

**THE EFFECTIVENESS OF PERFORMANCE APPRAISAL
SYSTEM ON EMPLOYEE MOTIVATION: DRUK GREEN
POWER CORPORATION LIMITED, BHUTAN**



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**A THEMATIC PAPER SUBMITTED IN PARTIAL
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POWER CORPORATION LIMITED, BHUTAN**

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ABSTRACT

This paper attempts to study the effectiveness of PAS on employee motivation in Druk Green Power Corporation Ltd, Bhutan. The research study examines the rationale of implementing performance appraisal system, how the system is linked with reward and recognition, promotion, employee training and development, performance feedback and its motivational impact. A qualitative method was used to collect data through semi-structured interview of five employees from different departments.

The study found that the company is using PAS to motivate people to deploy their full potential by directly linking the system with reward & recognition, annual target setting, performance feedback. However, it was examined that the evaluation result was moderately used for training and development. Accordingly, the recommendation is provided to integrate PAS results with employee training and development.

KEY WORDS: Performance Appraisal/ Motivation/ Performance Feedback/Reward
& Recognition/ Training

31 pages

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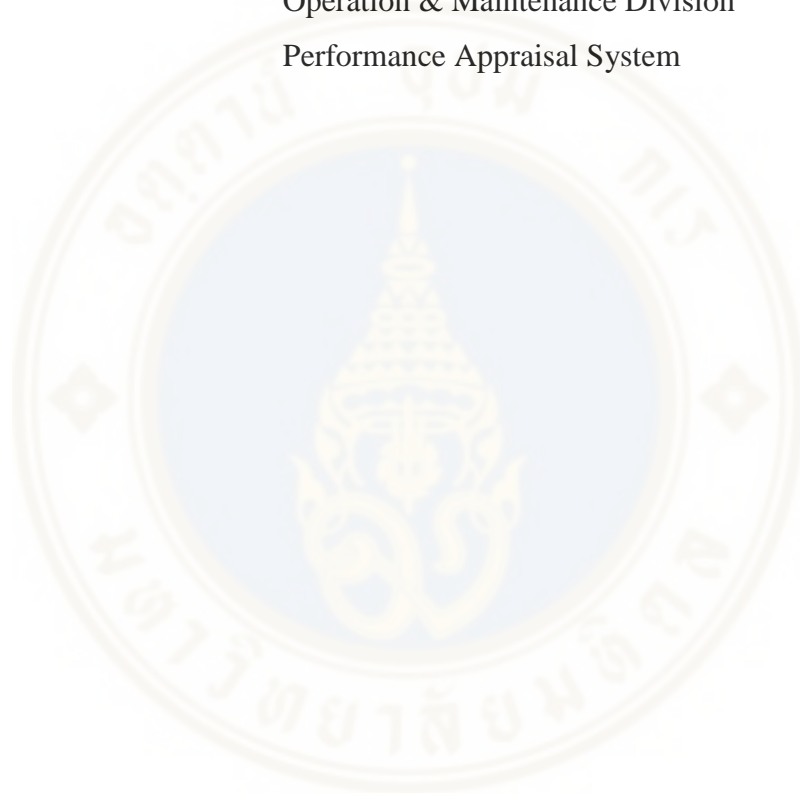
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LIST OF ABBREVIATIONS

DGPC	Druk Green Power Corporation Ltd
HRA	Human Resource & Administration Division
MW	Megawatt
O&M	Operation & Maintenance Division
PAS	Performance Appraisal System



CHAPTER I

INTRODUCTION

1.1 Background

If we name one management tool which looks for overall growth and development of employees in the company, then it is the performance appraisal system. It is the system that focuses on people and performance to generate maximum improvement and productivity in an organization. Therefore, in this cut-throat competitive business environment, it is impossible to discard the implementation of well-structured performance appraisal system as it is becoming one of the necessities for an organization. Though the company managers cannot control the behaviors of their employees, but it is possible to control how they perform their jobs. Therefore, it is the ability of the managers and company to motivate their people to make them perform better by providing them with right environment to work. Such motivating factors generally includes effective communication, fair treatment, and offering support (Maley, 2013). Moreover, performance appraisal is also considered as necessary base for employee promotion, merit-pay, training, recognition, compensation (Singh, 2011).

This research will be conducted in Druk Green Power Corporation Ltd (DGPC) in Bhutan. This company has a significant role in promoting, developing and managing hydropower for future sustainability. Presently it harnesses 1,635 Megawatts of electricity. The company is a state-owned corporation established in the year 2008 with the merger of Chhukha Hydropower Plant (365 MW), Basochhu Hydropower Plant (64 MW) and Kurichhu Hydropower Plant (60 MW). Later in the year 2009, Tala Hydropower Plant (1020 MW) was merged and in the year 2008, Dagachhu Hydropower Corporation (126 MW) was merged as one of the subsidiary companies. The surplus electricity which is not consumed by local is exported to India. The company is managed by 1,645 employees.

Currently DGPC has performance appraisal system in place to monitor the employee job performance, motivate individual employee to deploy their full potential, provide continuous counselling and feedback, advocate employee growth and development to enhance efficiency and productivity, identify training needs and reward employees accordingly.

1.2 Problem Statement

Since the formation of DGPC, there was no such study or data collected on how performance appraisal system is contributing towards employee motivation, job satisfaction and productivity. It was felt high time and necessary to validate how current PAS is helping in motivating the employees to perform their job better and get some insightful findings and recommend accordingly to the management for future improvements. This will help to signal the management, how their PAS is contributing towards employee motivation and directing employees towards efficient and sustainable development of hydropower in Bhutan. Therefore, the present study is intended towards evaluating how the system is helping in motivating people in the company.

1.3 Objective of the Study

The main objective of the paper is to examine how current PAS is helping in motivating people to deploy their full potential, provide continuous counselling and feedback, advocate employee growth and development to enhance efficiency and productivity, identify training needs and reward employees accordingly. It was felt necessary and essential to focus on the following areas for in-depth findings:

1. Rational for implementing performance appraisal in DGPC.
2. Examine how performance appraisal system is linked with reward and recognition system.
3. Examine how performance appraisal system is linked with training and development.

4. Examine how performance appraisal system is linked with internal employee promotion.
5. Examine how performance appraisal system is effective in providing performance feedback.

1.4 Scope of the Study

No formal study nor data was collected to validate how the current system is helping in motivating employees to deploy their full potential in DGPC. This is the first formal study conducted to evaluate how the system is helping in motivating people in the company as intended. The future researchers can refer this as one of the sources to test the system further as the study captured most of the motivational factors that are influenced by performance appraisal system. However, due to time constraints and distance, the present study only limits to five sample size and research was purely based on semi-structured interview.

1.5 Relevance of the Study

The study is significant to the author as the research topic is within the scope of author's job responsibilities. Till date the company didn't conduct any formal study on performance appraisal, therefore, this study will become one of the secondary data for the next researcher. Moreover, the findings will help in recommending the management for future improvements. All-in-All, the author's job experience and understanding of the topic will not only help in completing the study but it would also take author to higher and deep understanding of the topic and help in continuous learning.

1.6 Structure of the Paper

The paper consists of five chapters. Chapter one states the motivation of the paper explained through introduction, problem statement, objectives, scope and its

relevance to author. Chapter two presents relevant literature reviews, describes definitions, concepts and theories to later support and analyze the findings. Chapter three covers research methodology of data collection through semi-structured interview, secondary sources, sample size and framework of data analysis. Chapter four discusses on the research findings and data analysis. In chapter five, the research findings are synthesized using literature and responses of the participants. Finally, chapter five concludes with recommendations as per the finding.



CHAPTER II

LITERATURE REVIEW

2.1 Definitions of Performance Appraisal

The definitions of performance appraisal remain quite similar and constant amongst scholars and management gurus, mainly focusing on performance and employee development. According to Dessler (Performance Appraisal and Management, 2009, p. 69) - he defined it as a standard for evaluating and providing genuine performance feedback for development and continuous improvement of performance of an employee.

According to Lansbury (Performance Appraisal and Management, 2009, p.69), he defined it as a process to identify, evaluate and develop performance of an employee. He also states that providing performance feedback followed by proper recognition of performance helps in achieving company goals as intended.

2.2 Origin of Performance Appraisal

The origin of performance appraisal can be traced back to Wei dynasty of China where they used nine ranking methods to select people in a government office in the 3rd century AD (Jacobsen, March 20, 2013). The next evidence was seen at Robert Owen's New Lanark Textile Mills, Scotland in 1800s (Patten, 1977, p.352) (Grint, 1993) where variety of colored wooden cubes were used to distinguish an employee's performance. Improving, motivating performance, encourage competition among workers and making reward for good performance was the objective of appraisal system.

The formal use of performance appraisal can be trace in 1813 where US army General Lewis Cass adopted the concept in the form of merit rating to assess each of his personnel'. Back in 1950s, the use of performance appraisal was widely popularized for motivating and developing people in United States (Murphy &

Cleveland, 1995). The Performance Rating Act forced companies to develop appraisal methods to identify the best performers and non-performers in the workplace and develop relationships between supervisors and employees. In 1962, it was found that 61% of the organizations were using the system (Spriegel, 1962). Moreover, the Civil Right Act of 1964 and Equal Employment Opportunity Commission guidelines of 1966 pressured organizations to document their appraisal records for the control of selection procedures (DeVries et al., 1986)

2.3 Review of Related Studies

Idowu and Ayomikun (2017) had studied on effectiveness of PAS found that there was a positive outcome when performance appraisal was used as a motivational tool. It was also found that employee satisfaction and motivation increase when more than one appraisal techniques were used. Linking of performance to reward, set objectives for benchmarking performance and providing feedback on employee's strength and weakness were some of the sources of motivation.

Prasad (2015) found that transparency of the system helps in effective feedback, fair compensation and reduces attrition. He also found that to strengthen the impact of performance appraisal, careful design and administration of system with focus on employee development was found necessary.

Khan (2013) who studied on role on performance appraisal on employee motivation found that performance appraisal helps in strategizing better training and development needs. They also found that it provides a useful data for in-job promotion, and not only serves for better job feedback but it also encourages and motivate people to perform better.

Nemeroff & Wexley (1979) and Greenberg (1986) found that the employees tend to be satisfied with the system if they are given an opportunity to discuss about their performance. Such platform provides an opportunity to freely talk about their evaluation and more likely meet better future goals.

Lawler (2003) found that there is a positive relationship between salary increase, bonus and appraisal. Moreover, it also concludes that focusing on development of individual skills and knowledge makes the appraisal system effective.

Emmerik et al., (2012) also found that appraisal as a base to motivate employees through fair means of pay raise and internal employee promotion. Moreover, Manna (2008) also found that fair evaluation transmits strong message across employees that their dedication, commitment and hard work towards their work will get paid-off in near future.

According to Brun and Dugas (2008), performance appraisal helps in motivating employee which leads to exhibiting creative problem solving through non-monetary awards like praise, certificates of achievement, celebrations and speeches.

A study on effectiveness of performance appraisal (Thuvakudi, 2013) found that it not only helps during internal promotion of employees, but it also helps in strategizing better training and development needs of the company. He also concludes that providing performance feedback followed by proper recognition of performance helps in achieving company goals as intended.

2.4 Theoretical Framework

2.4.1 Theory X and Theory Y

According to Robbins & Coulter (2007) assumes there are two sets of people. As per Theory X, it states that there are some people with low determination, never persists to perform and exhibits low commitment. Therefore, such set of people need to be forced through carrot and stick rules to let them perform better. Theory Y states that there are some people who are disciplined, express their zeal and motivated towards better performance without much supervision. The theory encourages employees to perform as expected by supervising, monitoring and exploiting the full potential of the workers through an effective appraisal practice.

2.4.2 Two- Factor Theory

According to Robbins & Coulter (2007), the workers tend to be more satisfied and motivated with intrinsic factors when they aspire their achievements and recognize their performance through better opportunity of career advancement and continuous learning and growth. It also states that assigning challenging job

responsibilities which requires varieties of skills makes them feel motivated and meaningful. However, the hygiene factors or the extrinsic factors like company policy, supervision, relationships and working conditions tends to bring workplace harmony but not necessarily the satisfaction and motivation. However, in the absence of these hygiene factors the workers tends to display dissatisfaction and demotivates. Therefore, it was concluded that, the presence of both intrinsic and extrinsic motivational factors to be included in reward and recognition system to bring more productivity and achieve the goals.

2.4.3 Goal- Setting Theory

According to Robbins & Coulter (2007) states that the specific and challenging goals increases the performance when accepted by employees and results in higher performance than easy goals as specificity of goals itself acts as a motivator. Moreover, participation of employee in the process of goal setting not only helps in understanding the expected goals but it would also reduce the resistance of acceptance. This theory is considered relevant in a way that it would encourage the employees to perform as expected by setting mutually accepted performance goals through an effective appraisal practice.

2.4.4 Effective Performance Feedback

According to George & Jones (2014), it was stated that managers must give appraisal feedback to encourage and motivate high performance. To help subordinate inform on their performance, managers are encouraged to use both formal and informal appraisals. Formal appraisals are conducted between manager and subordinate at specified time period focusing on the performance dimensions which are set at the beginning of the year. It helps subordinates in knowing their areas of excellence and areas to focus more for improvement and at the same time let them know how to improve. Informal appraisal allows managers and subordinates to casually discuss over their current performance and future directions. It helps in identifying discrepancies between what they have done and what they want to do. This theory is considered relevant in a way that it would encourage the employees to

perform as expected by providing constructive performance feedback through an effective appraisal practice.

In order to stimulate motivation, the performance feedback must be objective towards performance behaviors which could be developed and changed within short span of time. Performance appraisal should not be treated as a weapon to punish, instead adopt as a problem-solving tool. Feedback and praise must be given instantly for a job well done to increase confidence. Moreover, it also states that they must agree to a performance improvement timetable.

2.5 Use of Performance Appraisal

According to Mello (2002), he identified five purposes of performance appraisal system. One purpose is to facilitate training and development of an individual and team by careful assessment of their performance deficiencies and skills. For this it demands effective performance feedback process. Second purpose is to determine appropriate rewards and compensation. For example, salary increase, promotion, bonus, retention decisions are all based on the appraisal data. Third purpose is to enhance employee motivation by communicating what is expected from them, recognizing outstanding performance through praises and other formal recognition programs. Fourth purpose is to facilitate legal compliance specially to protect claims of unfair dismissal of job. He helps in documenting unacceptable performance, chances and opportunities provided for improvement becomes the strong defense against lawsuit and sees ethical in the eyes of others. Final purpose is to facilitate the human resource planning. Performance data can be used to assess the performance deficiencies and skills gaps of people and accordingly strengthen staffing programs.

Grote (2002) identified several purposes of PAS. He states that the system is used to set mutual performance targets and provide performance feedback for performance improvement. It is also used as a base for pay raise, promotion and lay-off decisions. Moreover, he also states that the evaluation results are used for strategizing training and development needs of individual and organization.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Qualitative Method

According to Taylor et al., (2016), qualitative research methodology allows researchers to diagnose and interpret data based on the observation, story or experiences shared by the respondents with freedom of unstructured or semi-structures interviews. This method is applicable for this study as it allows for in-depth exploration, discovery, interpretation and further probing for understanding the effectiveness of performance appraisal on employee motivation from those who are currently using the system. It would help in contextual understanding and internal validity as face-to-face interview will provide a better opportunity to read the non-verbal communication and match the responses.

The researcher interviews the employees of Druk Green Power Corporation Ltd including HR manager to help cross check and validate the findings.

3.2 Data Collection

The primary data is collected through semi-structure interview to collect required information from the employees. Due to the researcher being away from the home country, the required data is collected with the help of video calls and voice calls through Messenger and WeChat. The interview is scheduled for 5 days with each interview length of an hour. Data collection started from 4th February however due to busy schedule of respondents, it took 10 days to conduct full interview. Further clarification and understanding are sought from the candidates whenever required.

The interview has been administered toward mixture of employees from various levels of employee categories. In order to obtain detail data and validate the responses a semi-structured interview was administered. To make respondents feel

better and easy to share their thoughts, perceptions and experiences on their own words and articulations, open-ended questions has been administered.

The following table depicts how the interview was scheduled.

Table 3.1 Interview Schedule

Date	Respondent Code	Designation	Department	Interview Time		Interview Medium
				From	To	
4 th Feb	01	HR Manager	HRA	4:30 PM	5:20 PM	Messenger
6 th Feb	02	Head of Plant	O&M	10:00 AM	10:40 AM	Messenger
9 th Feb	03	Head Operation	O&M	1:00 PM	1:45 PM	WeChat
11 th Feb	04	Finance Manager	Finance	3:00 PM	3:30 PM	Messenger
13 th Feb	05	Office Secretary	O&M	4:00 PM	4:30 PM	WeChat

The secondary data like HR manual, reward system, training and development calendar of DGPC was used.

3.3 Sampling Method

Due to the researcher being away from the home country and limited time frame from the research, a purposive sampling method was used. It is a technique widely used in qualitative research to identify and select an individuals or groups who are knowledgeable and have experiences in the field of research topic (Crewsell & Clark, 2011). Moreover, respondents must be available and willing to participate to articulate and express their experiences (Bernard, 2011). This will make author understand the issues pertaining to effectiveness of performance appraisal on employee motivation as respondents are not only known to author, but they also have better and in-depth experiences to share.

Table 3.2 The detail of Respondents

Respondent's Code	Gender	Employee Designation/Position	Department	Year of Service
01	Male	HR Manager	HRA	16 years
02	Male	Head of Plant	O&M	14 years
03	Female	Executive Engineer	O&M	12 years
04	Male	Finance Manager	Finance	6 years
05	Male	Office Secretary	O&M	3 years

3.4 Data Analysis

The researcher used graphs to analyze data. The data was analyzed using iterative interpretation. Iteration in this context is revisiting and cross checking the data and connecting them to theoretical framework developed to provide meaningful insights. The important key point is listed, coded, cross-checked, analyzed and interpreted. The first part of an analysis captures the portfolio of respondents, the second part focuses on the effectiveness of performance appraisal on providing effective performance feedback, third part focuses on training and development, and the fourth part focuses on effectiveness of performance appraisal on reward system to motivate employees. The findings are then carefully synthesized with the literature review and key finding is presented in the form of diagram.

CHAPTER IV

RESEARCH FINDINGS & ANALYSIS

4.1 Respondents Profile

The respondents consist of both male and female from various background right from managers to office secretary. Moreover, the respondent's year of experience with the company varies with one respondent serving 16 years to lowest being 3 years. To substantiate and validate the findings the interview was also conducted not only with lower rank staff, but it was also conducted with the mixture of HR managers and respective executives as shown in table 3.2 above.

4.2 Rationale for implementing PAS in DGPC

All the respondents commonly expressed the rationale for implementing performance appraisal system in the company is to reward and recognize best performance, set yearly targets, provide performance feedback and to identify individual training needs. The respondent's responses are presented below:

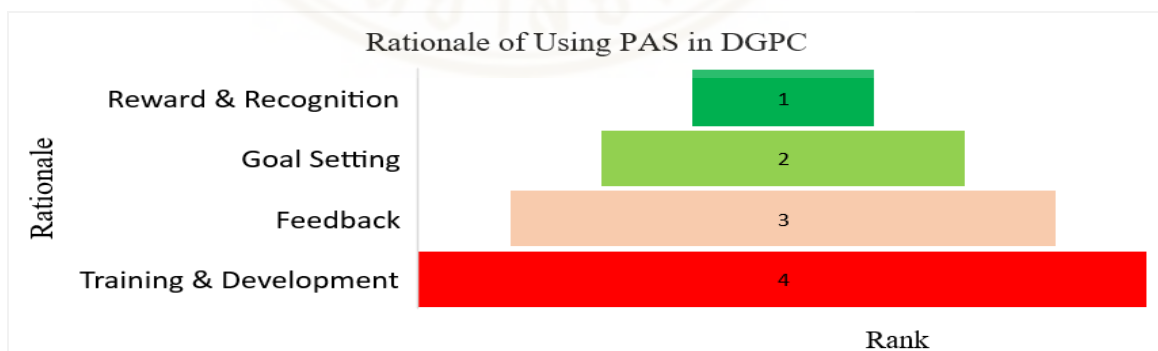


Figure 4.1 Rationale for implementing PAS in DGPC

As gleaned from the figure above, the respondents affirmed that their main objectives (ranked) of PAS in DGPC are to reward and recognized the best performers

(1), set goals for a year (2), provide performance feedback (3) and training and development (4) has been ranked as the least objectives.

It was observed and learned that PAS in the company was implemented to motivate people to deploy their full potential towards achieving common goals. The management uses evaluation results to determine individual salary increase, internal employee promotion, provide team-based bonus, incentives and recognize exceptional performance for career advancement (higher studies) to meet the current as well as future required skills for the company. They also use PAS as a medium to communicate and mutually set performance targets for a year. They simplify the targets and mutually set targets for either as group or individual based on need, skills and ability. Therefore, it becomes very important for all the supervisors and employees to solicit performance feedback to keep them informed about their performance direction, clear obstacles and achieve agreed goals. It was also observed that the system was used as an employee control system with the intention to make them perform better and bring harmony in the workplace.

The literature also proves that performance appraisal across world is mainly implemented as a management tool to identify, evaluate and develop performance of an employee. Moreover, effective performance feedback followed by proper recognition of performance helps in achieving company goals as intended. Therefore, performance evaluation results become important for a fair implementation of reward and recognition in terms of base pay raise, promotion, transfer, and bonus. Moreover, he also states that the evaluation results are used for strategizing training and development needs of individual and organization.

The analysis of secondary data like company service book, employee promotion history and salary increase data also reveals that supervisors and employees are required to follow the process of PAS for the above-mentioned objectives. In fact, the system doesn't allow employees to blame management for not receiving increment, promotion, bonus etc., as it's directly linked with individual performance. Therefore, it concludes that supervisors and employees are well informed about their PAS and its objectives which not only benefits individual but also the company.

“We not only communicate and make employee informed about employee promotion and performance management system during initial orientation and

probation period, but we also advocate and communicate during our semi-annual meetings with employee” (Respondent 01).

4.3 Link between PAS and Reward and Recognition System

It is important to know how respondents feel about the link between evaluation result and reward and recognition system of the company to drive their motivation.

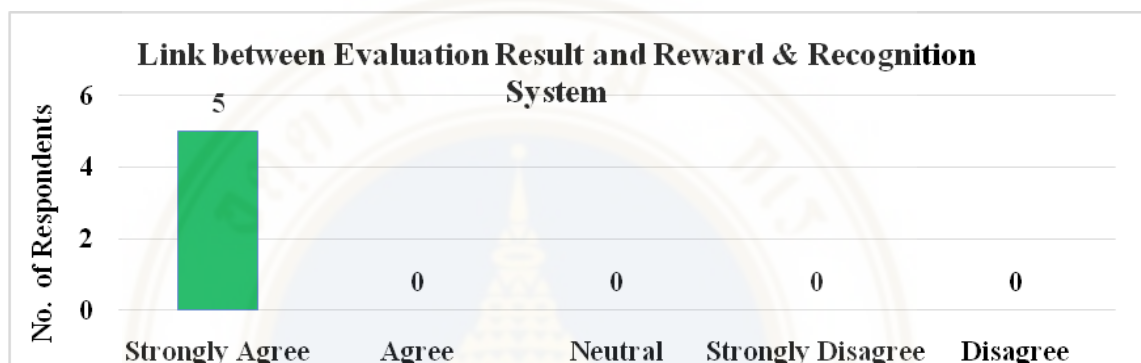


Figure 4.2 Link between PAS and Reward and Recognition System

The internal employee promotion to next higher grad and position are directly linked with the evaluation result. Employees must at least maintain consistent performance at level 2 (61-80 rating) that is ‘good performance’ to be eligible for normal promotion and must have achieve level 4 (91-100 rating) that is ‘excellent performance’ in order to get either fast track or meritorious promotions. This has motivated employees to perform better with creativity and team as they can jump to next higher grades/positions without having to serve full promotion tenure (5 years). It helps in developing self-esteem and progress towards self-actualization of their dreams through participating in decision making process and implement creative ideas with greater credibility. The Maslow’s hierarchy of need theory and two factor theory of Herzberg stands true where a person gets motivated and strives for next higher achievement with great sense of purpose.

“Based on this rule many of the employees got promoted to next higher grades. I served as Manager for around 3 years but due to my performance record for

the past three years being excellent (level 4) I got promoted to Senior Manager without having to serve full 5 years. It is all based on our capability to perform and ability to live up to the need, interest and concern of the company” (Respondent 01). A research on PAS (Idowu, 2017) and (Kumar, 2012) have also found that PAS is linked with reward and recognition system and promotions are solely dependent on PAS. However, in DGPC the PAS is not solely used for promotion, but it is used as one of the key criterions.

On the other hand, the most immediate link was felt between their salary increase and bonus. This motivates employees to perform better and across departments to earn team bonus. *“Though I and my friend joined DGPC in same grade and having cleared our probation period on the same date, my friend’s basic salary increased by Ngultrum 105/- compared to me. Our salary raises and eligibility of bonus depends on our capability and ability to perform better and live up to the expectations of superiors” (Respondent 04).*

The research also revealed that evaluation results are linked with individual salary increase and team bonus which not only motivates individual to perform better but it also helps in better communication across departments to earn team bonus. Lawler (2003) found that there is a positive relationship between salary increase, bonus and appraisal. Research on the effect of performance measurement and compensation on motivation found that extrinsic factors like money helps in effectively motivating employees (Ven et al, 2005). Monetary benefits in terms of salary increase, one-time payment and bonus influences and motivates employee to put in extra effort as their other allowances like production incentives, position specific allowance and overtime allowance and yearly bonus are linked with base salary. So, it is observed that higher base salary draws in more financial benefits and helps during retirement/superannuation. Therefore, the research finding truly correlates with Herzberg’s Two- Factor Theory which postulates salary as one of the motivational factors.

In order to stop deteriorating employees’ attitude of thinking that financial earnings as only measure of success, the company also have other non-financial reward in the form of recognitions such as providing opportunity to lead projects, pursue higher studies, involving in decision making and opportunity to learn & share

knowledge. Certificate of achievement, celebrations, praises in the gatherings and simple words like job well done and thank you are some of the current practices. To earn these recognitions employees, must display their creativity, act smartly on time, add value, promote name of the company through corporate social responsibilities, etc. has been found to drive motivation by such platform of recognition. For example, people were found actively involved in voluntary services like planting of trees at catchment areas above reservoir and around project premises to preserve rainwater and to prevent soil erosion, donating cash and kind for religious activities, preserve culture, reduce paper, etc. *“Our group have planted around 2000/- samplings at catchment area and around project premises on voluntary basis in the year 2017 and yearly donates towards cultural programs of schools” Respondent 03*). The past studies (Brun & Dugas, 2008) also found that performance appraisal helps in motivating employee by providing non-monetary awards like praise, certificates of achievement and celebrations. This further leads to encourage creative problem-solving skills among employees. Moreover, literature on two factor theory and Maslow’s hierarchy of need theory positively correlates with the findings where intrinsic motivation is leveled as higher end motivators.

Performance evaluation rating is also found as one of the critical selection criteria for pursuing higher studies. *“Those energetic employees who wants to avail company scholarship for upgrading their qualification to either diploma, bachelor’s degree, master’s degree or PhD need to secure good performance rating for past three years” (Respondent 02)*.

4.4 Link between PAS and Training and Development

There are various thoughts and experiences shared by different respondents. As reflected in the figure below, one respondent just agrees that the PAS is used as a medium to determine training and development need of an individual, three of them are on neutral state and one disagrees.

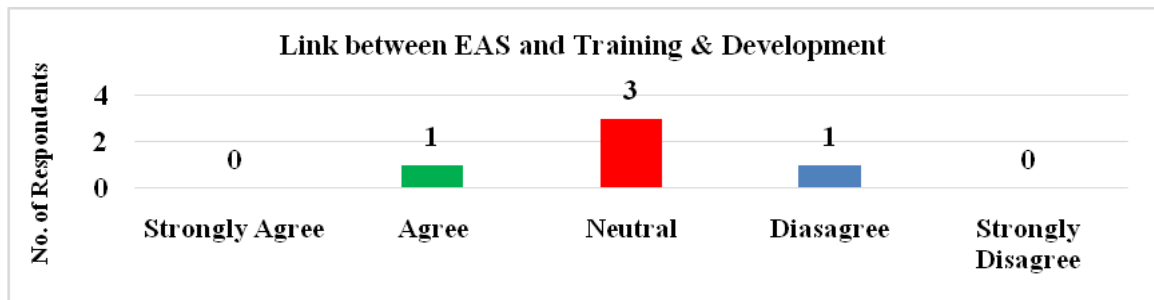


Figure 4.3 Link between PAS & Training and Development

It was learned that, though one of the main purpose of PAS is to identify training and development needs to address the issues of current as well as the future required skill, the supervisors and employees overlooks the training need assessment. They either propose wrong training or repeat the training. This has provided negative impression to the management and impeded in successful implementation of training and development programs. However, it helps in identifying training and development for those who are serious about developing their skills and understand the need of business. *“With the help of PAS and proper analysis of employee data (promotion and qualification), the HR department in collaboration with Ministry of Labor have certified and upgraded many senior employees with low qualification as skilled National Certificate Level 2 in the field of hydropower, electrician, mechanic, technician and operator. This has not only helped in upgrading their qualification, but it has also helped in their pay raise and promotion” (Respondent 01).*

The research reveals that there is a moderate relation between PAS and training and development of employees. This pertains to the finding that most training road maps are developed from head office and the program is currently owned by HR department. Moreover, supervisors and most of the individuals are not able to buy in the crux of training and development rather than thinking it as an incentive. Due to which they seldom review the needs, do not scrutinize the training proposal and mostly the development plans do not correlate to the need of company/division. *“Till now I have not proposed any training need to my supervisor as I have good knowledge of Microsoft Excel and Accounting. However, I have attended several seminars and trainings on mid-level leadership, accounting standards, SAP software,*

Organizational health & safety, Power-Gen-Asia, financial management etc., all nominated directly from corporate office (Respondent 04).

However, it was learned that there is no acute shortage of skills as yearly training program are executed from head quarter. The past studies on use of performance appraisal in staff development (Muhoi, 2013) found that performance appraisal does a little help to encourage training and development. Managers and HR department can make great use of performance data to address current and future skill gaps (Nurse, 2005).

Therefore, it was felt important for management to train all the supervisors on the importance of training and development of employees, encourage individuals and include them as one of the key persons for identifying needs, follow up on identified training plans with the management. This will motivate employees and help leverage the program as employees now take ownership. The training, development, growth and advancement is not only considered as one of the motivational factors for self-esteem and actualization, but Maslow and Herzberg also categorized it as one of the intrinsic factors with very high impact on motivation.

4.5 Link between PAS and Effective Feedback

One of the objectives of PAS in the company is to motivate employees through setting mutually agreed performance targets, clarify, redefine priorities of the company, and provide continuous counselling and feedback. Therefore, it is important to see effectiveness of system in providing performance feedback.

It was learned that PAS helps in providing effective performance feedback and motivate them to achieve targets. The formal (semi-annual) and informal feedback help employees to know exactly what, why, how, when they must perform which keeps them focused with less errors. Moreover, it also provides employees an opportunity to share their performance and what impedes their performance. Second, their salary increase, promotion, bonus, recognition, training and development are all based on the evaluation result. Third, they consider its effective because of the cross culture where practice of high-power distance prevails. This makes subordinates to listen to their supervisors and senior managers. *“Our PAS is effective in providing*

feedback because it's directly linked to reward and training & development. Moreover, due to existence of greater power distance, people are bound to believe and execute superior feedback” (Respondent 02). Therefore, the literature on McGregor’s Theory X and Y holds true in this case where some people must be motivated through carrot and stick rule, whereas some are self-motivated to perform better with less supervision.

On the other hand, it was found that supervisors are encouraged to involve subordinates in setting performance targets. The past research by Nemeroff & Wexley (1979) and Greenberg (1986) found that employees tends to be motivated to share their creativity for better performance when they are given an opportunity to discuss about their performance. Such platform provides an opportunity to freely talk about their evaluation and gets motivated to meet better future goals. According to George & Jones (2014), they stated that managers must give performance feedback to help employees know the expectations of supervisors, point the areas to focus and motivate high performance. In fact, this have made employees to clarify their expectations, perform their duties with informed directions and remove surprises at the time of evaluation. Moreover, Swan (2012) further explains, performance appraisal process helps people continuously learn from their past performance and employees improve base on the feedback, observation and experience. Therefore, it ensures that supervisor’s expectations are clearly communicated.

On the other hand, the goal setting theory also supports that participation of employee in the process of goal setting not only helps in understanding the expected goals, but it would also reduce the resistance of acceptance. This theory is considered relevant in a way that it would encourages employees to perform as expected by setting mutually accepted performance goals through an effective appraisal practice.

“I am always consulted by my supervisor while setting performance targets. It gives me an opportunity to understand what supervisor expects from me, express my zeal, solicit feedback and perform with proper direction towards achieving our goals. Formal and informal feedback really helps in understanding myself and gets motivated to perform better with enthusiasm (respondent 3).



Figure 4.4 Motivational Impact

CHAPTER V

CONCLUSION & RECOMMENDATION

5.1 Conclusion

The research found that PAS is mainly used to reward and recognize performance (intrinsic and extrinsic), set mutual goals and provide performance feedback to motivate employees towards achieving goals and moderately use for identifying training and development needs to meet current and future skills. This is consistent with reviewed literature, which states the purpose of PAS as to facilitate training and development of an individual and team, determine reward and compensation, and to communicate what is expected from employees. Moreover, Brun and Dugas (2008) and Khan (2013) also found that performance appraisal helps in motivating employee by providing non-monetary rewards and strategize better training and development, use as a bases for in-job promotion and provide performance feedback.

The research found that PAS is linked directly to reward and recognition system of the company and influences employee's motivation. Linking PAS with internal employee promotion to next higher grade found to motivate employees to perform better. It provides opportunity to jump to next higher grade/position without having to serve full tenure of five years. The extrinsic benefits like salary increase and bonus is also found to be based on the evaluation result. It was observed that it not only motivates individual, but it also drives to communicate across departments/divisions as bonus is inter-linked. On the other hand, it's very motivating because other allowances like production incentives, position specific allowance and overtime allowance and yearly bonus are linked to their base salary. Moreover, it is also helping people to draw more gratuity and pension in times of superannuation.

The recognition of intrinsic benefits through PAS is also in practice mainly to stop deteriorating employees' attitude of thinking monetary benefits as only measure of success. Currently outstanding performers are recognized through

certificates of achievement, celebrations, praises in the gatherings, opportunity of knowledge sharing, opportunity to lead projects, and simple words like job well done and thank you. Such formal and informal recognition has helped in creative and innovative services not only in workplace, but employees are found actively involved in voluntary services like planting of trees in and around project premises to preserve water and prevent soil erosion. Therefore, the Herzberg's two factor theory stands true in this case where both motivational and hygienic factors should be given to people for better performance.

However, it was revealed that though PAS is linked with identification of training and development needs, but individuals don't use to that extend. This is because currently the training and development needs are mostly managed through head office by head of departments and HR managers. Moreover, many of the individuals thinks that training and development as an incentive rather than taking it as an opportunity to develop oneself and meet the present and future requirement of the company.

The finding reveals that PAS not only helps in providing effective performance feedback, but it also motivates employees to perform better. There are three critical factors which according to current practice led to effective performance feedback. First, their service rule demands semi-annual performance appraisal where supervisors and employees must formally provide performance feedback. Second, their salary increase, promotion, bonus, recognition, training and development are all based on the evaluation result. Third, they consider its effective because of the cross culture where practice of high-power distance prevails. This makes subordinates to listen to their supervisors and senior managers.

The process encourages supervisors to set mutual performance targets including subordinates, instead of forcing them to follow. This helps in understanding performance expectations, express zeal, solicit feedback and perform with proper direction towards achieving goals. It reduces the resistance of employee and motivates them to perform better when they are involved in goal setting. Moreover, formal and informal feedback really helps employees get motivated to perform better with enthusiasm.

5.2 Recommendations

5.2.1 Training and Development

Though one of the purposes of PAS in the company is to motivate employees by providing better training and development opportunities, but it is observed that it is not consistently used across the departments as it is mostly controlled from head office. The supervisors and individuals must be given awareness program and training on the importance of employee training and development of employees. The department heads and HR manager must involve supervisors and individuals in the process for right identification of needs and take ownership of the program. Later, as a pilot test make it as one of the KPI of supervisors to embrace and leverage the program with accountabilities and ownership.

5.2.2 Suggestion for Future Research

Owing to time and geographical disadvantage the sample size for this study limits to only five employees of DGPC. For more in-depth understanding of the topic, researchers can consider qualitative research with larger sample size of around 500 employees from different departments and positions to verify and validate the findings. Moreover, it would be best, if such studies can be conducted for all the corporations in Bhutan to know the current practices and future development.

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APPENDIX A: Interview Questions

Part One: Rationale for implementing performance appraisal system in DGPC

1. What are the objectives of DGPC performance appraisal system?

Part Two: Link between performance appraisal system and reward and recognition system

2. How does the appraisal result link to reward and recognition system of company? Do you see any motivational impact?

Part Three Link between performance appraisal system and training and development

1. How helpful is appraisal system in identifying training and development needs of employees?
2. Do management use appraisal results to decide on strategies for employee training and development?
3. What does the DGPC do to staff whose performance fall below expectation?

Part Four: Link between performance appraisal system and internal employee promotion

1. Do you see any relation between performance appraisal and employee promotion to higher grades? Does promotion help in motivating people?

Part Five: Link between performance appraisal system and effective feedback

1. How effective is performance appraisal system in providing useful feedback to individual?

2. Do people take feedback positively as a tool of development and target attainment?
3. In general, do you think that performance appraisal system helps in motivating people in DGPC?
4. Do you have anything to say?

