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**“Effect of Performance appraisal on Employee Productivity
and Job Performance: Role of Equity and Management by
objectives as Mediators”**



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Abstract

The study aims to discover the effect of performance appraisal on employee productivity and job performance with a mediating role of Equity and Management by Objectives in the banking industry of twin cities of Pakistan. In the current study, Performance appraisal is independent variables and Employee productivity and job performance are two dependent variables. Similarly, Equity and Management by objectives are the mediators. Performance appraisal is the process of identifying the strengths and weaknesses of the employee working in the organization. Employee Productivity is the measure of efficiency with which the employees are performing at work and Employee job performance is the behavior of employees with which they deliver over time in the organization. Performance appraisal is an important concept and can affect employee productivity and job performance significantly. Equity is very important concept to be considered while appraising employees. Management by objectives is a tool for performance appraisal to help appraisal system better and objective based. A number of 273 participants from various banks of twin cities of Pakistan responded to the survey items on a 5 – point Likert scale. The study is intended to fill the literature gap regarding the performance appraisal effect on productivity and job performance of employees and how equity and MBO mediates their relationship. The study conducted SPSS analysis using IBM SPSS-25. The results indicate that there is a positive and significant effect of Performance appraisal on employee productivity and Employee job performance and also proves that a partial mediation exists because of equity and MBO acting as mediators in the study.

Key words: Performance appraisal, Employee Productivity, Employee job performance, Equity and Management by Objectives

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Chapter No. 1

1. Introduction:

1.1. Structure of the Study:

The current study is organized chapter wise in five chapters. Chapter 1 comprises of introduction, background, rationale, significance and the research objectives of the study. Chapter 2 includes the review of the existing literature regarding the topic of research being conducted, hypothesis and theoretical framework. Chapter 3 outlines the methodology being used including the sample, study design and other measures used. Chapter 4 refer to the results of the analysis and interpretations of the key findings. Chapter 5 includes discussion and conclusions, limitations of the study and future research implications.

1.2. Background:

In today's world, the environment of the businesses have become hostile. Competition within the banking sector has increased a lot. All of the banks are working to achieve their goals and objectives and are operational to compete in the highly competitive market of business. The only thing which can help banks and all the other organizations to succeed is the employees working in there. Employees act as the transforming bodies for the organizations. So organizations in order to have better relationship with the external customers, have to have a well-developed relationship with their internal customers (Bahreini, 2015). Employees are the assets of the organization which help the organization obtain its goals and objectives. It is the efforts and hard work of the employees which results into the organizational success. Performance appraisal leads towards achieving organizational performance and helps in effective management of an employee (Chahar, 2020). Unbiased performance appraisals led to employee satisfaction, motivation and increased self-belief which improves their performance at the organization.

Performance appraisal is an important tool which not only identifies the level of performance of the employees but also analyzes the areas which might needs improvement (A.C., 2000). It would give information about employee's performance, their training needs and what plans are required for employee development. Performance appraisal systems can be used to enhance motivation (Idowu & O., 2017). Performance appraisals are used for different purposed including major HR decisions, evaluation and feedback to employees (Cleveland, Murphy, & Williams, 1989). Appraisal has been the part of the organizations since early 1600's and slowly and gradually became incorporated in the organizational settings. In earlier times employees

were the only ones being appraised and higher managerial positions were exempt from the appraisals. Performance appraisal rating may be a source of many different functions like retaining employees, measurement of the unbiased treatment of employees and many other employee related decisions (Mani, 2003).

A significant relationship exists between performance appraisal and the productivity of employees and feedback has a positive impact on employee productivity (Daniel & Ibrahim, 2019). The feedback provided to the employees based upon their performances in terms of the performance appraisal rating is very essential and helps in motivating employees to improve upon their performances and to assess organizational accomplishments as a whole (Mani, 2003). Performance appraisals can help employees in improving upon their performances (Stephan & Dorfman, 1989).

Performance appraisal is the most powerful tool to help in motivating employees upon improving their performances. Employees work more hard towards the organizational goals and for improving performances when they are provided with rewards, feedbacks and future career opportunities. As suggested by (Dobbins, Cardy, & Platz-Vieno, 2017) There are five major outcomes of performance appraisals which may include use of evaluations to improve the individual performances, a decrease in employee turnover, feeling to justice and fair play among the employees, increased motivation and a linkage between rewards and performance. Performance appraisal is the comparison of performance standards with the employee past and present experiences (Dessler, 2005). Reviewing the performance can help organization in making different decisions related to employees which may include trainings, compensation and many others (Chahar, 2020). Performance appraisal helps in evaluating employee talent which helps them in achieving better performance (Chahar, 2020).

Employee perception regarding the Human Resource Practices being implemented in the organizations are important to consider. Fairness perception of employees is the most important one. Most important issue being confronted by the administrations is the perceived fairness of the organizations performance appraisal system (Bretz, Milkovich, & W, 1992). A well-executed system of performance appraisal helps in bringing improvements to employee performances (Erdogan, 2002). Both the procedural and distributive measures of equality are significantly related to job satisfaction, employee-supervisor relationship, turn-over decisions (Alexander. S & Ruderman, 1987). Many other researchers also argue that all four forms of justice including

procedural, distributive, informational and interpersonal are related to job satisfaction, performance at work and many other important factors that help the organization in achieving their goals. A fair performance appraisal system leads to performance appraisal satisfaction, organizational commitment and employee engagement (Cook & Crossman, 2004).

Management by Objectives is a performance management tool, the idea was first introduced by Peter Drucker in 1954. The concept is related to the achievement of goals in order to improve performance (Dinesh & Palmer, 1998). Implementing Management by Objectives in the organizations helps in motivating the employees (Antoni, 2005). MBO is a method of performance appraisal responsible for enhancing employee effectiveness (Xhavit Islamia, Mulloli, & Mustafa, 2018). Management by objectives also influences the productivity of employees (Daniel & Ibrahim, 2019). Management by Objectives is categorized as a modern method of performance appraisal which oriented towards future. There are a lot of appraisal methods being used and applied in the organizations but MBO is one of the most successful method which helps the employees in completion of their work (Shaout & Yousif, 2014). The employees are expected to work for the achievement of those objectives which are set by their own consent and inputs and this not only applies to the employees but also the managers (Certo & Trevis, 2006).

The importance of highly productive employees is significant for the performance of an organization. Employees who are being treated fair by their organizations and are given importance are more likely to perform better at their jobs. Performance appraisal plays vital role in increasing employee productivity and their performance at work which brings organizational effectiveness. This research analyzes the effect of performance appraisal on employee productivity and job performance and how equity and management by objectives catalyzes the effect of performance appraisal in banking sector of Pakistan.

1.3. Rationale of the Study:

The study's primary goal is to determine the impact of performance appraisal on staff productivity and job performance. The study will also look into the impact of equitable performance appraisal on employee productivity and performance, as well as how management by objectives might assist employees improve their productivity and performance at work. The practice of evaluating and assessing employee performance and assigning awards based on these evaluations and assessments is known as performance appraisal (Cappelli & Conyon, 2017). Performance

appraisal helps in career development and comprehends a detailed review of employee performance at work and provides the feedback (Paul, Abeguki, Hezekeah, & Dirisu, 2014). Performance appraisal is used by the organizations to motivate their employees to perform well at their job (Cappelli & Conyon, 2017). Employee performance is significant concept in the organization and it helps to identify the organizations market value and help in the achievement of organizational goals (Setiawati & Ariani, 2019). Performance appraisal is used to bring improvements in the overall work performance of employees (Daniel & Ibrahim, 2019). The prominence of the performance appraisal concept and its impact on employee performance in the organizations helps in the realization that performance appraisal is a helpful tool in improving employee job performance and increasing their productivity at work.

Equity is positively correlated to job performance and negatively correlates to employee's job commitment (Mahajan, 2012). According to a study conducted by (Aidla, 2013) concludes that the employees who experience inequity in their workplace are likely to change their outcomes at work which results in decreased performance. A fair performance appraisal has a positive impact on job performance of employees (Setiawati & Ariani, 2019). All of the literature suggests that important of equity in the performance appraisal system and equity can strengthen the relationship of performance appraisal and employee job performance. Equity and fair performance appraisal can influence employees to be productive at work and be more responsible to the accomplishment of goals.

Management by objectives is a step-by-step approach to performance evaluation. Performance appraisals can be improved by using management by objectives. Using MBO in businesses has a considerable impact on employee job performance and satisfaction, according to (Steers & Porter, 1974). According to Miles (2012), a boost in performance can only be obtained when individuals are devoted to achieving organizational goals rather than when they are less committed to the assigned goals. In MBO, there becomes a partnership relationship between managers and the employees which make performance appraisal system more transparent. In management by objectives, organizational goals are translated into individual goals, which makes them easy to achieve (Daft, Murphy, & H, 2010). This suggests that management by objectives is a powerful tool to enhance the productivity of employees and improving their performance at work. If MBO is used as performance appraisal tool in the banking sector of twin cities, it would have a positive impact on employee's performance.

1.4. Problem Statement:

According to (Iqbal, 2014) Performance appraisal is the tool which help identify that right person are being placed at the right position and they are performing their job well. Performance appraisal help organizations maintain a competent workforce and it also helps in identifying the strengths and weaknesses of the organization (James, 2008). If the employees are not given proper guidance, not appraised properly and do not have written performance standards and performance evaluations, this may lead to employees decreased productivity (Michac, 2017). Researchers have found that job performance of employee is positively related to performance appraisal (Sabeen et. al, 2008). Sin (1996) also suggests that one important benefit of performance appraisal is enhanced job performance of an employee. A lot of researches have been conducted regarding the topic but little has been explored to see the effect of performance appraisal in employee development, performance and productivity in Pakistan (M. Shaukat & Surayya, 2013). Although the concept of performance appraisal is known in Pakistan but its implementation is low and need to be addressed and studied in the banking sector to make organizations aware of the importance of the performance appraisal and its impact on employee's productivity and job performance (Ahsan, Ali, & Chishty, 2020). This lack of research has resulted in creating of lack of awareness and the important of performance appraisal is not clearly known. The current research aims to address the problem and study the effect of performance appraisal on employee productivity and job performance with mediating role of equity and management by objectives.

1.5. Research gap:

As presented in the following literature review section, many researchers have studied the consequence of performance appraisal on enhancing the productivity and performance of employees. Equity and Management by objectives are also studied in relation to performance appraisal. However, a little has been explored to see the effect of performance appraisal in employee development, performance and productivity in Pakistan (M. Shaukat & Surayya, 2013). A few researchers have studied how performance appraisal can impact employee productivity and job performance with respect to the banking industry (Ochidi et. al, 2019). The effect of performance appraisal on employee productivity can be mediated using suitable variables, so equity and management by objectives are used as mediators to address this literature gap (Munir et. al, 2013). Another research shows that performance appraisal and its impact on the employee well-being and the variables explaining their relationship have not yet been studied (Hooria et. al,

2018). Employees which are contented with the appraisal system of their organizations are more productive and committed (Kuvaas, 2006). The current study aims to fill this literature gap by conducting the research in banking sector of twin cities of Pakistan regarding the above mentioned variables.

1.6. Research Questions:

The study posed the following research questions:

RQ1 (a): What is the effect of Performance Appraisal on Employee Productivity?

RQ1 (b): What is the effect of Performance Appraisal on Employee Job Performance?

RQ2 (a): Does Equity mediates the relationship between Performance Appraisal and Employee Productivity?

RQ2 (b): Does Equity mediates the relationship between Performance Appraisal and Employee Job Performance?

RQ3 (a): Does Management by Objectives mediates the relationship between Performance Appraisal and Employee Productivity?

RQ3 (b): Does Equity mediates the relationship between Performance Appraisal and Employee Job Performance?

1.7. Research Objectives:

The research facilitates the body of literature in exploring the stated relationship of performance appraisal with employee productivity and job performance with a mediating role of equity and management by objectives and also cease the literature gap. The main objectives of the study are:

RO1 (a): To understand the effect of Performance appraisal on employee productivity.

RO1 (b): To understand the effect of Performance appraisal on employee job performance.

RO2 (a): To examine the mediating effect of Equity on the relationship between Performance appraisal and employee productivity.

RO2 (b): To examine the mediating effect of Equity on the relationship between Performance appraisal and employee job performance.

RO3 (a): To examine the mediating effect of Management by Objectives on the relationship between Performance appraisal and employee productivity.

RO3 (b): To examine the mediating effects of Management by Objectives on the relationship between Performance appraisal and employee job performance.

1.8. Significance of the Study:

The study investigates the importance of performance reviews in banks in Pakistan's twin cities, as well as how performance appraisals affect employee productivity and job performance. The study's importance also lies in determining the role of equity and management by objectives as a mediator between performance appraisal and job performance. Performance evaluation is a component of performance management that enables businesses to capitalize on their most important assets, their employees, and gain a competitive advantage in the human capital market (Daoanis, 2012). Several academics have looked into how performance appraisal affects employee productivity and job performance in banks and the banking industry (Ochidi et al, 2019). Similarly, studies on the impact of performance appraisal on staff productivity and work performance will be done. (Saleem & Shah, 2015).

1.9. Definition of Key terms:

Performance appraisal: Performance appraisal is defined as the evaluation of employee's performance of a job in terms of the job requirements (Scott & Clothier, 1923).

Employee Productivity: Employee productivity is defined as the proficiency of the workers. It is also defined as the output of employees in a given period of time (Sharma & Sharma, 2014).

Employee Job Performance: Job performance is the behavior of employees which they deliver over time in order to influence the value of the organization over time (Motowidlo & Kell, 2012).

Equity: Equity is defined as being fair and just. Equity in performance appraisal is related to how employees are treated fairly and without any biasness in evaluating their performances and contributions to the organizations (Setiawati & Ariani, 2019).

Management by Objectives: MBO is a strategic method to enhance the performance of employees. According to it, the goals of the organization are defined to the members of the organizations by the managers. MBO is a type of performance appraisal method which help organizations in evaluating the employees on the basis of results. (Drucker, 2007)

Chapter No. 2

2. Literature Review:

2.1. Performance appraisal:

2.1.1 Introduction

Employees are the assets of the organization and without their inputs, efforts and hard work organizational objectives are almost impossible to be achieved. But to let employees work in the best interest of the organization they need to be motivated in some way. This motivation can be induced strategically through Performance appraisals. Performance appraisal is one of the most important tool used by management to evaluate and analyze the performance of its employees which may improve results and efficiency. This enhanced efficiency and improvement helps organizations to compete in the marketplace. Performance appraisal identify individual strengths and weaknesses and is used in performance feedback (Ruddin, 2005). Performance appraisals are used for different purposes including major HR decisions, evaluation and feedback to employees (Cleveland, Murphy, & Williams, 1989).

Now a day's performance appraisal is considered to be the most important tool in improving employee performance while at work. (Armstrong, 2006) Suggests that the performance appraisal should clearly define the performance standards and regularly discuss the performance outcomes as well as how the performances can be improved. Performance appraisal should serve as the foundation of self-development and guidance of employees (Stanton & Burshirk, 2004).

2.1.2. Definition

Performance appraisal was first introduced by (Armstrong M. & Taylor, 2014). Performance appraisal refers to the processes and methods used by the organizations to evaluate the level of performance of their employees. Performance appraisal is also defined as the evaluation of employee's performance of a job in terms of the job requirements (Scott & Clothier, 1923). If maximum use in the organization is to be made out of the human resource, Performance appraisal is one of the most useful tool to not only identify the performance levels of the employees but to also analyze the areas which might need improvement (A.C., 2000). Employees should be well

aware of the duties, responsibilities and the tasks to make sure that their performance is up to the set standards and criteria. This would also help employees in improving upon their performances.

Performance appraisal has many methods and based upon the type and size of the organization they vary. Traditional method of the performance is relatively older and studies the traits and qualities of the employees. The qualities may comprise of loyalty, judgment, leadership and knowledge (Ashima & G.S Mitra, 2013). In ranking method the ranking is done from best to worst based upon particular trait or quality (Gary & Dessler, 2011).

Rating scale methods include the numeral scales which represents the job related criteria and rates the employee against the set criteria. Graphic rating scale contains a list of number of traits and a range of performance against each trait (Singh, 2015). The employee is then rated based upon his or her scores which best describes its actual level of performance (Gary & Dessler, 2011). The rating scale consists of traits which are reliability, consistency over time, usefulness, practicality and behaviorism.

Critical incident method is about keeping the record of the employee's uncommonly good examples and work related behavior and is reviewed at predetermined times (Gary & Dessler, 2011). Employee's behavior plays an important role in an organization. According to (Borg & M.R., 1993), if employees are given a positive feedback, they are more likely to put in extra efforts to the organizational betterment with more effective and less ineffective behaviors. BARS was introduced for the first time by Smith and Kendall in 1963. BARS is a combination of rating scale and critical incident method which helps in assessing the performance of an employee.

MBO is a management model and a performance appraisal technique which helps in enhancing the employee performance at work. In 1954, Peter F. Drucker introduced "Management By Objectives". It include three important elements which include: (i) the formulation of the objective, (ii) the execution process, (iii) Performance feedback. MBO consists of mutual goal setting and attainment of the set objectives (De Cenzo D.A., 2005). (Winston, 1972) Suggests that MBO is an employee performance appraisal technique in which organizational goals are converted to individual goals and objectives.

It is an important employee Performance appraisal method which include performance feedback and evaluation from not only from within the firm from multiple levels but also from external sources. It is based on the feedback from subordinated, supervisors, managers, and sometimes the suppliers and customers as well. It is very helpful in getting the performance feedback from different people and analyze the data gathered more accurately (Gary & Dessler, 2011).

2.2. Performance management and Performance Appraisal:

Performance management is the process in which managers ensure that the performance of the employees in the organization is aligned with the organizational objectives. The process required a conscious and meaningful insight of what these activities are, making sure that they are being achieved and providing feedback upon performance of the employees to help them fulfil and meet the expectations (James, 2008). So in different organizations different employee evaluations methods are used which might include Management By Objectives, 360 degree appraisals etc. (Yousif Al-Jedaia & Mehrez, 2020). Similarly Performance appraisal is a regular process evaluate the performance of employees. According to (Iqbal, 2014) Performance appraisal is the tool which help identify that right person are being placed at the right position and they are performing their job well. Performance appraisal help organizations maintain a competent workforce and it also helps in identifying the strengths and weaknesses of the organization (James, 2008).

In organizations with better performance appraisal system, employees with outstanding performance are rewarded and those with lower performance receive training and development to overcome their weaknesses (Deepa, 2014). Motivated employees work better towards the organizational success. Employees who are motivated, they work harder as compared to those who are less motivated. Employee motivation can be increased in many ways and Performance appraisal is one of the important tool which helps in improving the employee performance and motivation as well. The training and development received as a result of Performance appraisal is perceived as a reward and motivator for employees (Daley D. , 1987). (Khan, 2012) Also suggests that training impact on motivation and job performance.

2.3 Employee Productivity:

2.3.1. Introduction

One of the foremost challenges the organizations are facing these days is managing the workforce and their outputs. Organizations need to improve the employee productivity in order to survive and compete in the market place. Employee productivity is the assessment of the workers or group of workers working in an organization. Employee productivity is the major component which helps the organizations gain profits (Gummesson, 1998) (Sels, 2006). Productivity of the employee is assessed as an average output of the employee. Employees are the assets of the organization and organizational success is highly dependent on employee productivity, so it is an important objective of the businesses (Cato & Gordon, 2009).

Employee productivity is measured in terms of the time spent by an employee at work physically and the efficiency with which he or she is performing at the job (Sharma & Sharma, 2014). Sharma and Sharma (2014) clearly also suggests that employee productivity results in higher profits, economic growth and social progress. As a result of increased productivity, employees can gain more career opportunities, better working conditions and better salaries. The consideration of the organizations towards the employee productivity is the key to organizational success (Cato & Gordon, 2009).

2.3.2. Performance appraisal and employee productivity:

Performance appraisal was first introduced by Lord and Taylor (1914). Performance appraisal is a management information system of the organization that provides feedback to the employees about their performance and is said to effectively analyze, evaluate and utilize the abilities of the employees of the organization. Performance appraisals have been used by organizations in order to evaluate employees' performance. Performance appraisal serves as a tool for enhancing productivity in modern organizations, Matui (2017). Ekwochi (2010) defines performance appraisal as a systematic of identifying the ability of an employee at work and what needs to be improved, who is performing well and who is not.

Employee Productivity is the evaluation of their efficiency (Matui, 2017). Employees working in the organization are subject to many pressures as well as have to fulfil many responsibilities. For doing all this effectively they need to be motivated through means other than salary and mandatory compensations and this can be done through performance appraisal. If the performance appraisal system of the organizations are effective, employee's productivity at work is positively affected and ultimately leads to organizational betterment. (Stephen & Dorfman, 1989) Suggests that effective performance appraisal leads to enhanced employee productivity.

Training and development can also be regarded as vital factors which can play its role in increasing employee productivity (Kawara, 2014). Many other scholars have considered training and development as an effective and important tool to enhance the productivity of an employee and also results in the successful achievement of organizational goals and objectives (Sepulveda, 2010). Better workplace environment can also play its part in increasing employee productivity as it motivates the employees and hence has a positive effect on productivity (Hameed & Amjad, 2009). Brown (2012) also suggests that employee productivity can be enhanced when are given more empowerment, control and authority. On the contrary, there are a few reasons identified by Michac (1997) for an employee being less productive and the reasons might include ineffective training and development, absence of written performance standards, improper guidance, lack of feedback, undesirable work environment, lack of communications and lack of rewards and incentives linked to employee performance. Employee productivity can be increased by linking the performance and outcomes of performance with the rewards and incentives. The rewards and incentives would result in increased employee motivation and hen improve the overall productivity of employees.

2.4. Employee Job Performance:

2.4.1. Introduction

Job performance is the behavior of employees which they deliver over time in order to influence the value of the organization over time (Motowidlo & Kell, 2012). Employees are the assets of the organization and HR department tries to enhance and influence the performance and productivity of employees which would ultimately lead to the organizational productivity. Aboazoum conducted a study in Libya and identified the factors affecting the job performance. The study

resulted in to the results that job performance is positively related to job performance, culture and training and development (Aboazoum, Nimran, & Al-Musadieq, 2015). Employees who work in a friendly and constructive environment where they are able to learn, give their inputs and receive feedback and training and development are more likely to be motivated and have better job performance.

2.4.2. Performance appraisal and Employee Job Performance:

Performance appraisal is used to determine how well employees accomplish their job and also measures the degree of success of organizational objectives (Udu & Okafor, 2015). Performance appraisal should be aimed at improving the employee's efficiency and effective performance that leads towards the success of the organization. Improved employee performance would give organization a competitive edge among its competitors. Lawler, Porter and Vroom (2009) suggests that Performance is the function of ability and motivation and both have multiplicative effect on each other, even if one of them becomes zero performance would also be zero. There are some factors which affect the employee's performance and motivation is of the prime importance. Root (1985) states that in getting the best performance from employees, there need to be some sort of motivation beyond the pay. Managerial standards can also motivate or de-motivate employees in the workplace. Levinson (1976) states that Performance appraisal has three basic functions including providing feedback, modifying the behavior and provide data to managers to judge future assignments and compensation. Ultimately organizations should enhance their employee's motivation so that they become motivated towards the appraisal system of the organization.

(Sabeen, Mehboob, & Muhammad, 2008) Found that job performance of employee is positively related to performance appraisal. (Selvarajan & Cloningen, 2012), in their study of employees of Mexico, examined that the efficiency, correctness and objectivity of the performance appraisal system leads to enhanced employee motivations, satisfaction and which leads to enhanced employee job performance.

Sin (1996) also suggests that one important benefit of performance appraisal is enhanced job performance of an employee. Armstrong suggest that performance appraisal helps in identifying the employee strengths and weaknesses which ultimately helps in improving employee's performance.

2.5. Equity:

2.5.1. Introduction

Equity in simple words is defined as the quality of being fair and just in the dealings with individuals. Equity means social justice and fairness. Equity is considered as an important factor in the organizations. In organizational perspective Equity means treating all the employee equally and fairly. Employee when dealt with justice and fairness are more likely to stay committed and loyal to their organizations as compared to the organizations where employees are treated with biasness and fairness in the organizational practices (Setiawati & Ariani, 2019).

2.5.2. Equity Theory:

John Stacey Adams was the first to develop equity theory in 1963. Individuals' employment inputs and the benefits they receive might be defined as equity. People determine the equity of rewards by comparing the benefits received by others for similar inputs or by using another reward ratio (Chiekezie, Nzewi, & Orogbu, 2009). The employee's view of how fairly he or she is treated and how hard they are motivated to work is related to the equity theory of motivation. Distributive equity or justice, procedural equity or justice, and interactional justice, which is further divided into interpersonal and informational justice, are the three types of equity theory (Greenberg, 1990).

2.5.2.1. Distributive Justice:

The distribution and allocation of rewards is referred to as distributive justice (Milkovich & Newman, 2005). Employees who are treated unfairly, according to Greenberg, have a negative attitude compared to those who are treated correctly.

2.5.2.2. Procedural Justice:

Procedural justice refers to the perceived fairness of the procedures used in making decisions regarding the distribution of rewards (Lemons & Jones, 2001). Employees are concerned about the justice and fairness of the procedures being used in the organizations for making decisions (R & J, 1985).

2.5.2.3. Interactional justice:

It refers to the quality of interpersonal treatment received during the making of procedures of the organization (Bies & Moag, 1986). Interactional justice is nurtured when the employees are treated with dignity and are being told about the rationale behind the procedures and policies being made (Bies & Moag, 1986).

2.5.2.4. Informational Justice:

It refers to the explanations of why certain procedure is being used and also refers to the details of why certain outcomes were distributed in certain way (Sudin, 2011). Informational justice relates to the portrayal of decision making processes (Greenberg, 1990).

2.5.2.2. Interpersonal justice:

Interpersonal justice is related to the treatment with courtesy, dignity and respect by the managers (Sudin, 2011).

2.5.3. Internal and External Equity:

There are two types of equities which exists namely internal and external equity. Internal equity is the employee's perception of fair treatment from the employer, it refers to being treated in the same way as the employees of principal organization, and similarly external equity refers to employee's perception of being treated as equally as the employees at same position in other external organizations (Werner & Mero, 1999).

Performance management is not only concerned about managing the employee's performance but also about rewarding employees against their performances as rewards and compensation plays an important part in motivating employees (USHAKOV, 2021). Employees who perceive that they are being treated with equity tend to be more motivated, and this motivation helps them in improving their work performances.

2.5.4. Equity in Performance appraisal, employee productivity and job performance:

Fairness and organizational justice in performance appraisal process which refers to equitable performance appraisal is important for organizations because this is related to employee commitment and increased motivations. The literature also suggests that a fair and equitable

performance appraisal result in increased employee performance and employee productivity. This issue of concentration is also related to performance appraisal fairness. Employees act to sustain and restore equity if they feel any imbalance. In order to evaluate the fairness of the performance appraisal employees will balance their inputs against the outputs they receive. Another study reveals that fairness in the performance appraisal system has serious implications on employees as well as the organization (Bernardin & Beatty, 1984).

The Equity theory suggests that inequities can harm employee motivation and this can affect employee productivity and performance at work. This advocates that organizational justice is in one way or the other related to equity of performance appraisal system and equitable performance appraisal system lead to enhanced employee performance at work. The performance appraisal process has been integrated with perception of fairness including the consideration of outcomes received as distributive fairness, fairness of the policies and processes in making decisions is related to procedural fairness. Interpersonal justice/fairness is related to the degree of dignity and respect with which the subordinates are treated in the organization and informational fairness is about communicating the reasons of why the procedures and policies are being implemented the way they (Smither, 1998; Thurston & McNall, 2010; Gupta & Kumar, 2012). Gupta and Kumar, 2012 suggests that a fair performance appraisal system leads to enhanced employee engagement. (Cook & Crossman, 2004; Walsh, 2003 argues that a fair performance appraisal system leads to employee satisfaction with the performance appraisal system, which leads to better job performance and productivity as well as job commitment (Blau, 1999; Kuvaas, 2006). Walsh, 2003 says that there is no other available approach to measure the performance appraisal except for fairness and equity.

2.5.5. Fairness of Performance Appraisal:

Fairness of performance appraisal is an important concern as it is linked to the employee job satisfaction and organizational commitment (Sudin, 2011). They also argued that organizational justice has a potential to create positive outcomes for organization as well as the employees. Organizational justice has a positive relationship with organizational productivity, employee job performance and job commitment and can affect the overall organizational environment positively (Cropanzano, Bowen, & Gilliland, 2007).

A well-executed system of performance appraisal helps in bringing improvements to employee performances (Erdogan, 2002). Moers, (2005) argues that biasness in the performance appraisal makes the personnel decisions difficult like promotions. The fairness of both the evaluation and rewards received by the employee as a result of a fair performance appraisal results in an enhanced employee performance (Akerlof & Ilen, 1988). Perception of an inequitable evaluation and pay results into negative impact on an individual's motivation towards work and may lead to decreased employee productivity. Employee's lack of fairness of the performance appraisal reduces organizational commitment (Schminke, 2002).

2.6. Management by Objectives (MBO):

2.6.1. Introduction to Management by Objectives:

Peter Drucker first invented the philosophy of Management by Objectives in 1954 (Drucker, 2007). The concept of MBO is related to the achievement of goals in order to improve performance (Dinesh & Palmer, 1998). MBO is the modern method for performance appraisal. MBO is one of the most successful method to help employees complete their job successfully (Jafari, Bourouni, & Amiri, 2009). As defined by (Koontz & O'Donnel, 1976) MBO is the method in which the managers understand the long term goals, translate these to the employees into a sequence of short term goals, they define the major areas of responsibilities to the employees and then the accomplishments of the employees are continuously reviewed and are provided feedback. The use of goal-setting technique should have a positive impact on employee performance and satisfaction (Steers & Porter, 1974).

2.6.2. Advantages of Management by Objectives:

The first and the foremost advantage of MBO is that it is easy to implement and monitor (Aggarwal & Thakur, 2013). Management by objectives is a kind of performance based investigative and analytical system which compares performance with the set goals. Management by objectives is not just a tool for performance appraisal but also helps in facilitating the communication between managers and the employees regarding the goals, roles and plans, it bridges the gap between the manager and the subordinates (Koontz & O'Donnel, 1976). Employees are more aware and understand their roles and responsibilities assigned to them and expected from them (Shaout & Yousif, 2014). Management by Objectives is responsible for improving both the quality and

quantity of the employee performance at work and also provides a vertical connection between the managers and the employees (Koontz & O'Donnel, 1976). Employees are more involved in their work, know about their responsibilities and are more active towards achieving the assigned goals. According to Drucker, Management by Objectives is responsible for enhancing the motivation and job satisfaction of the employees. There is a centralization of setting the goals, deciding the action plan to be followed and making ultimate decisions (Drucker, 2007). One of the most attractive advantage of MBO is that it can be applied to any organization. Employees are more independent, then being directed by their managers (Drucker, 2007). Organizational goals are translated in individual goals, which makes it easy to achieve (Daft, Murphy, & H, 2010). Both the employees and the managers are responsible for setting the goals together, so they are more concentrated on achieving the goals as well (Certo & Trevis, 2006).

2.6.3. Management by Objectives Process:

MBO is divided into three important phases of management which are planning, monitoring and Evaluation.

Planning phase is the initial one. Organizations in this stage are defining problem and are planning the goals of the organization. The major purpose of planning is to identify and measure the direction in which the organization is moving and what other activities can be added to it to make the overall organizational performance better (Xhavit Islamia, Mulloli, & Mustafa, 2018).

In the Planning first thing is setting the objectives, which consists of managers giving the instructions to the employees regarding the objectives to be achieved, set the standards as these standards would help in evaluating the performance and help compare the results with the set standards (Xhavit Islamia, Mulloli, & Mustafa, 2018). The aim of setting the objectives is to let the people know about what they have to do, when they have to do, how they have to do and how are they doing it and how are they progressing towards the results (Chamberlin, 2011). Secondly, the communication of objectives is also necessary. The contribution of the employees who are responsible for achieving the set objectives is very crucial (Griffin, 2005). They always have a valuable information and are more likely to be committed to the work and execute the plans they themselves have made. Management by Objectives require participation, discussion and the analysis which can help in reaching the agreement between the managers and the employees.

Monitoring includes implementation, independence of the employees and the continuous communication with the employees (Xhavit Islamia, Mulloli, & Mustafa, 2018). The major focus of implementation is how the strategy is achieved (Griffin, 2005). Monitoring also includes comparing the results achieved with the standards already set which help in measuring the progress and achievements. Employees should be motivated to work for achieving the objectives and this can only be done by giving them enough autonomy and freedom which they can exercise. This would help them in gaining self-confidence and ultimately enhance their motivation. Employees when given freedom, set their own styles of work, time and manage accordingly to match with the set standards (Xhavit Islamia, Mulloli, & Mustafa, 2018). If the communication is strong enough the shortcomings can be avoided, if any. Monitoring is also the most important step as it helps in identifying what needs to be improved, how is the job being performance etc.

Evaluation includes assessing the results of the performances and how the employee performances, productivity and satisfaction have been increased. The productivity of employees increase by almost 50% when using management by objectives as they are helpful in increasing the senior management commitment (Rodger & J.E., 1991).

2.6.4. Performance Appraisal and Management by Objective:

Performance appraisal is the system which helps the organization in identifying not only about the performance level of the employees but also what areas need improvement and how they can be improved (A.C., 2000). Antimo further argues that the employees need to be aware and well communicated about their functions and responsibilities in order to make the performance appraisal better. Under MBO there becomes a partnership relation between manager and the employee where responsibilities are shared and expectations are defined. This relationship would make the performance appraisal more transparent. And an objective and transparent performance appraisal would have minimal errors and biases and ultimately lead to employee better job performance and productivity.

Applying the MBO method to the organization has many benefits (Seyna, 1986). Latham and Locke (1979) argues that the level of motivation of employees increases when they are more involved in goal setting, when the goals are accepted and when there is a feedback on performance. Communicating the goals and objectives with the employees lead to increased motivation and they

are more likely to perform with satisfaction. Locke, Latham, & Erez, (1988) suggest that if the organization requires improvement in the performance of employees, employee commitment to the organizational objectives should be ensured. Miles, 2012 also suggests that increase in the performance level is only obtained when employees are committed to reaching the goals assigned to them as compared to when they are not committed to the assigned goals.

An appropriate performance appraisal system helps the employees in increasing their productivity. If a success enables the employees prove themselves that they are using their ability up to their maximum potential, employee motivations and job commitment increases. Mayo (1933) and Roethlisberger and Dickson (1939) belief that employee productivity can be increased if they are satisfied and this satisfaction can be achieved through better supervision and fulfillment of employees social need. The literature clearly identifies the importance of MBO in an organization. If the goals and objectives to be achieved, either easy or difficult, are communicated and discussed with the employees and their consent is given importance, this would help them in increasing their motivation at work. Highly motivated employees would have an enhanced job commitment, performance and result in higher productivity. Performance feedback also plays an important role in here and results in increasing motivation of an employee towards work if conducted with fairness.

2.7. Theoretical Framework

The theoretical framework depicts a direct relationship between independent and dependent variables and the role of mediators between them. Independent variable is Performance appraisal and dependent variables are Employee Productivity and Job performance. The Mediating variables between independent and dependent variables are Equity and Management by Objectives.

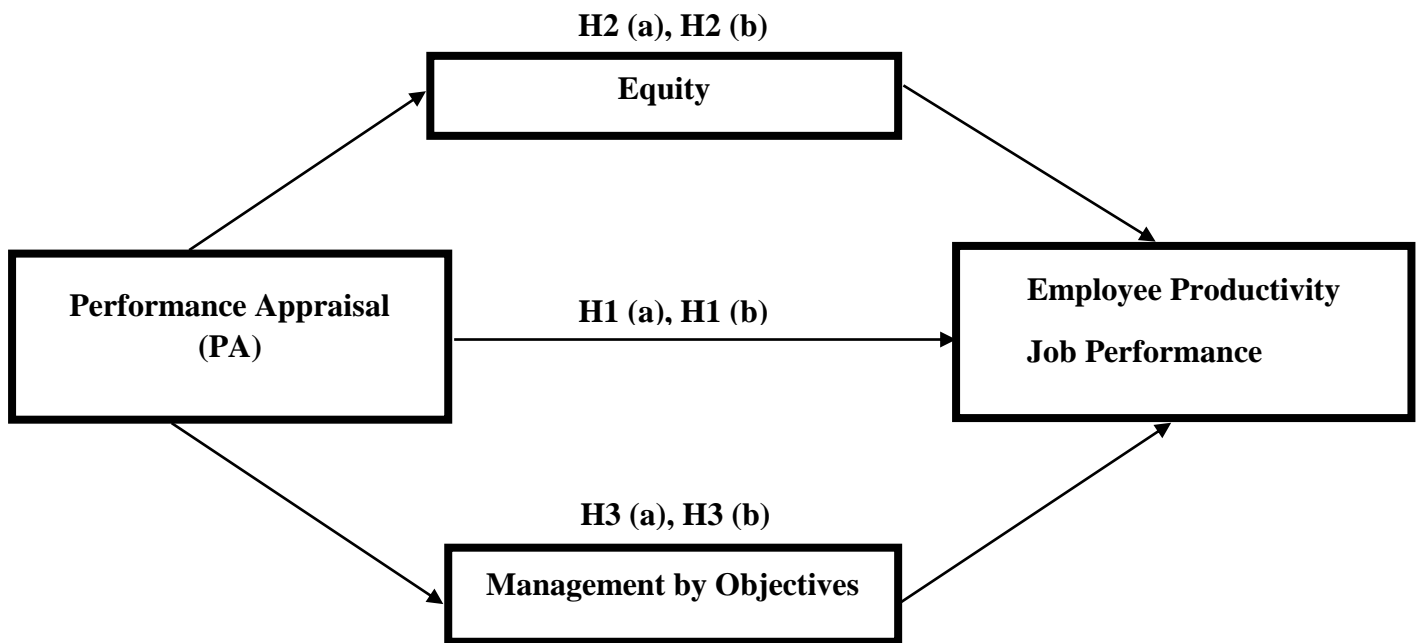


Figure 2.1: Theoretical Framework

2.8. Hypothesis

H_{1 (a)}: There is a positive relationship between Performance appraisal and Employee Productivity.

H_{1 (b)}: There is a positive relationship between Performance Appraisal and Employee Job Performance.

H_{2 (a)}: Equity has a mediating relationship between Performance Appraisal and Employee Productivity i.e. as the Equity increases, the relationship between Performance appraisal and Employee Productivity becomes stronger.

H_{2 (b)}: Equity has a mediating relationship between Performance Appraisal and Employee Job Performance i.e. as the Equity increases, the relationship between Performance appraisal and Employee Job Performance becomes stronger.

H_{3 (a)}: Management By Objectives has a mediating relationship between Performance Appraisal and Employee Productivity i.e. when the MBO is used in organizations as a Performance Appraisal tool, the relationship between Performance Appraisal and Employee Productivity becomes stronger.

H_{3 (b)}: Management By Objectives has a mediating relationship between Performance Appraisal and Employee Job Performance i.e. when the MBO is used in organizations as a Performance Appraisal tool, the relationship between Performance Appraisal and Employee Job Performance becomes stronger.

Chapter # 3

3. Methodology:

3.1. Purpose of the Study

The research is done to investigate the effect of performance appraisal on employee productivity and job performance and the mediating effect of Equity and Management by Objectives. The current purpose of the study is hypothesis testing. As stated by (Sekaran & Bougie, 2010), hypothesis testing defines the nature of relationship that exists between two or more variables. The research being conducted is solely based on generalized investigation on the chosen framework on the overall banking industry of twin cities of Pakistan and is not intended to identify a problem in an organization. Therefore, the current research is also a fundamental research that is focused to examine a logical relationship between the stated variables and not dedicated towards resolving a particular problem within any specified area.

3.2. Research Method

Researches are either qualitative which are based on human behaviors or quantitative which are based on scale and can be quantified. The instrument used for collecting the required data are Surveys and the research method used is the quantitative research method.

3.3. Research Design

The research design is descriptive in nature since it uses a structured questionnaire to collect data, which can then be analyzed statistically and results derived. Descriptive research aids in determining the relevance of the findings in relation to the broader population being studied or considered. The study is also correlational in nature, as it examines the relationships between the variables.

3.4. Time horizon

To investigate the favorable impact of performance appraisal on employee productivity and work performance, cross-sectional research was used. Because the study is conducted at a single moment in time and the instruments are only filled out once by the research participants, the research time-horizon is cross-sectional.

3.5. Instruments

The research uses a survey approach to collect the data for the analysis. The survey questionnaire is based on a 5 point Likert scale which has options of “1- Strongly Disagree, 2-Disagree, 3- Neutral, 4-Agree, 5-Strongly Agree”. The survey questionnaire consists of two parts, section 1 has questions relating to the variables and the mediators which are rated on the scale mentioned above whereas section 2 has questions relating to demographic details of the participants such as Age, Gender, Qualification and Job title. The items of the survey questionnaire are drawn from already existing surveys and research studies.

3.6. Population

Population is a large group of people who are main pivotal point of a scientific inquiry. The basic aim of the research is to benefit the entire population. The current study was conducted on banks of twin cities of Pakistan. The survey was floated in the following hotels of Islamabad and Rawalpindi:

- Bank Al-Habib.
- Habib Bank Limited.
- Allied Bank.
- Standard Chartered bank.
- U-Micro Finance Bank.
- Habib Metro Bank.
- Bank of Punjab.
- JS Bank.

Due to a huge number of population and time constraints, it was very difficult to reach out every single individual for data collection. For this reason a sample size is drawn which represents the whole population under study.

3.7. Sample

A sample size of 273 was drawn from the specified population. The type of sampling used is simple random sampling. It is the type of probability sampling in which a subset from the entire population

is selected to conduct the research. The major focus of the study is to gather the data individually from the population so the unit of analysis is individual.

3.8. Data Collection Procedure:

Primary data collection method was used in which questionnaires were distributed among the respondents. The questionnaire was distributed both online and in printed form to be filled by the respondents. To develop the questionnaire, various papers were consulted. Following are the sources and sample items used to develop questionnaire:

Variables	Author (s)	Sample Items
Performance Appraisal	(khan, 2013)	Job description/ specification are the best way to measure the performance. All employees should know their job description / specification so that they can work efficiently and can measure themselves?
Equity	(Abbas, 2014)	Any other employee is not prioritized during performance appraisal system
Management by Objectives	(Daley D. 1985)	My performance appraisal takes into account the most important parts of my job.
Employee Productivity	(Daniel and Ibrahim, 2019)	A reward for performance acts as an incentive for employees
Employee job performance	(Bhawna Chahar, 2020)	Performance appraisal system helps in enhancing task performance

3.9. Data Analytics used

The software used for the analysis of the data gathered is IBM-SPSS Statistics 25. This software is used for calculating a wide variety of statistics. Before running the analysis pilot testing was

done on first 50 responses to check the validity of the results. Similarly a test for missing values was also done and there were no missing values. To assess the effect of performance appraisal on employee productivity and job performance and mediating role of equity and management by objectives, following tests are applied:

3.9.1. Reliability Statistics

In reliability statistics Cronbach's alpha of the given data is determined. It is used to measure the reliability of the data. When a Likert scale is being used in questionnaires, to check the reliability of the scale this analysis is done.

3.9.2. Descriptive statistics

This includes:

- Age.
- Gender.
- Qualification.
- Job title/ Position.

3.9.3. Correlation

Pearson correlation is used in the data analysis to analyze how the variables correlate to each other.

3.9.4. Regression

Regression analysis identifying the effect of one variable over the other. Linear regression is being used in this research to analyze the effect of Performance appraisal on Employee Productivity and Job Performance and how Equity and Management by Objectives mediates this effect. As the mediator is involved in our study we would follow Baron and Kenny Mediation Analysis. Mediation analysis consists of 4 steps.

3.9.4.1. Steps in Mediation Analysis using Baron and Kenny Mediation

Following are the steps using regression analysis to make sequential verification of four conditions:

Step 1: Independent and dependent variable must be related, significant and non-zero. This can be verified by linear regression analysis of dependent over independent. The regression coefficient relates independent and dependent variable.

A linear regression analysis is done between Performance appraisal and Employee productivity and Performance Appraisal and employee job performance.

Step 2: Independent variable and Mediator must be related, significant and non-zero. This condition can be verified using linear regression analysis of Mediator over Independent variable.

In our study, we have one independent variable and two mediators i.e. Equity and Management by Objectives. A linear regression is done between Performance appraisal and Equity and Performance appraisal and Management by Objectives.

Step 3: Mediator and Dependent variable must be related and significant when once the effect of Independent variable is controlled. This condition is verified using linear regression analysis of dependent variable over dependent variable and mediator.

In our analysis, we run the linear regression between Performance appraisal and Equity as independent variables and employee productivity as dependent one. Similarly we run linear regression using second mediator MBO and performance appraisal as independent variables and employee job performance as the dependent one to ensure the correct analysis and results.

Step 4: The relationship between Independent and dependent variable must be reduced significantly when controlling the mediator's effect.

Chapter # 4

4. Findings and Analysis:

The findings of the gathered data and stated hypothesis are calculated by using the statistical tests including correlation coefficient and linear regression. Following are different statistics which demonstrates the reliability of the instrument being used in the analysis, descriptives's and inferential statistics of the data.

4.1. Reliability Statistics:

The Cronbach Alpha reliability analysis shows the reliability of the instrument being used which is 5-point Likert scale. The value of Cronbach Alpha (α) > 0.700 depicts a good internal consistency. While, Cronbach Alpha (α) < 0.700, reflect a poor internal consistency of the instrument and is not desirable.

4.1.1. Reliability statistics of Variables

Reliability Statistics

Variables	Cronbach's Alpha	N of Items
Performance Appraisal	.746	10
Equity	.778	7
Management by Objectives	.787	9
Employee Productivity	.712	6
Employee Job Performance	.707	6

Table 4.1: Reliability Statistics of variables

The Cronbach Alpha reliability analysis shows the reliability of the instrument (5-point Likert scale) used. The results of the reliability analysis of Performance appraisal are $\alpha = 0.746$ shows that (α) > 0.700 as suggested by (U, 2003) that reliabilities of range 0.7 are acceptable and above

0.8 is considered good, which means the items of the variable have good internal consistency and reliably measure the variables.

The results of the reliability analysis of Equity are $\alpha = 0.778$ i.e. $(\alpha) > 0.700$, which means the instrument reliably measure the variables. The results of the reliability analysis of Management by Objectives are $\alpha = 0.787$, here $(\alpha) > 0.700$, which means the items of the variable have good internal consistency and the survey is used to obtain the required information from the sample size. The results of the reliability analysis of Employee productivity are $\alpha = 0.712$ which is $(\alpha) > 0.700$, which means the items of the variable have good internal consistency and the scale reliably measure the variables. The results of the reliability analysis of Employee job performance are $\alpha = 0.707$ i.e. $(\alpha) > 0.700$ (threshold value), which means the items of the variable have good internal consistency among the items of variable.

4.2. Descriptive Statistics

Descriptive statistics explains a quantitative summary of the collected data. It defines the characteristics of the population. Descriptive statistics does not play any role in making inferences of the hypothesis. Descriptive statistics include the frequency and demographics of the population being studies. Following are the descriptive statistics of the current research.

4.2.1. Demographics

Demographic Variable		Frequency	Percentage	Cumulative Percentage
Age	20 – 25	67	24.5	24.5
	26 – 35	173	63.4	87.9
	36 – 45	30	11.0	98.9
	46 – 60	3	1.1	100.0
Gender	Male	233	85.3	85.3
	Female	40	14.7	100.0
Qualification	Higher Secondary	1	.4	.4
	Bachelors	168	61.5	61.9
	Masters	91	33.3	95.2
	Higher Education	10	3.7	98.9
	Diploma/ Certification	3	1.1	100.0
	Position	MTO	46	16.8
CSO		62	22.7	39.6
Manager		38	13.9	53.5
Credit Officer		62	22.7	76.2
PBO		34	12.5	88.6
Teller		31	11.4	100.0

MTO = Management Trainee Officer, CSO = Customer service Officer, PBO = Phone Banking Officer

Table 4.2: Demographics Table

The table shows the summary of the demographics and its percentage according to the sample respondents. Starting from Age, it has four age brackets, ranging from 20 to 60. The highest frequency lies within the second bracket of range 26 to 35 with 173 respondents out of the total sample of 273. The percentage of this age bracket is 63.4%, which is the highest. Similarly, the lowest frequency lies within the range of 46 to 60 with a response rate of 3 out of the total 273 responses.

The response rate by gender shows that out of the total 273 responses received, 233 are male making 85.3% of the total sample size under study and the remaining 40 are females with 14.7% of the sample.

The qualification is divided into five groups and the highest number of surveys are filled by people having the Bachelor's degree with a frequency of 168 with the highest percentage of responses i.e. 61.5% and the lowest number of surveys are filled by people who have their diploma or certification related to the banking field.

The last is the demographics by position or job title. This particular demographic is divided into six most important positions of the Banking sector. The highest frequency lies with CSO i.e. Customer service officer and Credit officer which is 62 each. The lowest frequency lies with the position of teller.

4.3. Inferential Statistics

Inferential statistics is used to take a random sample from among the population under study, make interpretations and test the hypothesis to derive results.

4.3.1. Pearson Correlation Coefficient

It defines the degree to which two variables move in accordance with each other. A Pearson correlation coefficient is used in this study to assess the relationship of the variables under study i.e. Performance Appraisal, Equity, and management by objectives, Employee Productivity and Employee Job Performance. The value of correlation coefficient varies between -1 to +1. Negative value indicates that both of the variables move in opposite direction and positive value of correlation coefficient shows a positive correlation between the variables which means that both of the variables move in same direction. The level of significance must be less than 0.05 (1-tailed) or 0.01 (2-tailed).

4.3.1.1. Correlation coefficient between variables

Variables	M	SD	1	2	3	4	5
1. Performance Appraisal	3.766	0.606	1				
2. Equity	3.694	0.679	.664**	1			
3. Management by Objectives	3.781	0.652	.748**	.683**	1		
4. Employee Productivity	3.865	0.641	.700**	.568**	.639**	1	
5. Employee Job Performance	3.820	0.686	.718**	.627**	.732**	.668**	1

N = 273, *M* = Mean, *SD* = Standard Deviation, **p* < .05. ***p* < .01 ****p* < 0.001

Table 4.3: Correlation Coefficient Analysis

The table provides the correlation values between the variables of the study. As we hypothesized earlier that Performance appraisal has a positive effect on employee productivity and job performance and equity and management by objectives mediates this relationship. The results of the correlation coefficients indicate that there exist a positive and significant effect of Performance appraisal and Employee Productivity with values $r = 0.7$ and $p = .000$ which is less than 0.01. This association indicates that the variables move in similar direction and when performance appraisal is practiced and carried out in the organizations, it increases the overall productivity of the employees working in the organization.

The mediating variables equity and management by objectives are also positively correlated with employee productivity with correlation values of $r = 0.568$, $r = 0.639$ respectively and is significant and $p = 0.000$. This supports our assumption that equity and management by objectives mediates the relationship between performance appraisal and employee productivity.

Similarly, the results of the correlation coefficients indicate that there exist a positive and a significant effect of Performance appraisal and Employee Job performance with values $r = 0.718$ and $p = .000$. This association indicates that performance appraisal when practiced and carried out in the organizations, it increases the overall job performance of the employees working in the organization. The results accept the hypothesis that we proposed earlier.

4.4. Linear Regression Analysis

With the mediating effects of Equity and Management by Objectives, linear regression analysis is used to predict the link between the independent variable Performance Appraisal and the dependent variables Employee Productivity and employee job performance.

As the study consists of Independent, dependent and mediating variables so in order to compute the regression analysis, we would refer to Baron and Kenny Mediation analysis process in which mediation can be tested through four steps of regressions (Pardo & Román, 2013).

4.4.1. Linear Regression Analysis between Performance Appraisal, Employee Productivity and Equity as a mediator

Predictor		Dependent Variables					
		Employee productivity			Equity		
Step 1		R ²	β	St. E	R ²	β	St. E
	Performance appraisal	0.490**	0.700**	0.046			
Step 2	Performance appraisal				0.442**	0.664**	0.051
Step 3							
Model 1	Performance appraisal	0.490**	0.700**	0.046			
Model 2	Performance appraisal	0.509**	0.578**	0.060			
	Equity						

Note: * $p < .01$ (two-tailed); ** $p < .05$ (two tailed), *** $p < 0.001$

Table 4.4: Linear regression analysis between performance appraisal, employee productivity and Equity as a mediator

The value of R square denotes the degree of change in performance appraisal have an impact on the variable i.e. employee productivity. In step 1 the value of R² is 0.490 which means that 1% change in performance appraisal can bring 49% change in employee productivity. The significance level $p = 0.000$ ($p < 0.05$) explains that there is a significant relationship between the two variables. The beta value, $\beta = 0.700$ showing that 1 unit change in standard deviation of performance appraisal can bring a change of 0.7 units of standard deviation in employee productivity.

In step 2 the value of R² is 0.442 which means that 1% change in performance appraisal can bring 44% change in Equity. The significance level $p = 0.000$ ($p < 0.05$) explains that there is a significant relationship between the two variables and the beta value is, $\beta = 0.664$.

The step 3 in regression demonstrates that in model 1, the beta value is $\beta = 0.700$ but in model 2 after introducing equity as a mediator the value of beta decreases and now $\beta = 0.578$ but remains significant by 0.000 and 0.001. This decrease in the value of beta after the introduction of mediator from 0.700 to 0.578 proves that partial mediation is occurring as (Baron & Kenny, 1986). This means that there exists a positive and a significant relationship between performance appraisal and employee productivity while equity acting as mediator. The R^2 value for model 2 shows that in the presence of equity as a mediator there is an increase of R^2 value showing that, 1% change in performance appraisal would increase employee productivity by 50.9% and shows an increase in the impact of performance appraisal on employee productivity by 1.9%.

4.4.2. Linear Regression Analysis between Performance Appraisal, Employee Job Performance and Equity as a mediator

Predictor		Dependent Variables					
		Employee Job Performance			Equity		
Step 1		R^2	β	St. E	R^2	β	St. E
	Performance appraisal	0.515**	0.718**	0.048			
Step 2	Performance appraisal				0.442**	0.664**	0.051
Step 3							
Model 1	Performance appraisal	0.515**	0.718**	0.048			
Model 2	Performance appraisal	0.555**	0.539**	0.061			
	Equity						

Note: * $p < .01$ (two-tailed); ** $p < .05$ (two tailed), *** $p < 0.001$

Table 4.5: Linear regression analysis between performance appraisal, employee job performance and Equity as a mediator

This regression model has 3 steps and represents that the value of R square which denotes the effect performance appraisal have on the variable i.e. employee job performance. In step 1 the Value of R^2 is 0.515 which means that 1% change in performance appraisal can bring 51.5% change in employee job performance. The significance level $p = 0.000$ ($p < 0.05$) explains that there is a significant relationship between the two variables.

In step 2 the Value of R^2 is 0.442 which means that 1% change in performance appraisal can bring 44% change in Equity. The significance level $p = 0.000$ ($p < 0.05$) explains that there is a significant relationship between the two variables.

In step 3 the model 2 represent $R^2 = 0.555$ which shows that in the presence of Equity as a mediator, 1% change in performance appraisal can increase employee job performance by 55.5% which is greater than the value obtained without considering the impact of equity i.e. $R^2 = 0.515$. The above table of regression demonstrates that in model 1, the beta value is $\beta = 0.718$ but in model 2 after introducing equity as a mediator the value of beta decreases and now $\beta = 0.539$ but remains significant by 0.000 ($p < 0.05$). This decrease in the value of beta after the introduction of mediator from 0.718 to 0.539 proves that partial mediation is occurring (Baron & Kenny, 1986). This means that there exists a positive and a significant relationship between performance appraisal and employee job performance while equity acting as mediator.

4.4.3. Linear Regression Analysis between Performance Appraisal, Employee productivity and MBO as a mediator

Step 1	Predictor	Dependent Variables					
		Employee productivity			Management by Objective		
		R^2	β	St. E	R^2	β	St. E
	Performance appraisal	0.490**	0.700**	0.046			
Step 2	Performance appraisal				0.559**	0.748**	0.043
Step 3							
Model 1	Performance appraisal	0.490**	0.700**	0.046			
Model 2	Performance appraisal	0.520**	0.505**	0.067			
	Management by Objectives						

Note: * $p < .01$ (two-tailed); ** $p < .05$ (two tailed), *** $p < 0.001$

Table 4.6: Linear regression analysis between performance appraisal, employee productivity and MBO as a mediator

For step 1 the value of R^2 is 0.490 which means that 1% change in independent variable performance appraisal can bring 49% change in dependent variable, employee productivity. The significance level $p = 0.000$ ($p < 0.05$) explains that there is a significant and positive relationship between the two variables. The beta value is, $\beta = 0.700$.

The above table represents step 2 in which the regression between Performance appraisal and management by objectives. The R^2 value is 0.559 which shows the degree of variance and predicts

that 1% change in performance appraisal can bring 55.9% change in management by objectives (when treated as a dependent variable). The relationship is significant at 0.000. The beta value is $\beta = 0.748$.

In step 3, model 1 the beta value is $\beta = 0.700$ but in model 2 after introducing MBO as a mediator the value of beta decreases and now $\beta = 0.505$ but remains significant by 0.000 ($p < 0.05$). This decrease in the value of beta after the introduction of mediator from 0.700 to 0.505 proves that partial mediation is occurring, when the direct effect of performance appraisal over employee productivity is controlled. This means that there exists a positive and a significant relationship between performance appraisal and employee productivity while MBO acting as mediator. R^2 value in model 2 is 0.52 showing that 1% change in performance appraisal will bring 52.0% increase in employee productivity in the presence of Management by Objectives, indicating an increase in R^2 from $R^2 = 0.490$ to 0.520.

4.4.4. Linear Regression Analysis between Performance Appraisal, Employee Job Performance and MBO as a mediator

Step	Predictor	Dependent Variables				
		Employee Job Performance			Management by Objectives	
		R^2	β	St. E	R^2	St. E
Step 1	Performance appraisal	0.515**	0.718**	0.048		
					0.559**	0.748**
Step 2	Performance appraisal					0.043
Step 3	Model 1 Performance appraisal	0.515**	0.718**	0.048		
	Model 2 Performance appraisal	0.601**	0.387**	0.065		
	Management by Objectives					

*Note: * $p < .01$ (two-tailed); ** $p < .05$ (two tailed), *** $p < 0.001$*

Table 4.7: Linear regression analysis between performance appraisal, employee job performance and MBO as a mediator

The table above illustrate in step 1 that the change performance appraisal by 1% can cause 51.5% variance in employee job performance and the relationship between them is highly significant. The beta value is 0.718.

In step 2 there is relationship between performance appraisal and management by objectives. Performance appraisal is used as independent and management by objectives is used as dependent variable in the analysis. The analysis illustrates that 1% change in performance appraisal can have a positive and significant impact on management by objectives with the percentage of 55.9%. The beta also shows that 1 unit increase in standard deviation of performance appraisal can increase the standard deviation of management by objectives by 0.748 units.

For step 3, in model 1, the standardized beta value is $\beta = 0.718$ but in model 2 after introducing MBO as a mediator the value of beta decreases and now $\beta = 0.387$ but remains significant by 0.000 ($p < 0.05$). This decrease in the value of beta after the introduction of mediator from 0.718 to 0.387 proves that partial mediation is occurring when the direct effect of performance appraisal over employee job performance is controlled. This means that there exists a positive and a significant relationship between performance appraisal and employee productivity while MBO acting as mediator. The value of $R^2 = 0.601$, shows that 1% change in performance appraisal can increase employee job performance by 60.1% with the MBO acting as a mediator. The value of R^2 has increased from $R^2 = 0.515$ to $R^2 = 0.601$ after introducing a mediator which also shows a positive impact of mediating variable.

Chapter # 5

5. Discussion:

The goal of the research was to see how performance appraisal affected employee productivity and job performance when equity and management by objectives were used as mediating variables. The research approach used was quantitative, i.e. a survey was conducted with a sample size of $N = 273$ people, and studies were conducted to determine the level of correlation and regression between the variables under investigation.

According to the first hypothesis H1 (a), i.e. there is a positive relationship between performance appraisal and employee productivity. The literature discusses that there is a positive impact of performance appraisal on employee productivity with values $r = 0.437$, $p < 0.01$, which is high significance value (Attipoe, Agordzo, & Seddoh, 2021). Another study suggests that 1% change in performance appraisal can increase employee productivity by 75% remaining the other factors constant (Njuguna & Maende, 2017). Another study illustrated that R^2 value of regression analysis is 0.64 indicating that 1% change in performance appraisal can bring 64% change in employee productivity (Binta, Muhammad, Ahmed, Bazza, & Magaji, 2019). The results to the current research shows that there is a positive, significant and strong association among the two variables ($r = 0.700$, $p < 0.05$, $\beta = 0.700$). Therefore, the first hypothesis H1 (a) of the study is accepted. Similarly as per the first research question i.e. what is the relationship between performance appraisal and employee productivity? As suggested by the (R., S., & M., 2017) that if the employees are recognized and given feedback upon their performance, this results into employees increased productivity. In our current study, the analysis also answer the questions in a positive manner and advise that performance appraisal has a positive relationship between employee productivity. As the performance appraisal increases the productivity of employees is likely to increase in the same direction.

The second hypothesis H1 (b) states that there is positive relationship between performance appraisal and employee job performance. Based upon the previous studies which showed that there is a positive association between performance appraisal and employee job performance (Wanjala & Kimutai, 2015). The current study depicts a significant and positive relationship between performance appraisal and employee job performance with values $r = 0.718$, $p < 0.05$. Hence our hypothesis is accepted. According to the second research question i.e. what is the relationship

between performance appraisal and employee job performance? The literature and the analysis of the current study answers the second research question that there is positive relationship between performance appraisal and employee job performance i.e. employee job performance enhances if the performance appraisal is conducted in the organization properly.

The hypothesis H2 (a) stated that Equity mediates the relationship between performance appraisal and employee productivity. This means that if there exists equity, the relationship among performance appraisal and employee productivity would be stronger. This also means that a fair performance appraisal system can positively impact employee productivity. Similarly, the third research questions undertakes that 'does equity mediates the relationship between performance appraisal and employee productivity? Literature relating to performance appraisal, equity and employee productivity clearly advocates that a fair performance appraisal has a positive impact on job performance of employees (Setiawati & Ariani, 2019). The results of the current study also depicts a positive and significant relationship between performance appraisal and employee productivity in the presence of equity as a mediator. The values of R^2 illustrates that in the presence of equity as a mediator, 1% change in performance appraisal would increase employee productivity by 50.9%. The results also answer the research question that equity mediates the relationship between performance appraisal and employee productivity.

The hypothesis H2 (b) stated that Equity mediates the relationship between performance appraisal and employee job performance. This means that if there exists equity, the relationship among performance appraisal and employee job performance would be stronger. The research question 2(b) stated that does equity mediates the relationship between performance appraisal and employee job performance? (Cook & Crossman, 2004; Walsh, 2003 argues that a fair performance appraisal system leads to employee satisfaction with the performance appraisal system, which leads to better job performance (Blau, 1999; Kuvaas, 2006). The results of the current study reveals R^2 value is 0.555 showing that in the presence of equity as mediator, 1% change in performance appraisal can increase employee job performance by 55.5% and the results are also highly significant. This shows that our hypothesis is accepted and the answer to the research is that equity mediates the relationship between performance appraisal and employee job performance i.e. in the presence of equity, the performance appraisal has a positive impact on employee job performance.

The hypothesis H3 (a) stated that MBO mediates the relationship between performance appraisal and employee productivity. The results of the study suggests that 1% change in performance appraisal can increase employee productivity by 52.0%, in the presence of MBO as a mediator. The results are highly significant and positive and hence the hypothesis is accepted. As stated in research question 3(a) of the current study i.e. does MBO mediates the relationship between performance appraisal and employee productivity? Past literature reveals that MBO is crucial to organization success if implemented properly. Continuous communication with employees, feedback, and objective based feedback and appraisals lead to increased employee productivity and can increase the chances for organizational success (Xhavit Islamia, Mulloli, & Mustafa, 2018). The results of our study also indicate that management by objectives mediates the relationship between performance appraisal and employee productivity.

The last hypothesis H3 (b) stated that MBO mediated the relationship between performance appraisal and employee job performance. As suggested earlier that applying the MBO method to the organization has many benefits (Seyna, 1986). According to (Steers & Porter, 1974) the use of MBO has a significant impact on employee job performance and satisfaction. Similarly the results of the current study suggests that with the value of $R^2 = 0.601$, it is obvious that the relationship between performance appraisal and employee job performance is positive and significant in the presence of MBO as a mediator and 1% variance in performance appraisal can increase employee job performance by 60.1% in the presence of MBO acting as a mediator. The last research question 3(b) is states that ‘does MBO mediates the relationship between performance appraisal and employee job performance? The past literature tends to answer the question in a way that if the goals to be achieved by employees are communicated properly, they tend to be more active and responsible towards the achievement of that goal (Xhavit Islamia, Mulloli, & Mustafa, 2018). Similarly setting the goals for employee’s results in higher level of performance (Hollenbeck & Brief, 1987). Similarly as suggested by (Miles, 2012) high performance levels of employee results when they are highly committed to their work and vice versa. Based upon the literature and the analysis of our current study we conclude that MBO mediates the relationship between performance appraisal and employee job performance.

Hypotheses Results		
Hypothesis	Description	Results
H ₁ (a)	There is a positive relationship between Performance appraisal and Employee Productivity.	Accepted
H ₁ (b)	There is a positive relationship between Performance Appraisal and Employee Job Performance.	Accepted
H ₂ (a)	Equity has a mediating relationship between Performance Appraisal and Employee Productivity.	Accepted
H ₂ (b)	Equity has a mediating relationship between Performance Appraisal and Employee Job Performance.	Accepted
H ₃ (a)	MBO has a mediating relationship between Performance Appraisal and Employee Productivity.	Accepted
H ₃ (b)	MBO has a mediating relationship between Performance Appraisal and Employee Job Performance.	Accepted

Table 4.8: Hypotheses Results

Bases upon the results, it is concluded that Performance appraisal has a positive effect on employee productivity and employee job performance and Equity and Management by Objectives mediated the relationship between them.

5.1. Conclusions

In today's world of cut-throat competition among the business and specially the banking sector, organizations having started formulating strategies to make a better place for themselves in the market place. Employees are crucial to the success of every organization. It is the effort and contribution of the employees which make organizations prosperous and successful. Employees stay with any organization due to few reasons which might include their salary, career opportunities or the extra benefits they receive or appraisals. Employees are more likely to stay with the organizations which are more vigilant about appraising the work of their employees in monetary and non-monetary terms. This appraisal can lead to employee satisfaction and the chance of employees to stay connected to the organization to provide their services may increase. Performance appraisals are crucial for organizations as well as the employees working in there.

Employee productivity can be increased by linking the performance and outcomes of performance with the rewards and incentives.

The rewards and incentives would improve the overall productivity of employees. Employees are the assets of the organization and organizational success is highly dependent on employee productivity, so employee productivity is an important objective of the businesses (Cato & Gordon, 2009). The literature suggests that performance appraisal is positively linked to employee job performance. Similarly, it is obvious that equity is also very important. Performance appraisal, which is fair and just, without any biasness can impact productivity and job performance of employee positively. So the performance appraisals in the organizations should be fair and equitable in order to generate maximum results and make employee work for the betterment of the organization.

Management by Objectives is also an important concept which is not very commonly used in Pakistani organizations. It is a performance appraisal tool which sets and communicates the objectives of the organization and defines them into individual objectives. This also includes feedback and autonomy of employees to give their suggestions. This tool can be very effective if used by the organizations for appraising the performances. Applying the MBO method to the organization has many benefits (Seyna, 1986). Miles, 2012 also suggests that increase in the performance level is only obtained when employees are committed to reaching the goals assigned to them as compared to when they are not committed to the assigned goals.

All of the literature and above discussions suggest that performance appraisal is one of the important tools in not only identifying the strengths and weaknesses of employees but also in retaining the employees, giving them feedback so that they can improve their performances which would lead to employee productivity. An equitable performance appraisal can be more effective on productivity and job performance of employees and if management by objectives is properly implemented in the organizations it can have positive impacts and influences on the overall organizational well-being and employee productivity and performance at work. The study also suggests that there is a positive and significant effect of performance appraisal on employee productivity and job performance. It also identifies that Equity and Management by objective mediates the relationship between performance appraisal, employee productivity and job performance.

5.2. Implications for future research

In order to identify future opportunities in the study, the researchers may investigate and study from the organizational perspective. Future researchers can also take into account other factors relating to performance appraisal. Management by Objectives can be used an independent variable with other factors being affected by it. AS the current study is based on service sector i.e. banking sector, the impact of performance appraisal can be also studied on other sectors as well. Studies can also be done with stratification among managers and employees. The study can also be conducted of different sectors like health, IT, education etc.

5.3. Limitations of the study

The limitations include the restricted number of statistical analysis applied to analyze the variables and mediators involved in the study. Moreover, the time-horizon of the study is cross-sectional and the quantitative method is being used due to time constraint. The research is also limited only to the banking sector of twin-cities of Pakistan. Another limitation may include COVID-19 which have interrupted the data collection.

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Appendix

Master's Dissertation Research Questionnaire

My name is Zeryab Gul and I am a student of MBA in Human Resource at Bahria University. I am conducting a research in Banking Sector on the "Effect of Performance Appraisal on Employee Productivity and Job Performance: Role of Equity and Management by Objectives as a Mediator". The questionnaire consists of 38 questions and will need no longer than 10 minutes to be completed. I would request you to please fill this questionnaire. The responses will be kept anonymous and confidential. Data shall be used for the research purpose only.

PART ONE:

Please indicate your level of agreement according to the following Likert Scale:

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree

	Performance Appraisal					
PA1	1. The current pattern of Performance Appraisal is Satisfactory.	1	2	3	4	5
PA2	2. The Frequency (yearly) of Performance Appraisal is satisfactory.	1	2	3	4	5
PA3	3. The timely feedback given to you about your performance appraisal is satisfactory.	1	2	3	4	5
PA4	4. Job description/ specification are the best way to measure the performance. All employees should know their job description / specification so that they can work efficiently and can measure themselves	1	2	3	4	5
PA5	5. The Performance Appraisal instruments accurately measures what I do on my job.	1	2	3	4	5
PA6	6. The performance is linked to employee reward and compensation.	1	2	3	4	5
PA7	7. My organization has a framework to reward excellent performance and/or salary increase decisions.	1	2	3	4	5
PA8	8. Organization compensation policy attracts and retains employees.	1	2	3	4	5
PA9	9. The supervisor considers the performance appraisal of his subordinated to be an important part of his duties.	1	2	3	4	5
PA10	10. Your organization considers performance appraisal as an important part of supervisor's duties.	1	2	3	4	5
	Equity					
E1	11. Your performance rating presents a fair and accurate picture of your actual job performance.	1	2	3	4	5
E2	12. There are adequate procedures to get the performance rating that you receive reconsidered if necessary.	1	2	3	4	5
E3	13. The results of appraisal are fair.	1	2	3	4	5
E4	14. Assessors appraise performance without any biasness.	1	2	3	4	5
E5	15. Any other employee is not prioritized during performance appraisal system.	1	2	3	4	5
E6	16. Appraisers treat you fairly during performance appraisal process.	1	2	3	4	5
E7	17. Good & Fair Performance Management System enhance the job satisfaction.	1	2	3	4	5

Management by Objectives						
MBO1	18. Your job duties are clearly defined by your supervisor.	1	2	3	4	5
MBO2	19. Your supervisor sets clear goals for you in your present job.	1	2	3	4	5
MBO3	20. Interaction between you and management enhances appraisal effectiveness.	1	2	3	4	5
MBO4	21. Interaction with supervisors and management also enhances your motivation.	1	2	3	4	5
MBO5	22. Your supervisor holds a performance review meeting to discuss your performance.	1	2	3	4	5
MBO6	23. Your performance appraisal takes into account the most important parts of your job.	1	2	3	4	5
MBO7	24. This Job gives you opportunity to use your own judgment and initiative.	1	2	3	4	5
MBO8	25. Your supervisor discusses specific reason for the performance rating that you receive.	1	2	3	4	5
MBO9	26. Performance appraisal system helped me in improving interpersonal relationships as well as my contextual performances.	1	2	3	4	5
<u>Employee Productivity</u>						
EP1	27. The training employees undergo helps them gain further and specific skills.	1	2	3	4	5
EP2	28. A reward for performance acts as an incentive for employees.	1	2	3	4	5
EP3	29. You think that training delivered after appraisal will improve your performance.	1	2	3	4	5
EP4	30. Performance appraisal is used as a decision making tool for the increasing capability.	1	2	3	4	5
EP5	31. Employer's feedback about employee's productivity help build up self-development which improves productivity.	1	2	3	4	5
EP6	32. Self-appraisal aids employees to examine strength and weakness and areas of improvement that enhances their productivity.	1	2	3	4	5
<u>Employee Job Performance</u>						
EJP1	33. Performance appraisal has provided opportunity to improve performance.	1	2	3	4	5
EJP2	34. Your motivation has increased through appraisal outcomes.	1	2	3	4	5
EJP3	35. Appraisal outcomes have given you opportunity to eliminate weak areas in performance.	1	2	3	4	5
EJP4	36. You have noticed no change in your performance through appraisal system.	1	2	3	4	5
EJP5	37. Performance appraisal system has enhanced my ability for taking greater responsibility.	1	2	3	4	5
EJP6	38. Performance appraisal system helps in enhancing task performance	1	2	3	4	5

PART TWO

Demographics Information

1.	How old are you? (a) 20 – 25 (b) 26 – 35 (c) 36 – 45 (d) 46 – 60
2.	Gender? (a) Male (b) Female
3.	What is the highest level of qualification that you have completed? (a) Higher Secondary (b) Bachelors (c) Masters (d) Higher Education (e) Diploma/ Certification
4.	Position in the organization? (a) MTO: Management Trainee Officer (b) CSO: Customer Service Officer (c) Manager (d) Credit Officer (e) Phone Banking Officer (f) Teller

Thesis

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