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## **EFFECT OF PERFORMANCE EVALUATION ON EMPLOYEE PRODUCTIVITY: LITERATURE BASED**

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### **ABSTRACT**

**Purpose of the study:** Performance evaluation is a review of an employee's job performance and assigned responsibilities. It typically involves a supervisor looking at an employee's abilities and accomplishments over a set period of time. Performance evaluation facilitate productive work among workers and productivity is essential for guaranteeing that enterprises advance to the next level. The study did a literature review to examine the effect of performance evaluation on employee productivity.

**Findings:** Performance evaluation plays a crucial role in influencing employee productivity. Firstly, it provides a platform for setting clear goals and expectations. When employees have a well-defined understanding of what is expected of them, they can align their efforts accordingly, resulting in increased productivity. Moreover, performance evaluations facilitate regular feedback and communication between employees and their supervisors. Constructive feedback helps employees identify their strengths and weaknesses, enabling them to make necessary improvements and optimize their performance. Additionally, performance evaluations often involve recognizing and rewarding exceptional performance. This recognition serves as a powerful motivator, fostering a sense of accomplishment and job satisfaction, which in turn drives

productivity. By addressing skill gaps and providing relevant training opportunities, organizations can equip employees with the tools and knowledge necessary to excel in their roles, ultimately boosting their productivity.

**Conclusions:** It was concluded that performance evaluation increase worker productivity in firms. The performance evaluations create a feedback-driven culture that empowers employees to enhance their performance, leading to improved productivity levels. Performance evaluations allow for the identification of training and development needs.

**Recommendations:** The research recommended that management should embrace effective management techniques that include creating teams, networks of connections and developing and encouraging others. These techniques will help workers learn skills and play a crucial part in raising their level of productivity. Employee performance objectives should be made explicit and performance drivers should be determined.

**Keywords:** *Performance Evaluation, Employees' Productivity*

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## **BACKGROUND OF THE STUDY**

Employees are seen as vital to the growth and productivity of a firm. Their productivity is essential for guaranteeing that enterprises advance to the next level (Taouab & Issor, 2019). Firms should be able to cope with both new information and technology advancements to maintain standards and anticipated outputs. Firms should engage or educate their employees to assist them deal with this rapidly growing challenge if they want to conform with the pace at which new advancements are being generated in these areas. Firms use different coping methods, including hiring trainable employees, retraining current employees, providing in-service training in some disciplines and on-the-job training that includes exchange programs (White, 2019).

The process of recording and evaluating a worker's performance on the job is called performance evaluation (Murphy, 2020). It is a highly systematic and routine process that assesses the effectiveness and productivity of each worker's task in relation to previously specified standards and goals. Additionally, performance evaluation is a review of an employee's job performance and assigned responsibilities; it typically involves a supervisor looking at an employee's abilities and accomplishments over a set period of time and keeping track of whether the employee met expectations, exceeded them, or fell short of what was expected (Wu, Zuo, Yuan, Zillante & Wang,

2019). In order for an assessment to be successful, performance criteria should be established by the supervisor and workers should get the necessary training, feedback and incentives to improve their performance.

Workers productivity is expressed as the ability of an employee to create quality outputs with the available inputs (Khaksar, Chu, Rozario & Slade, 2020). Employee productivity which defines the amount of output that should be recorded by the firm together with its degree of inputs was also identified as one of the key factors affecting an organization's profitability. Organizations worry about how to best maintain a sustainable performance and produce the greatest outcomes from their employees by examining the best alternative methods to engage, foster cooperation and motivate people to provide their best contribution in what they work in (Daniel, 2019). Additionally, non-financial incentives are also seen to be the strongest motivator for increased employee productivity.

When productivity improvements are made in a workplace many positive effects follow (Grimani, Aboagye & Kwak, 2019). These include increased profitability, decreased operational costs, resource optimization, improved customer service, seizing growth opportunities, reduced waste and environmental impact, increased competitiveness, decreased employee burnout, improved wellbeing, improved morale, and increased engagement. Additionally, being productive at work is crucial for the firm's operations and at the end of each working hour, employees should generate and present high-quality outputs. This may change, however, in times of crisis, such as the current Covid 19 outbreak. Negative methods also reduce productivity, according to Ju, Huang, Liu, Qin, Hu and Chen (2019) argued that skipping of fundamental tasks reduces employees' feeling of self-efficacy which has many negative effects on the firm.

The aim of performance evaluation is to improve productivity (Kamble, Gunasekaran, Ghadge & Raut, 2020). It aids in measuring the production of organizational members which is important and crucial when managing human resources since employee productivity leads to the success of the firm. It is important to note that some managers use this to reduce or undervalue the contributions of employees who are not their favorites. A proven performance evaluation approach connects the workplace and the workforce hence showing the workforce what is expected of them and where they can contribute effectively to the firm (Al-Jedaia & Mehrez, 2020). It is utilized together with employee productivity to determine a worker's potential for advancement, progress

and promotion into other top ranks in the firm. Performance evaluation is controversial since most workers want to know what their managers think of their work. People who work in small firms and often interact with their managers are typically aware of what the firm demand out of them (Lovell, 2022).

Overall, performance evaluation facilitates productive work among workers. Firms can improve productivity by creating evaluation systems and use them regular, giving helpful feedback, and providing rewarding incentives (Xiang & Chin, 2021). An employee's productivity should be assessed often so that they maintain the required output and prevent under performance in the firm. It is important that workers know precisely what is expected of them and how their performance and results will be assessed. According to Sumayya, Siddqui and Kumri (2021) a successful evaluation approach is important since it can identify employees' strengths and limitations and indicate how those strengths may be used properly and shortcomings addressed.

## **LITERATURE REVIEW**

Helmold and Samara (2019) noted that performance management includes performance assessment which is intended to boost productivity and provide a chance to continually examine corporate goals. According to several study many managers believed that performance reviews did not provide value or aid in the accomplishment of corporate goals, while many employees thought they were a hassle. Both the public and commercial sectors in Malaysia have embraced performance assessment as an instrument for performance enhancement. But evaluating its success has been difficult. The research sought to determine the impact of performance evaluation on employee productivity in commercial banks in Putrajaya. The study design for the research is a survey. The study's participants were 200 workers from two chosen commercial banks in Putrajaya. The sample size for the investigation was decided upon using the total enumeration approach. The research used questionnaires to gather primary data. Respondent information was gathered using a structured questionnaire. The kind and strength of the link between the dependent variable and the independent variables were evaluated using an ordinary least square regression model. According to research results, performance evaluation have a big impact on how productive employees are. Results specifically showed that management and performance evaluation have a substantial impact and increase worker productivity. The research makes recommendations for management to adopt effective management styles that include building teams, networks of

connections and developing and inspiring others that will instill skills in the workers and that play a crucial part in raising their level of productivity.

Grossi, Dobija and Strzelczyk (2020) conducted research to investigate the impact of performance evaluation on employee productivity in Federal Ministry of Education Headquarters Malmo. The study design for the research was survey. 450 workers from the Malmo headquarters of the Federal Ministry of Education made up the research's population. The Taro Yamane method was utilized to establish the study's sample size which was 245 participants. Data for the research was collected by the use of a standardized questionnaire and descriptive and OLS analyses were utilized to examine the results. According to the data, employee productivity throughout the research period was positively and substantially affected by the coefficients of performance assessment and worker feedback. Employee productivity for the study period was positively impacted but not significantly by the employee training and compensation factors. The performance evaluation, employee feedback, employee training, and employee remuneration together accounted for 53.5 percent of the total variance in employee productivity, according to the coefficient of multiple determination  $R^2$  value of 0.535 percent. The report suggests that utilizing a multiple assessment approach to further promote objectivity and get rid of bias in the Ministry's employee evaluations.

Alsuwaidi, Alshurideh, Kurdi and Salloum (2020) performed study to explore the impacts of performance evaluation on employee productivity in the healthcare sector in Punjab, India; Sandhu Lifecare Hospital was used as the case study. The research used expectancy theory and Maslow's Hierarchy of Needs theory. The study method used was a cross-sectional descriptive research design. 150 workers at Sandhu Lifecare Hospital were the study's target group and 120 were included in the sample. Questionnaires were the major tool the researcher used to gather data. Data analysis was done using descriptive statistics. Means, averages, and percentages were particularly employed by the researcher. The data analysis tools were simple tabulations and spreadsheet presentations of the report. To show the data, tables, charts, and graphs are used. Data has to be first classified and categorized into concepts in order to make population-wide generalizations. Based on the survey, performance review feedback is crucially significant since it provides employers with good opportunity to explore how every worker compares to previously defined standards and anticipations. The findings reveals that performance assessment feedback and evaluation are important since they provide firms with a key opportunity to evaluate how each worker compares to previously defined standards and anticipations. The research demonstrated the

crucial importance of performance evaluation objectives in achieving key results including job satisfaction, employee productivity, the production of high-quality work and worker commitment and trust. The management and human resource department of Sandhu Lifecare Hospital are recommended to properly communicate the importance of evaluation and its purpose and to teach workers on how to provide and accept feedback. The performance evaluation process in the hospital should be more transparent and logical and the human resource manager at Sandhu Lifecare Hospital should ensure that performance evaluation objectives are able to identify training needs and that it should be designed in a way that all staff members can easily access the performance evaluation policy. Finally, the performance evaluation policy should be easily accessible to all staff members.

Nufus, Supratikta, Muchtar and Sunarsi (2020) performed research to explore the effect of performance evaluation on employee productivity using World Health Organization as the case study. The research's primary goal was to determine how performance evaluation influenced worker productivity at the World Health Organization with a focus on China. In the research, descriptive design was utilized. To examine the effect of performance evaluation on staff productivity, regression analysis was employed. The study's results concluded that firms should often evaluate their employees using objectives, achievements, organizational goals, time management and efficiency to boost employee productivity. Firms ought to establish and execute performance evaluation systems according to the study's findings to assist managers identify staff training demands, assist workers to attain the set goals, give under performers a room to improve, help employees manage their time by planning ahead and setting deadlines, allow managers to make educated decisions about promotions and assignments according to the relevant information and enhance employee collaboration. According to the research firms should conduct staff evaluations to increase workers' productivity.

Aydın and Tiryaki (2018) argued that a company's main problem is employee productivity. In addition to analyzing how motivation influences the link between performance evaluation and employee productivity, the study focuses on determining the effect of performance reviews on employee productivity. Two hypotheses are examined using sampling methods; 200 workers from Dera Ghazi Khan Banks were chosen as a sample by simple random selection. Primary data were gathered using a typical questionnaire. Through IBM SPSS and Amos Software, correlation coefficient to analyze the data was used. Based on the results, there is a good relation between

employee productivity and performance evaluation. The role of motivation as a moderator in the link between employee productivity and performance evaluations was favorable. Divisional banks may enhance the performance standards of their workers by integrating the evaluation system with business strategies and HR practices.

Tong, Jia, Luo and Fang (2021) conducted study to ascertain how performance evaluation affected workers' productivity at Singapore's Standard Chartered Bank. The study's goals were to ascertain the association between job satisfaction and worker productivity, the relation between employee motivation and employee productivity and the relationship between employee productivity and career advancement. The research used a descriptive design and focused on all 542 employees from 20 branches. 215 participants in the research were sampled. Self-administered questionnaires were utilized in the research to gather information. Following that, descriptive statistics like mean, mode and percentages were used to examine the data. Employee productivity, the dependent variable, and the independent factors were correlated using inferential statistics particularly the regression analysis (job satisfaction, motivation and career progression). According to the research, fair compensation and managerial assistance have increased employee job satisfaction, which has increased productivity. The research further showed that the performance reward system, equitable remuneration and working environment had all improved employee motivation as a result of the performance evaluation processes. According to the findings, performance evaluation improved employee career advancement via professional development, the connection between performance and employee objectives inside the company and the relationship between reward and performance. According to the study it is recommended that the firm should search for performance evaluation best practices that will appeal to its workforce. In order to maintain its standards as a high performing company, the business should also improve its compensation system with the goal of retaining top personnel via best practices. It should also provide additional possibilities for advancement inside the organization to advance workers' careers.

Choong and Islam (2020) noted that firms always struggle with employee motivation. Motivation is characterized by arousal, direction and persistence of intentional action with a goal. The employees of a firm are essential to its success and continued growth. They serve to convey the image of a firm in various ways. Because they are the most precious, costly and unpredictable resource a firm may use to achieve its responsibilities, employees are the most important one. The study focused on using quantitative methods to gather information and assess how performance

reviews affected workers' productivity at work. To provide a holistic picture of the link between 360-degree performance evaluation and employee motivation, data from primary and secondary sources were collected and combined. The survey was administered using Google Forms to 90 respondents from a sample of Lebanese firms. The data was then processed using the SPSS statistical program, and the findings were presented as descriptive and inferential statistics. According to the findings, management by goals, 360-degree feedback, performance evaluation and organizational performance are all directly related.

## **FINDINGS AND DISCUSSION**

Performance evaluations have a direct impact on employee productivity. Firstly, they provide a platform for setting clear goals and expectations. When employees have a well-defined understanding of what is expected of them, they can align their efforts accordingly, resulting in increased productivity. By establishing specific, measurable, attainable, relevant, and time-bound (SMART) goals, employees are more likely to stay focused and motivated, leading to improved performance. Secondly, performance evaluations facilitate regular feedback and communication between employees and their supervisors. Constructive feedback helps employees identify their strengths and weaknesses, enabling them to make necessary improvements and optimize their performance. When employees receive timely feedback on their work, they can make the required adjustments, learn from their mistakes, and enhance their productivity. Moreover, feedback sessions provide an opportunity for employees to ask questions, seek clarification, and gain a better understanding of their roles, further promoting productivity.

Furthermore, performance evaluations often involve recognizing and rewarding exceptional performance. This recognition serves as a powerful motivator, fostering a sense of accomplishment and job satisfaction, which, in turn, drives productivity. Employees who feel valued and appreciated for their contributions are more likely to be engaged and go the extra mile to achieve organizational goals. Recognition can take various forms, such as bonuses, promotions, or public appreciation, and it reinforces positive behavior and encourages continuous improvement. Lastly, performance evaluations allow for the identification of training and development needs. By assessing employees' skills and competencies, organizations can identify areas where additional training or development opportunities are required. Addressing skill gaps and providing relevant training equips employees with the tools and knowledge necessary to excel in their roles. When



employees feel supported and have access to continuous learning opportunities, they become more confident and capable, leading to increased productivity and better performance outcomes.

## **CONCLUSION**

In conclusion, performance evaluations play a crucial role in enhancing employee productivity. They provide clarity of goals, facilitate feedback and communication, recognize exceptional performance, and identify training needs. By leveraging these aspects effectively, organizations can foster a culture of continuous improvement, engagement, and high performance. Regular performance evaluations contribute to the overall growth and success of both individuals and the organization as a whole.

## **RECOMMENDATIONS**

To maximize the positive impact of performance evaluations on employee productivity, organizations should start by establishing clear and measurable goals. These goals should be specific, measurable, attainable, relevant, and time-bound (SMART). During performance evaluations, clearly communicate these goals to employees and provide regular updates and progress reviews. This clarity will help employees stay focused and motivated, as they will have a clear understanding of what is expected of them and can align their efforts accordingly.

In addition to goal setting, organizations should prioritize providing timely and constructive feedback to employees. Performance feedback should be an ongoing process rather than a once-a-year event. Regularly offer feedback to employees, highlighting their strengths and areas for improvement. Focus on constructive criticism that helps employees identify specific actions they can take to enhance their performance. Timely feedback allows for course corrections and improvement, contributing to higher productivity levels.

A culture of recognition is also essential for maximizing productivity through performance evaluations. Organizations should establish formal recognition programs that acknowledge employees' achievements. This recognition can take various forms, such as financial incentives, promotions, or public appreciation. Celebrating success reinforces positive behavior, boosts morale, and motivates employees to maintain high levels of productivity. By fostering a culture of recognition, organizations create an environment where employees feel valued and appreciated, leading to increased engagement and productivity.

Furthermore, organizations should invest in training and development opportunities based on the findings from performance evaluations. Use performance evaluations as a platform to identify employees' training and development needs. Offer relevant training programs and resources to help employees acquire new skills and enhance their performance. Providing opportunities for growth and development not only increases employees' productivity but also enhances their job satisfaction and commitment to the organization. By investing in their employees' professional growth, organizations demonstrate their commitment to their workforce and empower employees to reach their full potential.

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