
The Role of Performance Appraisal in Driving Economic Efficiency: Mediating Effects of Work Motivation and Job Satisfaction

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Abstract:

This study explores how performance appraisal affects work motivation, job satisfaction, and performance, utilizing SEM-PLS. The research employed primary data acquired through a questionnaire. Government Valuers at the Directorate General of State Assets Management across Indonesia constitute the research population. The analysis findings conclude that work motivation and job satisfaction mediate the relationship between the performance appraisal system and performance. Furthermore, job satisfaction is a strong predictor of employee performance, making this an exciting consideration for interpretation. Performance appraisal itself does not show a direct relationship with performance. These findings indicate that motivation and job satisfaction are essential factors in performance appraisal that influence the performance of Government Valuers. Developing objective and accurate performance appraisals will improve employee performance while considering work motivation and job satisfaction.

Keywords: Performance Appraisal, Work Motivation, Job Satisfaction, Employee Performance.

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1. Introduction

In an era of globalization and continuous change, public institutions need help meeting society's resource needs. In this context, providing quality public services to the community requires special attention to the resources that can help the organization achieve its goals, namely human resources. However, building and retaining capable and competitive employees has proven to be an essential challenge for public organizations.

All employees require motivation to work in the organization's best interests. This necessitates a strategic approach to Human Resource Management (HRM) policies that align organizational goals with employee performance. The organization's main goals should be integrated into the performance management process and communicated through the performance appraisal. Performance appraisals are essential for effective human resource management for evaluating employee performance (Al-Jedaia et al., 2020). Thus, performance appraisal can be trusted to ensure that the right employees fill the appropriate positions in the organization (Iqbal

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et al., 2013). Furthermore, performance appraisals motivate employees to achieve organizational goals through rewards, promotions, development, and enhancement of their abilities (Davis, K., & Newstrom, 1993).

The primary goal of performance appraisal is to enhance the efficiency and effectiveness of employee performance (Bowra, Z. A., & Nasir, 2014) (Elsamen, A. A., & Alshurideh, 2012). This process involves evaluating employee performance based on the organization's rules, goals, and procedures (Alshurideh, M., Alhadid, A. Y., & Barween, 2015) (Obeidat et al., 2012). Performance appraisal aims to increase the accuracy of employee performance evaluations and link these evaluations to the rewards employees receive (Alsuwaidi et al., 2021). Employees need to perceive performance appraisals as fair, as the workforce is susceptible to issues of fairness in work appraisals and treatment from superiors. The attainment of organizational goals is heavily reliant on employee motivation and performance. According to (Ismail, F et al (2022), the degree of fairness in the performance appraisal significantly impacts employee performance, commitment, satisfaction, and motivation. Therefore, performance appraisal is critical for achieving organizational goals by fostering employee satisfaction and motivation, ultimately enhancing overall performance.

Within the government sphere, all government agencies in Indonesia use performance assessments as a benchmark and evaluation tool for the work results of state civil servants. However, the approaches to performance assessments can vary depending on the sector or organizational culture (Najafi et al., 2010). Government employees may not view performance appraisal as necessary in the private sector because annual raises and promotion periods are fixed, and bonuses are not given, especially in some developing countries (Iqbal et al., 2013).

The assessment of state civil servants' performance in Indonesia has rapidly evolved and is closely linked to civil service reforms implemented over the past few decades. The evaluation of state civil servant's performance in Indonesia has undergone several changes. According to Government Regulation Number 10 of 1979, which concerns the Evaluation of the Work Implementation of Civil Servants, the assessment of ASN performance refers to the List of Assessment of the Work Implementation of State Civil Servants (DP3). DP3 contains the results of a yearly evaluation of a State Civil Servant work implementation conducted by the evaluating official. Since 1 January 2014, employee performance assessments have been measured using Employee Work Targets.

In 2019, performance assessment underwent another change with the introduction of Employee Performance Targets based on Government Regulation No. 30 of 2019 concerning the Performance Assessment of State Civil Apparatus. Annual Employee Performance Targets are performance plans and targets that ASN must achieve. Consequently, state civil servants, exceptionally functional officials, were required to prepare a List of Proposals for Determining Credit Scores and Employee Performance Targets. However, employee performance assessments based on Employee Performance Targets did not last long. In early 2023, the Ministry of PAN RB stipulated Ministerial Regulation Number 1 of 2023 concerning Functional Positions as a replacement for Ministerial Regulation 13 of 2019. Functional officials no longer need to prepare a List of Proposals for Determining Credit Scores as in previous years.

There is empirical evidence about the impact of performance appraisals. Performance appraisal characteristics can motivate employees to improve their performance (Denisi, A. S., & Pritchard, 2006) (Lillian et al., 2011) (Setiawati, T., & Ariani, 2020) (Kampkötter, 2017) (Nugraha et al., 2021) (Ismail, F et al., 2022). On the other hand, many performance appraisals fail to motivate employees to improve their work and thus do not improve employee performance (Daley D. M, 1990) (Oh S. S., 2009) (Androniceanu, A. and Ciobanu, 2014) (Susanto, A., Djamil, M., & Saluy, 2021) (Subekti, 2021). Therefore, it is still debatable whether performance appraisals affect employee motivation, satisfaction, and performance.

Many studies have been conducted on performance assessment. This research is the first academic study to examine the impact of implementing Permenpan RB No.1/2023 on government valuers' motivation, satisfaction, and performance at the Directorate General of State Assets Management. This research could pave the way for future studies exploring the broader relationships and impacts of performance appraisals on other Human Resources factors, thus enriching the current literature on performance management. In addition, this research is important because it can provide valuable insights for top management in improving employee performance in the government sector through the implementation of performance assessments.

2. Theoretical Background

One crucial aspect of all organizations, both private and public, is the management of human resources. An essential component of human resource management is how employees perceive fairness in the performance appraisal. Performance appraisal is a formal evaluation process that reviews performance over a specific period, including achievements, progress, and issues, which forms the basis for revised performance agreements and personal development plans (Kotler & Amstrong, 2004). Furthermore, performance appraisals can be viewed as a tool to ensure that the appropriate employees are placed in the correct positions within the organization (Iqbal et al., 2013).

Employee reactions to performance appraisals, particularly regarding perceptions of fairness, accuracy, and satisfaction, are crucial components in the effectiveness of appraisals because these perceived reactions can motivate employees to improve their performance (Roberson, Q. M., & Stewart, 2006) (Zwiech, 2021). Conversely, if the assessment is unfair, it can reduce employee job satisfaction (Palaiologos et al., 2011). It can also lower the organizational commitment (Suliman, A., & Al Kathairi, 2012). Additionally, it may decrease operational effectiveness (Vilela et al., 2008). To be effective and satisfy various stakeholders, organizations must have a valid basis for evaluating their employees (Ghazi et al., 2023). Assessments should not be conducted randomly or spontaneously. This necessitates the creation of a regular performance appraisal by organizations.

The performance appraisal is designed to control and motivate employees while also managing and improving their performance in the future (Al-Jedaia, Y., & Mehrez, 2020) (Selvarajan, T. T., & Cloninger, 2012) (Denisi, A. S., & Pritchard, 2006). According to Rolle, C., & Klingner (2012), a well-functioning performance appraisal should be capable of communicating management goals and objectives to employees, motivating employees to enhance their performance, fairly distributing organizational

rewards such as salary increases and promotions, and providing management insights that can be utilized to boost employee productivity and job satisfaction.

From an organizational perspective, the main purpose of determining performance appraisals is to help managers make the right decisions regarding employee promotions, wage levels, education and training, and providing feedback (Ameen, A., & Baharom, 2019). Based on these objectives, organizations gain many benefits from performance appraisals, including increased job satisfaction, higher employee morale, enhanced employee commitment, reduced turnover, a sense of fairness, and a more vital link between performance and rewards (Al-dweeri et al., 2017) (Alshurideh et al., 2015) (Hamid et al., 2016). However, implementing public performance assessments in developing countries is more challenging due to capacity issues and institutional constraints (Liu, X., & Dong, 2012).

Capacity constraints refer to technical and operational problems such as outdated evaluations, lack of employee feedback, untrained evaluators, and lack of motivation for the process. Institutional obstacles encompass environmental and enabling factors, including institutional fragmentation, cultural influences, apathy, and weak leadership support.

The Influence of the Performance Appraisal on Employee Work Motivation

The performance appraisal helps employees to motivate themselves in two ways: financially and non-financially (Deepa et al., 2014). Financially, providing extra incentives motivates employees and increases their commitment to the organization. Non-financially, assigning additional roles and responsibilities encourages employees to voluntarily undertake work that exceeds their standard tasks, thereby enhancing productivity and performance. In addition, performance appraisals motivate employees to engage more deeply in their work and contribute to higher job satisfaction.

Aydın, A., & Tiryaki (2018) research used structural equation modeling to analyze the effect of performance appraisal on employee motivation and productivity in the Turkish forest products industry. This research found that performance appraisals highly influence employee motivation and productivity. Several similar studies regarding the relationship between performance appraisal and employee motivation were conducted by Ismail, F et al (2022), Subekti (2021), Tesfaye Molla (2017), and Al-Jedaia, Y., & Mehrez (2020). These studies conclude that performance appraisal has a positive and significant relationship with employee work motivation.

A literature study on performance appraisal and employee motivation conducted by Alsuwaidi et al (2021) shows that fair performance appraisal plays a crucial role in determining employee motivation levels. The study further explains that different approaches to performance appraisal, implemented by both private and public organizations, influence how workers perceive the process. Performance appraisals must effectively assess the competencies employees demonstrate in their work so that the data can be used to provide appropriate rewards. The study found that performance appraisal positively affects work performance and employee motivation.

H1: Performance appraisal positively affects the work motivation of government appraisers at the Directorate General of State Assets Management

The Influence of Employee Work Motivation on Employee Performance

The relationship between employees and their work environment can motivate employees to work and achieve. Work motivation can improve employee performance (Taylor, 2015). Changes in motivation can occur both in the work environment and within the individual. In this context, work motivation refers to self-motivation in carrying out tasks and finding joy in various aspects of the institution. Diamantidis, A. D., & Chatzoglou (2019) stated that adaptability and intrinsic motivation directly influence performance, while the work environment and management support have a large direct and indirect impact on performance.

Research by Al-Jedaia, Y., & Mehrez (2020) shows that work motivation positively impacts employee performance. This conclusion is further supported by the analyses of Paais, M., & Pattiruhu (2020) and Riyanto et al (2021), which illustrate the positive effect of motivation on employee performance. High motivation levels are associated with increased innovation and greater employee engagement in reaching organizational objectives.

H2: Employee work motivation positively impacts the performance of government valuers at the Directorate General of State Assets Management.

The Influence of the Performance Appraisal on Employee Performance

Employee performance is defined as the extent to which job requirements are met by employees based on evaluations from their superiors (Groen et al., 2017). Performance appraisal characteristics can motivate employees to enhance their performance (Denisi, A. S., & Pritchard, 2006). This theory is supported by research conducted by Lillian et al (2011), which found that performance appraisals positively impact employee performance at the State Ministry of Public Services in Kenya. The study further explains that performance appraisals should be reviewed periodically to remain relevant, as human resources (HR) are dynamic and subject to change over time.

According to Setiawati, T., & Ariani (2020), performance appraisal and job satisfaction positively and significantly affect work performance and employee commitment. Supporting these findings, Selvarajan, T. T., & Cloninger (2012), Kampkötter (2017), and Setiawati, T., & Ariani (2020) concluded that performance appraisals can enhance job satisfaction, employee motivation, and employee performance. Nugraha et al., (2021) analyzed the influence of performance appraisal, compensation, and job satisfaction on employee performance at the Directorate General of Taxes in the Pangkalpinang City area. Using multiple linear regression, their study concluded that employee performance is influenced by both performance appraisal and job satisfaction.

Ismail, F et al (2022) show that performance appraisal positively impacts employee performance, motivation, and satisfaction. However, realizing these positive outcomes relies on the quality of the performance appraisal experience. According to Brown et al (2010), the performance appraisal process is complex and can vary, especially when supervisors make subjective assessments of employee performance. These assessments can be influenced by biases or emotional distortions, potentially decreasing the quality of the performance appraisal process. Despite its potential

benefits, the implementation and effectiveness of performance appraisals remain contentious.

Daley D. M (1990) discovered that employees were dissatisfied with the performance appraisal when it failed to achieve the expected results. Many performance appraisals do not effectively motivate employees to improve their work or inspire them (Oh S. S., 2009). This finding is consistent with research conducted by Susanto et al (2021) and Subekti (2021) which concluded that performance appraisal does not affect employee performance. According to Androniceanu, A. and Ciobanu (2014), performance appraisals often remain merely a formality because managers do not use the opportunity to discuss the results of employees' professional activities or to assess and identify their training needs. In the context of government agencies, the inappropriate implementation of individual performance assessments for state civil servants can significantly limit the positive impact of employees' professional activities on their motivation. This limitation arises because effective rewards for high-performing employees and improvements in individual professional performance cannot be based on inefficient performance evaluations (Ciobanu, A., & Androniceanu, 2015).

H3: The performance appraisal has a positive impact on the performance of official employees and government valuers at the Directorate General of State Assets Management

The Influence of the Performance Appraisal on Job Satisfaction

An essential variable in the study of employee work behavior is job satisfaction. Employee satisfaction as a person's pleasant emotional state or level resulting from their work outcomes. This satisfaction is closely related to how employees feel about the tasks they perform within an organization. Poon (2004) found that when employees perceive performance appraisals as manipulated due to raters' personal biases or intentions to punish subordinates, they experience reduced job satisfaction, which, in turn, increases their intention to quit their jobs.

Several previous studies, including those by Ramous Agyare et al (2016), Kampkötter (2017), and Sumayya, U., & Raziq (2019), have shown a positive relationship and significant influence between performance appraisal and job satisfaction. Performance appraisal is a crucial HR function vital to an organization's success. Widespread frustration and satisfaction with performance appraisals have drawn the attention of practitioners and researchers to assess the efficiency of appraisal quality. When employees are satisfied with their work, their performance tends to be more effective, leading to the efficient achievement of organizational goals.

Over five years, evaluated the impact of performance appraisal systems on the productivity and job satisfaction of academic staff. According to the evaluation results, implementing the performance appraisal system decreased job satisfaction and various productivity measures. This decline was due to the implementation of the performance appraisal system without adequate preparation, an uncondusive socio-cultural environment, and a lack of objectivity compared to the previous performance appraisal system.

H4: The performance appraisal positively impacts employee satisfaction among government valuers at the Directorate General of State Assets Management.

The Influence of Employee Job Satisfaction on Employee Performance

Employee satisfaction is achieved when all expectations related to their duties are met. Job satisfaction reflects an individual's feelings and attitudes toward their work and is influenced by interactions with others and the surrounding environment (Farooqui, M. S., & Nagendra, 2014). High job satisfaction allows employees to harness their capacity and energy to complete tasks fully. It also affects organizational behavior: satisfied employees are more likely to view the organization positively, assist co-workers, and align with decisions regarding their duties (Husin & Nurwati, 2014) (Vizano et al., 2021). Conversely, dissatisfied employees are less likely to accept the organization's goals and values (Wu, T et al., 2019).

The output and productivity of an organization are measured based on the performance of its employees (Currall, S. C. et al., 2005). Employee performance is influenced by job satisfaction (Sousa-Poza, A., & Sousa-Poza, 2000). Inayat, W., & Jahanzeb Khan (2021) confirmed a positive relationship between job satisfaction and employee performance. It was further explained that satisfied employees achieve improved performance and contribute significantly to the organization. However, Riyanto et al (2021) found that job satisfaction does not affect employee performance.

H5: Employee satisfaction positively affects the performance of government valuers at the Directorate General of State Assets Management.

The Role of Work Motivation in Mediating the Relationship between the Performance Appraisal and Employee Performance

Khanna (2016) asserts that HR management must make significant efforts to motivate employees and achieve the highest performance levels through active and fair performance assessments. Rao (2015) agrees, emphasizing that the success of strategy implementation and organizational growth hinges on performance assessments that track employee performance and the factors motivating them. The relationship between performance appraisal and employee performance is closely linked to the role of employee motivation (Iqbal et al., 2013). This connection is supported by research from Kuvaas, (2006) dan Al-Jedaia, Y., & Mehrez (2020), which shows that employee motivation can mediate the relationship between performance appraisal and performance.

H6: Employee motivation can mediate the relationship between appraisal performance and the performance of government valuers at the Directorate General of State Assets Management

The Role of Employee Job Satisfaction in Mediating the Relationship between the Performance Appraisal and Employee Performance

Job satisfaction represents the level of contentment employees feel toward the tasks they are assigned within an organization. When the organizational environment meets employees' needs, their overall happiness within the company improves. In this study, job satisfaction is considered as a mediating factor. Employees tend to perform better when they benefit from effective human resource management practices. Their satisfaction within the organization significantly contributes to enhanced performance. Job satisfaction mediates the relationship between performance appraisal and employee performance (Rodjam et al., 2020) (Khan et al., 2019). It can

be further explained that performance appraisal becomes more effective when job satisfaction is present. When employees are satisfied with their jobs, the impact of performance appraisals is enhanced, leading to better overall performance. Job satisfaction is a crucial factor that strengthens the relationship between performance evaluations and employee outcomes.

H7: Job Satisfaction can mediate the relationship between appraisal performance and the performance of government valuers at the Directorate General of State Assets Management.

3. Methodology

Data Source

For this research, we collected primary data using a questionnaire administered through a survey. We distributed the questionnaires to participants through Google Forms, which were sent through WhatsApp along with an official research letter. The questionnaire had two sections: one for respondent demographics and another for the primary questions. To ensure thorough data collection, we designated all queries as "required."

Population and Sample

Government Valuers at the Directorate General of State Assets Management across Indonesia constitute the research population. These assessors hold different levels of expertise, including first expert functional, young expert functional, and intermediate expert functional, and are required to prepare their annual work plan. Before Data collection, a detailed interview was conducted at one of the KPKNL offices to gather information on research variables such as performance appraisal, work motivation, job satisfaction, and employee performance. The interview also covered aspects relevant to the work environment, tasks, and conditions. This information was crucial for designing the questionnaire, ensuring the communication style was clear and easily understandable for respondents. Research permit applications were then submitted to the Directorate General of State Assets Management. Additionally, a pilot survey was conducted to test the questionnaire, where respondents used a ten-point scale to indicate their level of agreement with given statements.

Sampling technique

The primary research approach used here is quantitative methods. The relationship between exogenous and endogenous variables is established through hypothesis testing (Now, U., Bougie, 2016) this study, the entire population was used as the sample, eliminating the need for sampling, as the observation unit was relatively small, consisting of 287 individuals. The research method employed is PLS-SEM, which is considered suitable for building theory, explaining variance (construct prediction), and estimating path relationships in the model to minimize the error term. PLS-SEM is efficient with small sample sizes and complex models, makes practically no assumptions about the underlying data, and generally yields high statistical power with small sample sizes. Larger sample sizes increase the precision of PLS-SEM estimates (Hair et al., 2014).

Variable measurements

Four latent variables are used in the model: performance appraisal system, work motivation, job satisfaction, and performance. These variables are measured based on previous research to ensure content validity while maintaining relevance to align with the study's context and objectives. The performance appraisal system is measured using four dimensions, reflected in 10 questionnaire items adapted from Baird, K., & Wang (2010). The work motivation variable is adapted from Daryanto, (2022) and includes 15 questionnaire items, while the job satisfaction variable consists of 14 questionnaire items adapted from LP Sinambela and S Sinambela (2019). Lastly, the performance variable comprises 23 questionnaire items. These four variables are presented in a questionnaire using a 1-10 semantic differential scale, where one indicates 'strongly disagree' and ten indicates 'strongly agree'.

4. Empirical Findings/Result

Two hundred twenty respondent government valuers at the Directorate General of State Assets Management throughout Indonesia completed the survey as shown in Table 1. This Table presents the demographic information of research participants, including age, gender, years of service, and education.

Table 1. Respondents Characteristics

Demographic	N	%	Demographic	N	%
Gender			Education		
Man	194	88,18%	Sarjana (S 1)/ Diploma 4	163	74,09%
Woman	26	11,82%	Master (S 2)	57	25,91%
Age (years)			Years of service (years)		
20-30	15	6,82%	0-10	41	18,64%
31-40	133	60,45%	10-20	111	50,45%
41-50	68	30,91%	21-30	61	27,73%
51-60	4	1,82%	>30	7	3,18%

Source: Author's Calculation

Reliability and validity tests

This study utilized the Partial Least Square Structural Equation Model (PLS-SEM), processed using the Smart PLS 4.0 application, to determine the path model through two steps. First, the measurement model (outer model) was conducted to obtain values representing the relationships between latent variables and their indicators. Second, the structural model (inner model) was used to describe the relationships between the latent variables.

The path model estimation calculates the values of latent variables by estimating unobserved variables as linear combinations of empirical indicators. The next step is to assess the constructs through five steps: (1) estimating the outer loadings and p-value, (2) estimating indicator reliability, (3) checking internal consistency reliability, (4) evaluating the measurement validity by examining the convergent validity through the Average Variance Extracted (AVE) values, and (5) assessing discriminant validity through Heterotrait-Monotrait Ration (HTMT) (Hair, J., & Alamer, 2022).

Table 2. Construct validity and reliability

	Cronbach's alpha	Composite reliability (rho_c)	Average variance extracted (AVE)
Job satisfaction	0.933	0.942	0.542
Performance	0.963	0.967	0.576
Work Motivation	0.920	0.929	0.506
Performance Appraisal	0.916	0.932	0.583

Source: Author's Calculation

Hair, J., & Alamer (2022) recommend that outer loadings should be in the range of 0.70 and statistically significant at 0.05 or lower, although values between 0.40 and 0.70 can be justified. This study used a more liberal threshold of 0.40. There was 1 question item out of 62 questions with an outer loading of less than 0.4. Thus, it did not meet the criteria and was excluded from the construct (Table 1. Appendix). Reliability testing was conducted by examining the composite reliability values, which reflect internal consistency in measuring the constructs. The values used to evaluate internal consistency include Cronbach's Alpha and composite reliability, with a threshold above 0.7 (Hair et al., 2014). The test results showed that each variable's Cronbach's Alpha and Composite Reliability values ranged between 0.916 and 0.958, and between 0.930 and 0.967, respectively. This indicates that the research instrument can be considered reliable (Table 2.).

The AVE value is used to evaluate the extent to which items within a particular construct positively correlate and exhibit high variance. The rule of thumb is that a value of 0.50 or higher provides evidence of the construct's convergent validity. The test results showed that the AVE values for each variable met the criteria, ranging between 0.521 and 0.583. This indicates a meaningful relationship between the item variance and the hypothesized construct.

Table 3. Heterotrait-Monotrait Ratio (HTMT)

	Job satisfaction	Performance	Work Motivation	Performance Appraisal
Job satisfaction				
Performance	0,844			
Work Motivation	0,780	0,678		
Performance Appraisal	0,890	0,749	0,822	

Source: Author's Calculation

Discriminant validity assesses how distinctly a construct is conceptualized compared to other constructs in the study. Each construct in the model is theoretically unidimensional, meaning it uniquely measures a different concept with minimal overlapping variance. The recommended measure for discriminant validity is the HTMT ratio. The HTMT ratio reflects the extent to which a construct explains variance in its indicators better than the variance by the constructs. A conservative

HTMT threshold is less than 0.85; however, if there is a possibility of commonality among indicators within the constructs, researchers may use a more liberal threshold of < 0.90 (Hair et al., 2022). The HTMT ratio test results, after removing two question items with high correlations, exhibit discriminant solid validity (see Table 3).

Analysis of structural model measurements (inner models) and hypotheses testing

After testing the reliability and validity of the constructs, the next step is to measure the components of the structural model. The steps to evaluate the structural model are: (1) checking for model collinearity; (2) evaluating the values and significance of the path coefficients; (3) assessing the coefficient of determination (R^2) (Hair, J., & Alamer, 2022).

Table 4. Collinearity Statistics

	Job satisfaction	Performance	Work Motivation	Performance Appraisal
Job satisfaction		3,565		
Performance				
Work Motivation		4,646		
Performance Appraisal	1,000	2,887	1,000	

Source: Author's Calculation

The VIF values for all exogenous variables meet the requirement, with $VIF < 5$, indicating no collinearity among constructs (Table 4). The path coefficients/results of direct effects are presented in Table 5, and hypothesis testing examines the direct impact. The results of the hypothesis testing at a 5% significance level are as follows:

- 1) Hypothesis 1 (H1): The performance appraisal significantly affects the work motivation of valuers at Directorate General Of State Assets Management, as evidenced by a p-value of 0.000, which is less than 0.05. Therefore, H1 is supported
- 2) Hypothesis 2 (H2): Employee work motivation significantly affects employee performance, with a p-value less than 0.05. This study supports Hypothesis 2. The positive path coefficient (0.185) shows that higher work motivation leads to better employee performance. Therefore, H2 is supported
- 3) Hypothesis 3 (H3): The performance appraisal does not yet significantly affect employee performance, as indicated by a p-value greater than 0.05. Therefore, H3 is not supported
- 4) Hypothesis 4 (H4): The performance appraisal significantly affects job satisfaction, with a p-value of 0.040, less than 0.05. Therefore, H4 is supported
- 5) Hypothesis 5 (H5): Job satisfaction significantly affects performance, as evidenced by a p-value of 0.000, less than 0.05. Therefore, H5 is supported

Table 5. Direct Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Performance Appraisal -> Work Motivation	0,802	0,806	0,026	30,894	0,000
Work Motivation -> Performance	0,210	0,204	0,091	2,295	0,022
Performance Appraisal -> Performance	-0,003	0,004	0,081	0,032	0,974
Performance Appraisal -> Job satisfaction	0,731	0,737	0,040	18,252	0,000
Job satisfaction -> Performance	0,640	0,644	0,081	7,939	0,000

Source: Author's Calculation

Table 6. Indirect Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Performance Appraisal -> Work Motivation -> Performance	0,168	0,164	0,073	2,307	0,021
Performance Appraisal -> Job satisfaction -> Performance	0,468	0,474	0,063	7,471	0,000

Source: Author's Calculation

In addition to the direct effects, the analysis also highlights the influence of mediation variables (Table 6). The results show that the p-value of 0.040, which is less than 0.05, indicates that work motivation mediates the relationship between performance appraisal and performance. Furthermore, work motivation also mediates the relationship between performance appraisal and job satisfaction, as evidenced by a p-value of 0.000, less than 0.05. Additionally, work motivation and job satisfaction collectively mediate the relationship between performance appraisal and performance at a 5 percent significance level. All exogenous constructs (performance appraisal, work motivation, and job satisfaction) simultaneously account for 67.6% of the variance in performance. Meanwhile, the performance appraisal influences work motivation by 67.6%. The combined effect of the performance appraisal and work motivation on job satisfaction is 53.5% (Table 7.).

Table 7. Measurement of the Structural Model with R² Values

	R-square	
Job satisfaction	0.535	0.26: strong, 0.13: moderate, 0.02: weak (Hair et al., 2017)
Performance	0.676	
Work Motivation	0.643	

Source: Author's Calculation

5. Discussion

Impact of the Employee Performance Appraisal on Work Motivation

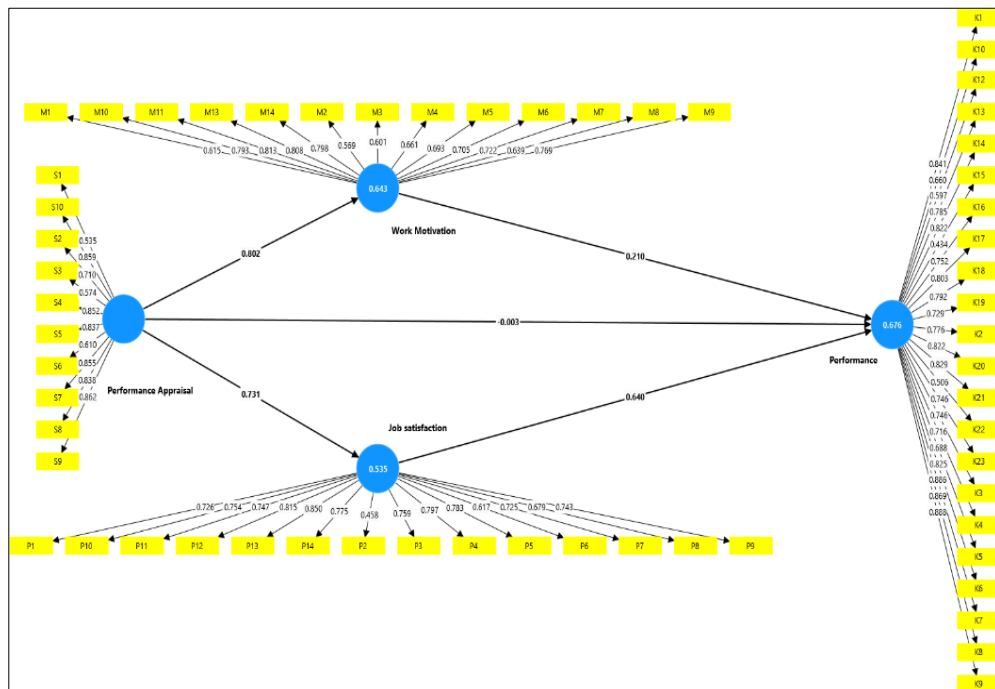
The first hypothesis posits a positive relationship between performance appraisal and work motivation. SEM-PLS analysis indicates that these two variables have a significant unidirectional relationship. This finding is consistent with previous research, such as studies by Tesfaye Molla (2017), Aydın, A., & Tiryaki, (2018), and Al-Jedaia, Y., & Mehrez (2020), which also found similar relationships. Employees tend to be more motivated when performance evaluations are based on accurate, up-to-date, and fair job descriptions (Dangol, 2021). This underscores the significance of continually refining the performance appraisal process to boost the work motivation of government valuers at the Directorate General of State Assets Management. Any feedback from employees regarding the performance appraisal should be considered and acted upon to refine the process further.

Impact of Work Motivation on Performance

The analysis reveals that work motivation has a positive and significant effect on the performance of valuers at Directorate General of State Assets Management. This finding is consistent with studies by Paais, M., & Pattiruhu (2020), Al-Jedaia, Y., & Mehrez (2020), Chien et al (2020), and Riyanto et al (2021), which also demonstrate that motivation positively impacts employee performance. Significant dimensions of work motivation include the fulfillment of needs for achievement, affiliation, and power, according to David McClelland's N-Ach (Need for Achievement) theory. High motivation levels are often associated with increased innovation and greater employee engagement in achieving organizational goals.

Impact of the Performance Appraisal on Performance

The study findings suggest that the performance appraisal does not directly affect the performance of valuers at Directorate General Of State Assets Management. This indicates that the quality of the performance appraisal does not directly affect their performance. This result aligns with research by Susanto, A., Djamil, M., & Saluy (2021) and Subekti (2021), which concluded that performance appraisal does not influence employee performance. This finding provides valuable feedback for the organization to develop a more effective and objective performance appraisal, thereby enhancing employee performance in achieving organizational goals. Performance evaluations often yield similar results across several employees, which can lead to bias or inaccuracies in the assessment.



Source: Author's Calculation

Figure 1. Measurement model with outer loadings, path coefficients, and R² values

Impact of the Performance Appraisal on Job Satisfaction

According to the fourth hypothesis test, performance appraisal significantly and positively influences job satisfaction. This finding is consistent with theories and previous research by Ramous et al (2016), Kampkötter (2017), and Sumayya, U., & Raziq (2019), which indicate that performance appraisal impacts employee job satisfaction. One possible explanation for this finding is that employees perceive the performance appraisal as beneficial. When employees believe that the performance appraisal is fair and effective, it can enhance their job satisfaction, as it serves as a basis for compensation and promotion decisions. To ensure fairness in the performance appraisal, it is essential to establish clear goals, offer consistent feedback, gather evaluations from various sources, use transparent and well-defined assessment criteria, and connect performance reviews to decisions regarding promotions and transfers.

Impact of Job Satisfaction on Performance

Job satisfaction has a positive and significant impact on the performance of valuers at Directorate General Of State Assets Management. This finding aligns with research by Inayat, W., & Jahanzeb Khan (2021) and Haryono, S., & Sulisty (2020), which shows a positive relationship between job satisfaction and employee performance. Satisfied employees tend to experience improved performance and contribute substantially to the organization. According to Lund (2003), job satisfaction is reflected in aspects such as satisfaction with salary, promotions, supervision, and cooperation among employees, all of which significantly impact company performance. Therefore, organizations must foster job satisfaction among their

employees to improve their performance, ultimately helping the organization achieve its goals.

The Role of Work Motivation in Mediating the Relationship Between Performance Appraisal and Employee Performance

This study's primary and novel theoretical contribution is its analysis of work motivation and job satisfaction as intermediary factors in the relationship between performance appraisal and employee performance. The path analysis reveals that work motivation effectively mediates the relationship between the performance appraisal and the performance of valuersat Directorate General Of State Assets Management. This finding enriches the literature by highlighting that the link between performance appraisal and employee performance is closely associated with the role of employee motivation, or in other words, work motivation can mediate the relationship between performance appraisal and employee performance (Iqbal et al., 2013) (Al-Jedaia, Y., & Mehrez, 2020). Therefore, developing objective and accurate performance appraisals will improve employee performance while considering work motivation.

The Role of Job Satisfaction in Mediating the Relationship Between Performance Appraisal and Employee Performance

Job satisfaction plays a crucial mediating role in the relationship between performance appraisal and the performance of valuersat Directorate General Of State Assets Management. This result indicates that performance appraisal will significantly impact employee performance when accompanied by job satisfaction. The ability of job satisfaction to mediate the relationship between performance appraisal and employee performance is consistent with findings from studies by Rodjam et al (2020) and Khan et al (2019). Furthermore, job satisfaction is a strong predictor of employee performance, making this an exciting consideration for interpretation.

6. Conclusions

This research examines the effect of performance appraisal on work motivation, job satisfaction and the performance of valuersat Directorate General Of State Assets Management. The changes implemented in the performance appraisal have affected the work climate of valuersat Directorate General Of State Assets Management. Theoretically, the contribution of this research is the analysis of the role of work motivation and job satisfaction in mediating the relationship between performance appraisal and performance. It was found that partially, performance appraisal did not have a direct effect on performance. These findings indicate that motivation and job satisfaction are crucial factors for performance appraisal to impact the performance of functional assessors. It can be concluded that when employee performance is evaluated fairly and objectively, employees are likely to be motivated, satisfied with their work, and ultimately achieve outstanding performance.

This research enriches literature related to performance appraisal, work motivation, job satisfaction, and performance, especially for functional appraisers in the public sector. This study is cross-sectional, with data collected from respondents at one point. Therefore, future research should use a more in-depth approach, such as collecting data from the same respondents multiple times to obtain more comprehensive results.

The findings from this research have practical and theoretical implications for academics and practitioners. This study provides deep insights for HR managers, public sector agencies, and other organizations in understanding the relationship between performance appraisal and employee performance. These results can assist in designing effective HR practices that enhance employee performance through increased motivation and job satisfaction. Good performance appraisals cannot directly improve employee performance without an increase in employee motivation and job satisfaction. Therefore, policymakers should focus on implementing effective and fair performance appraisal systems while addressing salary, promotions, supervision, and employee cooperation to boost job satisfaction and motivation, ultimately leading to enhanced employee performance.

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