



THE IMPACT OF PERFORMANCE EVALUATION AND REWARD SYSTEM ON THE EMPLOYEE PERFORMANCE IN THE STATE ELECTRICITY SECTOR IN SRI LANKA



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ABSTRACT

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Performance appraisals are a part of career development and consist of regular reviews of employee performance within organizations. This research was developed with the aim of investigating how the employee performance has been effected by the performance appraisal process and rewards. Literature review paved the way to expand the selected variables, namely performance appraisal process, rewards and employee performance. A thorough study was done to find out what were the sub variables used by previous researches. Accordingly, some of them were selected on the basis of appropriateness for the selected context. Sub variables selected for performance appraisal process are perceived accuracy and perceived fairness. Perceived fairness was further divided as perceived distributive fairness, procedural fairness and the interactional fairness. Rewards were quantitatively measured using sub variable intrinsic rewards and extrinsic rewards. After studying several previous research models, it was decided to add motivation as a moderating variable to the relationship between performance appraisal process, rewards and employee performance. The population of the selected context is approximately 16,000. This research used a self-administered questionnaire as primary data collecting method and a literature review as the secondary data collection method. The reliability of the data set was tested calculating Cronbach's alpha value and the sample adequacy was tested using Kaiser-Meyer-Olkin value. Then the regression analysis was done to test four hypotheses and Hayes Process Macro in SPSS was used to test the moderation impact. Results shows that there is a significant positive relationship between performance appraisal and employee performance as well as rewards and employee performance.

Contribution/ Originality: This study contributes to the existing literature with special focus on the electricity sector in Sri Lanka. Ceylon Electricity Board which represents 88% of the sector and that has been criticized for weak financial performance by the funding agencies is in an evaluating stage, thus directly benefitted by the findings.

1. INTRODUCTION

Some of the public sector institutions in Sri Lanka are popular for high pay of its' employees. Namely Ceylon Electricity Board (CEB), Water Supply and Drainage Board, Ceylon Petroleum Corporation are some of them. There are also rumors in the public that employees in those institutions are not working enough in return to what they are paid. It is believed that the inefficiency of those employees, for example in CEB, has resulted in electricity

price hike, power interruptions, delays in restoring power and other inconveniences experienced by the public when they go to a CEB office to get something done. In the human resource management context, improving employee performance has been broadly discussed. The beginning of studying this subject has been recorded back to industrial revolution and theories have been emerging superseding one after another. The private sector organization adopt those principles and maintain a continues effort in improving employee performance which effect in large to reach organizational goals. However, the current research context, namely the Ceylon Electricity Board which represent approximately 88% of the electricity sector in Sri Lanka is a fully government owned business. It is less likely to see the utilization of performance appraisal systems effectively for improving employee performance in Sri Lankan government sector. Dessler (2009); Dessler (2015) describe, appraising performance in government organizations have usually been treated as a confidential process that is handled by the supervisor alone. Hence the name annual confidential reports or ACRs. In this system blind faith is placed in the supervisor's objective evaluation of a subordinate's performance. This statement coincides with the system in Ceylon Electricity Board(CEB). Not only in CEB but also in Ceylon Petroleum Corporation and Water Supply and Drainage Board use annual confidential reports in the name of performance appraisals. However, in the recent past initiatives have been taken to improve Annual Confidential Reports to employee interacted performance appraisal system up to a certain extent. In order to get an overview of how the organization evolved in the past the annual revenue would be a suitable parameter. The annual revenue of CEB is shown in Figure 1 which shows a continues growth (CEB Annual Report, 2014).

However, it is not evident that this growth has been contributed by only employee performance. This growth may be due to electricity demand growth in the country and may be some reasons including employee performance. In the same time the following Figure 2. shows the reduction in network losses during previous five years. This evidence support significantly to prove that the employee performance has been improved during the past years. Because electricity networks' loss reduction requires lot of employee involvement. The process includes system analysis, identification of reasons, rectification planning and implementation.

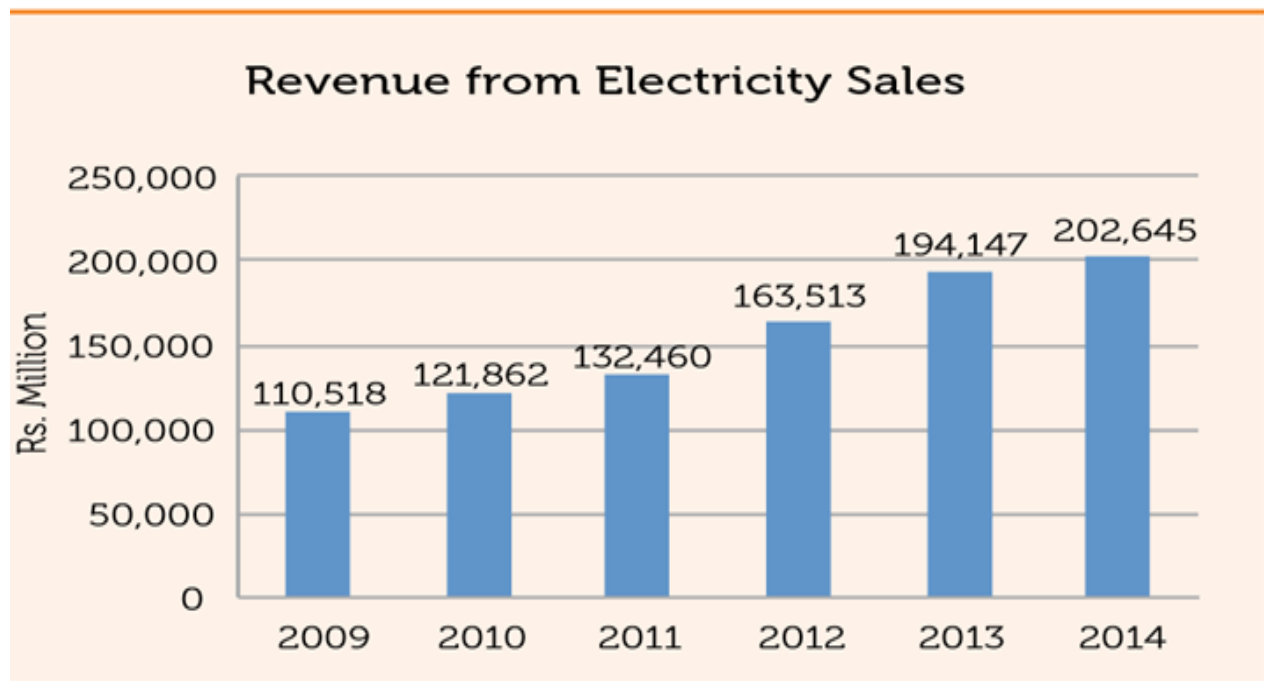


Figure-1. Revenue from electricity sales.

Source: CEB Annual Report (2014).

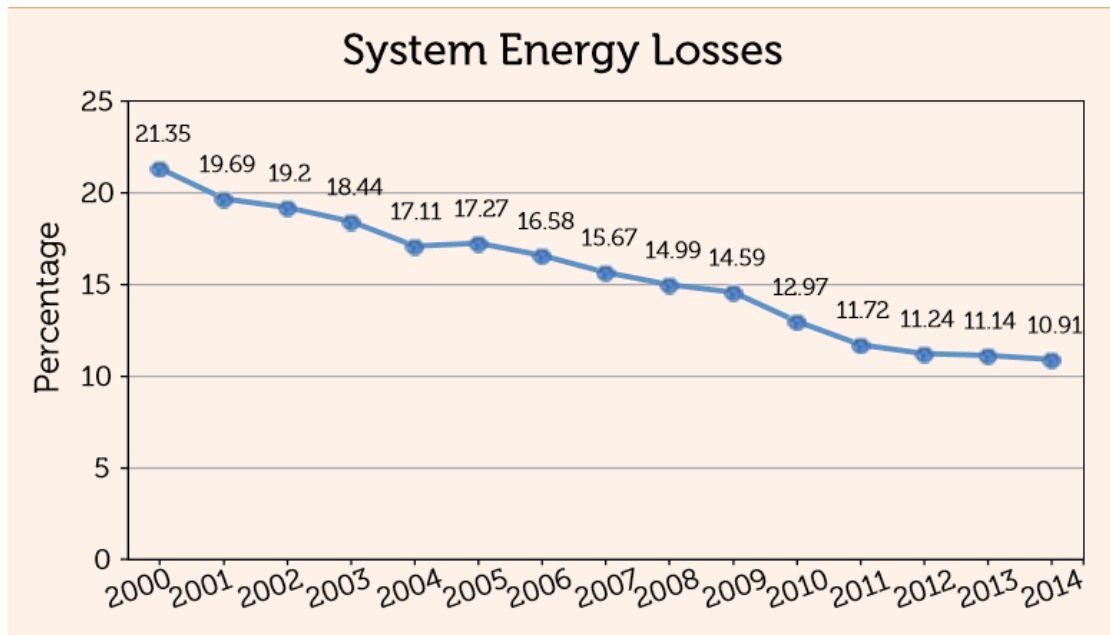


Figure-2. Percentage Energy Losses.

Source: CEB Annual Report (2014).

Performance management never just means meeting with the subordinate once or twice a year to review performance. It means setting goals that make sense in terms of company's strategic aims. It means daily or weekly interactions to ensure continue improvement in the employee's capacity and performance. And it means ensuring that the employee has the training he or she needs to perform the job. The distinction is the contrast between a year end event, the completion of the appraisal form, and a process that starts the year with performance planning and is integral to the way people are managed throughout the year.

Is paying high salary can improve the employee performance, or are there other aspects of employee motivation that lead to a high employee performance. In the official website of CEB it is mentioned that "It is the duty of the CEB to make the optimal use of the resources through the application of pragmatic and time-tested managerial methods." In this research the researcher expects to study up to what extent the CEB management is actually practicing so called managerial methods.

CEB gives lot of monetary incentives to its' employees. In year 2014, CEB has paid Rs. 690 Million Rupees as bonuses (CEB Annual Report, 2014). The basis used for determining the amount of bonus payment and to whom the bonus should be paid has no connection with the individual performance, branch performance or the organizational performance. Therefore, the management aspect of paying bonus is questionable. The management has failed to relate bonus payment scheme with performance in a way that employees are motivated to perform better. In addition to bonus payment an incentive payment scheme for the un availed sick/ vacation leave has been in force since 1984 with a view to reducing absenteeism and increasing productivity. This scheme was in force in the year 2014 as well. The total expenditure for the payment was Rs. 554 million (CEB Annual Report, 2014). However, the impact of rewards on employee performance has not been studied in this organizational context so far.

CEB and some other state owned enterprises have been pointed out by the International Monetary Fund for their lack of concern over performance. Mar 01, 2017 Lanka Business Online (LBO), Enhancing oversight and financial discipline of State Owned Enterprises (SOE) was a major concern raised by the International Monetary Fund (IMF) in order to grant the Extended Fund Facility. Adhering to these conditions the CEB is in the process of implementing Key Performance Indices to monitor and guide the direction of the organization. Therefore, the organization is in a changing phase and the need of a proper study on the whole human resource system is a need of the hour.

The researcher expects to evaluate the impact of performance appraisal of employees on the employee performance targeting Ceylon Electricity Board which represent almost 88% of utility sector of the country.

1.1. Research Problem

1.1.1. Literature Gap

The relationship between performance appraisal systems on employee performance has been studied by few previous researchers. However, more researches have been done on impact of performance appraisals on employee motivation, as well as impact of motivation on employee performance. Lashchonau (2015) has found that properly conducted performance appraisal would lead to higher level of employees' motivation. This research has been done taking the established constituent elements of performance appraisal as perceived accuracy, appraisal satisfaction, procedural, interactional, and distributive fairness. Results show that appraisal satisfaction and procedural fairness are significantly positively related (directly and indirectly) to employees' motivation, while perceived accuracy impacts employees' motivation just indirectly (through appraisal satisfaction, procedural and interactional fairness). Interactional fairness has significant direct negative impact on employees' motivation and significant indirect positive impact mediated by appraisal satisfaction. And, distributive fairness is negatively related to employees' motivation both directly and indirectly. In the meantime, the impact of rewards on employee performance was studied by Apeyusi (2012). In that study it was found that, there was a positive relationship between reward and employee performance. In spite of that there was a widespread strongly held belief that individual appraisal based reward systems promote conflict amongst and between teams. There was a paradox between this focus on individual appraisal and management insistence on the need for team working. If this statement is considered with respect to CEB, the rewards to its' employees are not related to performance, hence no such conflict. But the problem as per the view of researcher is that the management of CEB has not been able to utilize the rewards to motivate its' employees. When considering previous research done in relation with performance appraisal, there seems no common agreement among those findings. Further, there has not been conducted a proper research in the present research context so far. Therefore, conducting a proper study relating to this area with special reference to Ceylon Electricity Board is a timely need.

1.2. Practice Gap

Performance appraisal (PA) has been advancing its traditional content areas as well as exploring the newer ones. But when considering the existing PA system of CEB it is seen that important aspects of PA are not considered. In the past, PA had been employed as a formal process of employee monitoring (Cardy & Dobbins, 1994). CEB is still using its' PA system just to monitor employees on the surface and determine whether they are eligible for annual salary increment. The parameters used in existing PA system are not sufficient to convey the message that his or her performance is appraised and they are rewarded according to their effort and commitment towards achieving organizational goals. Further if we consider the general idea among the public about how employees of CEB do their service, mostly it is a negative comment. The customer expectations like reliability, responsiveness, assurance, empathy and tangibility are less likely showcased by the employees, which provide evidence to argue that performance of employees are yet to be measured and improved. In contemporary theories, PA is defined as "activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards" (Fletcher, 2004).

There is almost universal confusion about performance management systems; interestingly many employees are unclear as to whether their performance is measured and if so what were the methods used to measure it. Moreover, the involvement of the appraiser or in most of the cases the role of the supervisors makes the process more conflicting.

Considering the above discussed aspects of performance appraisal with respect to CEB, it is really important to investigate the same in the organizational context specially due to CEB is in evaluating phase of long awaited organizational change. The debate between whether the individual rewarding or the team rewarding is suitable for CEB shall also be discussed. In this context the existing PA system has many drawbacks that are to be identified and corrected. Therefore, it is a timely need of a proper study to carry out on the selected research topic which is “the impact of performance appraisal and reward systems on employee performance”

Therefore, having no proper performance appraisal system within CEB could be described as a significant drawback for the organization. CEB as an employer spend huge amount of money as rewards to its' employee but having no relationship between rewards and performance appraisal system established in the organization, the money spent on rewards has not been benefitted to the organization.

1.3. Research Objectives

Base on the above discussion, researcher formulated some research objectives focused on the research problem. There are:

1. To study the present performance appraisal system adopted by Ceylon electricity board.
2. To study the present reward system adopted by Ceylon electricity board.
3. To analyze the relationship between performance appraisal system and employee performance.
4. To analyze the relationship between rewards system and employee performance.
5. To analyze the moderating effect of employee motivation on the relationship between performance appraisal system and employee performance.
6. To analyze the moderating effect of employee motivation on the relationship between rewards and employee performance.

2. LITERATURE REVIEW

The performance of the employees of an organization effect significantly to the achievement of its' goals. Hence the importance of appraising performance and its' effects towards employee motivation have been identified by many researches and ample amount of research articles have been published. The researcher in this section expects to review some of that article in order to compare between theories relating to the subject and what is practically tested by the researchers so far.

2.1. Empirical Review on Arguments and Research Models Used in Previous Researches

A research has been done by Iqbal, Ahmad, Haider, Batool, and Ul-ain (2013) in Pakistan to investigate the relationship between performance appraisal and employee performance and how motivation moderate the relationship. They had select 150 numbers of employees as sample by using simple random sampling among employees in banking sector in Pakistan. Primary data had been collect through standard questionnaire. The obtained results show that there is significant relationship exist between performance appraisal and employee's performance and motivation makes strong and clarified the relation between performance appraisal and employee performance. If performance appraisal system is successfully used the employees would be able to know how well they are performing and what is expected from them in future in terms of their work performance and effort. The conclusion of this research points out an important aspect of performance appraisal that is the significance of employee understanding the performance gap. Performance gap is defined as the difference between actual performance and what is expected by the employer. The researcher explains that only when the employee understands that there is a performance gap that he or she can work towards to meet the gap. The research model used is as follows, in [Figure 3](#).

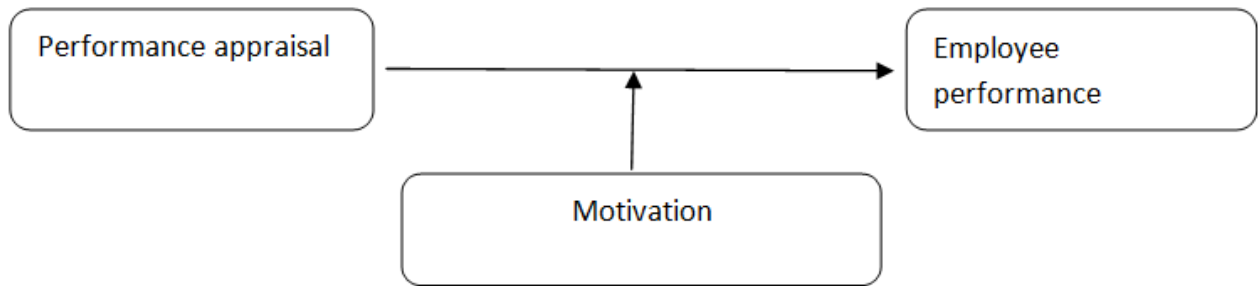


Figure-3. Performance appraisal: An empirical study to understand job satisfaction and motivation of personnel through the system.
Source: Prasad (2015).

A study by Prasad (2015) investigated the relationship between job satisfaction and Motivation of personal through the system of Performance Appraisal. A study of 115 personnel from various industries found a positive correlation between job satisfaction and motivation with the performance appraisal system of the organization. Researcher has noted that job satisfaction is directly related to employee job performance and productivity. Higher job satisfaction has been linked with employees who are able to exercise autonomy and with those who have a higher level of job involvement. The relationship between job satisfaction and job performance has been the concern of many studies. Job satisfaction refers to the employee's pleasurable or positive emotional state as a result of appraisal of one's job and job experience. This argument partially support the research model used by the Iqbal et al. (2013). Prasad (2015) contend that the motivation caused by employee satisfaction which is caused by performance appraisal directly related to the employee job performance while Iqbal et al. (2013) contend that performance appraisal process directly related to employee performance while motivation mediate the relationship. Prasad (2015) emphasize the impact of autonomy factor which is described in theories as an intrinsic reward.

Arakal and Mampilly (2016) describe the phenomenon of performance management as a process which accords to the competent management of individuals and teams in order to attain immense levels of organizational performance, holds a significant place in management literature. In their research; An Empirical attestation of the impact of performance management system on employee involvement moderated by employee acceptance of performance management system has been used. The researcher defines employee involvement as employees participate directly to help an organization fulfill its mission and meet its objectives by applying their ideas, expertise, and efforts towards problem solving and decision making. The model suggests that there is direct relationship between performance management system and employee involvement and employee acceptance moderates the relationship between performance management system and employee involvement. The research carried out by Kumari and Ferdous Azam (2019) the mediation effect on a relationship was studied where that same technique could be used for the relationships developed here. This empirical study reiterates through its analysis and results that there is significant relationship between performance management system and employee involvement. The study provides a deeper and richer understanding in explaining the moderating relationship of employee acceptance in the relationship between performance management and employee involvement. Thus performance management system leads to employee involvement in organization and portrays that employee acceptance moderates the relationship between performance management system and employee involvement. In comparison to the Prasad (2015) the researcher is in the opinion that autonomy and employee involvement are factors of similar nature. And the employee acceptance of performance appraisal has many variables such as perceived accuracy and perceived fairness. Therefore, it is understood that different aspects of performance appraisal have been studied by previous researchers.

Another research has been done on factors that affect accuracy in performance appraisal by John, Thomason, Ronald Buckley, and Kane (2016) which study the impact of Rater personality, performance management competence, and rater accountability on the rating level bias and accuracy in performance appraisals. They have

found support for the stability of rating-level bias across rating situations. Raters' levels of agreeableness and assertiveness were related to mean rating levels across situations, and U-shaped relationships were found in predicting one measure of rating accuracy such that high and low levels of these two traits were related to greater rating inaccuracy.

According to the research carried out by [Gupta and Kumar \(2013\)](#) to study the impact of performance appraisal justice on employee engagement, it has found that there is significant impact of performance appraisal justice perception on employee engagement. The justice perception has been studied in both distributive justice and informational justice aspects.

In a paper published by [Kim and Rubianty \(2011\)](#) states that effective and fair administration of performance appraisal has remained one of the most challenging tasks in human resource management. The difficulty of measuring performance with involvement of subjective human judgment makes the design of the appraisal system more problematic. An example quoted in this paper as for example, according to the Merit Principle Survey 2000 (MPS) from the U.S. Merit system protection Board (U.S. MSPB), only 19% of federal employees indicated that performance appraisal motivates them to do better job ([U.S. MSPB, 2003](#)). This example case inspired the researcher to examine the selected research context with high interest. Because in general what is accepted is that proper performance appraisal helps employees to perform better. Many experts also contend that the failure of pay-for performance has been attributed to the lack of trust in the appraisal system. These disappointing results of the appraisal system do not make considerable impact on establishment of an effective performance based culture used in almost all organizations. The traditional assumption is that an effective appraisal system can tightly connect individual performance with rewards, and the rewards contingent on performance, in turn, would motivate employees to strive for continued performance improvement. However, this assumption has not received overwhelming support from either scholars or practitioners in human resource management. While some studies report the merit of the appraisal system, other contend that it seldom motivates employees to do a better job. Therefore, it seems arguments in relation to performance appraisal are obviously in opposite directions. This situation emphasizes the importance of doing further research on the subject specially when it comes to a new context like Ceylon Electricity Board which is the largest financial organization in the country.

[Kim and Rubianty \(2011\)](#) further states that despite the problematic results of performance appraisal, it is not expecting that organizations will abandon appraisal. Instead, it will remain an important part of public sector human resource management, even though many experts consistently raise the question of its efficacy. Thus public managers are increasingly being challenged to put forward and implement an appraisal system that both accurately measure performance and is equitable in the distribution of the evaluation outcomes. The accurate and fair implementation of the performance appraisal would positively affect employees' perception that good performance will bring rewards, and this perception, in turn, would increase employee intrinsic motivation and their work performance. A performance appraisal that can generate fair rewards strengthen the link between performance appraisal and motivation while less meaningful rewards dilute the same in government organizations.

In a study perceived fairness and accuracy of performance evaluation contend that the value of the appraisal system not only depends on the physical characteristics of the evaluation instrument but also may be affected by the perceived fairness of the evaluation process. The evaluation instrument may be only one part of the appraisal system. The attitude towards fairness and acceptability of the appraisal system decide the validity of ratings. [Greenberg \(2004\)](#) also claimed that employees' perception of being treated unfairly relatively to the others may trigger stress reactions and question the validity of appraisal systems. These studies make it clear that the effective performance appraisal depends both on the design as well as the administration of such systems. The distributive justice focuses on people's perceived fairness of the evaluation outcomes. An employee assesses one's evaluation outcomes relative to others and feels that it is unfair if they receive lower than expected outcomes. However, the same level of the outcome can be considered fair if it derives from a fair procedure. This procedural justice, a

perception of fairness of the evaluation process, focuses on the appraisal process regardless of the rating outcomes themselves. For example, several process variables, opportunity to express feelings when evaluated, discussion about salary during evaluation significantly affect employee perceptions of fairness and accuracy of performance appraisal.

Greenberg (2004) in the analysis of cognitive appraisal model of stress and coping in organization, added a third form of organizational justice known as interactional justice which is defined as the fairness of the interpersonal treatment given in the course of explaining procedure and outcomes. The employees stress reactions are at the most extreme when they, as rates, perceive that their supervisor, as a rater, is part of the problem in the appraisal process. In sum, Greenberg (2004) contended that employees' reactions to the appraisal system must be viewed as a multidimensional process, encompassing distributive, procedural and interactional justice components.

Majority of researches and articles reviewed that there is a positive relationship between different aspects of performance appraisal and employee performance. While Iqbal et al. (2013) concluded that there is a strong relationship between performance appraisal process and employee performance which is moderated by employee motivation, Prasad (2015) found that a positive correlation between job satisfaction and motivation with the performance appraisal system of the organization. Here the job satisfaction is referred as an intrinsic reward whereas Kim and Rubianty (2011) contend that rewards motivate employees to strive for continued performance improvement. Gupta and Kumar (2013) found that there is significant impact of performance appraisal justice perception on employee engagement. Justice perception has been studied by them in both distributive justice and informational justice aspects. Kim and Rubianty (2011) states that effective and fair administration of performance appraisal has remained one of the most challenging tasks in human resource management. The difficulty of measuring performance with involvement of subjective human judgment makes the design of the appraisal system more problematic.

Greenberg (2004) used perceived fairness and perceived accuracy of appraisal process as deciding factors that enhance or hinder the motivation of the employees. Perceived fairness was further described as procedural fairness, interactional fairness and distributive fairness and contend that these parameters have a strong relationship with employee performance. Lashchonau (2015) has also carried out a research using same factors and has revealed that performance appraisal system can be an effective instrument in employees' motivation. This assumption is aligned with earlier studies where researches stated that performance appraisal system can be used for motivational purposes. It was found that perceived accuracy in performance appraisal gives a significant impact towards the satisfaction with performance appraisal system and all the elements of perceived fairness and denote the importance of further investigation of their interrelations. It was also revealed that employees' apprehension of appraisal satisfaction can serve as a significant component in their motivation. Schwartz (1999) in his research confirms that the idea of reward seeks to satisfy the needs that generate the motivation to work. In this research rewards are studied as intrinsic rewards and extrinsic rewards.

The accurate and fair implementation of the performance appraisal would increase employee intrinsic motivation and their work performance while less meaningful rewards dilute the same in government organizations and create problematic and toxic work environment. Therefore, further studying the performance appraisal process is vital for any organization to understand whether the performance appraisal process positively affect the employee performance or it hinder the motivation of employees. Further, as stated above the impact of performance appraisal on employee performance mediated by employee motivation was studied and contend that there is a positive relationship. Therefore, it is important to investigate this relationship further. Since this relationship has not been tested for the selected context of this research it is more important to do the research on this area to check the validity of the same on selected context.

2.2. Measures Used in Previous Literature to Measure Performance Appraisal System and Rewards

Things might be simpler if, after presenting many theories and previous researches, we could say only one was found valid. But many of the literature discussed above are complementary. And further, the validity of theories with respect to particular research context should be tested. In order to do that the variables used in previous researches are studied here which best described relationship between employee performance and other variables.

Cardy and Dobbins (1994) state that perceived accuracy is extensively applied in different researches that are connected with performance appraisal effectiveness. Moreover, it is one of the most widely and frequently used criteria of individuals' acceptance of appraisal system. Accurate evaluation stimulates employees to accept appraisal system as a valid indicator of their performance what leads to increased participation in appraisal process and motivational accretion. Thus, Vest, Scott, and Tarnoff (1995) claimed the presence of strong correlation between perceived accuracy and employees' motivation in functioning appraisal systems

At the same time inaccuracy during the evaluation process may lead to creation of "toxic" environment, violation of trust, deterioration of individuals' relations, and eventually employees' demotivation. It also creates individuals' perception of unfair evaluation while accurate usage of standards and processes results in employees' perception of organizational fairness (Roberson & Stewart, 2006).

Thus it is a strong argument that Perceived accuracy of performance appraisal process and its outcomes directly influence employee performance.

Among all the criteria that impact both the results of performance evaluation and employees' performance, individuals' perception of appraisal fairness is considered to be one of the most significant figures of merit. Thus, according to Taylor, Tracy, Renard, Harrison, and Carroll (1995) fair raters' appraisal leads to employees' confidence in validity, usefulness, and absence of bias. Moreover, Nathan, Mohrman Jr, and Milliman (1991) considered perceived fairness as one of the main measurements of performance appraisal effectiveness that is broadly connected with evaluation consequents. Previous researches concerning fairness, including studies of Sheppard, Lewicki, and Minton (1992) pointed out three main parts or dimensions of perceived fairness as distributive, procedural, and interactional. According to Greenberg (2004) distributive fairness is responsible for fair distribution of outcomes. Thus, in performance appraisal framework, distributive fairness represents individuals' opinion replying for fair disposal of performance appraisal results and its reflection towards the fulfilled tasks or completed work. In other words, it is employees' judgment of rewards allocation in relation to the performance.

Procedural fairness, focuses on fairness of appraisal procedures that are used in the process of employees' evaluation. Simply put, it is individual's perception on performance appraisal conduction and how fair it is. In support of that Colquitt, Conlon, Wesson, Porter, and Ng (2001) also define other areas that are measured by procedural fairness in terms of performance appraisal as bias, ethic, individuals' capabilities to convey their thoughts during the evaluation process, and their ability to impact on the outcomes of appraisal. Misiak (2010) states that appraisal is one of the most important tools in the management of human resources which is made in an inappropriate way, or else it can be harmful rather than useful. Therefore, one should, from the very beginning, follow a set of rules thanks to which employees will perceive the system as ethical. One can only state that the objective is ethical as it takes account of opinions expressed by both sides.

Finally, the concept of interactional fairness can be defined as the level and quality of interactions and interpersonal communications between employee and rater during the performance appraisal period (Bies & Moag, 1986). Here personal communications, assistance, supportiveness, and other similar criteria come to the fore. Moreover, Colquitt (2001) give heed to the way of employees' treatment during the appraisal process as to the one of the main measurement elements of interactional fairness.

Likewise, there has been many researches carried out to investigate the relationship between fairness of performance appraisal process and its outcomes. Therefore, it is worthwhile to further investigate the relationship between perceived fairness and employee performances.

In conclusion enough evidence is found to use perceived fairness as sub variable of performance appraisal system which is effectively measured with distributive fairness, procedural fairness and interactional fairness.

The intrinsic and extrinsic rewards with a definite part of reinforcement theory constitutes the performance appraisal system itself. Thus, Herzberg (1968) focused his attention on the usage of rewards allocation and recognition with the purpose of increasing employee performance through performance appraisal. Moreover, in his assertion that extrinsic rewards are more useful in behavior promotion than intrinsic ones, while Herzberg (1968) claimed that extrinsic rewards can significantly increase individuals' performance. At the same time performance appraisal system allows taking into account both of them. Thus, performance appraisal system reflects the clever allocation of intrinsic and extrinsic rewards through the usage of appraisal characteristics with a definite attention towards fairness, accuracy, and satisfaction.

Thus, Intrinsic and extrinsic rewards which are given to employees in return for what they have done, have direct influence on employee performance. It has been supported by above theories and literature. Thus variable of rewards could be effectively measures with intrinsic and extrinsic rewards together.

Along with perception, personality, attitudes, and learning, motivation is a very important part of understanding behavior. Stajkovic and Luthans (1998) asserts that motivation should not be thought of as the only explanation of behavior, since it interacts with and acts in conjunction with other mediating processes and with the environment. Luthans stress that, like the other cognitive process, motivation cannot be seen. Stajkovic and Luthans (1998) defines motivation as, "a process that starts with a physiological deficiency or need that activates a behavior or a drive that is aimed at a goal incentive". Therefore, the key to understanding the process of motivation lies in the meaning of, and relationship among, needs, drives, and incentives.

This theory and arguments of the previous researches support that motivation is caused by many factors which is limit less and final leads to higher performance. Therefore, motivation is a useful mediating variable which should be subjected to further investigation to how it effects to the relationship between performance appraisal process, rewards and employee performance.

3. RESEARCH METHODOLOGY

3.1. Developing Conceptual Frame Work

This paragraph is dedicated to briefly explain the basis used to develop following conceptual framework. Generally, rewards are considered to be given in compensation to the contribution given by the employees in achieving organizational goals. But the focus of this study is to investigate how rewards effects towards employee performance. A research conducted by Irshad (2016) has suggested that there is an impact of extrinsic rewards like salary and working condition have an impact on employee performance. In the meantime, the relationship is strongly presented in Victor Vroom's expectancy theory which argues that, if rewards are given in a way that they lead to achieve personal goals, the rewards impact significantly to employee performance. Based on that the variable rewards are included accordingly in the conceptual model. Performance appraisal system or the Performance management system is a broader concept which is possibly be divided in too many variables in order to figure out how employees react to the process. In previous literature the variables Perceived accuracy, perceived fairness (procedural fairness, distributive fairness and interactional fairness) have taken as independent variables. Among all the criteria that impact both the results of performance evaluation and employees' performance, individuals' perception of appraisal fairness is considered to be one of the most significant figures of merit. Thus, according to Taylor et al. (1995) fair raters' appraisal leads to employees' confidence in validity, usefulness, and absence of bias. Thus, the perceived fairness is included in the model. If accuracy perception of performance appraisal not guaranteed, that may lead to creation of "toxic" environment, violation of trust, deterioration of individuals' relations, and eventually employees' demotivation. Lam and Schaubroeck (1999) suggest that accuracy is one of the most widely and frequently used criteria of individuals' acceptance of appraisal system. Thus, the perceived accuracy

is included in the model. Also motivation has successfully been able to explain the relationship between certain concepts (moderating role). For example, [Barrick and Stewart \(2002\)](#) and [Lee et al. \(2012\)](#) recorded motivation as a successful moderating variable in those studies. Thus this study predicts to use motivation as a moderating factor for the relationship between performance appraisal system and employee performance.

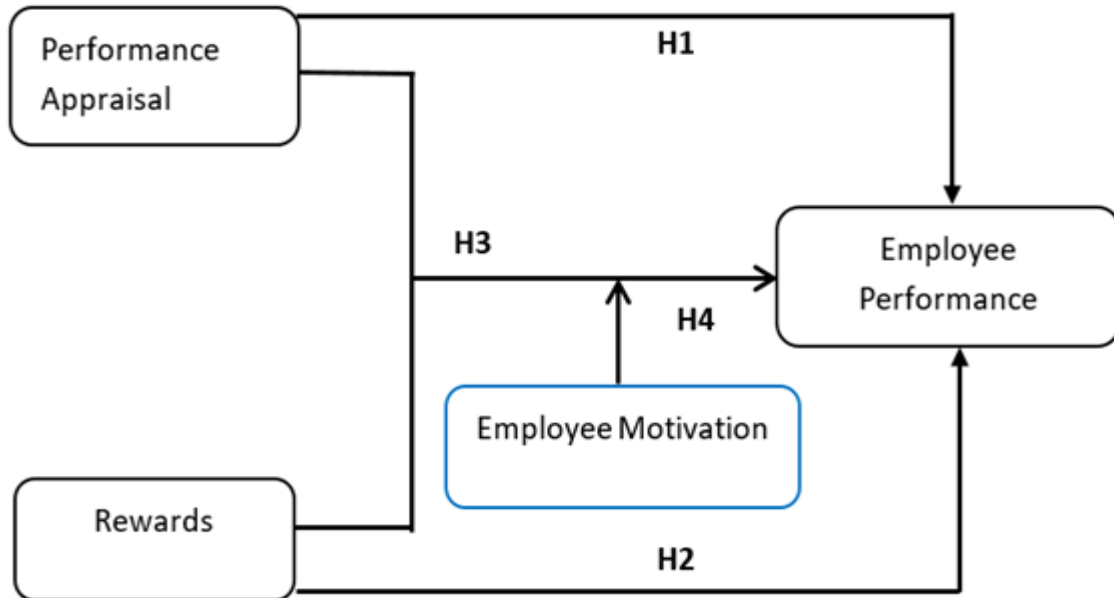


Figure-4. Conceptual framework.

3.2. Formulating Hypothesis

The important research has been done by [Iqbal et al. \(2013\)](#) in Pakistan to investigate the relationship between performance appraisal and employee performance and how motivation moderate the relationship. The empirical study conducted by [Prasad \(2015\)](#) revealed that there is significant relationship between performance management system and employee performance. According to the research carried out by [Gupta and Kumar \(2013\)](#) to study the impact of performance appraisal justice on employee engagement, it has found that there is significant impact of performance appraisal justice perception on employee engagement. The justice perception has been studied in both distributive justice and informational justice aspects. [Lashchonau \(2015\)](#) has also carried out a research using of performance appraisal system and employee performance and revealed that performance appraisal system can be an effective instrument in employees' performance. While considering the existing empirical background, the first hypothesis was formulated as follows.

Hypothesis 1: There is a significant positive relationship between performance appraisal and employee performance.

Researchers and managers agree that extrinsic and intrinsic rewards can be used to motivate job performance. It's also clear that certain conditions must exist if rewards are to actually motivate: The rewards must be valued by the person, and they must be related to a specific level of job performance.

The performance – reward relationship is strong if the individual perceives that performance (rather than seniority, personal favorites, or other criteria) is rewarded ([Dessler., 2015](#)). Moreover, the explanation given in Victor Vroom's Expectancy theory emphasize that the rewards are directly related to the employee performance.

[Schwartz \(1999\)](#) said the aim of his study was to investigate how construct values, motivation, commitment, performance and reward are associated with professionals from different countries, from a hypothetical structural model. In this scenario, this research chose to analyze the association between construct values, motivation, commitment, performance and rewards. The research confirms that the idea of reward seeks to satisfy the needs that generate the motivation to work, however, it cannot be ignored the individual values that guide and direct the

actions, behavior and assess of the people (Schwartz, 1999). The values are characterized as what the individual considers desirable for certain aspects of life, which direct their behavior, enable the assessment of people and events, and can also justify their actions and evaluations. According to the existing empirical background, the second hypothesis was formulated.

Hypothesis 2: There is a significant positive relationship between rewards and employee performance.

Motivation has been identified as one construct that has gotten many researchers interested in unravelling the concept. This has brought about many definitions. For example, Baron, Henley, McGibbon, and McCarthy (2002) postulate that the term “motivation” originated Latin term “movere”, meaning “to move”, thus the concept is what moves people to do something. Campbell and Pritchard (1976) define it as “a label for the determinants of the choice to initiate effort on a certain task, the choice to expend a certain amount of effort, and the choice to persist in expending effort over a period of time.” Studies reveal two types of motivation, namely intrinsic and extrinsic motivation. The former is the driving force that comes from within, in a form of awareness about the relevance of the work one is performing. Contrary to this, the latter is the driving force that emanates from outside, in a form of condition that propelled him/her to carry out the work to a higher level, e.g. through high salaries, praise, punishment and others (Nawawi, 2001). There are two general classes of motivation, content and process theories. The content theories are sometimes referred to as ‘need theories’ or ‘psychological theories’ and they touch on the needs of an employee. It dwells on ‘what’ motivates an employee. Whereas process theories focus on the ‘processes’ of motivation and ‘how’ motivation takes place.

Lashchonau (2015) has carried out a research to study the impact of performance appraisal on employee motivation. In this research attention was given to study how perceived accuracy and perceived fairness of performance appraisal impact the employee motivation. The study revealed that performance appraisal system can be an effective instrument not only in employees’ motivation but also in understanding of this process. This assumption is aligned with earlier studies where researches stated that performance appraisal system can be used for motivational purposes. It was found that perceived accuracy in performance appraisal gives a significant impact towards the satisfaction with performance appraisal system and all the elements of perceived fairness and denote the importance of further investigation of their interrelations. It was also revealed that employees’ apprehension of appraisal satisfaction can serve as a significant component in their motivation. It was also found that respondents’ perception of accuracy, procedural, and interactional fairness that results in increased satisfaction with performance appraisal system may, to a great degree, impact the overall motivation.

An article published in Valahian Journal of Economic Studies by Robescu and Iancu (2016) states that the approaches presented shows that there is no clear answer to the question what kind of motivators are the best to increase people performance. There is strong support for addressing in which the money is priority and are an economic factor motivating of human. On the other hand, there are opinions that do not agree entirely with this model saying that money does not significantly affect people's motivation. Further it states that there are opinions that do not focus on money at all. Instead they put interest and effort to analyze other reasons. The findings show the importance of leadership style and language used by leaders in increasing the performance of subordinates.

The general assumption has been that intrinsic and extrinsic rewards have an independent and additive influence on motivation. That is, motivation is determined by the sum of the person’s intrinsic and extrinsic sources of motivation. This straightforward assumption has been questioned by several researchers. Some have suggested that in situations in which individuals are experiencing a high level of intrinsic rewards, the addition of extrinsic rewards for good performance may cause a decrease in motivation. Basically, the person receiving self-administered feelings of satisfaction is performing because of intrinsic rewards. Once extrinsic rewards are added, feelings of satisfaction change because performance is now thought to be due to the extrinsic rewards. The addition of extrinsic rewards tends to reduce the extent to which the individual experiences self-administered intrinsic rewards. The argument concerning extrinsic rewards’ potential negative effects has stimulated a number of research studies.

Unfortunately, these studies report contradictory results. Some researchers report a reduction in intrinsic rewards following the addition of extrinsic rewards for an activity; others have failed to observe such an effect.

Money is a motivating factor that satisfy a lot of needs which is a factor that is essential for life and is necessary to meet basic needs for survival and security. Greater needs, such as self-esteem can also be satisfied by it. Money allows people to buy things that show their status and create a visible sign of appreciation. In other words, money is a symbol of many goals intangible which makes them a powerful motivator. Some credible studies confirm that, in fact, money is a good motivator, while others, equally credible neglect this.

Another study shows that money is not important as we consider for everyone and not in all circumstances. However, an important factor for most people. Money is more important to the present day people than in their answers to the question about the importance of money as a motivator. That could lead to an underestimation of financial rewards as being one of the motivating factors in the work place. A comparison of surveys where respondents were asked to place the factors that motivate the research on actual behavior shows that people put money in fifth position while the actual conduct money are almost always the most effective motivator. One explanation is that respondents tend to give the answer that is desired. If they are asked what motivates other people, the most frequent answer is money. Similarly, if respondents' role is to assess the attractiveness of jobs, they often choose jobs that are characterized by higher levels of salaries. Therefore, it can be mentioned that there is no other inducement or motivational method comes close to cash. while considering above discussion present research needed to test the moderating effect of employee motivation with the relationship between performance appraisal system and employee performance as well as employee motivation with the relationship between rewards and employee performance. Therefore, two hypotheses were formulated as follows.

Hypothesis 3: There is a significant moderating effect of motivation on the relationship between performance appraisal system and employee performance.

Hypothesis 4: There is a significant moderating effect of motivation on the relationship between rewards and employee performance.

3.3. Measuring the variables

To explain the way of measuring the variables in the conceptual framework researcher prepared an operationalization table as depicted in [Table 1](#).

3.4. Research Design

The present research is an exploratory research which is conducted to achieve new knowledge about the phenomenon and to investigate the true nature of that phenomenon in the selected context. The researcher uses the deductive approach to investigate the problem situation. As the primary data become prominent than the secondary data, primary data will be collected based on a survey method. Therefore, this research uses a quantitative method which allows the researcher to measure and analyze data. The relationship between independent and dependent variables is studied in detail. Quantitative research allows to test hypothesis in the study due to its' ability to measure data using statistics. In this research four hypothesis are developed establishing the relationships between variables used in the study. By establishing hypotheses, the focus of the study is narrow down to some specific boundaries. Primary data were collected by conducting a survey. The questionnaire used in the survey was developed based on the operationalization table. This survey was a self-administered questionnaire. Then a questionnaire is constructed to collect data in relation to those hypotheses.

The questionnaire consists of 57 items expecting responses and it was estimated to take 25 minutes for each respondents to complete the survey. Survey conducted among randomly selected employees within the organization using random sampling method.

Table-1. Operationalization Table.

Concept	Variable	Measure	Source
Performance Appraisal	Perceived accuracy	Accuracy of the Performance Appraisal	Cardy and Dobbins (1994)
		Consideration of entire rating period	Colquitt (2001)
		Identifying all weaknesses and strengths	Colquitt (2001)
		Recognition of effort put into work	Colquitt (2001)
		Accuracy of rating	Colquitt (2001)
	Perceived procedural fairness	Ability to influence over the outcome	Colquitt (2001)
		Regularity of conducting P.A.	Colquitt (2001)
		Unbiasness	Taylor et al. (1995)
	Perceived distributive fairness	Reflection of the contribution	Gupta and Kumar (2013)
		Justification of the outcome	Greenberg (1986)
Perceived interactional fairness	Ethical & moral standard	Misiak (2010)	
	Freedom to express views during evaluation	Colquitt (2001)	
Rewards	Intrinsic rewards	Praise effort, Skills and courage	Tremblay, Blanchard, Taylor, Pelletier, and Villeneuve (2009)
		Recognition	
		Recognition of your expertise and using it for the organization	
		Autonomy	
	Extrinsic rewards	Monetary benefits	
Medical facilities			
Motivation	Motivation	Motivation caused by salary, bonus etc.	Lashchonau (2015)
		Motivation caused by Performance appraisal process	
Employee performance	Employee performance	Promptness	Work performance questionnaire – University of Michigan
		Absenteeism	
		Carefulness	
		Concentration on work	
		Idling	
		Quality of work	

The sample size decided based on 95% confidence interval. Data collection instrument is questionnaire which was designed based on the operationalization that have been done by previous researches and changes to those will be done by the author where necessary. Secondary data collected by articles published by previous researches in well-known journals.

3.5. Sample Plan

The research context of the study being the electricity sector in Sri Lanka the population of the study is considered as the Ceylon Electricity Board which represent 88 % (CEB Annual Report, 2014) of the sector. The total number of employees or in statistical terms the size of the population is 16,123 as per the last annual report published in year 2014. This include drivers, security staff, unskilled, semi-skilled etc categories. Therefore, the researcher omitted these categories when randomly selecting the sample. Therefore, only executive category and middle level technical category were selected for the survey. Because in order to get a meaningful response the participants should have an good understanding of English language and some education. Therefore, when calculating the sample size only the executives and middle level technical staff which is 3000 in number was considered. The sample size was determined by using Morgon's Table. Accordingly required sample size is 341. In order to keep a margin for non-responses the questionnaire was sent to 360 employees.

The simple random sampling method was used for selecting the sample. The CEB is divided in to nine divisions based on the nature of work each division is doing. By looking at the nature of business it can be categorised to four main categories.

3.6. Data Analysis Technique

Data analysis was done using SPSS software. The variables were created as per the operationalization table and the collected primary data were fed into the software. In order to check the reliability of the data set or in other words to check how far the data set is inter-related Cronbach's Alpha was calculated for each variable. In order to check the sample adequacy Kaiser-Meyer-Olkin (KMO) values were calculated. Then the frequency test was carried out to get an clear idea how the responses are distributed and in addition the general idea of the employees on the measured variables. The next step was to do the descriptive analysis. There the correlation and regression between variables were calculated and accordingly the acceptance and rejection of hypothesis were done.

4. RESULTS AND DISCUSSION

4.1. Correlation Analysis

Correlation (r) indicates the direction of the relationship between two variables whether it is positive or negative and the significance of the relationship too.

Table-2. Correlation between performance appraisal and employee performance.

Correlations			
		Performance Appraisal	Employee Performance
Performance Appraisal	Pearson Correlation	1	0.863**
	Sig. (2-tailed)		0.000
	N	291	291
Employee Performance	Pearson Correlation	0.863**	1
	Sig. (2-tailed)	0.000	
	N	291	291

Note: **. Correlation is significant at the 0.01 level (2-tailed).

Table-3. Correlation between rewards and employee performance.

Correlations			
		Rewards	Employee Performance
Rewards	Pearson Correlation	1	0.820**
	Sig. (2-tailed)		0.000
	N	291	291
Employee Performance	Pearson Correlation	0.820**	1
	Sig. (2-tailed)	0.000	
	N	291	291

Note: **. Correlation is significant at the 0.01 level (2-tailed).

According to **Table 2**, Pearson correlation (r) between Performance appraisal process and employee performance is 0.863 at the 95% confident level. In other words, it was revealed a positive relationship ($r = +0.863$) between the two variables so that hypothesis (H1) is accepted at the 95% confident level 0.000 (< 0.050).

H1: There is a significant positive relationship between performance appraisal and employee performance.

As for the hypothesis testing results, H1 is accepted. Therefore, there is a positive relationship between performance appraisal and employee performance.

According to **Table 3**, Pearson correlation (r) between Rewards and Employee performance is 0.820 at the 95% confident level. In other words, it was revealed a positive relationship ($r = +0.820$) between the two variables so that hypothesis (H1) is accepted at the 95% confident level 0.000 (< 0.050).

H2: There is a significant positive relationship between rewards and employee performance

As for the hypothesis testing results, H2 is accepted. Therefore, there is a positive relationship between rewards and employee performance.

The third hypothesis is to test whether there is a positive moderating effect of motivation on the relationship between PA process and employee performance. The simple correlation calculation is not sufficient to check this phenomenon. In order to check this, Andrew Hayes's Process macro was used and the output is as Table 4 depicted below.

Table-4. Andrew Hayes Process output for Moderating effect – 1.

Model : 1							
Y :Meanempl							
X :MeanPerf							
W :Meanmoti							
Sample							
Size: 291							
OUTCOME VARIABLE:							
Meanempl							
Model Summary							
	R	R-sq	MSE	F	df1	df2	p
	0.9779	0.9563	0.0221	2094.3216	3.0000	287.0000	0.0000
Model							
coeff	se	t	p	LLCI	ULCI		
constant	-0.0524	0.1473	-0.3558	0.7223	-0.3423	0.2375	
MeanPerf	0.0786	0.0520	1.5098	0.1322	-0.0239	0.1810	
Meanmoti	0.9108	0.0547	16.6590	0.0000	0.8032	1.0185	
Int_1	0.0046	0.0147	0.3109	0.7561	-0.0243	0.0334	
Product terms key:							
Int_1	:MeanPerf x	Meanmoti					
Test(s) of highest order unconditional interaction(s):							
	R2-chng	F	df1	df2	p		
X*W	0.0000	0.0966	1.0000	287.0000	0.7561		
ANALYSIS NOTES AND ERRORS							
Level of confidence for all confidence intervals in output: 95.0000							

The first part of Table 4 list the variables. Meanempl- Mean employee performance (Y), MeanPerf- Mean Performance appraisal process (X) and Meanmoti- Mean motivation (M). The total sample size is also displayed as 291. When interpreting the moderation effect, the interaction variable is used. The interaction variable is determined by the multiplication of mean centered independent variable and the moderating variable (Int_1 :MeanPerf x Meanmoti). As per results the significance is 0.3109 which is not less than 0.050. Therefore, the moderation effect is not significant. Further the change in R² is null, which suggest that there is no moderating effect.

H3: There is a moderating effect of motivation on the relationship between performance appraisal process and employee performance.

As for the hypothesis testing results, H3 is rejected. Therefore, there is no significant moderating effect of motivation on the relationship between performance appraisal process and employee performance.

The forth hypothesis is to test whether there is a positive moderating effect of motivation on the relationship between Rewards and employee performance. The output of the Andrew Hayes process is as Table 5.

The first part of the Table 5 list the variables. Meanempl- Mean employee performance (Y), Meanrewa- Mean rewards (X) and Meanmoti- Mean motivation (M). The total sample size is also displayed as 291. When interpreting the moderation effect, the interaction variable is used. The interaction variable is determined by the multiplication of mean centered independent variable and the moderating variable (Int_1 :MeanRewa x Meanmoti). As per results the significance is 1.268 which is not less than 0.050.

Table-5. Andrew Hayes Process output for Moderating effect -2.

PROCESS Procedure for SPSS Version 3.3							
Written by Andrew F. Hayes, Ph.D. www.afhayes.com							
Documentation available in Hayes (2018). www.guilford.com/p/hayes3							
Model : 1							
Y :Meanempl							
X :MeanRewa							
W :Meanmoti							
Sample							
Size: 291							
OUTCOME VARIABLE:							
Meanempl							
Model Summary							
	R	R-sq	MSE	F	df1	df2	p
	0.9796	0.9596	0.0204	2269.8390	3.0000	287.0000	0.0000
Model							
coeff							
constant							
MeanRewa							
Meanmoti							
Int_1							
Product terms key:							
Int_1	:MeanRewa	Meanmoti					
	x						
Test(s) of highest order unconditional interaction(s):							
	R2-chng	F	df1	df2	p		
X*W	0.0002	1.6079	1.0000	287.0000	0.2058		
ANALYSIS NOTES AND ERRORS							
Level of confidence for all confidence intervals in output: 95.0000							

Therefore, the moderation effect is not significant. Further the change in R² is 0.0002, which suggest that there is no moderating effect.

H4: There is a moderating effect of motivation on the relationship between rewards and employee performance.

As for the hypothesis testing results, H₄ is rejected. Therefore, there is no moderating effect of motivation on the relationship between performance appraisal process and employee performance.

5. REGRESSION ANALYSIS

Further multivariate analysis measures the degree to which the dependent variable is represented by the independent variables. Simply, it measures the degree of employee performance (dependent variable) is determined by performance appraisal process and rewards (independent variables). The main output of multivariate analysis is multiple regression report with the multiple correlation coefficient (R) and the coefficient of multiple determination (R²).

Table-6. Model Summary.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.979(a)	0.959	0.959	0.14336

Note: a Predictors: (Constant), Motivation, Rewards, Performance Appraisal Process.

According to the above SPSS 13.0 output, Table 6, multiple correlation coefficient (R²) is 0.979 which indicates a positive moderate relationship between the dependent variable and independent variables. In other words, performance appraisal process, rewards and motivation are positively related to employee performance.

Further, the coefficient of multiple determinations (R²), the extent to which the dependent variable has been affected by all the independent variables when considered jointly is 0.959. This indicates that 95.9 % of the variance

in the dependent variable (employee performance) has been jointly explained by the collective variances of independent variables considered in the study.

The "F" test (ANOVA table below) is used to test whether this group of the independent variables determines the dependent variable significantly.

ANOVA^b

Table-7. ANOVA Analysis.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	139.162	3	46.387	2257.002	0.000 ^a
	Residual	5.899	287	0.021		
	Total	145.061	290			

Note:

^a Predictors: (Constant), Motivation, Rewards, Performance Appraisal Process.

^b Dependent Variable: Employee Performance.

According to the Table 7 table ANOVA, calculated "F" value is 2257.002. The critical value for "F" is 3 with degrees of freedom (df) of 3 influenced on employee performance.

As the calculated value for "F" is larger than the critical value "F" ($2257.002 > 3$), it is clear that the regression is statistically significant.

Coefficients^a

Table-8. Regression analysis

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.928	0.167		5.569	0.000
	Performance Appraisal	0.331	0.077	0.356	4.297	0.000
	Rewards	0.152	0.065	0.173	2.326	0.021
	Motivation	0.256	0.089	0.234	2.885	0.004

Note: a. Dependent Variable: Employee Performance.

According to the Table 8, "T" value indicates the significance of each independent variable to the dependent variable. As "T" value is greater than 2, it explains that independent variables, performance appraisal process, rewards and motivation have significantly influenced on employee performance.

Performance appraisal $p = 0.000$ (< 0.050), rewards $p = 0.021$ (< 0.050) and motivation $p = 0.004$ (< 0.050) are collectively influence on employee performance. Therefore, it is clear that performance appraisal, rewards and motivation significantly influence on employee performance.

6. CONCLUSION AND RECOMMENDATIONS

The first and most important point understood with respect to performance appraisal process is that the management of any organization that implement a performance appraisal process should clearly specify the objective or the target clearly. Then the process itself also be reviewed and do necessary adjustments if any to achieved the final target of implementing a performance appraisal process. Because performance appraisal process in most of the cases implemented to identify the deficiencies of the employee and take corrective actions accordingly to eliminate them. Therefore, the process should not be an exception. By looking at the performance appraisal process adopted by CEB the first thing noted is that the adopted process has not been updated to the level it has been developed in elsewhere and used in other organizations specially in the international context. Therefore, achieving

the objectives of the performance appraisal process is questionable and hence recommend to carry out a study to redefine the objective of performance appraisal process and to bring necessary changes to the process.

Ceylon Electricity Board, as mentioned at the introduction, is known for higher salaries and other benefits compared to other institutions in the country. It is also accepted that almost all employee of Ceylon Electricity Board have been able to fulfill the basic needs of their lives from the financial benefits provided by Ceylon Electricity Board. It was clearly revealed in the study of financial benefits of employees in Ceylon Electricity Board and noted that the financial benefits provided by Ceylon Electricity Board covers almost all aspects of the employee in fulfilling basic needs. However, from the data obtained from literature review revealed that it is more advantages to the organization if rewards given are directly related to the individual performances. This study reveals that there is positive relationship between rewards and employee performance. Based on these findings the researcher recommends to study the possibility of relating financial benefits with individual performance. In a situation where the rewarding based on individual performance is impracticable due to the nature of the business carried out by Ceylon Electricity Board, it is recommended to relate the performance of units, branches and divisions as appropriate.

Appraising performance take place once a year in Ceylon Electricity Board. It was revealed in this study that performance appraisal process itself motivate employees to perform better when handled with proper techniques. The focal point of the successful performance appraisal is the person who conduct the performance appraisal process. If the performance appraisal process maintains its' accuracy and fairness of the process itself can influence employee by building trust that the organization has recognized employee skills, effort and contribution and feeling that the organization wishes the goodwill of the employee and the carrier development of the employee is important for the organization. Therefore, by changing the performance appraisal process which takes place once a year at present in to few regular short interval performance appraisal activities, the motivation caused by appraising performance can be maintained throughout the year. But the special attention must be given here to conduct appraisals only by suitable personal maintaining accuracy and fairness of the process in order to avoid unnecessary negative consequences. Therefore, it is recommended to execute performance appraisal on regular basis with short intervals in order to maintain the employee motivated and maintain the focus on goals.

It was revealed in the study that money is not always the best reward that motivate employee for better performance but intrinsic rewards. Intrinsic rewards involve praise effort, skill and good work done, recognition of skills and practicing autonomy etc. All these are non-financial but rewards which motivate employee for better performance. These rewards can be given on day to day basis in employee supervisor interaction. But in order to do so the supervisors should be educated and trained. Otherwise there will be negative consequences and toxic environment. Therefore, it is recommended to educate and train all employees who plays a role of supervisor on how to handle intrinsic rewards and use them for motivating employee for better performance.

Finally, based on the findings of the study it is recommended to give higher attention on sensitive area in performance appraisal process, namely, distributive fairness, interactional fairness, procedural fairness and perceived accuracy of the performance appraisal process in order to get the maximum performance out of the human resource of the organization.

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