



Beyond Human Judgment: Employee Perception of AI in Performance Management Systems

¹Purva Mundada, ²Alishba Shafqat, ³Dr. Mohammed Abdul Maroof

¹ Research Student, ²Research Student, ³Associate Professor

Business Management,
JSPM University, Pune, India

Abstract

The advent of Artificial Intelligence (AI) in Human Resource Management has profoundly changed the conventional performance management systems by establishing data-based, objective and ongoing evaluation processes. This paper will discuss how the AI-driven performance management systems are perceived by employees and how this affects employee motivation and job satisfaction, with the main variables under consideration being trust, fairness, transparency, understanding, and comfort. A structured questionnaire was used to gather primary data on 60 respondents working in different industries. Statistical techniques such as descriptive analysis, correlation, and regression were used to examine relationships among variables and test hypotheses. The results show that employees have a somewhat positive but skeptical attitude towards AI-based systems. Perceived fairness was found to have the strongest impact on both motivation and trust, and transparency and trust had weaker and inconsistent impacts. The strongest predictor of job satisfaction was found to be understanding of AI systems, followed by motivation and comfort. Moreover, a hybrid (AI + human) solution was strongly preferred by employees, which suggests the value of human involvement should not be overlooked. Although AI has proven useful in terms of efficiency and bias reduction, issues associated with a lack of human interaction, data privacy, and algorithmic bias remain. The research concludes that the success of AI-based performance management systems is determined not only by the level of technological advancement but also by the perception and acceptance of employees. Successful implementation and long-term organizational results require a balanced, transparent and human-focused approach.

Keywords: Artificial Intelligence (AI), Performance Management Systems, Employee Perception, Fairness and Transparency, Employee Motivation, Job Satisfaction, Human-AI Interaction

Introduction

I. Background of the Study

The quick development of digital technologies in recent decades has drastically changed workplace practices and organizational structures. Artificial Intelligence (AI) has become a major force behind innovation among these technical developments, changing a number of functional areas, including Human Resource Management (HRM). HR procedures used to rely mostly on manual processes and human judgment, but as organizational environments became more complex and efficiency was required, technology-driven solutions were adopted (1).

AI has become essential to contemporary HR systems due to its capacity to analyze large datasets, recognize trends, and make predictive choices. Businesses are using AI more and more to make better decisions, increase operational effectiveness, and match HR procedures with strategic objectives (2). Organizations are now able to manage human capital more successfully thanks to the change from intuition-based HR practices to data-driven and evidence-based strategies made possible by this digital transformation.

Alongside this change, performance management—a fundamental HR function—has also changed. In the past, systems for evaluating performance were subjective, periodic, and frequently impacted by human biases such as favoritism, recency effects, and inconsistency (3). Organizations are moving toward continuous, real-time, analytics-driven performance management solutions that promise increased objectivity and accuracy as a result of the integration of AI.

II. AI in Performance Management

The way that employee performance is monitored, assessed, and enhanced has changed significantly as a result of the use of AI in performance management. Using both structured and unstructured data, AI-powered systems evaluate employee performance using machine learning algorithms, natural language processing, and predictive analytics (4).

These technologies allow businesses to track employee performance in real time, offer ongoing, tailored feedback, forecast future performance patterns, and facilitate data-driven decision-making in areas like development, rewards, and promotions.

The potential advantages of AI-driven performance management systems are well known. They promote fairness in decision-making by lowering human biases, increasing consistency by standardizing evaluation criteria, and increasing efficiency by automating repetitive operations (1). Furthermore, by recognizing skill gaps and suggesting customized training programs, AI promotes personalized development (5).

Nevertheless, there are still difficulties in implementing AI in performance management despite these benefits. The literature has extensively addressed concerns about algorithmic bias, lack of transparency, ethical dilemmas, and decreased human connection (2). Employees may view AI systems as opaque "black boxes," which could cause skepticism and regarding the decision-making process (6).

III. Employee Perception: Trust, Fairness, Motivation and Satisfaction

Although AI technologies have technical benefits, employee perception and acceptance play a major role in how effective they are. The success of AI-based performance management systems is greatly influenced by employee perception. According to research, employees assess AI systems using criteria like:

- Trust in AI decisions
- Perceived fairness of evaluations
- Transparency of algorithms
- Impact on autonomy and job security

By offering ongoing feedback, precise performance standards, and individualized growth opportunities, AI-driven solutions can improve employee motivation and increase engagement and productivity (7). Employees are more likely to feel valued and motivated when they believe AI evaluations are objective and fair, which increases commitment and job satisfaction.

Negative perceptions, on the other hand, can lower motivation and satisfaction levels. AI systems' lack of transparency may cause ambiguity, but continuous monitoring may result in feelings of pressure or limited autonomy. The lack of human engagement in feedback procedures may also make employees feel withdrawn, which could have a detrimental effect on their emotional health and job satisfaction (7).

When it comes to promoting human-AI collaboration, trust is especially crucial. Research indicates that by lowering uncertainty and enhancing awareness of decision-making procedures, transparency in AI systems can greatly increase employee trust (8). On the other hand, a lack of transparency may result in distrust, resistance to the adoption of AI, and perceived threats.

Additionally, how AI systems use data for evaluation affects how employees perceive fairness. When AI-driven evaluations are based on job-relevant factors, employees typically view them as fair; but, when personal or sensitive data is utilized, they voice concerns (9).

It's interesting to note that research also shows that employees may display algorithmic aversion, favoring human judgment over AI when subjectivity and emotional intelligence are involved (10). This suggests that human components are still crucial to performance management systems even with advances in technology.

IV. Problem Statement

Even though AI is becoming more widely used in performance management, a number of serious issues still exist. Although AI systems promise efficiency and objectivity, employees frequently doubt their reliability, fairness, and transparency.

Employees may:

- Lack trust in AI-generated evaluations
- Feel uncertain about decision-making processes
- Experience reduced motivation due to perceived surveillance
- Report lower satisfaction due to lack of human interaction
- Fear bias, job insecurity, or loss of autonomy

These issues highlight the disparity between the technical efficiency of AI systems and their psychological and behavioral impact upon employees. Furthermore, the impact of AI-based performance management on employee motivation and satisfaction as well as perception factors like fairness and trust has not been thoroughly studied (11).

As a result, it is necessary to systematically investigate how employees perceive AI-driven performance management systems and how these perceptions affect company outcomes.

V. Purpose of the Study

This study's main goal is to investigate how employees perceive AI-based performance management tools and how they affect employee outcomes. In particular, the study seeks to:

- Examine the degree to which employees trust AI-powered performance reviews.
- Evaluate perceptions of fairness and transparency.
- Evaluate how AI technologies affect employees' motivation and job satisfaction.
- List the key issues and challenges related to the adoption of AI.
- Assess how these perceptions affect workplace attitudes and behavior.

The study aims to provide a better understanding of the human aspect of AI integration in HR procedures by addressing these goals.

VI. Scope of the Study

This study focuses on:

- Target Group: Employees working in organizations using or exposed to AI-based performance management systems
- Industry: Primarily technology-driven organizations
- Geographical Scope: Pune
- Conceptual Scope: Employee perception, trust, fairness, motivation, and satisfaction

The study is limited to performance management systems and does not extensively cover other HR functions such as recruitment or training.

VII. Significance of the Study

This study has implications for both academic research and organizational practice. Practically speaking, it benefits organizations by:

- Create AI systems that improve worker happiness and motivation.
- Make performance reviews fair and transparent.
- Strike a balance between human-centered methods and AI efficiency.
- Increase employee involvement and trust

From a theoretical standpoint, the study adds to the expanding body of research on AI in HRM by incorporating employee perception frameworks and psychological outcomes like motivation and satisfaction with technology adoption. Additionally, it encourages the creation of AI systems that are more ethical and employee-focused.

Objectives

1. To examine employees' perception of AI-based performance management systems in terms of trust, fairness, and transparency.
2. To analyze the level of trust employees place in AI-driven performance evaluations.
3. To assess the impact of AI-based performance management systems on employee motivation.
4. To evaluate the effect of AI-driven performance evaluations on employee job satisfaction.
5. To explore the relationship between employee perception of AI systems and employee outcomes such as motivation and satisfaction.

Hypotheses

1. Employee Perception (Trust, Fairness, Transparency)

- H₀₁ (Null): There is no significant relationship between AI-based performance management systems and employees' perception (trust, fairness, and transparency).
- H₁₁ (Alternate): There is a significant relationship between AI-based performance management systems and employees' perception (trust, fairness, and transparency).

2. Trust in AI Systems

- H₀₂: AI-based performance management systems have no significant impact on employees' trust.
- H₁₂: AI-based performance management systems have a significant impact on employees' trust.

3. Impact on Employee Motivation

- H₀₃: AI-based performance management systems have no significant impact on employee motivation.
- H₁₃: AI-based performance management systems have a significant impact on employee motivation.

4. Impact on Job Satisfaction

- H₀₄: AI-based performance management systems have no significant impact on employee job satisfaction.

- H₁₄: AI-based performance management systems have a significant impact on employee job satisfaction.

5. Relationship Between Perception and Outcomes

- H₀₅: There is no significant relationship between employee perception (trust, fairness, transparency) and employee outcomes (motivation and job satisfaction).
- H₁₅: There is a significant relationship between employee perception (trust, fairness, transparency) and employee outcomes (motivation and job satisfaction).

Review of Literature

1. Evolution of AI in Human Resource Management

AI has now become an integral part of HRM, transforming traditional HR practices significantly since manual HR functions were labor intensive and often subject to human bias. The use of technology like machine learning, predictive analytics, and natural language processing by organizations has changed how they approach managing their employee workforce from one based on personal feelings and opinions to one driven by data and providing greater efficiencies in managing employee workflows (2).

AI has found extensive application in major HR areas such as recruitment, training, employee development as well as performance management. According to studies, AI improves decision-making by examining large datasets and identifying trends that human frequently miss (12). In addition, organizations utilize AI to provide personalized learning and development opportunities for employees; thus, enhancing overall organizational effectiveness (2). Nevertheless, ethical issues associated with privacy, bias, and transparency must be carefully evaluated when implementing AI into HRM.

2. AI in Performance Management Systems

AI has changed the nature of performance management as organizations use AI to create more objective and consistent performance evaluation systems that improve the accuracy of evaluations and help reduce rater biases in appraisals (3).

AI can analyze very large amounts of data (including the results of work performed, and various types of behaviour and biometrics) and can be leveraged to provide real-time feedback regarding the performance of employees. This has been referred to by Srivastava and Sharma (2025) as moving from "reactive to proactive performance management," because organizations can implement AI to continuously monitor the performance of their employees and provide guidance on how to improve their performance (13). Additionally, Riaz & Ghanghas (2024) describe how the integration of AI within performance management processes enables organizations to make "strategic decisions about employee performance," while also improving employee commitment and increasing employee satisfaction (4). Finally, Agarwal (2025) points out that AI allows for using more objective and customized appraisal methods, such as generating performance feedback or providing performance-related data in accordance with the employee's own performance trends (1).

Research indicates extensive use across numerous industries. In their study of global organizations, Ghedabna et al. (2024) claim AI is very popular within the Human Resources functions of recruitment/performance management. Employee data (e.g., training history, productivity logs) can be utilized by machine-learning algorithms to predict employee outcomes and identify top performers (2). While AI in HR is rapidly developing, it remains inconsistently deployed across firms; therefore, more empirical research will be necessary

3. Employee Perception of AI-Based Performance Management

The effectiveness of AI-Powered Performance Management systems is heavily dependent upon the perceptions of employees. Research indicates that employees use four primary criteria to evaluate AI based performance evaluation system: trust, fairness, transparency and usefulness. While some studies suggest that AI-generated performance evaluations are perceived as being more fair due to the use of data and the use of a standard process, employees may also have a level of mistrust in these systems due to the systems not being transparent or not taking into account qualitative performance characteristics (6).

According to the findings of Biswas et al. (2024), employees will generally be more likely to have faith in AI-generated feedback if it is produced using structured and consistent criteria. Nevertheless, when assessing their work performance in an area where the evaluation includes a substantial amount of subjectivity and/or the need for emotional understanding, employees would prefer a human judgment over an AI's; thus, they experience algorithmic aversion in those instances (10). Moreover, studies also pointed out that integrating AI and human insights may enhance how employees perceive and accept performance management systems, implying the significance of hybrid methods.

4. Trust and Transparency in AI Systems

Trust is a key factor regarding employee acceptance towards AI technology since AI systems typically seem very complicated and difficult to understand by most people, which creates some level of uncertainty and/or distrust in AI from employees.

Yu et al (2023) found that transparency impacts trust in artificial intelligence (AI) systems by providing clear explanations of the rationale behind the decisions made by AI systems. Employees will better understand and accept the result of an AI made decision when there is a high degree of transparency associated with that decision process (8). In addition, an increase in the level of transparency will decrease the perceived level of risk associated with using AI systems; therefore, providing an increase in the level of confidence in AI-driven decisions making processes. On the other hand, when AI systems are overly complex or lack clarity about how they arrived at a particular decision, employees will not trust the AI system, which will lead to employee resistance and decreased acceptance toward the AI system. Organizations should thus make AI systems transparent, understandable, and user-friendly.

5. Perceived Fairness of AI-Based Evaluations

Fairness is a fundamental factor in determining employee satisfaction and acceptance of performance management systems. The literature suggests that AI can help to increase fairness by removing human bias from the evaluation process, such as bias due to favoritism and inconsistency. According to Majrashi (2025), the perception of AI-based evaluations as fair is observed among employees when they are grounded on job-related and performance-related criteria. Nevertheless, the perception of injustice and discrimination may arise due to the use of sensitive or irrelevant data (e.g., demographic data) (9).

According to Rawat et al. (2024), employee perceptions of fairness are also influenced by factors such as transparency of the basis for the evaluation, trust in the AI system, and whether the AI system is able to accurately assess qualitative factors of employee performance (6). If the employee has a perception of fairness and objectivity in the evaluation process he/she is more likely to be satisfied and motivated to do his/her job.

6. Impact of AI on Employee Motivation

Employee motivation is significantly impacted by AI-driven performance management systems. Clear performance standards, personalized development opportunities, and ongoing feedback can all improve employee motivation and engagement. Njaramba and Odhiambo (2026) discovered that by offering real-time feedback and fostering employee growth, AI systems enhance motivation. AI's effect on motivation, however, is contingent upon how fairly and transparently the systems are employed (7). Conversely, excessive monitoring and a lack of autonomy can have a detrimental impact on motivation, resulting in stress and lower engagement. Employee intrinsic motivation and overall job satisfaction may decline if they feel controlled or under pressure.

7. Impact of AI on Employee Satisfaction

Perceptions of fairness, trust, and transparency in performance management systems are strongly associated with employee satisfaction. By offering consistent evaluations, lowering bias, and fostering career development, AI-driven solutions can increase satisfaction. According to Riaz and Ghanghas (2024), when properly applied, AI integration in performance evaluation leads to increased employee satisfaction, commitment, and lower turnover (4). However, when employees perceive AI systems are biased, opaque, or devoid of human connection, dissatisfaction may result. Satisfaction levels may also be impacted by concerns about ethical issues, job security, and data privacy. Therefore, organizational and psychological elements have an impact on employee happiness in addition to technology.

Table 1: Summary of Key Articles

Sr. No	Author(s) & Year	Objective of Study	Variables Studied	Methodology & Sample	Key Findings	Limitations / Research Gap
1	Riaz & Ghanghas (2024) (4)	To analyze AI integration in performance evaluation	AI systems, performance, satisfaction	Conceptual / Secondary data	AI can make appraisals faster, unbiased, and fair; highlights strategic benefits (commitment, satisfaction) of AI systems	Lack of empirical data and employee-centric analysis
2	Ghedabna et al. (2024) (2)	To examine AI impact on HRM functions	AI adoption, efficiency, bias, development	Conceptual study	AI in HR enhances efficiency and positive decision-making; warns of ethical issues (bias, privacy)	Ethical concerns like transparency and privacy not fully addressed
3	Biswas et al. (2024) (10)	To compare AI vs human feedback	AI vs human feedback, trust, perception	Experimental (2×2 design)	AI trusted for consistency; humans preferred for subjectivity	Need for hybrid evaluation systems
4	Yu et al. (2023) (8)	To study AI transparency and trust	Transparency, trust, appraisals	Experimental (375 respondents)	Transparency increases trust and reduces perceived threat	Optimal transparency level unclear
5	Athlawy et al. (2025) (3)	To review AI in performance evaluation	Fairness, trust, accuracy	Thematic review	AI-driven evaluation brings objectivity and precision; identifies themes of fairness, trust, and social impact	Limited focus on employee motivation & satisfaction
6	Agarwal (2025) (1)	To examine AI in performance appraisal	AI, performance, motivation, engagement	Conceptual study	AI makes performance appraisal objective and personalized; enhances	Lack of empirical validation

					engagement, motivation, and fairness	
7	Keong et al. (2025) (12)	To assess AI-based evaluation systems	Accuracy, fairness, perception, trust	Mixed method (survey + interviews)	AI improves evaluation accuracy but raises trust concerns	Need deeper study on employee acceptance
8	Njaramba & Odhiambo (2026) (7)	To analyze AI impact on motivation	AI systems, motivation, engagement	Literature review	AI enhances motivation via feedback but may reduce autonomy	Long-term psychological impact unclear
9	Chuchu & Kyongo (2025) (5)	To review AI in performance management	Feedback, development, engagement	Systematic literature review	AI enables continuous feedback and personalization	Organizational adaptation challenges
10	Majrashi (2025) (9)	To examine fairness of AI predictions	Fairness, predictive features, bias	Quantitative (306 employees)	Employees rate predictive factors aligned with performance (e.g. skills, experience) as fair; demographic factors (gender, marital status) are seen as unfair (bias/privacy). Fairness perceptions tied to alignment with job performance	Need alignment with employee perception
11	Rawat et al. (2024) (6)	To study fairness perception in AI evaluation	Fairness, trust, transparency	Quantitative (115 employees)	AI reduces bias but lacks qualitative judgment	Transparency and interpretability issues
12	Nath et al. (2025) (11)	To study AI and employee perception	Perception, motivation, satisfaction	Qualitative (interviews)	In Bangladesh, AI improved transparency and efficiency, but employees were uneasy	Qualitative, context-specific (Bangladesh); not generalizable.

					about lack of human touch and potential bias	
13	Srivastava & Sharma (2024) (13)	To explore AI in performance management	Feedback, development, satisfaction	Conceptual study	AI enables real-time feedback and improves employee experience	No empirical data; general insights.

Research Methodology

1. Research Design

The present study adopts a descriptive research design, as it aims to analyze and interpret employee perceptions of AI-based performance management systems and examine their impact on motivation and job satisfaction. A quantitative research approach has been used to collect and analyze data.

2. Data Collection Method

The study is based on primary data, which was collected using a structured questionnaire developed through Google Forms. The questionnaire consisted of close-ended questions, including Likert scale, multiple-choice, and ranking-type questions to capture diverse responses.

3. Sampling Technique and Sample Size

The study employed a convenience sampling technique due to ease of access and time constraints. A total of 60 respondents participated in the study. The sample primarily consists of employees from technology-driven organizations.

4. Target Population

The target population includes employees working in organizations that use or are exposed to AI-based performance management systems.

5. Variables of the Study

The key independent variables considered were trust, fairness, transparency, understanding, and comfort with AI systems, while the dependent variables were employee motivation and job satisfaction.

6. Data Analysis Tools and Techniques

Data analysis was conducted using Microsoft Excel (XL Miner ToolPak), applying statistical techniques such as descriptive analysis (frequency, percentage, mean), correlation analysis, and regression analysis. Hypotheses were tested at a 5% level of significance ($p < 0.05$).

Result

Table 2: Demographic Information of Respondents (Sample Size: 60)

Demographic Variable	Category	Frequency	Percentage (%)
Age	Under 25	32	53.33%
	25-34	14	23.33%
	35-44	9	15.00%
	45-54	4	6.67%
	55 or Older	1	1.67%
Gender	Female	25	41.67%
	Male	34	56.67%
	Prefer not to say	1	1.67%
Work Experience	1-3 years	13	21.67%
	4-6 years	8	13.33%
	7-10 years	8	13.33%
	Less than 1 year	27	45.00%
	More than 10 years	4	6.67%
Current Job Role	Entry-level / Junior Employee	26	43.33%
	Executive	5	8.33%
	Middle-level	15	25.00%
	Senior-level/Manager	14	23.33%

Department	Finance / Accounts	10	16.67%
	Human Resources	15	25.00%
	IT / Software Development	19	31.67%
	Marketing / Sales	9	15.00%
	Operations	4	6.67%
	Operations & Finance	1	1.67%
	Production	1	1.67%
	Salesforce	1	1.67%
Industry Sector	Banking & Finance	11	18.33%
	BPO	1	1.67%
	Healthcare	3	5.00%
	HR, Finance	1	1.67%
	Information Technology (IT)	26	43.33%
	Manufacturing	12	20.00%
	Marketing	2	3.33%
	Production	1	1.67%
	Real Estate	2	3.33%
	Travel	1	1.70%
Grand Total	60	100.00%	

The respondents' demographic profile gives helpful insights on the composition of the study's sample. 60 respondents from a variety of backgrounds make up the entire sample size.

The majority of respondents are under the age of 25 (53.33%), followed by those aged 25 to 34 (23.33%). A smaller proportion falls within the 35–44 (15%) and 45–54 (6.67%) categories, while only 1.67% of respondents are aged 55 or older. This suggests that the sample is primarily made up of young individuals, who are more likely to be accustomed to and flexible with AI-based technologies. Male respondents make up 56.67% of the sample, while female respondents make up 41.67%, with just 1.67% of respondents preferring not to reveal their gender. This reflects a relatively balanced gender distribution, although male respondents slightly outnumber females.

A sizable percentage of respondents (45%) had less than a year of work experience, with 1–3 years coming in second (21.67%). 13.33% of respondents have 4–6 years or 7–10 years of experience, while only 6.67% have more than 10 years of experience. This implies that early-career professionals make up the majority of the sample, which could affect how they perceive the adoption of AI. Entry-level or junior personnel make up the majority of responders (43.33%), followed by middle-level employees (25%) and senior-level/managerial positions (23.33%). Executive roles account for a lesser percentage (8.33%). This suggests that personnel at the operational and mid-management levels are the main groups whose viewpoints are captured by the study. IT/Software Development accounts for the largest percentage of respondents (31.67%), followed by Human Resources (25%) and Finance/Accounts (16.67%). A small percentage of responses are from specialist fields like Production and Salesforce, while other departments like Marketing/Sales (15%) and Operations (6.67%) have relatively smaller presence. This distribution shows a high proportion of HR-related and technology-driven roles. Information technology (IT) accounts for the largest percentage of responders (43.33%), followed by manufacturing (20%) and banking and finance (18.33%). BPO, real estate, marketing, healthcare, and other industries are comparatively underrepresented. This suggests that industries with higher rates of AI use have a significant impact on the sample.

The majority of the respondents appear to be young, early-career professionals employed in IT and technology-related fields, based on the demographic profile. Because they are more likely to engage with and be impacted by AI technology in the workplace, this makes the sample extremely relevant for researching employee impressions of AI-based performance management systems.

Table 3: Awareness of AI Usage in Performance Management Systems

Response Category	Frequency	Percentage (%)
Yes	50	83.33
Not Sure	9	15.00
No	1	1.67
Total	60	100

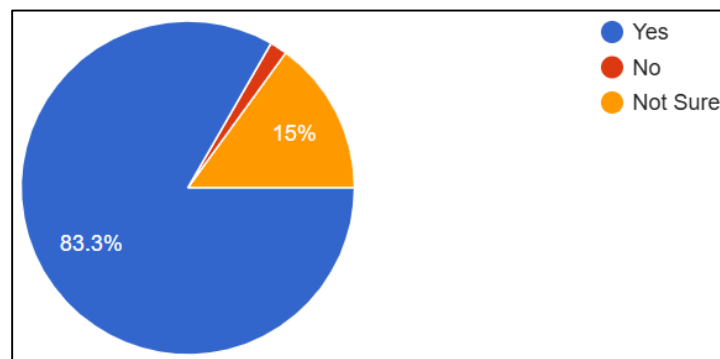


Figure 1: Chart showing awareness of AI Usage in Performance Management Systems

A substantial majority of respondents (83.3%) are aware of the use of AI in performance management systems, with 15% doubtful and only a small minority uninformed. This shows that employees are well-informed on AI-based performance appraisal.

Table 4: Level of Understanding of AI-Based Performance Evaluation

Response Category	Frequency	Percentage (%)	Mean
Very Well	27	45	
Slightly	8	13.33	
Not at all	2	3.33	
Moderately	23	38.33	
Total	60	100	3.23

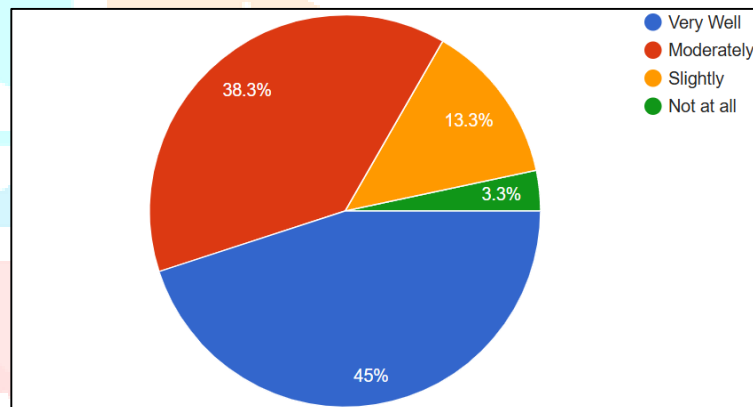


Figure 2: Chart showing level of understanding of AI-based Performance Evaluation

With 45% reporting very good understanding and 38.33% reporting moderate understanding, the data demonstrate that most respondents have a good understanding of AI-based performance evaluation. A smaller percentage, however, has little to no understanding. This demonstrates that some employees are still not sufficiently informed on AI-based evaluation procedures. Although employees are usually familiar with AI systems, there is still room for improvement, as indicated by the mean score of 3.23, which denotes a moderate level of comprehension.

Table 5: Employee Perception of Organizational Communication Regarding AI in Performance Evaluation

Response Category	Frequency	Percentage (%)	Mean
Strongly disagree	4	6.67	
Disagree	3	5	
Neutral	26	43.33	
Agree	22	36.67	
Strongly agree	5	8.33	
Total	60	100	3.35

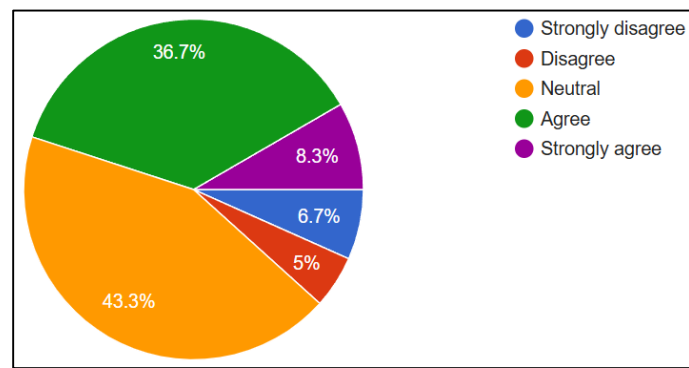


Figure 3: Chart showing Employee Perception of Organizational Communication Regarding AI in Performance Evaluation

According to the results, a significant percentage of respondents (36.67%) agree and 8.33% strongly agree that their company makes it clear how AI is utilized in performance reviews. Nonetheless, a sizable portion of respondents (43.33%) express no opinion, indicating ambiguity or a lack of clarity on such communication. With 5% disagreeing and 6.67% strongly disagreeing, a smaller percentage of respondents indicated dissatisfaction suggesting that not all employees receive consistent or effective communication. The average score of 3.35 indicates a modest degree of agreement, suggesting that there is still much room to increase employee understanding, transparency, and clarity even though firms are working to communicate the use of AI.

Table 6: Areas Where Employees Have Encountered AI in Performance Management Systems

Response Category	Frequency	Percentage (%)
Performance appraisal systems	32	53.3
Productivity tracking tools	36	60
Feedback systems	24	40
Not aware of any	8	13.3
Others	5	8.3

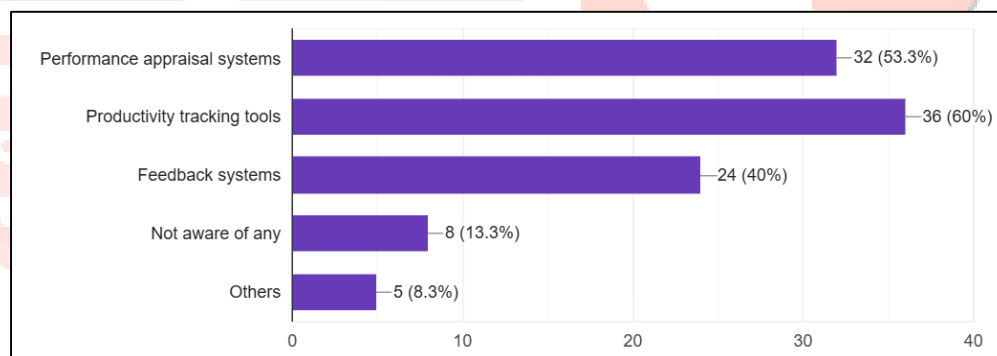
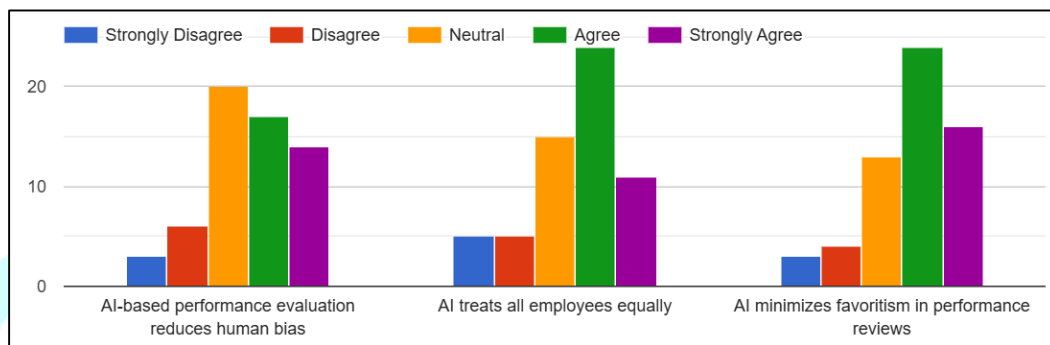


Figure 4: Graph showing areas where employees have encountered AI in Performance Management

According to the results, productivity tracking tools are where employees most frequently come into contact with AI (60%), followed by performance appraisal systems (53.3%) and feedback systems (40%). This demonstrates how AI is extensively incorporated into important organizational performance management functions. While 8.3% suggested other areas of utilization, a lower percentage of respondents (13.3%) said they were unaware of any AI applications. Overall, the findings indicate that AI is being used more and more in various facets of performance management, with monitoring and productivity-related tasks having the highest prevalence.

Table 7: Comparative Analysis of Employee Perceptions of Fairness Dimensions in AI-Based Performance Management Systems

Evaluation Aspect	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Mean
Reduces Human Bias	5% (3)	10% (6)	33.33% (20)	28.33% (17)	23.33% (14)	3.55
Treats all Employees Equally	8.33% (5)	8.33% (5)	25% (15)	40% (24)	18.33% (11)	3.52
Minimizes favoritism in performance reviews	5% (3)	6.67% (4)	21.67% (13)	40% (24)	26.67% (16)	3.77

**Figure 5: Graph showing Employee Perceptions of Fairness Dimensions in AI-Based Performance Management Systems**

The findings show that AI-based performance management systems are perceived as fair across all parameters. 28.33% of respondents agreed and 23.33% strongly agreed with the statement that AI lowers human bias, while 33.33% stayed neutral and only a small percentage disagreed. Similarly, 40% agreed and 18.33% strongly agreed with the assertion that AI treats all employees equally, while 25% were neutral. This suggests a generally positive attitude with some degree of uncertainty. The highest level of agreement was found in the case of minimizing favoritism in performance reviews, with 40% agreeing and 26.67% strongly agreeing, 21.67% remaining neutral, and very few people disagreeing.

These conclusions are further supported by the mean scores, which show that AI decreasing favoritism (3.77) received the highest rating, followed by lowering human bias (3.55) and treating employees equally (3.52). In general, the findings indicate that, employees believe that the AI-based performance management systems are fair and objective, especially in minimizing favoritism, but a significant percentage of neutral answers reveals that there is room to enhance clarity and trustworthiness of the systems to the employees.

Table 8: Employee Perception of AI-Based Evaluation Compared to Human Evaluation

Response Category	Frequency	Percentage (%)	Mean
Much more fair	15	25	
More fair	27	45	
About the same	13	21.7	
Less fair	4	6.7	
Much less fair	1	1.7	
Total	60	100%	3.85

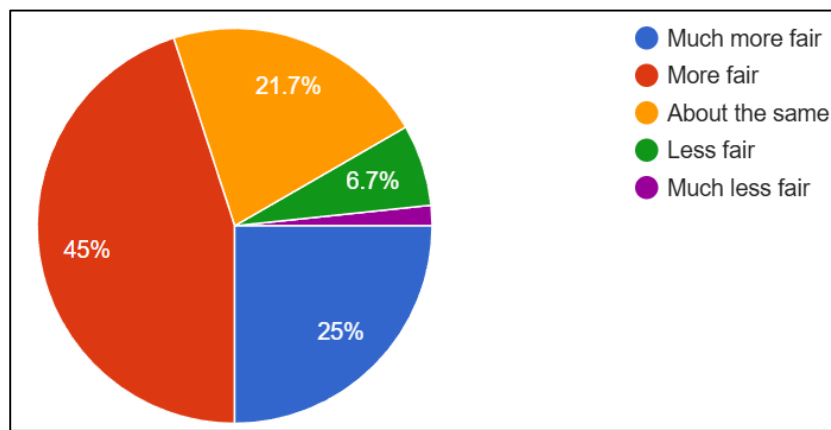


Figure 6: Chart showing Employee Perception of AI-Based Evaluation Compared to Human Evaluation

According to the findings, employees generally believe that AI-based performance reviews are more fair than human reviews. AI is more fair, according to 45% of respondents, while 25% think it is much more fair. Furthermore, according to 21.7% of respondents, AI-based evaluation is comparable to human evaluation. Just 6.7% of respondents said AI was less fair, and 1.7% said it was much less fair.

The mean score of 3.85 indicates a high degree of consensus regarding the fairness of AI-based review compared to conventional human evaluation. This implies that workers believe AI systems are more objective, consistent, and less biased when it comes to performance reviews. In general, the results show that employees strongly like AI-based evaluation systems because they believe they are more fair and less subjective.

Table 9: Perceived Transparency of AI-Based Performance Evaluation Systems

Response Category	Frequency	Percentage (%)	Mean
Very transparent	19	31.67	
Somewhat transparent	27	45.00	
Neutral	11	18.33	
Not very transparent	3	5	
Not transparent at all	0	0	
Total	60	100	4

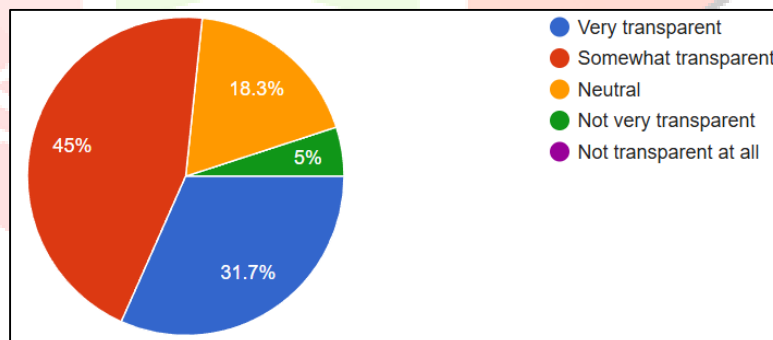


Figure 7: Chart showing Employee Perception of Transparency in AI-Based Performance Decisions

From the results, the employees perceive the AI system as transparent, with 31.67% of the respondents considering the system to be very transparent, while 45% consider the system to be somewhat transparent. Very few of the respondents felt that the AI system had low transparency, while 18.33% were neutral about the AI system's transparency. The mean score of 4.0 reflects a high level of transparency, implying that the employees consider AI-based decisions transparent and understandable.

Table 10: Employee Understanding of AI-Generated Performance Ratings

Response Category	Frequency	Percentage (%)	Mean
Strongly disagree	3	5.	
Disagree	4	6.67	
Neutral	21	35	
Agree	27	45	
Strongly agree	5	8.33	
Total	60	100	3.45

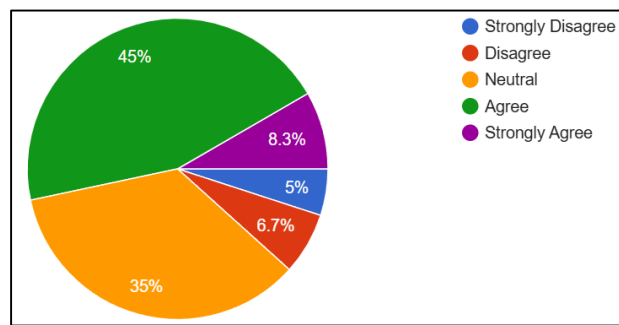


Figure 8: Chart showing Level of Employee Understanding of AI-Based Performance Ratings

The results show that 45% of the participants agree and 8.33% strongly agree that they understand how AI creates performance ratings. Nonetheless, a small portion of respondents disagreed, and 35% are neutral. The average score of 3.45 indicates a moderate degree of understanding, indicating that while many employees have a basic understanding of AI evaluation procedures, a sizable number still lacks clarity.

Table 11: Employee Reactions to Low Ratings in AI-Based Performance Evaluation

Response Category	Frequency	Percentage (%)
Accept it as objective	9	15
Question the system	17	28.33
Discuss with manager	26	43.33
Feel demotivated	4	6.67
Ignore it	4	6.67
Total	60	100

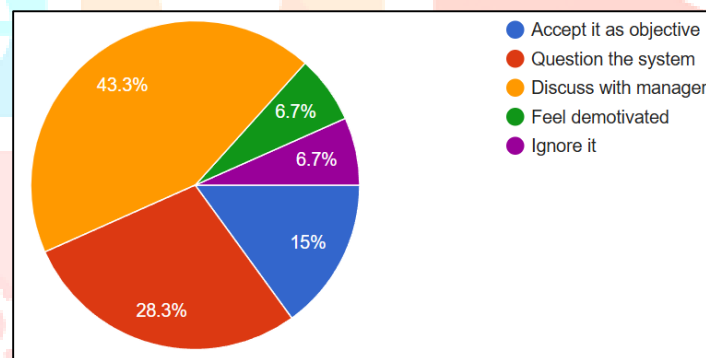


Figure 9: Chart showing Employee Response to Low AI-Based Performance Ratings

Based on the figures, the most common response is seeking an explanation from the manager regarding the evaluation process, which accounts for 43.33% followed by 28.33% who questions the system. Only 15% of respondents accept the rating as objective. Some negative responses, such as being demotivated by the results and neglecting the outcomes, each amount to 6.67% and were voiced only by a small number of respondents. This implies that employees do not simply accept or reject AI-based assessments, but prefer to engage actively and gain clarity.

Table 12: Employee Perception of Clarity of AI-Based Performance Evaluation Decisions

Response Category	Frequency	Percentage (%)	Mean
Strongly disagree	3	5	
Disagree	4	6.67	
Neutral	29	48.33	
Agree	23	38.33	
Strongly agree	1	1.67	
Total	60	100	3.25

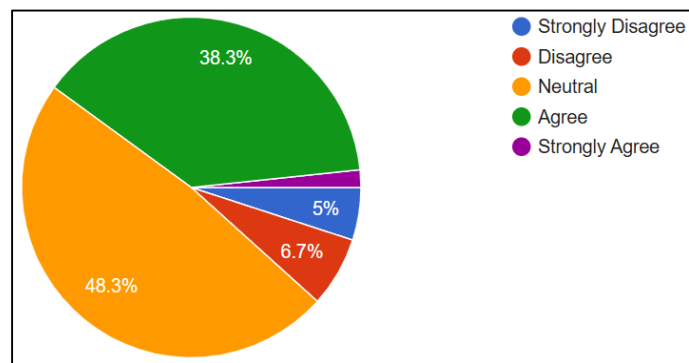


Figure 10: Chart showing Perceived Clarity of AI Decision-Making in Performance Evaluation

From the results, it can be seen that 38.33% of the participants believe that AI technologies offer an understandable explanation, whereas most of them (48.33%) are neutral. While a few of the participants disagreed with the statement, the percentage of those who strongly agreed is insignificant. The mean score of 3.25 signifies a relatively good agreement, implying that while there is some understanding, there is still uncertainty regarding the explanations.

Table 13: Level of Trust in AI-Based Performance Evaluation Systems

Response Category	Frequency	Percentage (%)	Mean
Completely trust	9	15	
Mostly trust	23	38.33	
Neutral	18	30.00	
Slightly trust	8	13.33	
Do not trust	2	3.33	
Total	60	100	3.48

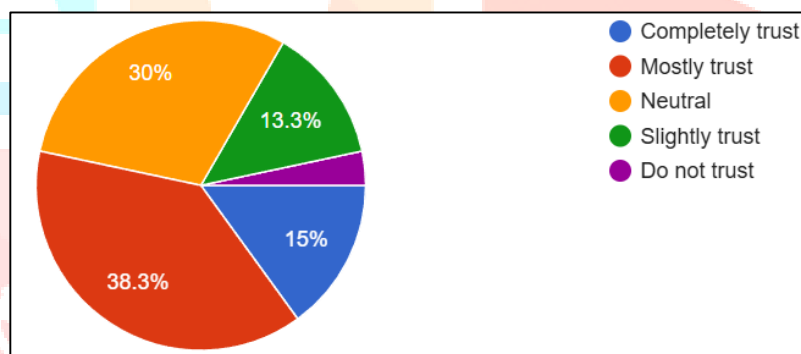


Figure 11: Chart showing Distribution of Employee Trust in AI-Based Performance Evaluation Systems

Findings show that the trust in AI-based performance evaluation systems varies to moderate and high. Most of the respondents (38.33) claimed that they mostly trust AI systems, with 15% of them having complete trust in them. Nevertheless, a considerable percentage (30) were neutral; that is, uncertain or hesitant acceptance. Fewer percent of respondents expressed lower rates of trust, with 13.33% slightly trusting and a minimal percentage not trusting the system. The average score of 3.48 indicates a fairly high level of trust (moderately positive), which means that employees tend to trust AI systems, but this confidence is not fully formed yet.

Table 14: Employee Comfort Level with AI-Based Performance Evaluation Systems

Response Category	Frequency	Percentage (%)	Mean
Strongly disagree	4	6.67	
Disagree	6	10	
Neutral	20	33.33	
Agree	28	46.67	
Strongly agree	2	3.33	
Total	60	100	3.3

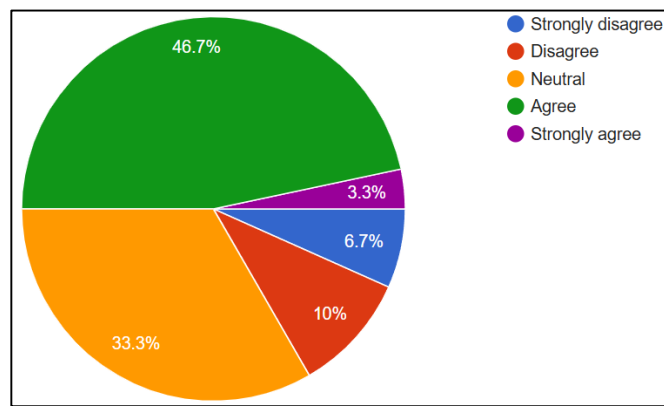


Figure 12: Chart showing Employee Comfort with AI-Based Evaluation Systems

As indicated from the results above, 46.7% of the participants agree and 3.3% strongly agree that they feel comfortable to be evaluated by AI technology. On the other hand, 33.3% of them feel neutral about the process, but very few participants have expressed their discomfort with the AI evaluation, where 10% disagreed and 6.7% strongly disagreed with the process. A mean score of 3.30 suggests a moderate level of comfort, which implies that while employees tend to be positive about AI-driven evaluations, some employees are still uncertain.

In general, the outcome shows positive yet cautious acceptance, demonstrating the importance for organizations to improve their employees' awareness, trust, and confidence in AI-driven performance evaluation systems.

Table 15: Comparative Trust Levels in Human, AI, and Hybrid Performance Evaluation Systems

Evaluation Aspect	Most Trusted (%)	Moderately Trusted (%)	Least Trusted (%)	Mean
Human Manager	21.67% (13)	60% (36)	18.33% (11)	2.03
AI System	15% (9)	71.67% (43)	13.33% (8)	2.02
Hybrid (AI+Human)	51.67% (31)	31.67% (19)	16.67% (10)	2.35

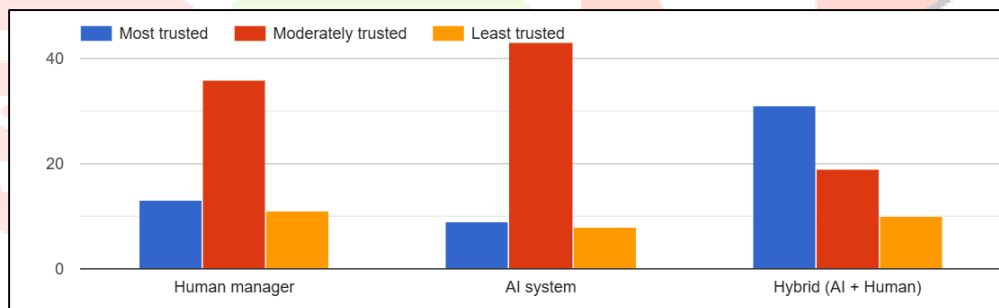


Figure 13: Graph showing Employee Trust Distribution Across Evaluation Methods

Results show that the hybrid (Human & AI) model is perceived to be the most trustworthy model at 51.67%, with human managers coming second at 21.67% and artificial intelligence third at 15%. Both human managers and artificial intelligence are largely perceived as moderately trustworthy. The average scores confirm this pattern, showing that the hybrid model ranks the highest in terms of perceived trustworthiness at 2.35, followed by human managers at 2.03 and artificial intelligence at 2.02. This implies that rather than depending only on either technology, employees choose a balanced strategy that combines AI efficiency with human judgment.

Table 16: Employee Acceptance of Promotion Decisions Made Solely by AI

Response Category	Frequency	Percentage (%)	Mean
Yes	24	40	
No	14	23.33	
Depends	22	36.67	
Total	60	100	2.17

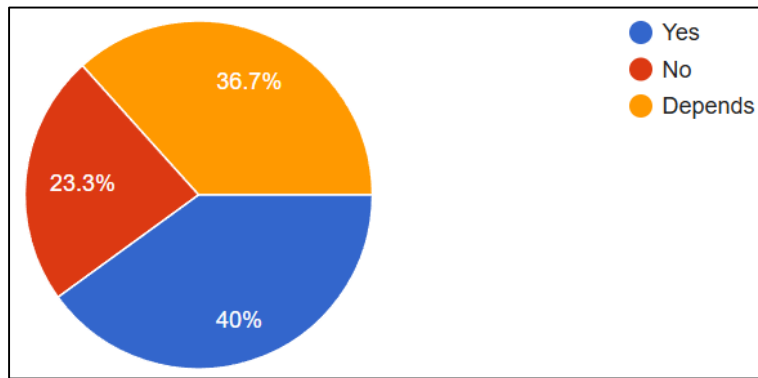


Figure 14: Chart showing Employee Willingness to Accept AI-Based Promotion Decisions

The results show that 40% of the participants are ready to agree to promotions decided solely by AI, whereas 36.67% indicate that acceptance depends on the situation. On the other hand, 23.33% of the respondents are not ready to agree with these decisions. A moderate level of acceptability with concerns is indicated by the mean score of 2.17, which shows that while some employees are receptive to AI-driven conclusions, many prefer conditional or human-involved review procedures.

Table 17: Impact of AI-Based Performance Evaluation on Employee Motivation

Response Category	Frequency	Percentage (%)	Mean
Increased significantly	7	11.67	
Increased slightly	28	46.67	
No change	22	36.67	
Decreased	2	3.33	
Decreased significantly	1	1.67	
Total	60	100	3.63

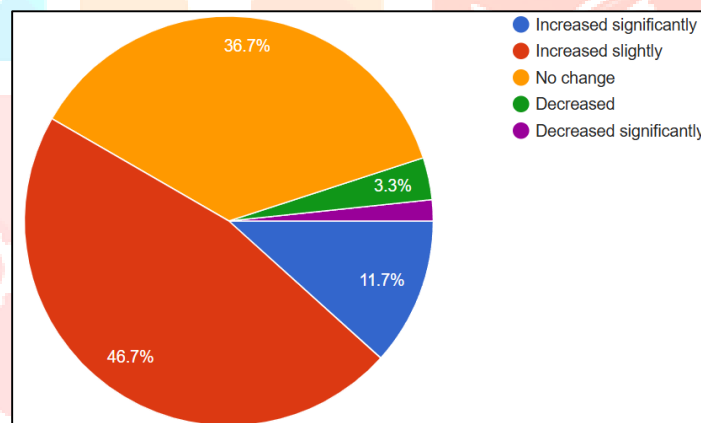


Figure 15: Chart showing Effect of AI-Based Evaluation on Employee Motivation Levels

The findings show that employee motivation is typically improved by AI-based assessment, with 11.7% reporting a significant increase and 46.7% reporting a slight increase. Only a small percentage reported feeling less motivated, whilst 36.7% reported no change. Although the effect varies from person to person, the mean score of 3.63 indicates a favorable influence, indicating that AI-based evaluation systems typically improve employee motivation.

Table 18: Impact of AI-Based Performance Evaluation on Employee Job Satisfaction

Response Category	Frequency	Percentage (%)	Mean
Strongly disagree	2	3.33	
Disagree	8	13.33	
Neutral	30	50	
Agree	18	30	
Strongly agree	2	3.33	
Total	60	100	3.17

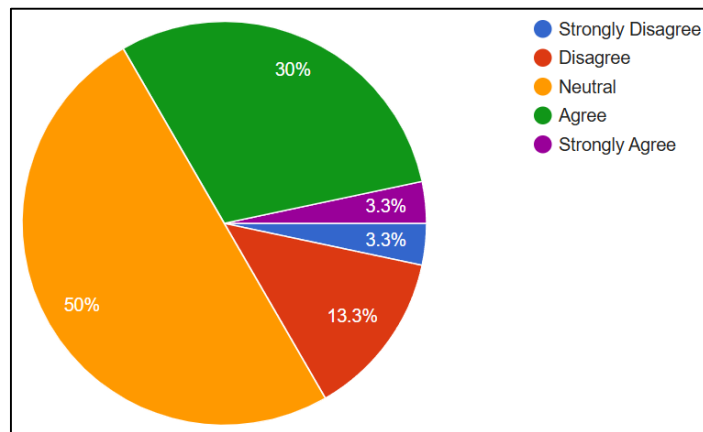


Figure 16: Chart showing Employee Perception of AI Impact on Job Satisfaction

The findings show that while the majority (50%) remain neutral, 30% of respondents agree and 3.3% strongly agree that AI-based technologies improve their job satisfaction. With 13.3% disagreeing and 3.3% strongly disagreeing, a smaller percentage voiced discontent. The average score of 3.17 indicates a moderate degree of agreement, indicating that although some employees find AI to have a good impact on their job satisfaction, a significant minority are still unsure about its overall effects.

Table 19: Employee Perception of AI-Based Feedback in Enhancing Performance Understanding

Response Category	Frequency	Percentage (%)	Mean
Strongly disagree	3	5	
Disagree	6	10	
Neutral	18	30	
Agree	27	45	
Strongly agree	6	10	
Total	60	100	3.45

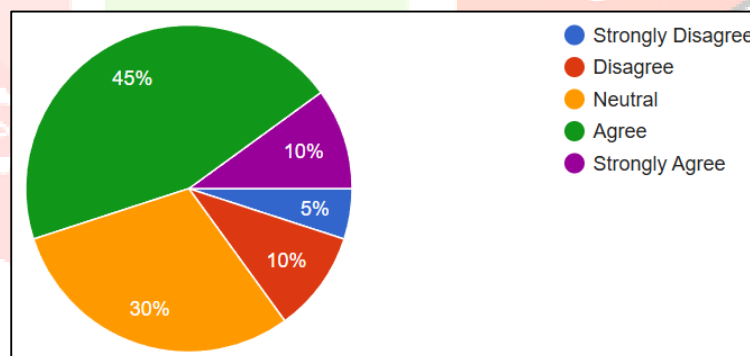


Figure 17: Chart showing Effectiveness of AI-Based Feedback in Improving Performance Understanding

According to the findings, 10% of respondents strongly agree and 45% of respondents agree that AI-based feedback improves their understanding of their performance. A smaller percentage disagreed, while 30% remained indifferent. Although some employees are still unsure about its efficacy, the mean score of 3.45 indicates a rather positive perception, suggesting that AI-based feedback is usually regarded as helpful.

Table 20: Major Concerns of Employees Regarding AI in Performance Management

Response Category	Frequency	Percentage (%)
Bias in algorithms	6	10
Data privacy	16	26.67
Lack of human judgment	28	46.67
Job insecurity	6	10
No concerns	4	6.67
Total	60	100

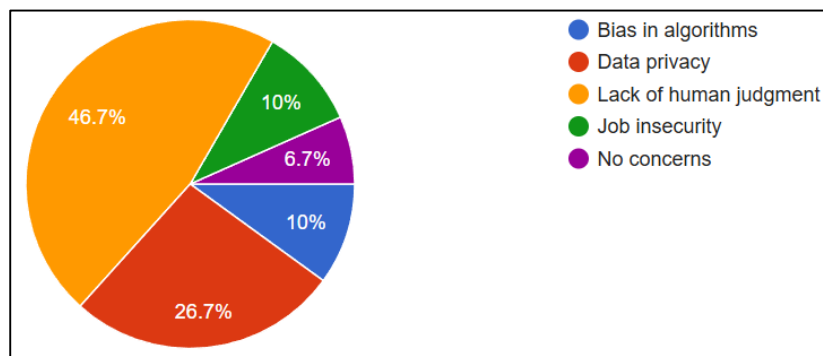


Figure 18: Chart showing Key Concerns Associated with AI-Based Performance Management Systems

The findings show that the lack of human judgment is the respondents' top concern (46.67%), followed by data privacy (26.67%). Only 6.67% of respondents expressed no concerns, while 10% expressed bias in algorithms and 10% expressed job insecurity. This shows that employees are especially concerned about the lack of human participation and the possible risks related to data processing, underscoring the necessity of using AI in a balanced and transparent manner.

Table 21: Employee Perception of Reduction in Human Interaction due to AI-Based Evaluation

Response Category	Frequency	Percentage (%)	Mean
Strongly disagree	1	1.67	
Disagree	7	11.67	
Neutral	15	25	
Agree	30	50	
Strongly agree	7	11.67	
Total	60	100	3.58

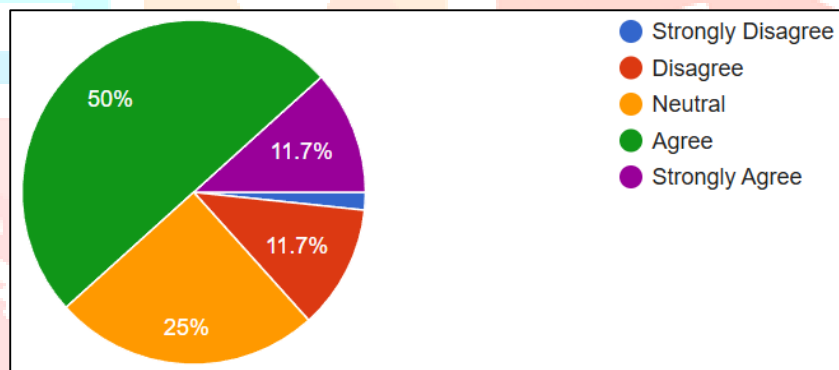


Figure 19: Chart showing Perceived Impact of AI on Human Interaction in Performance Discussions
According to the results, 11.7% of respondents strongly agree and 50% of respondents think that AI lessens human interaction in performance discussions. Furthermore, a smaller portion of respondents disagreed, while 25% remained neutral. A moderate to high degree of agreement is shown by the mean score of 3.58, which suggests that employees believe AI systems reduce interpersonal connection. This could have implications regarding employee relations and communication.

Table 22: Preferred Performance Evaluation System among Employees

Response Category	Frequency	Percentage (%)
Fully AI-based	3	5
Fully human-based	6	10
Hybrid (AI + Human)	51	85
Total	60	100

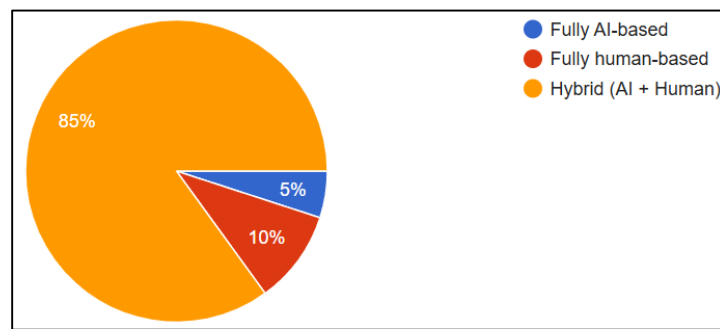


Figure 20: Chart showing Employee Preference for AI, Human, and Hybrid Evaluation Systems
With 85% of respondents choosing a hybrid (AI + human) system, the results unequivocally show a high preference for this choice. On the other hand, only 10% of respondents favor systems that are entirely human-based, and only 5% favor systems that are entirely AI-based. This implies that employees prefer a balanced approach, combining the efficiency of AI with the judgment and empathy of human managers.

Table 23: Employee Opinion on the Future Role of AI in Performance Management

Response Category	Frequency	Percentage (%)
Assist human managers	35	58.33
Replace human evaluation	7	11.67
Be used minimally	15	25
Not be used at all	3	5
Total	60	100

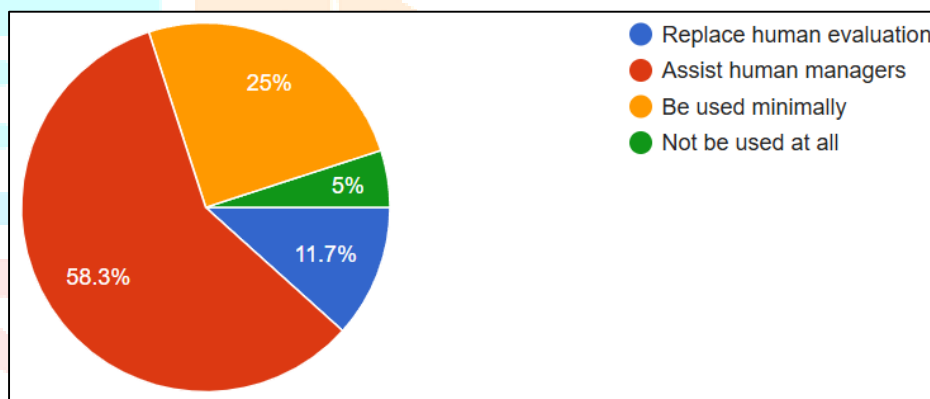


Figure 21: Chart showing Employee Expectations Regarding the Future Use of AI in Performance Management

According to the findings, the majority of respondents (58.33%) think AI can assist human managers, while 25% think technology should be used minimally. A lesser number (11.67%) believe AI should replace human evaluation, while only 5% believe it should not be used at all. These results highlight the significance of human involvement in performance management systems and show that employees generally embrace the use of AI as a supporting tool rather than a substitute.

Table 24: Correlation Matrix of Key Variables

Variables	Transparenc y	Trust	Comfor t	Motivati on	Satisfactio n	Understandi ng	Fairnes s
Transparenc y	1	0.358	0.163	0.215	0.046	-0.039	0.525
Trust	0.358	1	-0.065	0.325	0.084	0.033	0.140
Comfort	0.163	-0.065	1	0.215	0.499	0.437	0.481
Motivation	0.215	0.325	0.215	1	0.349	0.149	0.310
Satisfaction	0.046	0.084	0.499	0.349	1	0.574	0.241
Understandi ng	-0.039	0.033	0.437	0.149	0.574	1	0.325
Fairness	0.525	0.140	0.481	0.310	0.241	0.325	1

Correlation analysis was performed to investigate the relationships between transparency, trust, comfort, motivation, satisfaction, understanding, and perceived fairness in AI-based performance appraisal systems. The analysis found that there is a medium-level correlation between transparency and trust ($r = 0.358$) as well as relatively strong relations between transparency and perceived fairness ($r = 0.525$). Hence, transparency positively influences employees' perceptions about AI and enhances the level of trust as well as fairness related to such systems. However, it can be argued that transparency does not have any relationship with satisfaction ($r = 0.046$). Trust is associated with motivation in a moderate way ($r = 0.325$), meaning that trust positively influences motivation; however, there is a negligible relationship between trust and comfort ($r = -0.065$) and satisfaction ($r = 0.084$). At the same time, comfort is connected with satisfaction in a moderate way ($r = 0.499$); moreover, there is a moderate correlation between comfort and understanding ($r = 0.437$). Thus, comfort can positively influence understanding and improve employees' feelings toward AI systems. Motivation positively influences satisfaction ($r = 0.349$). There is a strong correlation between understanding and satisfaction ($r = 0.574$). This indicates that high levels of understanding increase job satisfaction among employees. Finally, there is a moderate correlation between perceived fairness and comfort ($r = 0.481$), motivation ($r = 0.309$), and transparency ($r = 0.525$). In general, the results imply that the level of transparency and fairness are the primary contributors to trust; whereas understanding and comfort are significant predictors of employee satisfaction, which means that a better understanding, transparency, and fairness in AI-based systems can lead to increased employee acceptance and better work outcomes.

Table 25: Hypothesis Testing Results

Hypothesis	Relationship Tested	Key Findings (r)	Result
H ₁₁	Perception Variables (Transparency, Fairness, Trust)	Moderate relationships (0.358–0.525)	Accepted
H ₁₂	AI Systems & Trust	Moderate relationship with transparency (0.358)	Partially Accepted
H ₁₃	AI Systems & Motivation	Moderate relationships (0.215–0.325)	Accepted
H ₁₄	AI Systems & Job Satisfaction	Strong relationship with understanding (0.574)	Accepted
H ₁₅	Perception & Employee Outcomes	Mixed relationships (0.046–0.574)	Partially Accepted

Note: Correlation values (r) indicate the strength and direction of relationships. Values closer to +1 indicate stronger positive relationships.

The results indicate that most of the alternate hypotheses are supported, either fully or partially, suggesting that AI-based performance management systems are associated with employee perceptions and outcomes.

A clear and statistically significant picture of how employees' understanding, motivation, and comfort with AI-based performance evaluation systems affect job satisfaction is provided by the multiple regression analysis. Multiple R values of roughly 0.55–0.57 show a very significant correlation between the variables, indicating a moderately positive relationship. The R Square values, which range from 0.30 to 0.33, indicate that these three factors account for around 30–33% of the variation in employee job satisfaction, indicating a respectable degree of explanatory power. Furthermore, the ANOVA findings show significant statistical significance (Significance $F < 0.05$), indicating that the regression model as a whole is trustworthy and not the result of chance.

Understanding of AI systems shows up as a particularly strong and significant predictor at the individual level, suggesting that employees who have a clear understanding of how AI-based evaluations operate are generally more satisfied. Additionally, motivation exhibits a substantial positive and statistically significant impact, indicating that job satisfaction increases when AI systems boost employee motivation and engagement. Although its impact is quite small, comfort with AI systems also plays a positive role. All of these results highlight how employees' understanding, motivation, and comfort level with AI-driven systems have a significant impact on their job satisfaction.

Similar to this, a moderately favorable association is shown in the regression analysis examining the effects of perception factors—trust, transparency, and fairness—on employee motivation, albeit with a lower explanatory power than in the prior model. This implies that while certain factors do affect motivation, other variables might also be involved. The most important and significant predictor among them is fairness, which has a high positive and statistically significant link with employee motivation. This means that when employees believe AI systems are fair, they are more motivated. While transparency reveals conflicting

outcomes, with certain findings missing statistical significance, trust indicates a favorable but lesser and inconsistently significant effect, suggesting that transparency alone may not significantly increase motivation. Additional research on how fairness and transparency affect employee trust yields conflicting results; one model indicates a moderate association (Multiple R = 0.353), while another indicates a very weak relationship (Multiple R = 0.132). With R Square values ranging from 0.017 to 0.125, these factors barely account for 1.7% to 12.5% of the variation in trust, indicating limited explanatory power. Additionally, the ANOVA findings show that the relationship is inconsistent, with one model being statistically significant (Significance F = 0.006 < 0.05) and the other not significant (Significance F = 0.320 > 0.05). At the individual level, transparency does not exhibit a statistically significant effect ($p > 0.05$), but fairness once more demonstrates a significant beneficial influence on trust ($p < 0.05$).

Table 26: Summary of Hypotheses Testing

Hypothesis No.	Statement	Test Used	Result (p-value / Significance)	Decision	Conclusion
H ₀₁ / H ₁₁	Relationship between AI systems and employee perception (trust, fairness, transparency)	Correlation Analysis	Significant ($p < 0.05$)	Reject H ₀₁	Significant relationship exists
H ₀₂ / H ₁₂	Impact of AI systems on employee trust	Regression Analysis	Partially significant	Partial Rejection	Fairness impacts trust; transparency weak
H ₀₃ / H ₁₃	Impact of AI systems on employee motivation	Regression Analysis	Significant ($p < 0.05$)	Reject H ₀₃	Perception factors influence motivation
H ₀₄ / H ₁₄	Impact of AI systems on job satisfaction	Regression Analysis	Significant ($p < 0.05$)	Reject H ₀₄	Understanding significantly impacts satisfaction
H ₀₅ / H ₁₅	Relationship between perception (trust, fairness, transparency) and outcomes (motivation, satisfaction)	Multiple Regression	Significant ($p < 0.05$)	Reject H ₀₅	Perception significantly affects outcomes

The results of the hypothesis test show that employee perception and outcome are greatly impacted by AI-based performance management systems. While attributes like transparency and trust exhibit relatively weaker or inconsistent impacts, factors like motivation, understanding, and fairness reveal strong and substantial associations. In general, the results validate the hypothesis that employee perception is an important factor that can influence motivation and job satisfaction within AI-powered performance evaluation systems.

Discussion

Employee perceptions of AI-based performance management systems and their impact on key organizational outcomes, such as work satisfaction and employee motivation, were the focus of the current study. The results offer a complex picture of how employee reactions to AI-driven evaluation systems in modern workplaces are influenced by perception variables, including trust, fairness, transparency, understanding, and comfort. The results of this study show that employees have a cautious but generally positive perception of AI-based performance management systems. Although most respondents showed awareness and a respectable degree

of understanding of AI applications, a sizable percentage remained neutral in a number of areas, such as satisfaction, clarity, and transparency. This implies that even while the use of AI is growing, employees have not yet completely trusted or assimilated these systems. This result is in line with earlier studies that show AI systems are frequently viewed as opaque or "black boxes," which causes uncertainty and cautious adoption (6)(8).

The importance of perceived fairness in influencing employee attitudes is one of the study's main conclusions. According to the findings, employees firmly believe that AI decreases favoritism, lowers bias, and fosters equality in appraisal. This is consistent with previous research indicating that AI improves consistency and objectivity in performance review procedures (1)(3). Regression study also shows that fairness is a strong predictor of employee motivation and trust, suggesting that when workers believe AI systems are fair and objective, they are more likely to adopt them. This is consistent with Majrashi's (2025) findings, which highlighted a strong connection between fairness perceptions and the objectivity and relevance of evaluation criteria (9).

Conversely, the role of transparency seems to be less powerful and more complicated as compared to what is theoretically anticipated. The statistical correlation between AI systems and trust and motivation was weak and inconsistent, although the respondents tended to view AI systems as transparent. It somewhat opposes the results of Yu et al. (2023), who state that the level of transparency is one of the key predictors of trust in AI systems (8). One potential cause of this discrepancy is that employees can experience superficial transparency (e.g., basic explanations) without necessarily having an in-depth understanding of the underlying algorithms. Hence, transparency itself might not have a considerable effect upon employee attitudes unless it is followed by deeper cognitive understanding and effective communication.

The analysis also shows that the level of trust in AI systems is not absolute but rather moderate, which implies the presence of a positive attitude to such systems but not total dependence. Whereas the majority of respondents indicated that they mostly trust AI systems, a large number of respondents were neutral. This result confirms the idea of algorithmic aversion, whereby workers favor the human judgment in cases where subjectivity and emotional intelligence are used (10). This opinion is even strengthened by the fact that the majority of respondents showed a strong preference towards a hybrid (AI + human) system. Employees seem to appreciate the analytical power of AI but still rely on human judgment for the contextual and interpersonal context of performance assessment.

In terms of employee outcomes, the results indicate that AI-based performance management systems positively affect employee motivation, but the correlation between the two is moderate. The results of regression show that fairness is the most important predictor of motivation, and trust and transparency have weaker and less consistent impacts. This is in line with other researchers who have argued that motivation is boosted when employees' feel that evaluation systems are fair and objective (5)(7). Meanwhile, the relatively low explanatory value of the model implies that other aspects, including organizational culture, leadership, and autonomy, might also have an effect on employee motivation.

In addition, it was found that employees' job satisfaction is significantly impacted by how they understand, are motivated and feel comfortable using AI systems. Understanding, as backed by correlation and regression analysis, is found to be the most influential predictor of satisfaction. This observation aligns with studies that stress the significance of explainability and user understanding in the adoption of AI (8). Employees with a clear understanding of how AI-generated evaluations are created are more likely to view those evaluations as fair and acceptable, resulting in higher satisfaction. Motivation is also an important factor, whereas comfort has a positive impact but to a relatively smaller degree. These results emphasize the significance of cognitive (understanding) and emotional (comfort and motivation) aspects in determining employee satisfaction.

Along with these positive results, the study also reveals a number of serious issues related to the adoption of AI, including the absence of human judgment and the problem of data privacy. A considerable percentage of the respondents disclosed that they are worried about diminished human interaction in performance discussions, which implies that AI-driven systems can undermine interpersonal relations in organizations. The observation is in line with Nath et al. (2025) who indicated that employees tend to feel out of place and uncomfortable in completely automated systems (11). Also, the topic of data privacy and algorithm bias has raised ethical considerations related to the use of AI, as reported in past literature (2).

Another implication of the results is that employee acceptance of the AI-based decision-making is conditional, not absolute. Although a small number of employees accept AI-based promotion decisions, a big percentage of employees tend to favor human participation or even contextual judgments. This confirms the need to embrace a hybrid strategy, which integrates the effectiveness of AI and the compassion and situational awareness of human managers.

Theoretically, this research makes contributions to the current body of literature by showing that employee perception is a mediating process between the AI systems and employee outcomes. Although previous researchers investigated the individual elements of trust or fairness independently, the present study combines several variables of perception and correlates with motivation and satisfaction, which makes the study more comprehensive regarding AI adoption in HRM.

Practically, the findings indicate that organizations need to embrace a humanistic approach to the application of AI. In particular, companies are advised to work on the improvement of fairness by using unbiased algorithms, enhancing transparency by communicating effectively, and boosting employee understanding by training and creating awareness programs. Also, the issue of trust, emotional connection, and ethical decision making can be resolved by keeping the human touch in the performance evaluation processes.

There are several limitations of the current study. The size of the sample is rather small ($n = 60$) and the sample is composed of predominantly young, early-career professionals in high technology-intensive industries. This limits the generalizability of the results. In addition, the data were self-reported, and subject to social desirability and response bias. The cross-sectional design prevents examination of the long-term implications of the adoption of AI.

Future research could utilize larger and more diverse samples within multiple industries and locations. Longitudinal designs will allow greater insights into the evolution of employee perceptions over time. Moreover, further research could incorporate other variables such as organizational culture, leadership styles, AI explainability and ethical governance to further enhance understanding of AI-driven HR systems.

Conclusion

The present study explores employee perceptions of AI-based performance management systems and their effect on critical workplace outcomes such as employee motivation and job satisfaction. This is a valuable contribution in regards to an increasing digital transformation and an increasing integration of Artificial Intelligence in Human Resource Management and it can bring insights into how employees experience and react to AI-led evaluation systems.

According to the study's findings, employees usually view AI-based performance management systems positively yet cautiously. Although most respondents are aware of and have a moderate understanding of AI applications in performance evaluation, a sizeable portion is neutral across a number of dimensions, indicating uncertainty and partial acceptance. This demonstrates that employee awareness, understanding, and psychological preparedness are just as important to the successful implementation of AI systems as technological skills.

One of the main findings of this study is that fairness is an important factor in how employees perceive and accept AI systems. Employees view these systems as effective at reducing human bias, minimizing favoritism, and ensuring objective evaluations. This sense of fairness greatly impacts employee motivation and trust. It shows that fairness is key to improving the effectiveness of AI systems. On the other hand, transparency and trust have weaker and less consistent effects. This suggests that these factors alone might not be enough to achieve positive employee outcomes unless they are backed by a deeper understanding and thoughtful implementation.

The study shows that AI-based performance management systems can boost employee motivation, especially when employees' see these systems as fair and objective. However, this connection is moderate, indicating that other factors, like the workplace environment, leadership, and employee independence, might also play a role in motivation. Likewise, job satisfaction is significantly affected by how well employees understand, feel motivated by, and are comfortable with AI systems. Among these, understanding stands out as the most powerful predictor. This highlights the need for clear communication, explainability, and employee training to improve satisfaction levels.

Another important finding is the preference for a hybrid (AI + Human) approach to performance evaluation. Employees value the efficiency, consistency, and analytical capabilities of AI systems but continue to rely on human judgment for contextual understanding, emotional intelligence, and fairness in complex situations. This indicates that AI should be viewed as a supportive tool rather than a complete replacement for human decision-making.

Although the study demonstrates positive outcomes, it also identifies several challenges associated with AI adoption, such as reduced human interaction, data privacy concerns, and potential algorithmic bias. These issues underscore the necessity for organizations to pursue a balanced and ethical approach to AI implementation. The cautious acceptance exhibited by employees indicates that trust in AI systems remains in development and requires ongoing organizational efforts to enhance.

In summary, the study confirms that employee perception is a critical factor in the success of AI-based performance management systems. Although AI provides notable benefits in efficiency, objectivity, and data-

driven decision-making, its effectiveness is contingent upon employees' perceptions of fairness, understanding of system operations, and comfort with usage. The findings emphasize the importance of a human-centered and transparent approach to AI implementation to ensure alignment between technological advancements, employee expectations, and organizational values.

In conclusion, AI-based performance management systems can improve employee motivation and job satisfaction, but their effectiveness depends on balancing technological efficiency with human involvement. Organizations should develop fair, transparent, and employee-focused AI systems to foster long-term acceptance, trust, and success in the digital workplace.

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