

PERFORMANCE APPRAISAL AND EMPLOYEES' PERCEPTIONS

Ehtasham Ghauri, Philip A. Neck***

Abstract

Background. This research provides empirical evidence relating to sales employee perceptions and performance appraisal (PA) procedures in the pharmaceutical industry. Previous studies suggest that organisational processes underpin perceptions among employees, and are trigger factors for employee satisfaction and retention as well as higher employee attrition that can influence customer satisfaction and organisational performance.

Research aims. The study identifies critical factors related to performance appraisal.

Methodology. In order to achieve the aim the multiple qualitative in-depth case studies have been employed.

Key findings. In particular, seven factors were found to account for the majority of negative perceptions among sales employees about the PA process and the organisation. Furthermore, the study suggests the need for clear organisational performance definitions and strategic objectives, and to take into account such factors as, the objectives of a PA exercise, proper feedback mechanisms related to the process and their alignment to a clear reward system to enable organisations in the industry to obtain procedural and organisational benefits. Support for conducting field work in Pakistan is provided.

Keywords: Performance appraisal, Perceptions, Human resource management, Pakistan, Pharmaceutical industry

INTRODUCTION AND BACKGROUND

Evaluating organisational strategies and refurbishing existing practices according to macro-environmental and organisational needs can only be achieved through continuous improvement in management processes (Deming, 2000). However, organisations become addicted to processes proving past success. This tendency may blind organisations to revamp their practices influencing employees as well as their bottom line objectives. Organisations need to adapt and introduce up-to-date measures in their practices to fully utilise their human talent and knowledge to attain or exceed their objectives. Theoretically, practices influencing employees have been categorised under the domain of Human Resource Management (HRM).

HRM procedures are the driving force behind employee perceptions influencing drive towards competitiveness (Chang, 2005; Rodwell, Kienzle & Shadur, 1998). This suggests caution in designing and executing HR processes at all levels in an organisation. Performance management at an

* Dr Ehtasham Ghauri, Southern Cross University, Australia.

** Prof. dr. Philip A. Neck, Southern Cross Business School, Australia.



individual level is regarded as a key Human Resource (HR) process capable of influencing employees' perceptions at all levels and eventually, organisational success (Muczyk & Gable, 1987).

To survive, avoid saturation and achieve economies of scale, organisations are inclined to switch operations to countries with lax labour and HR legislations (Kathawala, Zhang, & Shao, 2005). Skilled workforces also pursue such opportunities and become peripatetic so there is hardly an organisation in the world that has employees from a single geographic or ethnic origin (The Economist, 2010). This shift denotes that the era of one size fits all strategies diminishes for organisations and creates the need to revisit PA processes to harmonise with core values. Failure to do so can develop negative perceptions among employees about the PA process, the organisation and other cultures as well. On one hand negative perceptions can contribute to organisational inefficiency and non-productivity; while on the other, such shortcomings can encourage an organisation to develop better PA systems to retain, motivate and satisfy their human assets.

Despite being one of the most researched disciplines in papers published in the *Journal of Psychology* in the last decade (Budworth & Mann, 2011), the literature reveals that for the most part, PA is carried out in an aimless and casual manner in organisations. The aim of this study is to provide context specific evidence about sales employee perceptions, specifically related to PA systems, which can enable organisations in the pharmaceutical industry to take advantage of their human capital and revamp existing practices.

In particular, Pakistan was chosen as the research location because their pharmaceutical industry is one of the leading business sectors and employment providers in the country. The industry is the 11th largest pharmaceutical market in the Asia Pacific Region (Espicom, 2012) with the market size of \$1.4b (PPMA, 2008) and growing consistently. There are over 400 national and multinational pharmaceutical organisations in the country (Intelligence, 2010) while 25 multinational companies (MNCs) enjoy half the market share (PPMA, 2008). The market is led by national companies (NCs) in terms of volume turnover as these satisfy 90% of the country's medicinal needs (Espicom, 2012).

Employee Perceptions, Processes and Organisations

Variables that contribute to perceptions are referred to in philosophy as:

... The process of apprehending objects by means of the senses... one perceives an object if and only if one has a sensory experience of it ... (McLeish, 1993, cited on Credoreference)



While an English dictionary refers to perception as:

... An awareness of one's surroundings that is produced by the operation of the senses... a result of perceiving; an observation... a mental image; a concept... intuitive discernment; insight or understanding... (Allen, 2007, cited on Credoreference)

Weick (1979) believes perception is an individual's sensing process with reference to the organisation's work related proceedings and practices.

Employee perceptions can motivate (Ilgen, Fisher, & Taylor, 1979) or disappoint (Skarlicki & Folger, 1997), influencing objectives and outcomes. There are diverse opinions among academics about factors underpinning employee perceptions. Shadur, Kienzle and Rodwell (1999) hypothesise that employees hold positive perceptions if closely involved in the organisational processes. Dependence on organisational culture, organisational climate or "shared perception of organisational procedures" (Reichers & Schneider, 1990, p. 22) is considered as the key contributing factor in developing employee perceptions. Schneider and Bowen (2010) conclude that climate in an organisation sends a signal to employees about - what is crucial and what is expected in the organisation.

Perceptions, collaboration and communication. Organisations possessing a collaborative environment and communications, positively skew employee perceptions; helping the organisation in achieving objectives (Bocchino, 1993). Employee perceptions related to a healthy work environment and open communication also lead to job satisfaction (Love, Schellenberg, & Shannon, 2003). That creates trust in management and the organisation and reduces uncertainty among employees (Tzafrir, Baruch, & Dolan, 2004). Employees perceiving management as trustworthy and aligned with management values work proactively toward an organisation's strategic direction and objectives (Flaherty & Pappas, 2000).

Perceptions and customer satisfaction. Organisations with positive employee perceptions have a high ratio of satisfied customers. Schneider, Wheeler and Cox (1992) link positive employee perceptions and satisfaction to higher customer satisfaction ratings. These higher ratings link back to employee perceptions of the organisation's information seeking, training and development and rewards (Johnson, 1996). Accordingly, an organisation should foster a climate of better service within the organisation (Schneider, 1990).

Perceptions and organisational justice. Recent history shows that research contributes to understanding how workforce perceptions relate to fairness in the workplace (Byrne & Cropanzano, 2001), where organisational justice theory is a seminal concept in understanding the discipline.



The theory segregates justice perceptions into procedural justice “perceived fairness of procedures in allocation of resources” (Folger, 1987), distributive justice “perceived distribution of resources” and interactional justice “quality of interpersonal treatment received by an individual” (Bies, 2001) in an organisation.

The organisational justice view implies that rational treatment of employees gives rise to organisational citizenship that motivates teamwork, while unfair treatment does the opposite. Leventhal (1980) claims, for an organisational process to be perceived as fair, it should meet contemporary ethical standards in addition to the elements of consistency, accuracy, correctability, voice of stakeholders and be devoid of opinions. Additionally, feedback comments or allowing a say from individuals affected by a decision support perceived fairness in an organisation (Saunders & Thornhill, 2003). Moreover, researchers are convinced about the positive role of feedback and voice in distributive justice decisions such as performance evaluation (Greenberg, 1986; Kanfer, Sawyer, Earley, & Lind, 1987; Paese, Lind, & Kanfer, 1988; Saunders & Thornhill, 2003).

HR processes in an organisation such as compensation, rewards, recognition, and occupational health and safety put more pressure on managers, as these measures conceive perceptions related to justice. Contemporary issues like flexi-work, bullying and LGBT (lesbian, gay, bisexual, transgender) can be additional factors for propagating perceptions about justice, processes or towards the organisation. Effective and efficient HR processes influencing employee perceptions enable optimum use of human capital, resulting in competitive advantage for organisations (Stone, 2013). Fostering a climate for positive employee perceptions also result in employee motivation and satisfaction, contributing to enhanced overall performance (Harel & Tzafrir, 1999).

Employee perceptions and performance appraisal (PA). Traditionally, research on perceptions and processes is linked to fairness in workplace practices. This school of thought implies that distributive fairness cannot be attained unless procedural fairness is prevalent in an organisation (Leventhal, 1976); which prescribes that, outcomes of a PA process perceived as fair will result in employee satisfaction. Armstrong and Baron (2000) authenticate the notion that perception of fairness and accuracy of PA becomes a motivational element among employees, whereas PA processes will not be efficient and achieve objectives unless all the stakeholders involved perceive it as fair (Murphy & Cleveland, 1991). On the contrary, PA perceived as subjective can be a major source of dissatisfaction for employees (Skarlicki & Folger, 1997) while outcomes of a PA do not affect employee attitudes if they are convinced of the objectivity of the process (Thurston & McNall, 2010). In such cases, employees are willing to



accept even unwanted outcomes because of their confidence in the chain of events in the process (Greenberg, 1990). It is actually confidence in the process that persuades employees to remove the gaps between actual and the desired outcomes underlined by the PA (Cropanzano & Folger, 1989) further enhancing employee and organisational performance.

Employee perceptions are driven by organisational processes and involved interaction with personnel such as employee-supervisor (Thurston & McNall, 2010). Employee perceptions are closely based on the characteristics of their raters. These characteristics are a composite of the rater's personality, interaction with subordinates, willingness to develop subordinates and organisational procedures (Klasson, Thompson, & Luben, 1980). Employee perceptions also directly depend upon a supervisor's attitude towards an employee (Greenberg, 1986), which may be a cause of bias in a PA process. On this basis, Wherry and Bartlett (1982) interpret performance ratings as a composite of employee's earned performance, rater's bias and perceptions, recall of performance and measurement errors.

Employees generally aspire to project a better picture of themselves in an organisation to secure rewards and salary increments (Beer, 1981). Employees' strong belief of performance ratings' linkage to rewards also indulges them to overrate themselves for their efforts and contributions. This may further contradict PA results and trigger negative perceptions and dissatisfaction. To develop positive perceptions, organisations should have clarity in processes, key performance indicators (KPIs) and rewards, consistency in feedback and clear explanations about PA processes (Thurston & McNall, 2010). Evaluating employees' performance on pre-defined clear parameters is the differentiating factor among the market leaders and survivors (Lawler & Worley, 2011). To take leverage from PA process and influence employee perceptions, the process needs to be synchronised with organisational objectives and reward systems along with clear future strategic directions (Beer et al. 2004). This should ensure that proper feedback mechanisms are in place to inform and address developmental gaps so as to improve future performance (Budworth & Mann, 2011).

The focus on employee perceptions in the literature seems to be overshadowed by the justice perceptions, trust perceptions, leader member exchange theory (LMX), general HRM processes, organisational climate or organisational change. Since the decade of the 90s, despite enormous changes in organisational dynamics, research has entrenched itself into organisational aspects related to productivity and profitability, and somehow overlooked intrinsic factors triggering employee perceptions about organisational processes such as performance appraisal. These intrinsic organisational factors are not only capable of influencing employee motivation, satisfaction and their productivity, but can further affect organisational objectives. Moreover, the influence of performance appraisal prac-



tices on employee perceptions, especially in sales oriented organisations, seems to be under the shadow in the literature. Needless to say that the literature predominantly focuses on organisational context in developed markets and countries. In today's ever-changing work scenarios and organisational contexts, there is an undeniable need to understand every developing market and industry individually, to take advantage of contextual business, personnel and cultural elements. It further points out the need to understand employee perceptions in developing market contexts and specifically related to PA processes in sales driven organisations.

Pakistan Pharmaceutical Industry

Both groups nationals (NCs) and multinationals (MNCs) in Pakistan, included in this research, hold an equal market share but differ significantly in terms of functional practices such as HR, marketing and sales. In contrast to MNCs, HR processes in NCs are found at the bottom of importance agenda. In the absence of dedicated HR functions within the industry (Ghauri & McMurray, 2013), HR responsibilities are delegated to such functional areas as sales. NCs being relative newcomers in the field of HR use intuitive approaches to evaluate employees without clear or standard performance definitions. The situation remains complex for employees as sales achievement seems to overpower performance criterion and is considered as the only criteria to climb the organisational ladder. This places pressure on employees to keep up with organisational sales objectives and accounts for the high attrition rates in the NCs. Employees regarded as the best sales performers get promoted and often wind up as poor managers in the absence of any formalised systems related to PA, training and development. PA seems to be a routine organisational process in the industry in Pakistan, carried out at the end of each business term without specific organisational or theoretical objectives.

The reviewed literature and a snapshot from the industry trigger the need and in-depth understanding of: How do sales employees perceive the PA system?

METHOD

The case study approach is widely accepted and implemented in social science due to its ability to provide in-depth and holistic understanding of research issues (Grässel & Schirmer, 2006). The case study uniquely captures context specific issues enclosed in a particular research setting (Yin, 2009). To understand employee perceptions across the industry and at different levels within organisations, a targeted sample was divided into groups of multinationals (MNCs) and National (NC) companies. The selection of two MNCs and four NCS was done on the basis of research objec-



tives, information richness and the logic of replicability rather than on representation (Yin, 2009). Cases were selected on the basis of differences in organisational structure, age of existence, number of employees and volume turnover. Organisations were chosen that led to “theoretical saturation” (Eisenhardt, 1989, p. 545). During the initial phase of the research, respondents from three levels including sales representatives, first line managers and HR manager (person responsible for employee matters), from each of the selected organisations were interviewed. Separate semi-structured instruments were used to obtain data from the representatives, managers and HR managers. The findings of the research were triangulated with a focus group from the industry. The focus group, conducted in the second phase of the data collection process, comprised seven members, inclusive of managers, sales employees and the industry professionals. To preserve the vital information obtained during data collection process, the transcribing phase of the study was facilitated by records such as research notes and recorded interviews. The data analysis flow is illustrated in Figure 1.

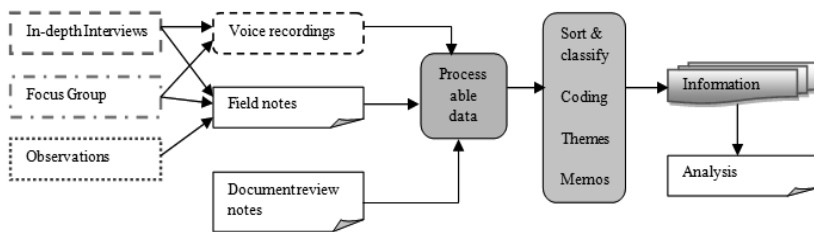


Figure 1. Data Analysis Flow

Source: Developed and modified for this study based on Ellen (1984, p. 214).

RESULTS

Findings from data analysis related to employee perceptions about PA processes emerged into seven themes, categories or factors underpinning negative perceptions. These may further facilitate to inculcate new contextual variables to harmonise PA systems with the industry, cultural norms and practices. The following excerpts highlight factors found in the study.

1. PA: a redundant process of no added value. The organisations, particularly the NCs, seemed to take a process oriented approach towards their PA irrespective of its objectives, as a manager from an NC said:

PA system is just a paper filling exercise having little influence on anyone's career and salary increments.



While an executive from one of the studied NCs remarked:

(...)we measure performance through a judgemental process which can involve the likes or dislikes of the appraiser.

However, this was not the case in one of the studied MNC that responded:

Our PA is very interactive and open to discussions.

2. Bias and favouritism in PA. The respondents seemed to be convinced about the presence of bias in the PA, as it was assumed and highlighted by an MNC employee:

PA ratings are almost 50% biased by our raters.

While, it was highlighted by an NC respondent:

there are instances when the sales achievements are shifted from one representative to another because [the] immediate manager wants to balance his own performance.

A manager at the MNC defended this reproach and said:

Sometimes we provide positive ratings to representatives even if their sales are below the mark considering the person's other attributes.

Whereas an executive from an MNC concluded that:

Favour and support is a major problem in the line management.

3. Discrepancy between performance and rewards. It appeared and was perceived as an injustice by the employees. As a respondent said:

Sometimes increments, promotions and rewards do not match with performance.

While in another response, it was highlighted:

Salary increments are based on the comments by the sales manager, which may not relate to PA ratings.

4. Feedback. It was perceived necessary for future and career development at the representative level; however, a casual approach prevailed in this regard at the management level. It was pointed out by a sales representative that:

No feedback is provided after the PA process; it should be given to improve future performance and address areas of improvement.

From a manager's perspective, it was accepted that:

Feedback related to PA is not provided while it is given in a general manner.



Similarly, another manager said:

(...)there is no feedback provided to the employees after a PA process although it is supposed to be mandatory to do so.

5. Ambiguity in performance indicators and objectives. It was perceived as an unwanted element in the PA process, primarily at the NCs. This was highlighted by an executive:

There are no seriously defined KPIs to be considered as a definition of performance.

While a representative said:

Objectives assigned are quite ambitious and sometimes vague.

This was further emphasised by an executive at an MNC that:

Success dwells in the clarity of any process in any organisation.

6. Overshadowing authority in the sales management. It appeared to be another cause of dissatisfaction at the representative levels, as they perceive that their performance could become meaningless in relation to the comments reported by their senior managers. An executive explained this by saying:

All the decisions are verbally based without any substantiation of any performance rating scales and the senior manager is the key decision maker for employee related matters.

This view was also supported by a representative saying:

The second line manager (sales manager) is the sole person empowered to send recommendations and evaluations.

The situation appeared to be the same even in a studied MNC as it was revealed by a manager:

The senior manager is the decision maker for promotions, recommendations and career related matters.

While a manager from another MNC commented:

sometimes issues like promotions cannot be discussed openly and may be seen as a challenge to the authority of senior managers.

7. Confidentiality in the PA process. It was one of the negatively perceived elements. A representative expressed concerns by saying:

PA is required to be mutually discussed, on the contrary, it is filed confidentially by the first line manager (FLM) and no feedback is provided.



Another representative from an NC remarked:

there are no discussions related to PA before or after and we are just informed by the manager that their PA has been filed to the head office.

However, according to a manager at MNC:

There is no confidentiality involved in the joint session of PA with the representative; however, the confidential comments are inserted [later] by the senior manager.

The triangulated focus group responses provided a similar picture. It was argued that PA in organisations does not address the objectives raised therein. This makes PA ineffective and redundant. It was further highlighted that some line managers use PA to discriminate or even punish employees on the basis of personal opinions rather than factual performance. There are instances when undue favours are given to an employee who is a sycophant. There was general consensus among the group that PA in the industry does not provide directions for career development or growth. It was further remarked that premature promotions, based entirely on sales achievements can result in poor managers without the capabilities and means to develop their subordinates.

In summary, the data findings revealed seven factors, which contribute to negative perceptions among sales employees in the pharmaceutical industry. Findings from the research and its implications are summarised in Appendix A.

DISCUSSION AND CONCLUSIONS

This research found that employees in the sales function of the Pakistan pharmaceutical industry view their PA systems as objectiveless, unfair, biased and manipulative. Despite this criticism and scepticism, respondents were eager to improve the PA systems.

Ideally, PA as an integrative process should enable employees to visualise, how their objectives, PA objectives and organisational objectives reside on a same platform. This does not seem to be the case in the organisations studied; the said objectives seem to reside on different planets. This further highlighted the iterative nature of PA processes. To avoid this disharmony, Beer et al. (2004) suggest that PA process needs to synchronise with organisational objectives, rewards and provide clear future strategic directions. The inculcation of clarity and objective orientation in PA should build confidence and perception of added value to the process. In addition, evaluating sales employees on a pre-defined performance definitions and set-objectives is critical for organisations to become market leaders (Lawler & Worley, 2011). The judgemental evaluation at the NCs may



include personal opinions raising concerns about subjectivity in the process. One of the NCs evidenced that FLM submits a sales representative's PA report without informing or discussing related issues with the employee involved. Actions like this can negatively skew employee perceptions as Greenberg (1986) iterates that employee perceptions are grounded in their interactions with their supervisors (raters). This implies that sales employee dissonance with the process may be influenced by supervisors rather than PA specifically.

Such results emphasise the need for better relationships within teams and supervisors to achieve pre-defined PA objectives. In addition to intra-personal conflicts, favouritism may prevent deserving candidates becoming future managers (Stone, 2013), which was pin-pointed by the triangulated responses. Other factors such as the absence of PA feedback also contribute in building negative perceptions about a particular evaluation system. Reluctance to grant liberty to employees or to ask for feedback was found to be a characteristic of Pakistani management style (Khilji, 2001). For an organisational process like PA to succeed, employee perceptions can be critical (Bernardin & Beatty 1984) and need to be taken into account. However, Murphy and Cleveland (1995) remain sceptical about an organisational willingness to do so.

Notwithstanding the foregoing limitations, the absence of research culture in Pakistan, this research contributes empirically and theoretically to employee perceptions, PA and HRM in the context of Pakistan. The study concludes that to extenuate dissonance and build a positive perception among sales employees about PA process, it is vital to build confidence about the process, so that it can be viewed as a just measure granting equal opportunity across the board. Confidence in the PA process will enable sales employees to improve performance, enhance trust in management and meet required organisational standards. Evidence from this study supported by relevant literature suggests that if sales employees believe their PA system to be objective focused, clear in performance standards and future direction, fair, linked to rewards and with proper feedback mechanisms, then even negative outcomes of the PA will not unduly influence their perceptions, behaviours and performance.

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APPENDIX A. RESEARCH FINDINGS AND RELATED IMPLICATIONS FROM THE GROUPS STUDIED

Themes	NCs findings	MNCs findings	Implications
PA: a redundant process of no added value	PA, an administrative and iterative process with little influence on career or salary increments; Absence of any structured or formalised PA system; PA, just a paper filling exercise	PA is very interactive and open to discussions; PA is done entirely by HR officials with the support from the line managers	PA: an iterative process at both groups (except from one MNC) without clear objectives and future directions
Bias and favouritism in PA	Sales and behaviours become secondary and promotion is purely dependent upon relationship with line manager Line managers sometimes use discretionary powers to give higher ratings to a high-performing employee to cover other deficiencies	Favouritism, a major problem in the line management; PA ratings are almost 50% biased by supervisors Bias cannot be seen in the reports and PA, but it is the word of mouth which travels from immediate manager to the top level that can influence an employee's career	Bias and favouritism was highlighted in both groups
Discrepancy between performance and rewards	Promotion and rewards do not match with performance; Variation between the expectations and PA actual results; Salary increments are based on the comments by the sales manager, which may not relate to PA ratings	Promotion and other rewards do not relate to PA and promotion is done through a third party assessment centre	Discrepancy between performance and rewards in relation to PA does not have a clear link to rewards while it seemed to be linked with the recommendations by the sales managers
Feedback	No prior or post PA discussion, just informed by the manager that PA has been filed to the head office	Employees are informed before any PA meeting and mutual agreement is required to sign a PA Meeting is conducted by the HR and top management where every PA report is discussed with the relevant line manager and the reason for each of the assigned ratings There is no feedback provided to the employees after PA process although it is mandatory to do so.	Absence of feedback primarily at the NCs and casual approach at the MNCs
Ambiguity in performance indicators and objectives	KPIs are vague PA does not address any action orientation, time frame or a developmental plan	Behavioural ratings do not get any rating in the PA (although it says so) and sales is primarily the only criterion for performance Sales accounts for 50% in PA and the remaining is allocated	Ambiguity in performance indicators and objectives is primarily at the NCs while sales achievements dominate the ratings criteria of the PA



Overshadowing authority in the sales management	Salary increments are based on the comments by the sales manager, which may not relate to PA ratings	to customer coverage, organizational core values, behaviours and professional knowledge The senior manager is the decision maker for promotions, recommendations and career related matters	Although assessed and rated in the PA, the key career decisions at both groups are based on the comments by senior line managers or sales managers Confidentiality in the PA process found in both groups
Confidentiality in the PA process	PA comments can only be perceived after salary increments Increments at the end of the PA cycle do not relate to performance and come as a surprise.	There are no confidential comments in PA when filled with the employee; however, the confidential comments are inserted later by the senior manager PA is filled by the line manager confidentially after field coaching summary.	

Source: Developed for this paper.

OCENA EFEKTÓW PRACY A POSTRZEGANIE PRACOWNIKÓW

Abstrakt

Tło badań. Niniejsze badania dostarczają empirycznych dowodów w odniesieniu do procedur oceny efektów pracy pracowników sprzedaży i ich postrzegania (PA) w przemyśle farmaceutycznym. Wcześniejsze badania sugerują, że procesy organizacyjne wzmacniają postrzeganie wśród pracowników oraz, że są czynnikami wyzwalającymi zadowolenie pracowników i ich zdolność zapamiętywania, jak również zwiędzają tarcia wśród pracowników, które mogą mieć wpływ na zadowolenie klientów i funkcjonowanie organizacji.

Cele badań. Niniejsze badanie identyfikuje czynniki krytyczne dotyczące oceny efektów pracy.

Metodyka. Aby osiągnąć ten cel, zostały przeprowadzone wielokrotne jakościowe pogłębione studia przypadków.

Kluczowe wnioski. W szczególności, stwierdzono siedem czynników odpowiedzialnych za powstawanie więdzności negatywnego postrzegania u pracowników sprzedaży w odniesieniu do procesu PA oraz organizacji. Idąc dalej, badanie sugeruje potrzebę sformułowania jasnych definicji efektywności organizacyjnej i postawienia celów strategicznych, a także wzięcia pod uwagę takich czynników jak: cele ćwiczenia PA, właściwe mechanizmy informacji zwrotnej związane z procesem oraz ich sprzężenie z jasnym systemem nagród, aby umożliwić organizacjom funkcjonującym w branży uzyskania korzyści proceduralnych i organizacyjnych. Zapewnione wsparcie dla prowadzenia prac terenowych w Pakistanie.

Słowa kluczowe: ocena efektów pracy, postrzeganie, zarządzanie zasobami ludzkimi, Pakistan, przemysł farmaceutyczny.

