Functions of the Performance Appraisal System: Analyses and their Impact on Level of Employees’ Motivation

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ABSTRACT

In this paper, the authors integrate the analysis of functions of the performance appraisal system and research of their impact on the level of employees’ motivation in the institutions of Bosnia and Herzegovina. They start from the assumption that the purpose of effective performance appraisal system is reflected in linking employees’ activities through the stabilization function and documentary function, using valid and useful information in making administrative decisions about employees and providing feedback to employees which they will use for developing. One of the most important benefits should be enhanced employees’ motivation at work. The hypothesis was tested by stratified random sampling method, and all levels of management were encompassed. Results of empirical research have established that the existing system primarily has documentary and administrative functions, and such as that does not provide raising of level of motivation, and it should be considered in redesigning the performance appraisal system of employees.

Keywords: Employees’ Motivation, Institutions, Performance Appraisal System, Redesigning of System, Structure of the Functions

INTRODUCTION

The performance appraisal system could be defined as one of the basic questions of human resources management and other research areas. Performance or effects may be some measurable result or behavior or personal characteristics, which are necessary for performing certain actions (Bogicevic, 2004, p. 189).

The performance appraisal system of employees are often treated as an annual ritual, which involves rapid filling of forms with allowing the collection of all negative information about employees in the past year (Cascio & Aguinis, 2005, p. 82). The performance appraisal system of employees presents assessment system of employee’s contribution to organizational goals in a defined period of time.

The general aim of this paper is the identification and analysis of primary functions of the existing performance appraisal system of employees in institutions of Bosnia and...
Herzegovina and determining their impact on the motivation of employees within these institutions.

Realization of the general goal requires the following operational goals of the research: to determine in which extent, the existing performance appraisal system is achieving development function and stabilization function and to what extent system is achieving administrative function and documentary function; to determine whether the existing performance appraisal system of employees in the institutions of Bosnia and Herzegovina involves measuring the relevant aspects of work performance; to identify the impact on employee’s motivation and work commitment to work in institutions, and to identify which elements of performance appraisal are considered as motivating and demotivating factors for employees.

Adequately designed performance appraisal system of employees should include several elements: definition of performance which will be the mayor subject of appraisal, selection of appropriate methods and instruments for performance appraisal, the choice of reviewers and appraisal’s timing, and providing feedback to employees about the results they have achieved. In addition, performance appraisal system should meet several criteria: criterion of validity (the measurement of important components of work in a representative manner); criterion of reliability (high degree of agreement between reviewers through appraisal), criterion of practicality (the low cost of creating and implementing performance appraisal systems) and the criterion of avoiding discrimination. If the performance appraisal system is not adequately structured, and if they do not meet these criteria, its implementation can have a number of negative implications to organizational goals and effectiveness, as well as the social atmosphere at work and motivation of employees.

Although the Law on Civil Service in the Institutions of Bosnia and Herzegovina, provided that the results of the performance appraisal system are taken into account for promotion and internal transfers, in practice, decisions about promotion on this ground is very rarely made, and for several reasons: 1) the improvement of employees is not precisely defined by this Law, 2) only the supervisors are involved in the decision-making process (which, according to recent trends in the field of human resource management, is not resulted in an objective appraisal), 3) questionnaires which are used as an instrument for appraisal is universal and general, and also they are not adjusted sufficiently to specific and content of each work place. Although, the civil servant may, by appraisal of his work, get increased salary; those fees are minimum. On the other hand cash incentives for those employees who are rated as “extremely successful”, in relation, for example, to those who were rated as “successful” are minor. Taking all this into account, the choice of the aim of this research seems to be justified.

To test our hypothesis, we conduct a stratified random sampling method with 63 institutions of Bosnia and Herzegovina; 100 managers and 200 other employees (civil servants and employees) in the institutions, who were stratified into three groups according to established proportions of stratum. In addition, we ask survey questions regarding performance appraisal system, functions, improvement, and motivation.

To explain how we attained these results, we will first review the theory supporting our research hypotheses. Following that, we will present more detail of our research sample, methodology and research instruments. After presenting the results of our research, we will conclude this paper with a discussion of our results, including their theoretical and practical implications.

THEORY

The perception that employees are subjected to the process of appraisal could result in their increased work engagement. On the other hand, motivation at work could be enhanced with possibility of obtaining different benefits
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