The Significance of Performance evaluation and appraisal on employees in an organization
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1. Abstract:

In today's competitive, rapid, and continuously changing business environment, it is crucial for organizations to monitor and provide continuous feedback to their employees. As the labor market is becoming more demanding, employee retention has become a top priority for most businesses.

Managers and supervisors believe that performance evaluations and appraisals should be implemented in all subsidiaries and executed on short intervals or perhaps, monthly basis.

Instead of providing generic feedback once every year, managers should maintain an ongoing two ways feedback to their subordinates in order to ensure an above-satisfactory performance. Accordingly, employee performance reviews must be held out more frequently for the sake of achieving organizational accomplishments.

2. Introduction:

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development.

Performance appraisal is also defined as the process of assessing employee performance by way of comparing present performance with already established standards which have been already communicated to employees, subsequently providing feedback to employees about their performance level for the purpose of improving their performance as needed by the organization.

Performance appraisal includes all formal procedures used to evaluated personalities and contributions and potentials of group members in a business. It is a continuous process to secure information necessary for making correct and objective decisions

on employees.

Methods of appraisals are various and they include Assessment Centre Method, behaviorally anchored rating technique, critical incident technique, essay evaluation, paired comparison method, rating scale, trait focused appraisals and 360 degree feedback.

3. Research problem & Objectives:

The study's primary aim and objective is to analyze the significance and the impact of performance appraisal on employees' performance.

The research problem is to investigate how performance appraisal & evaluation can be implemented to assist HR departments and upper management in terms of monitoring their employees' performance and their overall efforts. Moreover, the research problem includes finding out the extent to which performance appraisal can be beneficial to an organization. Accordingly, it is vital to analyze the study's data collection and test the study's hypothesis in order to substantiate it.

4. Hypothesis:

The study's primary hypothesis supports the fact that performance appraisal, if properly implemented, can significantly boost the organization's overall performance. In other terminology, the study's hypothesis promotes that organizations which conduct performance appraisals and evaluations in a more frequent manner will have more motivated employees, higher objectives & target achievement rates and accordingly, less turnover rates.

Furthermore, it is believed that properly implemented performance appraisals enhance employee motivation, performance, as well as significantly minimizing turnover rates. Therefore, this aspect will be tested in order to analyze whether frequently conducted performance appraisals actually reduces employee turnover.

5. Research Methodology:

This study methodology attempts to ascertain the effect of frequently conducted performance appraisals on the overall

employee performance. This will be done by conducting statistical analysis to test whether employee performance is actually affected by performance appraisals or not.

The study's methodology is designed to obtain a mixture of both qualitative and quantitative data and transforming them into measurable data to serve the study's purposes. The study's data collection process relies primarily on case studies, surveys, and interviews conducted with senior HR executives, upper management, and entry level employees in four different subsidiaries. This method adopted of collecting data from different sources and levels was executed to ensure the variety and reliability of our data collection & analysis.

In general, statistical analysis involves gathering and scrutinizing all the samples collected from a population. The goal of performing statistical analysis is to identify possible and potential trends that may assist us in terms of substantiating or disproving the study's hypothesis.

6. Literature review:

Performance appraisal is highly regarded as a motivation booster for employees, many Management experts argue that performance appraisals can be used to motivate employees through rewards such as promotions and salary increases, and this plays a crucial role in employee retention. According to Herzberg's theory, such rewards are the form of extrinsic rewards which can be used to boost performance.

As mentioned previously, Performance appraisal is a systematic process that evaluates an individual employee's performance in terms of his productivity with respect to the pre-determined set of objectives. Performance appraisals facilitate communication between the management and their subordinates, which plays a really significant role in conveying the expectations of the management to the employee and vice versa.

Performance appraisals have also been regarded to serve a useful purpose in employee motivation by providing a platform for

recognition of efforts and achievements. Studies suggest that employee recognition may trigger creativity & innovation as well as overall employee performance.

Moreover, performance appraisals are also considered as motivational tools due to the ability to help identify employees' strengthen and help capitalize on them through support. In addition, weaknesses are identified and corrective actions are taken in the form of supervisory support that is vital in assisting the employee to improve.

Feedback provided through performance appraisals ensures that the employer's expectations are clearly & thoroughly communicated. Accordingly, this plays a vital role in terms of employees knowing which paths to follow and what they are expected to achieve.

Appraisals' types & forms vary from one business to another as well as the frequency of their execution. The criteria for performance appraisal methods are based on various aspects like productivity, quality of work, customer satisfaction, average call handling time (in call centers), average target achievement rates (in sales & retail related professions).

Throughout the case studies held within this research, it has been observed that more frequent performance appraisals are associated with higher employee motivation and possibly more effective performance.

7. Data population & sampling:

This study's data sampling relies on qualitative and quantitative data obtained from 4 firms which operate in different specializations and fields of Business. Serving the purpose of the study, we've managed to conduct interviews and questionnaires with all levels of the organizational hierarchy from entry level employees up to upper management executives. Our data collection's population was limited to businesses operating in Egypt and the Middle East since the study's purposes didn't require overseas samples.

The firms included in our research are Maxim Group; a company

specialized mainly in developing high-end residential towers, developments, and communities. Another firm included in our data collection is Centro global solutions, a multinational provider of customer contact solutions and business process management based in Cairo, Egypt.

Centro Global Solutions provides call center and business process outsourcing services in North America, Europe, Middle East and Asia Pacific regions.

The other 2 firms are Edara property management; a subsidiary specialized in providing facilities management services. In addition to Perfect Solutions consultancy, a subsidiary specialized in providing contact center services to various clients in Egypt and the Middle East.

	Enterprise 1	*Enterprise 2*	*Enterprise 3*	*Enterprise 4*
Frequency of conducting performance appraisals/Year	4 times	2 times	1 time	1 time
Percentage of employees who achieve their monthly targets (KPI's)	78%	72%	48.5%	27%
Average time invested in monitoring and controlling (take corrective actions, implementing plans to improve employee performance	47.7%	38.9%	34%	31%
Turnover rate	33%	25.5%	37%	28.7%
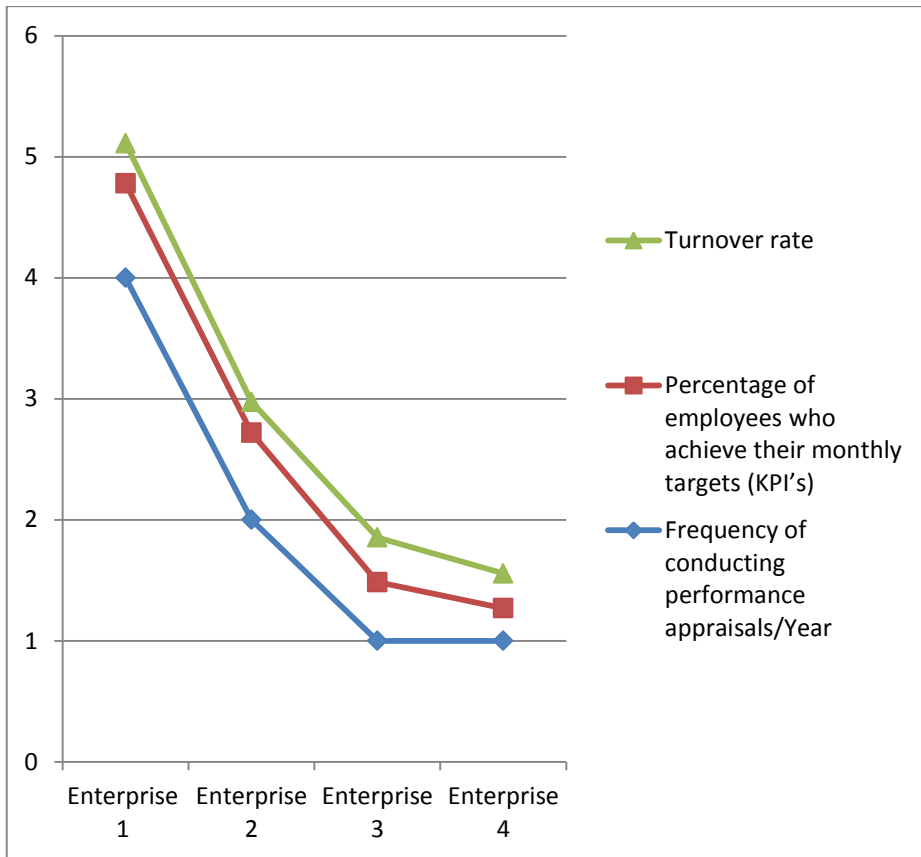
The above graph indicates a really clear association between conducting performance appraisals and employee performance. It highlights the fact that conducting performance appraisals more frequently may result in increased employee achievements, and minimized turnover rates.

8. Data Interpretation & Analysis:

In order to substantiate the hypothesis of the study via statistical analysis, a Pearson Correlation Coefficient must be conducted to analyze the association between performance appraisal and improved employee performance.

A Pearson Correlation Coefficient test is a measure of the strength

of a linear association between two variables, and is denoted by r. The two variables in this study are variable X: the frequency of performance appraisals & evaluations conducted by the organization and variable Y: employee performance. The correlation test will identify whether there is an association between the two variables or not.

The Pearson correlation coefficient, r, describes the strength and direction of a linear relationship between two variables and whether there is a positive or negative linear relationship between the two variable.

Variance Statistics and Standard deviation for Variable X:

$\bar{x}$	2
$\sum x$	8
$\sum x^2$	22
Sx	1.414
σ x	1.224
N	4

Variance Statistics and Standard deviation for Variable Y:

$\bar{y}$	56.375
$\sum y$	225.5
$\sum y^2$	14349.25
Sy	23.3572
σ y	20.2279
$\sum xy$	531.5

Pearson Correlation Coefficient Formula:

$$r = \frac{\sum XY - \frac{(\sum X)(\sum Y)}{n}}{\sqrt{\left(\sum X^2 - \frac{(\sum X)^2}{n}\right)\left(\sum Y^2 - \frac{(\sum Y)^2}{n}\right)}}$$

After analyzing the data collected & obtained from the four firms and conducting the Pearson Correlation Coefficient test, the following results were obtained:

Linear Regression
y= ax+b
a= 13.416
b= 29.541
r^2= 0.6598
r= 0.81233

The results above indicate a moderate positive correlation/association between the two variables. In other terminology, executing performance appraisals and evaluations more frequently may result in improved employee performance and increased motivation for employees.

In order to justify and substantiate the research's hypothesis, the coefficient of determination **r^2** was also calculated to provide further evidence.

Coefficent of Determination value interpretation (r^2):

Value	Strength of association
$r^2 = 0$	No correlation
$0 < r^2 < 0.25$	Very weak correlation
$0.25 \leq r^2 < 0.50$	Weak correlation
$0.50 \leq r^2 < 0.75$	**Moderate correlation**
$0.75 \leq r^2 < 0.90$	Strong correlation
$0.90 \leq r^2 < 1$	Very strong correlation
$r^2 = 1$	Perfect correlation

9. Limitations of the study:

Similar to any other study, this study has its limitations including the scale on which it was conducted on. The study was conducted on a small scale and it analyzed data obtained from 4 firms only. This might have caused a lack of validity & reliability when

conducting statistical analysis. Therefore, research findings may vary if the study is to be conducted on a larger scale.

In addition, our data samples included only firms operating in contact center solutions, construction and real estate development. This means that research findings may also vary if the samples selected for interpretation were different enterprises operating in different fields of business. Moreover, some of our gathered data were qualitative which was extremely difficult to statistically analyze and might have caused errors and anomalies in our data interpretation.

10. Conclusion:

According to the research findings and data analysis, the research hypothesis was substantiated and proved right. Performance appraisal and evaluation were proved to have a great impact on employees' performance in an organization.

The statistical analysis including correlation coefficient and coefficient of determination proved that there is a moderate positive association between the study's two variables. Performance appraisals and evaluations may catalyze motivation and creativity of employees and this will be a great advantage for their employer.

Even though correlation between two variables does not necessarily mean causation (it doesn't have to mean that one variable causes the other), the research's data validity was definitive and authentic and it managed to accredit and confirm the research's hypothesis.

11. References:

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