The Effect Of Performance Appraisal System On Employees Motivation: A Case Study Of Hospital A At Batu Pahat

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Abstract: The performance appraisal system is a critical aspect that may impact employees' intrinsic and extrinsic motivation in the organization. The purpose of this research is to identify the level of motivation at hospital A and examine the effect of the current performance appraisal system of Hospital A on staff motivation. Data will be collected by distributing a questionnaire survey to 150 employees of Hospital A randomly. The data was then analysed through a correlation coefficient. The expected outcome for this case study are there is relationship between performance appraisal and employee motivation. Furthermore, appropriate recommendations will be forwarded.

Keywords: Performance Appraisal System, Employees Motivation

1. Introduction

The performance appraisal process enhances employee morale and pushes them to work harder to accomplish the companies' goals (Thakur, 2020). In addition, performance appraisals assist in analysing an employee's performance and the impact of the employee's job on team performance. As a consequence of being coached, a person or a team's progress is summarized, and new objectives are agreed upon at this point in the performance appraisal system. The performance appraisal system is an essential Human Resource Development tool established and used for the overall development and advancement of people and businesses. Based on that, these performance appraisal methods assist the management make administrative and developmental choices, such as selection, promotion, training, and termination.

Motivation is a psychological process through which a person acts or behaves towards a particular task or activity from start to completion. Motivation drives or pushes a person to behave in a particular way at that point in time (Mbaskool, 2021).Employee motivation is an important factor in a company's health. Only when personnel is sufficiently motivated can they perform at their best. Typically, businesses concentrate on remuneration and perks in addition to benefits as a means of motivating workers. However, some staff at this hospital would lose motivation if the outcomes of their

performance review were not satisfactory. As a result, workers are motivated by salary; performance assessment ratings are also important. This implies that worker's for Hospital A needs for job happiness and fulfilment must also be met in order for them to attain their full potential.

Hospital A was the private hospital in Batu Pahat. This hospital has nearly 4 branches throughout the country. The number of employees of this hospital is almost 180 employees. The performance appraisal system of the hospital is one of the major functions of HR, which is changed recently. The frequency of performance appraisal has increased from once a year to three times a year. In turn, this has resulted in a steady fall in the level of motivation among hospital staff members.

As a result, research on the link between performance appraisal methods and employee motivation in Hospital A is important, as employee motivation substantially impacts employee performance and organisational performance. Additionally, knowing how Human Resource Management methods, specifically the Performance Appraisal System, affect employee motivation may assist firms in establishing a more effective management system, hence improving employee and organisational performance.

The potential importance of human resource management in enhancing an organisation's performance has been recognized. By enhancing employee happiness, human resource management strategies may help a business improve its performance (Hamzah *et al.*, 2019). Organisational success, survival, and competitive strength are all dependent on the commitment of its members, and employee satisfaction with the organisation's assessment method may be a significant factor in determining this commitment (Hanaysha, 2016).

However, the present Performance Appraisal System has several flaws, which might be the source of widespread unhappiness. According to Human Resource Department study conducted in Hospital A, employee desire for Performance Appraisal System and their implementation is poor. The key reason for this is that Performance Appraisal System processes often occur without the involvement and engagement of employees. Performance-based pay is the second cause of employee unhappiness. In fact, workers get yearly departmental bonuses that do not acknowledge individual accomplishments. These problems influence the Performance Appraisal System's effectiveness.

During an interview with a Human Resources Manager Hospital A, employee turnover increases every year, which is strongly tied to performance appraisal results. In Figure 1, the Human Resource Manager of Hospital A displays turnover. Figure 1 illustrates the rate of turnover from 2016 to 2020. Between 2016 and 2017, the number of people that left the company increased from 14 to 16. It rose to 20 people the next year and 22 people in 2019. Turnover rates will have risen to an alarming 32 percent by 2020. The Human Resources Manager is concerned about the yearly increase in employee turnover. Consequently, research should be done to evaluate how Hospital A's performance appraisal system affects staff motivation.
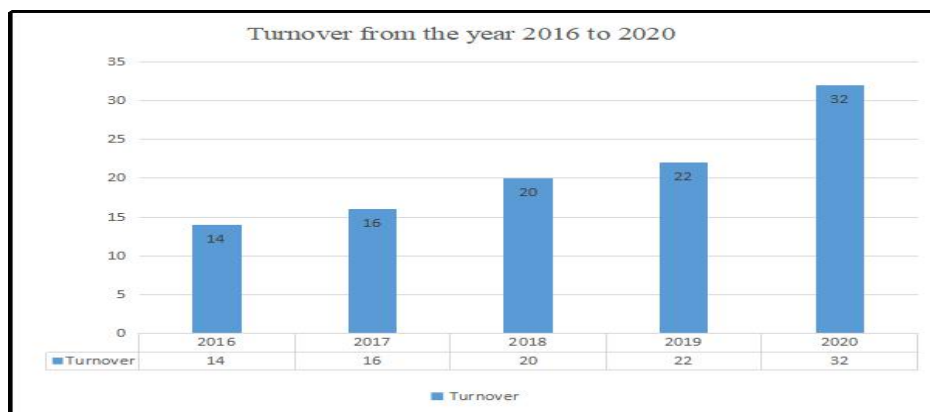
Figure 1: Turnover rate employee for Hospital A

The case question suggestions' deals with the formulation of the research question that helps to achieve the objective of the study. They are to find the level of motivation of employees at Hospital A and the impact Hospital A's performance appraisal system on staff motivation. The learning objectives for this case is to identify the level of motivation at hospital A and to examine the effect of performance appraisal system at Hospital A on staff motivation.

The significance of the case study can benefit Hospital A by providing information about the level of motivation of existing employees about the performance evaluation system, as well as how an important performance evaluation system can be used together as a way of improving performance in the organisation while also increasing motivation in the workplace. Hospital A will be able to take necessary action to resolve existing difficulties due to this analysis, which also provides insight into the influence of the existing performance assessment system. The study also provides relevant information for concerned employees available at various management and human resources departments, allowing them to understand better the importance of an effective performance evaluation system and its impact on employee satisfaction and motivation.

Academics and researchers who are interested in researching the same area as the topic of this study will find this study to be of great use. Ideally, the study will help them get a complete knowledge of the influence of the performance appraisal system on employee motivation. Additionally, this study would help the researcher collect knowledge and experience from the process of performing a study and get a better understanding of the connection between a performance evaluation system and employee motivation. Finally, it also helps government or private to collect information about effective performance appraisal. It will help them get a complete knowledge of the influence of the performance appraisal system on employee motivation.

2. Literature Review

2.1 Performance appraisal system and employee motivation

This research focuses on the effect of performance appraisal system on employees motivation at Hospital A. Additionally, there is research on the effect of performance appraisal on employee motivation. The results of the research indicates that self-motivated employees will be more successful in their work. Employees may prefer intrinsic incentives that give them a feeling of accomplishment, fulfilment, responsibility and ownership, among other things. They are bound to their work by their own intrinsic motivations. On top of financial incentives and pay increases, employees send a message to the hospital's top brass that they want to be compensated for more than just their time and effort (Ong *et al.*, 2016). The outcomes of this research corroborate the importance of intrinsic motivation in enhancing employee's work performance in a health tourism facility. It cannot be overstated how crucial intrinsic motivation is. Extrinsic incentives seem to be the most effective method of motivating workers since many organisations continue to reward their staff with physical and monetary prizes. However, the study results indicate that employees have begun to seek intrinsic incentives to identify their actual organisation needs. The result indicate that hospital administrators should balance intrinsic and extrinsic motivation and place a premium on the intrinsic drive. On the other hand, intrinsic incentives are less expensive and more effective at raising employees' performance.

There are also studies about performance appraisal and employees motivation in Peninsular Malaysia. In accordance with Vagneswaran (2008), the mediation study revealed that intrinsic motivation is required for performance appraisal to have a beneficial effect on job performance. Additionally, while intrinsic motivation was a significant predictor of job performance, one fascinating interpretation is that performance appraisal may have little influence on the individuals who most need to learn and improve.

Additionally, the partial mediation of the link between performance evaluation satisfaction and emotional organisation commitment by intrinsic motivation implies that both performance appraisal satisfaction and intrinsic motivation significant influence these two variables. This is likely because numerous components of the Performance Appraisal process, such as continual feedback and job clarity, may have a more favourable effect on workers' emotional organisational commitment and desire to remain. Additionally, workers' enthusiasm and pleasant sentiments about their job might increase their affective organisational engagement while decreasing their desire to leave.

A performance appraisal is a measuring framework that human resource professionals use to gather data on and establish benchmarks for their workers' performance and motivation. Frequently, information is evaluated against the company's organisational standards, which are defined by a set of corporate or departmental goals. Workers are often given a battery of motivation tests designed to align organisational or departmental performance with the employees' contribution as their primary motivator. Human resource managers utilise motivation evaluations as a method for assessing and developing employee competency.

2.2 Case Story

The case story, specific theory, and data gathering are all covered in this chapter. A research technique is a procedure that is used to analyse data with the goal of providing the knowledge that is necessary (Pandey, 2015). The objective of this chapter is to provide an overview of the research methodology's historical context. It is described in this chapter how the research is carried out in terms of research design, data collecting techniques and sample design. It also includes operational definitions of constructs, measurement scales, and data analysis procedures, all of which will be covered in this study.

Although Hospital A has been in operation for 33 years, a few employees also served for those year. However, numerous staff who have worked at this hospital for over three decades indicate that working here is no longer as enjoyable as it once was. As a result, their commitment to this hospital has decreased. This scenario is quite concerning for Hospital A. Assume that terminating workers with more than 30 years of experience is a significant loss. According to Idowu (2017), employee motivation is significantly impacted after performance appraisals. Consequently, a case study of Hospital A will be done to ascertain the performance appraisal system's effect on employee motivation. The purpose of this case was to determine whether or not the performance appraisal system had a negative effect on employee motivation at Hospital A.

As seen in the preceding appendix, Figure 1, employee turnover grows year after year, and by 2020, employee turnover has increased by a substantial amount. This is something that the management hospital is concerned about. Employee enthusiasm at Hospital A, according to the average, has dropped in recent years. Motivation decreased should not be overlooked in light of the critical nature of motivation in the workplace. The employees need support, encouragement, or incentives to perform better. Enhancing employee motivation is a way for enhancing employee performance of different types of levels (Ali & Anwar, 2021). Without motivation, Hospital A and even its employees would suffer. When motivation begins to decline, it has a detrimental effect on both workers and the business. This may be noticed when the motivation of Hospital A employees declines; it affects employees' moods and causes them to be cold toward customers. This has enraged customers who are displeased with the cold services they have received. This puts a poor image to this hospital. The lack of motivation will result in employees' inability to be motivated in their places of employment. It is possible to establish a nice atmosphere in this hospital with the help of incentive, and the relationships between employees will improve.

Increasing employee motivation is a critical management role in every organisation. Employees dissatisfied with the performance of their jobs and obligations will become a burden on the company

and cause management difficulties. In addition, these kinds of individuals will persuade other employees to take actions contrary to the organisation's aims. The hospital's management has taken many measures to boost staff enthusiasm, including ensuring that work processes and procedures are effective and simple to follow. The Human Resources department or head of the department will advise all employees, including new employees, on the duties that must be completed and the processes.

However, some of the previously offered incentives to workers had to be rescinded in the aftermath of the Covid-19 pandemic in the last two years. For two years, employees are not eligible for any financial incentives, such as bonuses or pay raises. Employee incentives are linked to performance. Annual performance appraisals are conducted to decide who is deserving of honors. The majority of prizes are offered as incentives or promotions. However, if workers are not rewarded, employee motivation will drop since nothing ensures their motivation will always be there. It is much worse when performance appraisals are conducted annually with no incentive to boost staff morale. However, further research on the effect of performance appraisal on employee motivation is necessary.

3. Methodology

3.1 Research Design

A research design is the arranging of circumstances for data collection and analysis in such a way that it tries to combine relevance to the study objective with efficiency in the technique used to gather and analyse the data. As a matter of fact, research design is a conceptual framework within which research is carried out, and it serves as a blueprint for data collection and analysis by establishing parameters for measurement and analysis. (Priyanka & Pradip, 2017).

The study objectives and research questions led to the use of both descriptive and explanatory research designs. Descriptive research includes many types of surveys and fact-finding inquiries. The primary objective of descriptive research is to document the current condition of circumstances. Research studies that are exploratory in nature are sometimes referred to as formulate research studies. The primary objective of such research is to formulate an issue for further inquiry or to establish operational hypotheses (Sajjad Kabir, 2016).

A quantitative descriptive approach was employed in this study to look at the impact of the independent variable Performance Appraisal on the dependent variable's motivation. Because of this, the research relies on primary data sources. Data for this study came mostly from surveys handed out to personnel at this Hospital. A questionnaire will be developed to understand better why workers get demotivated after get result the performance evaluation.

3.2 Data Collection Method

There are two forms of data collection: primary data and secondary data (Surbhi, 2020). Primary data will be used in this investigation. In order to determine the response to the research, questionnaires should be sent to respondents in order to collect primary data. Primary data is vital to get information from original sources and deal with primary data while conducting statistical surveys. For instance, a country's female population statistics cannot be derived from newspaper, magazine, or other written sources. Questionnaire will be choose as the major data collecting strategy in this study since it enables us to get initial data from chosen respondents. It is the most commonly used method in survey. Questionnaires are a list of questions either open-ended or close-ended for which the respondents give answers.

3.3 Population and Sampling

Sampling design is a technique that is developed prior to data collection in order to get a sample from the population (Moser & Korstjens, 2018). The rationale for utilizing sample size rather than population for primary data collection is because the study may comprise hundreds or even thousands of pieces, making it very difficult for researchers to gather and assess them all. Additionally, employing population size rather than sample size is more expensive, requires more time and labour. Additionally, utilizing a sample size is more likely to yield a more trustworthy result than using a population, since tiredness and mistakes are avoided. In keeping with the theme of our study, we chose to concentrate on the employee of Hospital A. The populations that the researchers targeted are 180 respondents.

(a) Sample size

A sampling frame is a representation drawn from all of the population's constituents (Sarstedt, Bengar, Shaltoni & Lehmann, 2018). However, there were potential issues that may arise when picking a sample size from the population, such as papers that were not up to date or current. As a result, the sampling frame may not be completely correct. However, researchers do not place a high premium on this problem since the target population and sample frame are so similar. The questionnaire will send to Hospital A as part of the study.

Hospital A employs a total of 180 people. Krejcie and Morgan (1970) provide a table outlining the recommended sample size for each population size. As a result, 123 set questionnaire will deliver to the respondents. In the event that questionnaires were not returned, 150 sets questionnaire will be distribute.

(b) Target respondent

This study is surveyed employees of Hospital A. There are six departments at Hospital A. The department consists of the Nursing, Information Technology, Finance, Human Resource, Maintenance & Facilities, and Communication departments. Employees do not need to be at a specific level of employment to participate in our survey, and any department employee is welcome to do so. Gender, age, ethnicity, educational level, and year of employment were all factors in the questionnaire distribution.

(c) Sampling technique

Sampling techniques may be classified into two categories: probability sampling and non-probability sampling. Probability sampling may be defined as a process in which each component of a population has an equal chance of being chosen, with the result that the population has a known. On the other hand, non-probability sampling is characterized as the lack of probabilities connected to individuals in the population being selected as sample subjects (Showkat & Parveen, 2017).

It is one of the most basic systematic sampling strategies for obtaining a random sample (Hibberts, Johnson, & Hudson, 2012). The methodology is based on using a selection mechanism that ensures that each participant has an equal chance of getting chosen. Due to the probability and random selection used in the selection process, the resulting smaller sample is more likely to represent the total population and with no researcher bias. This is often referred to as a chance method.

(d) Research Instrument

These sections discuss the instrumentation utilized in this study. There are necessary to undertake since they aid in the collection of information and data. The researchers performed the investigation through self-administered questionnaires. This approach will be aim since it is both effective and economical. The questionnaire will be sent to employee's Hospital A. The respondents will give three to four weeks to complete all of the surveys.

To ensuring that respondents comprehend the questionnaire survey in a short length of time, the questionnaire will be basic and brief. The questionnaire is divided into three primary sections: Section A, Section B, and Section C, which include demographic profiles, independent variable assessment, and dependent variable assessment, respectively. The demographic questions in Section A are used to ascertain the respondent's personal information. Gender, age group, ethnic origin, education level, years of work and department were all included in the data. This section has a total of five questions. In Sections B and C, and use a five-point Likert scale to assess respondents' responses, which range from "strongly agree" through "agree", "neutral", "disagree", and "strongly disagree". Section B has independent variables that will be used to ascertain the elements that influence performance appraisal at Hospital A. Rewards, advancement, training, flexible schedule, and work atmosphere were all considered. Section C are intended to elicit data on the dependent variables, which are the respondent's motivation.

(e) Data analysis

In data analysis, it may be defined as the procedures of evaluating the data that use analytical and logical reasoning to assess each of the components of the data that have been provided. The key statistical approach that was used will be discussed in further detail in the next section. It is the process of analysing data obtained by the use of analytical and logical thinking in order to uncover patterns, correlations, or trends. Data analysis is the act of generating answers to questions via the analysis and interpretation of data.

Data analysis covers the key qualities and relationships between variables, which leads to making generalisations the defined outlines of behaviour and particular outcomes. A descriptive inquiry was carried out. Data was gathered using a frequency distribution to identify the variables' relevance and number of occurrences' effect in terms of frequency. The frequency distribution table was effective in elaborating on the data collected from respondents. The hypothesis will be used to evaluate the validity of the questionnaire using SPSS software. We utilized correlation analysis and regression analysis to investigate statistical data from the study. The questionnaire's face validity has been determined by respondents' opinions.

This case study will use the well-known statistical tools regression and correlation analysis; however, due to a lack of basic information about regression and correlation analysis, their objectives were not met or, if they did use the instrument, the tool was not utilized appropriately. This research page has been written to offer a concise overview of correlation regression, its application, and the methods for interpreting the analysis's results. Correlation and regression may be used to investigate the variables. Correlation or regression may be used to investigate the relationship between variables.

4. Conclusion

This research will give insight into how performance appraisal affects employee motivation, particularly in Hospital A. Employee motivation is critical in all organisation since it influences the organisation's volatility. This chapter discussed the research methodology and processes utilized to perform the study. The section covered the study design, which was followed by a discussion of the research type. The research methodology discussed data collection technique, theory related and case story.

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