

Examining the Relationship of Performance Appraisal System and Employee Satisfaction

Rabia Karimi

BBA - HRM

Iqra National University

Peshawar

Muhamad Imran Malik

Lecturer

Iqra National University

Peshawar

Dr. Saddam Hussain

Assistant Professor

Iqra National University

Peshawar

Abstract

The current study aims to examine the relationship of employee performance appraisal system (PER) and employee satisfaction (SAT) in a sample of 101 employees working at one of the international non for profit organization. The data was collected by convenient sampling and snow ball sampling techniques with the help of adopted questionnaires. The reliability of the instruments used is reaffirmed which is accordance with the required standards. After applying Pearson's correlation and linear regression the results show that there is a positive relationship between the independent and the dependent variables. The study has implications for managers of all the profit and non – for profit organizations. The results are compared with and discussed in the light of relevant research studies.

Key words: Performance appraisal system, employee satisfaction, Pakistan.

1. Introduction

Assessment of employees' performance is one of the common practices in almost every organization, a necessary phenomenon for the better performance of employees and the organizations. For better performance of the organizations satisfied employees play a vital role. Seldon, Ingraham & Jacobson, (2001) reported that more than 90 percent of bigger organizations use performance appraisal system and more than 75 percent are scheduled annually. Employee satisfaction is considered a key to organizational success. Khan (2007) defines employee satisfaction with job as how well ones personal expectations at work are in line with outcomes. Malik, Bibi and Rahim (2010) state that people enjoy working, and strive to work in those organizations that provide positive work environment where they feel they are making difference and where most people in the organization are proficient and pulling together to move the organization forward. The organizations in this regard are struggling hard to keep their valued employees satisfied.

Malik, Saleem and Ahmad (2007) explained employee satisfaction with work as the degree to which an employee likes his or her job. In simple words it can be said as the likening ness to the job that motivates the employees to be present at their work places and carry out tasks to accomplish goals. Whereas employee performance appraisal system can be better understood as Alternate words used for this concept may be employee appraisal, performance review, career development discussion etc. Anthony, Perrew and Kacmar (1996, pp. 374-5) state that a performance appraisal system must be well defined, corporately supported and monitored. It must also be widely communicated and focused towards achieving corporate objectives. A performance appraisal system must be integrated as part of a performance management system aligned toward achieving corporate goals (Schneier, Shaw & Beattie, 1991, p.298; Marchant, 1999). Coens and Jenkins (2000) suggest that performance appraisal is a mandated process in which, for a specified period of time, all or a group of an employee's work behaviors or traits are individually rated, judged, or described by a rater and the results are kept by the organization.

Performance appraisal system is a combination of all the factors like proposed strategies involving performance appraisal, reward and recognition systems are suggested and analyzed in order to improve performance (Marchant, 1999). The study investigates the fairness of the appraisal system and its effect on employee satisfaction.

2. Literature review

The advantages of employee satisfaction that organizations can enjoy has been illustrated by the researchers such as Malik, Zaheer, Khan and Ahmad (2010), Malik, Ahmad, Saif, and Safwan (2010), AL-Hussami (2008), Bhatti and Qureshi (2007). The researchers have examined the relationship of employee/job satisfaction with various variables and found that job satisfaction of an employee is related to many of the variables showing the advantages. In a study while examining a relationship of different variables the authors found that there is a negative relationship between employee job satisfaction and their turnover (Malik, Zaheer, Khan & Ahmad, 2010). It means that job satisfaction of employees can be used as a tool to stop the employees to leave the organization. So the more employees are satisfied from their jobs less will be the chances to leave the organization.

The researchers while examining the relationship of organizational commitment, job satisfaction and productivity in a sample of 450 employees found that employee job satisfaction is a positive predictor of employee productivity (Malik, Ahmad, Saif, & Safwan, 2010). It means that the more employees will be satisfied from their work more they will be contributing towards achieving organizational goals in an effective and efficient manner.

AL-Hussami, (2008) tested a relationship of job satisfaction and organizational commitment among nurses and found that both the variables were significantly related. Organizational commitment is the belongingness to the organization. It occurs when an individual wants to work in an organization willingly. So employee job satisfaction helps the employees to work with the organization with full interest and love.

Bhatti and Qureshi (2007) found out that there is a positive relationship of job satisfaction with employee participation, employee commitment and employee productivity. This finding also adds to the advantages of the job satisfaction of employees by adding that at the same time it has a positive effect on three factors like productivity, commitment and participation in work activities.

Khan (2007) he states that the fundamental objective of performance appraisal is to facilitate management in carrying out administrative decisions relating to promotions, firings, lay offs and pay increases. For example, the present job performance of an employee is often the most significant consideration for determining whether or not to promote the person.

Savery and Syme (1996) carried out a study of hospital pharmacists and examined a relationship of satisfaction with issues such as appropriate evaluation systems, rather than with pay or job security, correlated best with increased organizational commitment. Reid and Levy (1997) recommend that subordinate appraisal of managers could also be undertaken to identify areas of skill and ability deficiency which could be utilized to further the development of these managers. The final product from such a system should be the development of an appropriately trained and skilled workforce. To summarize the satisfied employees are the assets of any organization. Job satisfaction helps the employees to remain in the organization, work hard with interest, to be affiliated with the organization and have maximum productivity.

3. Methodology

3.1. Sample

Sample for the current study constituted of 101 respondents working in an international organization operating in Peshawar region. Responses were gathered through closed ended questionnaire adopted from earlier researches. Both male and female employees took part in the study. Data was gathered from respondents on the basis of convenient sampling and snow ball sampling techniques, types of non- probability sampling.

3.2. Instrument

In this study the employee performance appraisal system (PER) worked as independent variable and employee satisfaction (SAT) worked as a dependent variable. Moreover demographic information of the respondents is also included in the study.

The tool used to tap responses was having 42 items in all in which five items inquired about demographic information of the respondents, nineteen items inquired about employee appraisal system employed at the organization and eighteen items inquired about employee's satisfaction with work at an organization. The instruments were adopted from different research studies for which the references are provided in table 3.1 along with their reliabilities. Except demographic information all the items were rated at five point likert type scale ranging from "1" to '5', where 1 represented "strongly disagree" and 5 represented "strongly agree" for employee performance appraisal system. For employee satisfaction 1 represented "strongly dissatisfied" and 5 represented "strongly satisfied". The items for assessing fairness of employee performance appraisal were adopted from fifty items proposed in Thurston in the year 2001. Whereas to assess employee satisfaction the items were adopted from Minnesota Satisfaction Questionnaire (Weiss, Dawis, England, & Lofquist, 1967).

Table 3.1 Reliability analysis

Variable	Nature of variable	No. of items	Cronbach's Alpha
PER	Independent variable	19	0.888
SAT	Dependent variable	18	0.884

PER: Performance appraisal procedures system

SAT: Employees satisfaction.

3.3. Procedure

The data was gathered in 60 days after having several visits at regional office of the organization located at Peshawar. The questionnaires were distributed directly in few departments and for other departments; managers/relatives working at the organization were requested to help in data gathering.

Data is screened and analyzed through Statistical Package for Social Science 15.0 v. Normality of data is assessed by employing skewness, that complied with the required standards. After assessing the normality the parametric tests are used to analyse data and Pearson's correlation and linear regression analysis were carried out. The results of the study are explained in the next section.

4. Results

Primary data was gathered to examine the relationship of the independent and dependent variables. Based on the demographic profile of respondents, Pearson's correlation and linear regression the results of the study are explained in this section. Table 4.1 shows the demographic profile of the respondents that responded to the questionnaire.

Table 4.1 Demographic Information

Variables	Category	N	Percentage
Gender	Male	53	52.5
	Female	48	47.5
Marital status	Married	62	61.4
	Single	39	38.6
Education	Matriculation	04	04.0
	Intermediate	12	11.9
	Graduation	35	34.7
	Masters	34	33.7
	M. Phil.	12	11.9
	Doctorate	02	02.0
	Others	02	02.0
Department	Finance	23	22.8
	Administration	23	22.8
	Logistics	14	13.9
	Grants	21	20.8
	Human Resources	17	16.8
	Others	03	03.0

The demographic information show that Male, married were more interested to take part in the study. Maximum respondents are graduates and worked in finance or administration departments.

Table 4.2 shows the relationship of the variables by using Pearson’s correlation.

Table 4.2

Correlations			
		PER	SAT
PER	Pearson Correlation	1	.694 **
	Sig. (2-tailed)		.000
	N	101	101
SAT	Pearson Correlation	.694 **	1
	Sig. (2-tailed)	.000	
	N	101	101

** .Correlation is significant at the 0.01 level

The Pearson’s correlation helps in ascertaining the relationship of the variables and the results shown in table 4.2 confirms that there is a positive relationship between employee performance appraisal and their satisfaction. The results for the said relationship are significant which helps in confirming the alternate hypothesis.

Table 4.3 shows the results of regression analysis.

Table 4.3: Regression Analysis

Employee Satisfaction as Dependent Variable

Constant	PER	R/R sq.	F – Statistic
0.737 [0.157] (4.706)	0.713 [0.074] (9.584)	0.694/0.481	91.850
0.000	0.000		0.000

Note: Regression Coefficient St. Error in Parenthesis, *t*-Values in Brackets and *p*-Values in Italics

The results of regression analysis confirm that there exists a positive and significant relationship among dependent and independent variable. The value of R square (0.481) represent that independent variable is responsible for 48.1 percent change in the dependent variable. The value of F statistic confirms the model fitness for the said relationship.

Table 4.4 shows the results of independent sample t – test which shows the difference among male and female employees of that organization with respect to performance appraisal system and their satisfaction.

Table 4.4: Independent sample t – test

Variable	Gender	Mean	S.D.	t – value	p – value
PER	Male	1.987	0.649	-0.279	0.781
	Female	2.823	0.644		
SAT	Male	2.205	0.655	-0.825	0.533
	Female	2.122	0.673		

*PER: Employee Performance Appraisal System

*SAT: Employee satisfaction

The results of table 4.4 show that there is no significant difference between male and female employees’ appraisal and satisfaction. The p – values 0.781 and 0.533 respectively confirm that the employees are assessed by using the same appraisal system in a fair manner and there is no significant difference between their satisfaction levels. This is due to the fact that the employees are working in the same organization and the policies which are being followed are the same for all male and female employees working in different departments.

5. Conclusion and discussion

Based on the responses of 53 male and 48 female respondents the results reveal that there is a positive and significant relationship between employee performance appraisal system and their satisfaction. This is due to the reason that the organization selected for the data collection was an international organization which is in practice of employing the policies in a fair manner. The results confirm that there is no significant difference between male and female employees with respect to their performance appraisal and satisfaction. It confirms that the performance appraisal system in practice is fair enough to keep all the employees satisfied. The results of the study are in line with Khan. (2007) and differ with the research study of Bricker (1992) which stated that the employees were dissatisfied with the performance appraisal systems adopted by their organizations. Many researchers confirmed that the satisfied employees are the key to better individual and/or organizational performance (Schneider , Hanges, Smith, and Salvaggio 2003; Ostroff, 1992; Schneider et al. 2003).

6. Recommendations

Keeping in view the importance of employee satisfaction it is recommended for all for profit, non for profit, private sector and public sector organizations that the employee performance appraisal systems should be developed and maintained in a fair manner. More research is needed to clarify that either private or public sector organizations operating in Pakistan are employing fair systems of employee performance appraisal or not.

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