5%	0%
12. Performance management can help people understand the organization's strategic priorities	29%	51%	20%	0%	0%

13. I receive adequate training and information about the performance appraisal cycle before it starts	41%	44%	15%	0%	0%
14. I clearly understand the purpose of performance appraisal	44%	56%	0%	0%	0%
15. Performance appraisal in my company is fair	17%	54%	24%	5%	0%
16. Performance appraisal reflects objectively my performance	27%	41%	29%	2%	0%
17. Performance appraisal makes me better understand what I should be doing	17%	59%	24%	0%	0%
18. Performance appraisal process helps manager/supervisor to manage people better	24%	54%	22%	0%	0%

19. Performance appraisal process encourages co-operation & team spirit	15%	27%	51%	7%	0%
20. Performance appraisal influences positively individual performance	27%	61%	10%	2%	0%

Answers in the first set of questions provide an idea about attitudes of mind which we are observing. The first thought is that the company does a good job to make people aware of the objectives and outcomes of the performance appraisal process. Prevailing number of employees believe that their appraisal is fair and stimulates their performance. There is also a belief that managers and supervisors are handling relatively well the process of feedback.

In the first group of questions related to understanding and clarity of the performance appraisal and feedback there is no single response "Strongly disagree". Highest number (44%) of "Strongly agree" replies are on the statement "I clearly understand the purpose of the performance appraisal". All the other 56% respondents have ticked the answer "Agree", which confirms that the purpose of the performance appraisal process is relatively clear to employees.

The statement, which has received the highest number of "Agree" (61%), is "Performance appraisal influences positively individual performance". If we make connection with the statement "I clearly understand the purpose of the performance appraisal", which has received the most "Strongly Agree", we can confirm that the respondents believe that the purpose of the performance appraisal can contribute to the improvement of the performance.

The other statements, which have scored over 50% "Agree" replies are „Performance management can help people understand the organization's strategic priorities" (51%), "Performance appraisal in my company is fair" (54%), "Performance appraisal makes me better

understand what I should be doing" (59%) and "Performance appraisal process helps manager/supervisor to manage people better" (54%). These statements show that company makes good use of the performance appraisal, links successfully companies-employees objectives, provides right understanding of what people should be doing and PA is overall perceived as fair.

There are another 2 statements which receive replies "Strongly agree" or "Agree" only. These are "I clearly understand my manager's comments and opinion during the feedback" achieving overall 90 % support (41% "Strongly agree" and 49% "Agree") and "I receive adequate training and information about the performance appraisal cycle before it starts" with 85% support (41% "Strongly Agree" and 44 % "Agree"). These statements confirm that the managers in the company skillfully provide feedback to employees and also regularly provide comments to staff – "My manager discusses regularly my job performance with me", confirmed by 32% with "Strongly Agree", 46 % with "Agree" and only 5% with "Disagree".

The employees in "HSL" believe in the fair and objective performance appraisal. 27% confirm with "Strongly Agree", 41% with "Agree" and only 2% with "Disagree" the statement „Performance appraisal reflects objectively my performance".

The statement with most uncertain responses is "Performance appraisal process encourages co-operation & team spirit". More than one half of the respondents (51%) neither support nor reject it. The reason I see behind these answers is that PA is a process that evaluates individual performance rather than team effort. Performance appraisal results in an individual performance factor. The second half of the respondents is more supportive (15% - Strongly Agree and 27% - Agree). If the company aims to stimulate cooperation through performance appraisal, they need to think of establishing a scheme rewarding the team results.

Table 6

Statement	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
3. My manager recognizes me when I do a good job	37%	51%	12%	0%	0%
4. My manager plays a significant role in my career development	32%	41%	22%	5%	0%
5. I am satisfied with the relationship with my manager/supervisor	32%	59%	2%	7%	0%
6. My manager/supervisor is highly capable as manager	29%	41%	29%	0%	0%
7. My manager gives me fair feedback	32%	46%	22%	0%	0%
8. My manager/supervisor has reasonable expectations for my work	17%	71%	7%	5%	0%
9. My manager/supervisor is well informed about my work	17%	56%	20%	7%	0%
10. My job is fulfilling my needs	10%	56%	32%	2%	0%

11. I feel proud to work for my company	51%	41%	7%	0%	0%
21. I rank my company higher compared to other employers	46%	44%	10%	0%	0%
22. I would recommend my company to all my friends	56%	34%	10%	0%	0%
23. The salary is adequate reflection of my performance	24%	32%	29%	12%	2%

In the second set of questions, surveying the level of satisfaction and engagement to the company, we can find more statements with "Strongly Agree" replies. The reason might be related to the strong employer's brand and corporate reputation. (The company has a very strong brand on the Bulgarian market). For two of the statements more than half of the respondents give "Strongly Agree" replies (56%) – "I would recommend my company to all my friends" and "I feel proud to work for my company" (51%). These facts demonstrate pride in the company and also a high satisfaction. Strong employer's brand preference is also confirmed in the statement "I rank my company higher comparing to other employers" – (46% - Strongly Agree, 44% - Agree).

The highest number of "Agree" scores (71%) in the whole survey are collected from the statement "My manager has reasonable expectations for my work". Employees in the company mostly believe that their manager's judgments are fair and objective. Other statements with more than 50% „Agree" replies which confirm the positive opinion of the staff towards management are "My manager recognizes me when I do a good job" – 51%, "I am satisfied with the relationship with my manager/supervisor" – 59%, "My manager is well informed about my work" – 56%.

The good opinion of the employees of their managers is also supported by the statements "My manager/supervisor is highly capable as manager" (29% Strongly Agree and 41 % Agree) and "My manager gives me fair feedback" (32% Strongly Agree and 46% Agree). In the both statements there are no answers "Disagree" or "Strongly Disagree". I believe people answered honestly to these sensitive questions, because confidentiality of their replies was observed.

The employees also believe that managers could contribute to their future careers. This could be seen from the answers of the statement "My manager plays a significant role in my career development", where 32 % "Strongly Agree" with the statement and 41 % "Agree".

One of the statements that differs from the others is "The salary is adequate reflection of my performance". Here 24 % scored "Strongly Agree", 32% "Agree", 29% "Neither Agree or Disagree", 12% "Disagree" and 2 % "Strongly Disagree".

56 % gave favorable response to the statement "My job is fulfilling my needs", which could possibly mean that they feel happy on their job, which also has link to their level of engagement.

The next questions are seeking opinions from the employees about the consequences of the appraisal:

QUESTION: DO YOU THINK THAT POSITIVE PERFORMANCE APPRAISAL SHOULD LEAD TO INCREASE THE SALARY? **RESULT** shows that 95% of the respondents believe that positive performance should lead to salary increase, while only 2 people, representing 5%, do not support linkage of salary increase and performance appraisal.

 QUESTION: DO YOU THINK THAT POSITIVE PERFORMANCE ASSESMENT SHOULD INFLUENCE THE EMPLOYEES PROMOTION? **RESULT:** All respondents believe that positive performance assessment should lead to employee promotion.

QUESTION: DO YOU THINK THAT YOUR RESULT IS LINKED TO THE PROFITABILITY OF THE COMPANY? **RESULT** shows that 88% of the respondents believe that their own work is linked to the profitability of the company.

The last question was to find out what the respondents believe should be done differently in the process of the performance appraisal. The suggestions made are included in Chapter 5 "Recommendations and Findings".

4.2. Descriptive Statistics

The statements which need to support the hypothesis could be also reviewed in points of statistics. Pursuing this objective, I have quantified answers in the agree-disagree scale, as follows: 5 – Strongly Agree, 4 – Agree, 3 –Neither Agree or Disagree, 2 Strongly Disagree and 1 Disagree.

In table 7, we can find additional information about the statements. The first column contains the statement; the next one "N" is the number of the respondents on every question. Then the table shows "Minimum" and "Maximum" scores of each question on the 5-points "agree-disagree scale". The mean shows the average answer of every statement from 1 to 5, where 5 is close to strongly agrees. Standard Deviation column shows the actual variation of every question.

Table 7

Statement	N	Minimum	Maximum	Mean	Std. Deviation
1. My manager discusses regularly my job performance with me	41	2	5	4.0488	0.8352

2 .I clearly understand my manager's comments and opinion during the feedback	41	2	5	4.2683	0.77538
3. My manager recognizes me when I do a good job	41	3	5	4.2439	0.66259
4. My manager plays a significant role in my career development	41	2	5	4	0.86603
5. I am satisfied with the relationship with my manager/supervisor	41	2	5	4.1463	0.7925
6. My manager/supervisor is highly capable as manager	41	3	5	4	0.7746
7. My manager gives me fair feedback	41	3	5	4.0976	0.73501
8. My manager/supervisor has reasonable expectations for my work	41	2	5	4	0.67082
9. My manager/supervisor is well informed about my work	41	2	5	3.8293	0.80319

10. My job is fulfilling my needs	41	2	5	3.7317	0.67173
11. I feel proud to work for my company	41	3	5	4.439	0.63438
12. Performance management can help people understand the organization's strategic priorities	41	3	5	4.0976	0.70017
13. I receive adequate training and information about the performance appraisal cycle before it starts	41	3	5	4.2683	0.70797
14. I clearly understand the purpose of performance appraisal	41	4	5	4.439	0.50243
15. Performance appraisal in my company is fair	41	2	5	4.3171	0.8352
16. Performance appraisal reflects my performance objectively	41	2	5	3.9268	0.81824

17. Performance appraisal makes me better understand what I should be doing	41	3	5	3.9268	0.6477
18. Performance appraisal process helps manager/supervisor to manage people better	41	3	5	4.0244	0.68876
19. Performance appraisal process encourages co-operation & team spirit	41	2	5	3.4878	0.8403
20. Performance appraisal influences positively individual performance	41	2	5	4.122	0.67805
21. I rank my company higher compared to other employers	41	3	5	4.3659	0.66167
22. I would recommend my company to all my friends	41	3	5	4.4634	0.67445

23. The salary is adequate reflection of my performance	41	1	5	3.6341	1.06668

As we can see from Table 7, all 41 respondents have answered to all questions. In column "Minimum", we can see that the respondents have answered "Neither Disagree" (which is 1 in the table) only to the last statement, about their salary. Statement 15 "I clearly understand the purpose of the performance appraisal" is on the other side, because here the minimum is 4, which is Agree. It means that all of the respondents have answered "Agree" or "Strongly agree" to that statement.

In the column "Maximum" to every statement the answer is 5, which means that to every question someone has ticked "Strongly Agree".

The most interesting column is the mean. It shows the opinion of all respondents on every statement. The higher is the mean, the higher is the level of agreement on the statement and vice versa.

The statements with the highest mean are colored in green. They are "I would recommend the company to all my friends" – 4.4634, "I feel proud to work for my company" – 4.439, "I clearly understand the purpose of the performance appraisal" – 4.439. Here again, we can emphasize on the clear PA objectives as well as the prestigious name and positive corporate image which contributes to the higher level of satisfaction of the employees.

The lowest mean is in the statement "Performance appraisal encourages co-operation and team spirit" – 3.4878. It means that if the issue is not properly addressed, this could bring some future failures in the area of teamwork. The next 2 statements are "The salary is adequate reflection of my performance" – 3.6341 and "My job is fulfilling my needs" – 3.7317. These 2 statements do not necessarily concern the process of performance appraisal. The statements with the lowest mean are colored in red.

4.3. Test of hypothesis

4.3.1. Introduction

The statements in the questionnaire served as items to test if there is a correlation between clear purpose and understanding of performance appraisal, timely and consistent feedback on individual performance and their possible effect on the employee's satisfaction and engagement with the company. The goal is to prove the main hypothesis of the research, which is **"There is a correlation between clear purpose, understanding of performance appraisal, regular feedback and level of satisfaction and staff engagement"**

To test it, I have identified 3 different measures - for evaluating the satisfaction of the employees with their manager, for understanding of the Performance appraisal policies and the degree of overall satisfaction with the company. With these 3 measures and with the first 2 questions from the survey (*1.My manager discuss regularly my job performance with me* and *2.I clearly understand my manager's comments and opinion during the feedback)* we ran a series of regression analyses. The purpose of these regression analyses is to confirm relevance of the hypothesis. If all regressions are significant, the hypothesis should be confirmed.

4.3.2. Scales development

At the first stage of the data processing, on the basis of the items included in the survey, we have developed three different measures for evaluating the degree of satisfaction of the employee with the relationship with the manager, the degree of satisfaction with the Performance Appraisal policies and the degree of overall satisfaction with the company. To test the psychometric properties of the three measures I have carried out item correlations and calculated the means, standard deviations and Cronbach Alpha's. I have separated all the questions in the survey (except the first 2 questions, which are the independent variables) in 3 groups, to correspond respectively to each of the scales. I firstly test the correlations between all the questions related to one and the same scale.

SCALE 1 (Satisfaction with manager relationship)

The first scale includes items of the survey:

3. My manager recognizes me when I do a good job

4. My manager plays a significant role in my career development

5. I am satisfied with the relationship with my manager/supervisor

6. My manager/supervisor is highly capable as manager

7. My manager gives me fair feedback

8. My manager/supervisor has reasonable expectations for my work

9. My manager/supervisor is well informed about my work

Scale Statistics 1

MEAN	VARIANCE	STD DEVIATION	CRONBACH'S ALPHA	N of ITEMS
28.32	17.97	4.24	0.904	7

Mean result here is made of all summed up points from each respondent to all of the 7 questions. For example, when we have 7 items (questions) from Strongly agree to Strongly Disagree on a 5 point scale, the maximum mean is 35.

Cronbach's Alpha here is 0.904, which is a significant result and we can accept it. As mentioned earlier, Alpha's higher than 0.70 is accepted.

SCALE 2 (Understanding the Performance policies)

The second scale comprises the items:

12. Performance management can help people understand the organization's strategic priorities

14. I clearly understand the purpose of performance appraisal

16. Performance appraisal reflects my performance objectively

17. Performance appraisal makes me better understand what I should be doing

18. Performance appraisal process helps manager/supervisor to manage people better

19. Performance appraisal process encourages co-operation & team spirit

20. Performance appraisal influences positively individual performance

Scale Statistics 2

MEAN	VARIANCE	STD DEVIATION	CRONBACH'S ALPHA	N of ITEMS
28.02	13.92	3.73	0.876	7

There were 9 questions at the beginning of the test of the scale 2. These are the upper 7 questions and questions *13 and 15 (I receive adequate training and information about the performance appraisal cycle before it starts and Performance appraisal in my company is fair). W*hen we tested Alpha's with nine questions the Alpha's was 0.623. The item total correlations suggested dropping out the questions 13 and 15 from the initially included items. After their dropping out, the properties of the scale were strengthened. The results could be seen in Scale statistics 2.

SCALE 3 (Job/Company Satisfaction)

The third scale includes the items:

10. My job is fulfilling my needs

11. I feel proud to work for my company

21. I rank my company higher compared to other employers

22. I would recommend my company to all my friends

23. The salary is adequate reflection of my performance

Scale Statistics 3

MEAN	VARIANCE	STD DEVIATION	CRONBACH'S ALPHA	N of ITEMS
20.634	7.838	2.8	0.79	5

High reliability is confirmed and can be used in the further analysis

4.3.3. Hypotheses testing

The main hypothesis of the study is that two factors – clarity of Performance appraisal and frequency of feedback influence the subjects:

- Satisfaction with their relationship with the manager
- Comprehension of performance appraisal policies
- Satisfaction with the company

The 2 factors in our study are the questions *1. My manager discusses regularly my job performance with me* and *2. I clearly understand my manager's comments and opinions during the feedback.* The subjects are the measured scales, which are described in the previous paragraph.

To test them we ran 6 regression analyses, each measuring scale with each of the questions. Each of the regressions has a dependant variable which is one of the three scales and also an independent variable which is one of the questions. The regressions could be found in table 8.

The Independent variables are from the first questions of the questionnaires and these are as follows:

Frequency – q1. *My manager discusses regularly my job performance*

Clarity - q2. *I clearly understand my manager's comments and opinion during the feedback*

The dependent variables are from the measured scales above and are as follows:

Scale 1 – Satisfaction with manager relationship

Scale 2 – Satisfaction with Performance policies

Scale 3 – Job/Company Satisfaction

Table 8

	Independent Variable	Dependent Variable	R-Square	F(40,5)	Level of Significance of the regression	Beta	Level of Significance of Beta
Regression 1	*Frequency*	*Scale 1*	0.343	3.66	0.009	0.429	0.005
Regression 2	*Clarity*	*Scale 1*	0.452	5.77	0.001	0.586	0.001
Regression 3	*Frequency*	*Scale2*	0.309	3.13	0.019	0.418	0.006
Regression 4	*Clarity*	*Scale2*	0.386	4.39	0.003	0.518	0.001
Regression 5	*Frequency*	*Scale 3*	0.365	4.01	0.006	0.441	0.003
Regression 6	*Clarity*	*Scale 3*	0.33	3.45	0.012	0.41	0.007

To exclude the possible influence of age/gender/location and whether the person is a manager or not, I have added them in the regression equations as control variables. Also, constants have been included.

The first regression tests the influence of frequency of Performance Appraisal discussion on the relationship with the manager. The model is significant ($F_{(40, 5)}$ = 3.66, $p < 0.05$). R-Square for the model is 0.343. The influence of frequency of Performance Appraisal policy discussion on relationship with the manager was also significant. Beta = .429, $p < 0.05$). **Conclusion:** The more frequently Performance is discussed, the more satisfied the employee is with his/her relationship with the manager, notwithstanding the employee's gender, age or job position.

The second regression tests the impact of clarity of presenting Performance appraisal policies on the relationship with the manager. This regression is also significant, ($F_{(40, 5)}$ = 5.77, $p < 0,05$). R square is 0.452. The influence of clarity on the relationship with the manager is also significant (Beta 0.586, $p < 0,05$). **Conclusion:** The clearer the performance Appraisal process, the more satisfied the employee is with the manager, notwithstanding the employee's gender, age or job position.

The third regression tests the influence of frequency of Performance Appraisal on Comprehension of Performance Appraisal policies. The dependent variable in this regression model is Comprehension of Performance Appraisal policies. The independent variable is frequency of Performance Appraisal. The regression model is significant ($F_{(40, 5)}$ =3.13, $p < 0.05$). R-Squared is 0.309. The direct influence of frequency is also significant Beta=.418, $p < 0.05$. **Conclusion:** The more frequently performance is assessed and discussed, the more easily employees understand the Performance Appraisal process, notwithstanding the employee's gender, age or job position.

The fourth regression tests the impact of the clarity of feedback on the Performance Appraisal comprehension. The dependent variable in the regression equation is Performance Appraisal comprehension, the independent – clarity of Performance Appraisal, with control on age, gender, location and job position. As it can be expected the model is significant ($F_{(40,5)}$ = 4.39,

p< 0.05). R-Square is 0.386. The influence of clarity on comprehension is also significant (Beta = 0.518, p< 0.05). **Conclusion:** The clearer the feedback is communicated, the more easily it is comprehended, notwithstanding the employee's gender, age or job position.

The fifth regression tests the influence of the factor frequency of Performance Appraisal discussion on company satisfaction. Thus the dependent variable in the regression model is Company satisfaction (measured with the developed Company satisfaction scale) and the independent variable is Frequency of Performance Appraisal (measured on a five point Likert type scale with the question 'My manager discusses regularly my job performance with me). The results show that the model is significant $F_{(40, 5)} = 3.08$; p< 0.05). R-Squared is 0.365. The influence of PA frequency on satisfaction with the company is also significant (Beta = .308, p < 0.05). **Conclusion:** In other words notwithstanding the employee's age, gender or job position the more frequent Performance is reviewed, the more satisfied he/she is with the company, notwithstanding the employee's gender, age or job position.

The last regression tests the influence of the independent variable Clarity of Performance Appraisal on Company satisfaction. The results show that the regression model is significant, $F_{(40, 5)} = 3.45$, p< 0.05). R-Squared is 0.33. The impact of clarity on company satisfaction is also significant, Beta = 0.41, p< 0.05). **Conclusion:** We can conclude that the more clearly Performance assessment is presented to the employee, the more satisfied he/she is, notwithstanding the employee's gender, age or job position.

4.3.4. Hypotheses findings

We can say that there is a correlation between the clear purpose and understanding of performance appraisal and the level of satisfaction and staff engagement, based on the conclusion, received from the regressions. Therefore we can say that our main hypothesis could be accepted.

Having reached these conclusions there is however an important issue that needs to be tackled – this is the issue of reverse causality. Within the framework of the present study there are two aspects in which it can be considered.

The first one can be formulated in the following way: Does work satisfaction make employees more satisfied with frequency and clarity of feedback? The answer to this question pertains to the application of statistical methods. There is no statistical procedure that by itself defines which one of the variables measured is a factor and which one is an outcome. This decision is taken at a theoretical level and is reflected in the overall design of the study. As we know regression coefficients show the correlation between the variables. They do not define the causal relationship. If we switch the places of the variables in the regression equation we will obtain almost the same result. I say almost the same result because there might be some slight differences with respect to the relations with the control variables but these differences will not show us which variable is the cause and which is the outcome. The direction of the relationship between the variables can be obtained only in a genuine experimental study. The present study however is quasi experimental and the causal relationship is defined at a theoretical level.

The second aspect in which the issue of reverse causality arises in the present study is the possibility the overall positive evaluation of work, of relationship with a manager and of enterprise to influence in a positive way the evaluations of frequency of appraisal and clarity of feedback. This question pertains to the so called halo effect which always 'accompanies' human social perception. For example if we like someone in general we tend to evaluate more positively all his/her characteristics – intelligence, benevolence, honesty etc. The same applies to products, organizations, nations etc. This tendency affects negative evaluations as well. A possible way to control this effect is to use independent quantitative criteria for some of the measured variables. For the present study such a measure can be to trace the actual frequency of feedback for each one of the respondents. Unfortunately, however, this was impossible to apply to this particular study because it would have needed a team of investigators and interviewers to do this job and would have made the study too expensive. I have tried to avoid the effect by phrasing the questions in a way that does not presuppose suggestion. Thus in the questionnaire there was no question phrased as 'are you satisfied with the frequency of feedback'. This would have lead to much greater interplay between general satisfaction and its concrete manifestations. Instead the respondent was first asked how often he/she received

feedback. Then followed couple of questions which were not related to the frequency of feedback and toward the end of the questionnaire appeared the question, addressing job satisfaction.

Chapter 5. Findings & Recommendations

In this chapter I summarize my learning experience from the literature and the qualitative survey run in the observed company. I add some possible pitfalls and general mistakes in the process and how they can be overcome and some best practices described in the different elements of the Performance Management cycle.

SET GOALS EFFECTIVELY

Individual goals should derive from strategic direction and overall company goals. Typically the process should start with senior functional managers setting goals for their departments, based upon organization-wide goals that support the business strategy. From this level target setting is cascading down to the organization. Best practice is the employees to receive targets by their managers first and then they could set and agree their own ones. This could help employees to see how their individual targets relate with the company's objectives on a higher level. (Murphy & Cleveland 1998)

Another aspect is that goals should be written down objectively and clearly so that the expectations of the employee and the manager could be aligned. (Latham & Yukl, 1975) Writing down goals effectively becomes easier when using the accepted framework of SMART goals. When goals are specific, measurable and time-based, assessing and tracking progress becomes easier. Establishing SMART goals provides clarity upfront to employees who will be evaluated later against these goals.

PREPARATION IS THE KEY

Effective appraisal process requires serious preparation work to be done both by the employee and the manager. They should know why appraisal exists, what the objectives and expected results are. Obviously when this information comes from the top it demonstrates management focus and relevance of the process for the overall company performance. (Murphy & Cleveland 1995)

Employees should be informed, usually by HR department or by their managers, how to prepare for the process. They should understand the connection between Performance management and the other HR processes. On the internal website of "HSL" there are a lot of materials to educate and prepare both staff and managers upfront, there are also e-learning tools and DVDs that describe a good performance discussion and comment on potential pitfalls.

HR department specialists in "HSL" shared that in the beginning it was difficult especially for the young newcomers to see the relevance of Performance Appraisal and this is the reason why the staff usually do not put sufficient efforts in preparation in the first year. Gradually they started generating experience and learn from each other and usually in the second or third year when the staff become aware of the benefits of Performance Appraisal. From appraisal discussion employees can learn where they currently stand versus Line Manager's expectations, what the formal opinion about their performance is and what they could do differently in order to address any performance or behavioral gaps.

FOCUS ON DEVELOPMENT

Discussion around staff development is a weak area, survey respondents confirmed that the focus on the development as part of the Performance Appraisal process should increase. The discussion should allow time both parties to discuss development areas and to design and agree learning interventions that will help people to address their current skills gaps. The employees expect Line Managers to put more effort and provide further career guidance and counseling and support people to see their possible short and medium term development. This is an area which also requires preparation. Line Managers should be seeking some advice from HR advisors about how to handle staff development discussion. One of the respondents' comments: *"I think that the performance appraisal should have a greater influence on my career development ".*

Use of the GROW model, a technique for goal setting, defined by Sir John Whitmore (1996), could provide a good structure for the development part of the appraisal discussion. It contains Goals (what do you want to be), Reality (where are you now), Option (how could you get there)

and Wrap-up (what would you do) and could be used as a basis for effective communication in the appraisal meeting.

In the discussion one of the topics on development could be the current gaps and future job opportunities. Based on this, a learning and development plan could be drafted.

OPEN AND HONEST FEEDBACK

"There should be a mechanism to reflect not only the personal opinion of the line manager, but of other people (peers, subordinates, higher managers) as well in an objective way of feedback. Performance should be assessed against clearly specified and agreed tasks and targets and not in comparison to the perceived performance of other employees."

This opinion, expressed by one of the participants, demonstrates expectation for improving the feedback collection process. The employee believes that objectivity in assessment process will improve through collecting feedback. Although there is a well defined process of feedback collection in "HSL" in some cases line managers probably miss the opportunity to collect input from others. Employees can suggest relevant references and managers should seek additional feedback from others in the organization about the performance of their own staff. Collecting information from different sources increases objectivity and ensures all elements of performance to be covered. Often in "HSL" employees are requested to do a self-evaluation and submit evidence which could be a good practice. Use of 360 degree feedback can be also very helpful because here the self evaluation can be compared with the evaluation of the others against the same performance criteria. HSL uses 360 as an additional tool for evaluating employees.

Another element – objective and consistent feedback – delivers a constructive and honest feedback. (Lepsinger & Lucia 1997). It helps employees to understand their strengths and weaknesses and the areas in which they need to improve their performance. Managers should not only be able to give feedback but also to suggest corrective behaviors. Because of its sensitivity the feedback should be given with care, without personal criticism which might hurt

the individual. Special attention must be given when delivering negative feedback in order to get credibility and use it constructively for future performance improvement. The manager should make sure that the message is well understood and criticism is accepted by the individual.

Subjective, unsubstantiated comments, vague statements and criticism delivered in a de-motivating manner can compromise the overall process. Giving feedback to employee requires higher level of coaching skills. Generally speaking, supervisors like to be messengers for the good news and tend to avoid difficult discussions and deal with underperformance. The best way of doing this is to deliver a constructive and balanced picture of how the company views their performance and what development opportunities might help them to make a positive progress. Complying with best practices requires line managers to avoid their own prejudices and focus on the behaviors and the quality of the performance and not on the individual traits.

Credible and specific feedback could play a positive role in boosting individual confidence and motivation. There are specific techniques for giving constructive and effective feedback and managers who want to strive for perfection should be aware of best practices.

In organizations with a performance-driven culture it is also acceptable for managers to seek feedback from their subordinates. This is considered to be a best practice – open and honest feedback from employees to their managers without fear of consequences demonstrates mutual respect and shows that valuing differences is a principle of people management.

LINE MANAGER'S ROLE

"The quality of performance appraisal process depends on high level of the line manager leadership skills, experience and maturity. The fairness of the assessment is currently cross-checked in ranking sessions. However the leadership skills and abilities of the line managers should be further monitored and improved for a higher quality of the performance appraisal process."

This one and many other views expressed by respondents confirm the criticality of manager's role in the process. Managing expectations and performance of another person is not an easy task because it requires from line manager to know how to achieve goals through other people. Managers need to understand the psychology of human behaviors by observing people reactions. They should know what factors could be motivating for each individual, how to coach and develop as well how to resolve conflict situation. As people usually have high expectations for their leaders, managers, especially newly recruited or promoted, should be educated and trained in people management skills and should carefully prepare themselves for the appraisal cycle.

A supervisor's attitudes and skills in the appraisal process are crucial – care, empathy, listening, coaching and influencing, asking the right questions, paraphrasing, summarizing, etc. (Armstrong & Baron 1998). These are skills that can and should be trained. In order that supervisors could concentrate on improving their skills my recommendation is that supervisors be appraised for the quality of the evaluation process. In cases where the employee is very confident and willing to challenge manager's opinion and the boss does not have sufficient competence level, the discussion could go easily off track with little or no benefit to the employee.

APPRAISAL DISCUSSION

Preparation for the appraisal meeting should start early. The place and time of the meeting and the atmosphere are important factors for the success of conversation. The purpose of the meeting and the agenda should be set first. The line manager should begin the discussion with job requirements, strengths and accomplishments observed in the past period. Managers must be well prepared to listen and discuss, he/she needs to have relevant evidence and be able to provide facts for their judgments so that their comments be accepted as credible by the employee. The meeting should be a discussion not a line manager's one-way communication. Best practice recommended by Walters (1995) shows that the employee should talk 70-80% of the time about how they feel, what achievements they have made, what was not achieved and

why, what career objectives they have and how they see their future in the organization. In order to successfully make the employee talk the manager should be skillful in listening, understanding and questioning. At the end of the session further actions and timelines should be agreed. Best practice is at the end of the discussion both parties to reach an agreement based on trust and commitment to fulfilling their own part of the agreement.

PERFORMANCE RANKING

Measuring performance is a very difficult activity – the performance should be measured against defined success criteria, following the same format for everyone. Before the appraisal, the supervisor should gather information on the employee's work performance by seeking input from other people. Information references include feedback from other supervisors, managers and peers. The supervisor must weigh these up and make his/her own assessment of the employee. The evaluation of performance should be based on facts, recognizing and acknowledging what has been achieved. Some respondents of the survey challenged the pre-determined ranking which results in average 1.03. This method of budget control is seen by some of the employees of "HSL" as unfair. However, if there is no controlling measure there is a high risk that Line Managers would give higher performance ratings than their staff deserve. Another implication would be higher remuneration cost incurred.

PERFORMANCE REVIEW FREQUENCY

There is a wide spread opinion that an annual meeting to evaluate progress does not have the same benefits as an ongoing dialogue and formal and informal feedback. Some companies are moving towards conducting performance reviews twice a year, small numbers of companies do it on more frequent basis.

Best practice requires the evaluation of performance to take place on a regular basis. Mostly suggested are quarterly performance updates. Reviewing performance on continuous basis will allow a bad performance or existing issues to be identified and corrective measures to be designed at an earlier stage. Also tasks and targets should be checked out several times a year

(Murphy & Cleveland 1995). They are set at the beginning of the year; however they are likely to change throughout the performance period and should be kept updated. Some of the "HSL" employees expressed the opinion that appraisal discussions held in Oct/Nov should change allowing the whole performance year to pass and then to evaluate performance on the basis of full year and not only on 10- month performance.

PROPER PERFORMANCE RECORDING

Note taking must be a consistent practice. Documentation is important to support performance decisions, and notes should be written with intent to be shared. (Reeves 2002)The performance log is the record that is kept by a manager and employee and serves a number of purposes. The performance log can remind of a coaching need or can be a reminder for providing recognition. Performance log is used when promotion or development opportunity for the employee is considered. Performance records should follow the same principles – be objective, based on observations, comment job-related behaviors only, include achievements and deficiency areas and if applicable disciplinary actions should be logged. Online administration in electronic systems used nowadays makes it simple to remind managers and employees automatically when reviews are due, late or incomplete, and HR professionals no longer have to track down the missing reports.

In HSL there is a target for completing 100% of the appraisals. This target is inspirational and the completion rate for 2009 is 89%. The target is tracked and the results are monitored and shared on weekly basis so that everybody is aware how far from the target completion rate is. Automated reminders and scheduling tools help to keep the process on track.

ENSURE ONGOING PROCESS, FULL PARTICIPATION AND SUCCESS

The performance management process must add value, otherwise problems with resistance and non-participation will pop up on the surface. Participation and support from upper level management is also important. Senior management should participate in the same process. The effectiveness of the process increases if there is a culture that supports honest

communication, where employees can openly consider how to make improvements in order to move forward. (Murphy & Cleveland 1995)

Another way of improving efficiency is to make a regular review of the process through surveys and questionnaires or get opinions through focus group discussions. However, their benefits are doubtful and would hardly compensate the time loss.

Chapter 6. Conclusion

Our hypothesis suggests that effective appraisal process correlates with a higher level of satisfaction and employee engagement. Engaged employees are those who are willing to invest additional efforts towards enhancing market position of their company and contribute to better financial results. This is their direct contribution to the company. Engaged employees are not only motivated to work but they also know exactly what to do and how to do it more effectively because they know the strategy and company objectives and share them. All this could possibly mean that the more engaged to the company people are, the better financial results are likely to be achieved. This correlation has been confirmed by many surveys conducted by consulting companies.

Eventually we can conclude that raising and maintaining employee's engagement lies in the hands of an organization and requires a balanced blend of time, efforts, commitment and investment.

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Appendix

QUESTIONNAIRE

Dear Respondents,

I am a student in the Erasmus School of Economics in Rotterdam. I am writing a thesis on topic **"SMART Human Resource Management practices or how is the performance management contributing to the employee's motivation and bottom-line results".** I have designed a questionnaire on issues related to this topic. I will really appreciate if you spend a few minutes of your time filling this questionnaire.

Your answers are very important for the proper analyze of the research. Your answers shall be treated confidentially and anonymously. I kindly request you to fulfill this questionnaire honestly.

Thank you for your co-ordination.

Zachary Dechev

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SUPERVISOR: DR. J.J.A. Jurjen Kamphorst

QUESTIONNAIRE

INTRODUCTION: Please kindly indicate your preference among alternative answers for each question by ticking in the appropriate box. Where alternative answers are not provided, fill in the gaps provided.

SEX

☐ **Male**

☐ **Female**

AGE

☐ **20-30**

☐ **31-40**

☐ **41-50**

☐ **Above 50**

CADRE

☐ **Junior staff**

☐ **Senior staff**

☐ **Management staff**

Please kindly indicate your preference among alternative answers for each question by ticking in the appropriate box:

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
1. My manager discuss regularly my job performance with me					
2 .I clearly understand my manager's comments and opinion during the feedback					
3. My manager recognizes me when I do a good job					
4. My manager plays a significant role in my career development					
5. I am satisfied from the relationship with my manager/supervisor					
6. My manager/supervisor is highly capable as manager					
7. My manager gives me fair feedback					
8. My manager/supervisor has reasonable expectations from my work					
9. My manager/supervisor is well informed about my work					
10. My job is fulfilling my needs					
11. I feel proud to work for my company					
12. Performance management can help people understand the organization's strategic priorities					

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
13. I receive adequate training and information about the performance appraisal cycle before it starts					
14. I clearly understand the purpose of performance appraisal					
15. Performance appraisal in my company is fair					
16. Performance appraisal reflects objectively my performance					
17. Performance appraisal makes me better understand what should be doing					
18. Performance appraisal process helps manager/supervisor to manage people better					
19. Performance appraisal process encourages co-operation & team spirit					
20. Performance appraisal influences positively individual performance					
21. I rank my company higher compared to other employers					
22. I would recommend my company to all my friends					
23. The salary is adequate reflection of my performance					

24. DO YOU THINK THAT POSITIVE PERFORMANCE APPRAISAL SHOULD LEAD TO INCREASE THE SALARY

☐ Yes

☐ No

25. DO YOU THINK THAT POSITIVE PERFROMANCE ASSESSMENT INFLUENCES EMPLOYEE PROMOTION

☐ Yes

☐ No

26. DO YOU THINK THAT YOUR RESULTS ARE LINKED TO THE PROFITABILITY OF THE COMPANY

☐ Yes

☐ No

27. WHAT WOULD YOU RECOMMEND TO BE DONE DIFFERENTLY IN THE PERFORMANCE APPRAISAL

……

……

………

THANK YOU VERY MUCH!