# The Relationship of Employees' Performance Appraisal Satisfaction with Employees' Outcomes: Evidence from Higher Educational Institutes

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Performance appraisal is one of the most important activities of human resource management. For an organization to achieve its strategic goals the organization shall give due importance to the integral part of HRM i.e. performance appraisal system which shall be regularly and properly carried out to evaluate the performance of its employees. However, in Pakistan employees' performance appraisal satisfaction is rarely linked with employee outcomes. This study investigated the relationship of employees' performance appraisal satisfaction with self-reported work effort, affective organizational commitment and turnover intentions. The data was collected from both academic and non-academic staff of higher educational institutes in Peshawar city. Being co-relational in nature, it has drawn a sample of 316 using stratified random sampling procedure. The findings revealed that the employees' performance appraisal satisfaction is significantly and positively related with work effort and affective organizational commitment. However, it has a negative relationship with employee turnover intentions which means that higher the level of satisfaction regarding performance appraisal will lower intention to quit the current organization. Furthermore, limitations as well as direction for future researchers have also been given.

# *Keywords:* performance appraisal satisfaction, higher education institutes, work effort, affective organizational commitment, turnover intention.

In order to achieve organizational objectives, many organizations have started to emphasize the importance of human aspect in today's global environment, thereby laying grounds for the importance of employees in organizational performance. People, according to the resource-based view, are the most prominent resource which cannot be imitated. Stevers and Joyce (2000) argued that in order to achieve desired organizational objectives, performance management and appraisal systems of an organization play crucial roles. The significance of these practices on performance of employees relies on individual's perception about such practices.

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**Contribution of Authors:** Principal author designed the study with the help of other two authors. He did initial drafting of paper, collected the empirical data and done initial data analysis.

Dr. Waseef Jamal has supervised overall study, facilitated other authors in data collection and analysis. He also reviewed the post results section and finalized the manuscript.

Muhammad Riaz also participated in data collection. He drafted the post methodology section and done final analysis. He also did proof reading and reviewed the manuscript

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Since performance appraisal provides information about the efforts of employees, it is considered a critical aspect of HRM (Boswell & Boudreau, 2002; Judge & Ferris, 1993). Various definitions have been put forward by researchers for performance appraisals. Scott (1990) defined it as "the measurement or evaluation of the desired quantity and quality of the performance of the employee at work". Similarly, Spicer and Ahmad (2006) defined performance appraisal as a "tool for managing the effectiveness and efficiency of employees" (p.214). It is a tool to measure and the performance of employees so that organizational objectives are achieved properly (Mullins, 2002). Through performance appraisals, management can be strengthened since it has an impact on both the management itself as well as on employees (Mackey & Johnson, 2000). On the other hand, just as performance appraisal has positive impacts, it also possesses an equal chance of having a negative influence on the work effort as well as organizational performance (Nurse, 2005).

The term work effort refers to the quality and quantity of work delivered by employee mandatory to achieve desired goals and standard which are required for performing the task (Ivancevich & Matteson, 1996). The primary focus of performance appraisal is to improve the performance of employees at workplace and employee satisfaction. However, it can at the same time demotivate employees and can leave an undesirable impression on the good employees (Mackey & Johnson, 2000). Similarly, majority of employees working in organizations do not favour a constant performance appraisal and for such people it may be an oppressive activity in an organization. Employees perceived performance evaluation as oppressive activity as a part of organizational activities (Anderson, 2002).

Previous studies are conducted on performance appraisal and related employees' outcomes in the developed countries (Kuvaas, 2006; Vignaswaran, 2008; Poon, 2004). But results of the studies cannot be generalized across the board as developing countries differ from the developed countries in many aspects. As according to Vance, McClaine, Boje and Stage (1992) management style of United State is considerably different from other country culture. There are limited studies in the context of developing countries. This dearth of studies is the key motivation behind the present study. This study is intended to determine the relationship of employee's satisfaction of performance appraisal and employee outcomes i.e. work effort, affective organizational commitment and turnover intention in higher education institutes -HEIs in the context of developing country i.e. Pakistan.

#### **Literature Review**

There are various definitions of performance appraisal which vary considerably from each other (Scholtes, 1993; Kumar, 2005; Pettijohn et al., 2001). Arbaiy and Suradi (2007) defined it as "a structured formal interaction between a subordinate and his/her superior. It usually embraces of a periodic interview, in which the work performance of the subordinate is examined and discussed" while Ubeda and Santos (2007) defined performance appraisal as "a tool to identify and monitor staff's competences, as well as taking into account a company's core competence and external demands" (p.110). So it can be concluded that performance appraisal is a process in which the performance of employees are assessed against some set standards over a period of time.

Researchers have studied performance appraisal and employee outcomes (Vignaswaran, 2005; Kuvaas, 2006; 2007). Bekele and Shigutu (2014) found that perception of employees regarding performance appraisal is positively related to organizational commitment and work performance, while negatively related to employees' turnover intentions. They also recommended that organizations should implement performance appraisal tools properly.

#### EMPLOYEES' PERFORMANCE APPRAISAL SATISFACTION

It has been suggested that if employees are not appraised for their good performance, then for the next time, they will not do that work again and it was found there exists a positive relationship between performance appraisal satisfaction and employee work performance (Pettijohn et al., 2001). Besides this, research studies also concluded that there is a positive relationship between employee's satisfaction of performance appraisal and work performance (Pettijohn et al., 2001; Roberts & Reed, 1996).

There is a positive as well as negative impact of performance appraisal on the work performance of employees (Rasch, 2004). The study highlighted that those employees who score well are more motivated and they sustain their performance. Positive feedback gives a sort of feeling of value to employees, particularly when complemented in the form of increment (Cook & Crossman, 2004). Likewise, they further commented that if the manager gives lower score on performance appraisal to their employees, then employees would certainly feel demotivate at workplace and correspondingly, it will indeed influence the work effort.

Fakhimi and Raisy (2013) studied the relationship between performance appraisal satisfaction and behavioural outcomes such as work effort, affective organizational commitment, motivation improvement and turnover intention, and found a positive relationship among all relationships. It was further argued that in order to strengthen the performance appraisal, employee perspective shall be incorporated.

A comparative study in India, conducted by Raschand and Purang (2011),on public and private sector banks revealed that employees in private sector feel more satisfied and acknowledge the fairness in performance appraisal systems of their banks; whereas this was not the case in public sector banks and recommended the redesigning of performance appraisal systems in public sector banks. A similar study conducted by Vignaswaran (2008) in Malaysia investigated the relationship between employees' outcome and performance appraisal with a mediating role of intrinsic motivation found a significant positive relationship between the two variables. Moreover, the mediating role of intrinsic motivation was also found to be significant in the concerned relationship of work performance and performance appraisal. These findings are consistent with the works of Kuvaas (2006), Pettijohn et al., (2001), and Roberts and Reed (1996).

Decramer, Smolders and Vanderstraeten (2013) investigated the impact of employee's satisfaction of performance management systems with communication related to the system and control tightness of the academic staff working in HEIs. Findings showed that greater the level of consistency of employee performance management systems, the more tight control and positive two way communication guide to the higher degree of employee's satisfaction related to performance appraisal systems. They suggested that in future the impact of employee's satisfaction of performance appraisal system with organizational outcomes shall be studied. Cook and Crossman (2004) studied performance appraisal satisfaction and person's role being an appraise and or appraiser. Their study findings revealed that there is no difference in a person's role and performance appraisal satisfaction. Study also showed that performance appraisal satisfaction or dissatisfaction do not attribute uniformly to all facets of organizational justice.

In the context of Pakistan, several studies have been conducted regarding the concept of performance appraisals. For instance, Ishaq, Iqbal, and Zaheer (2009) conducted a study on public and private sector organizations to examine the outcomes and determinants of performance appraisal. The results of the study revealed that people are aware of the outcomes of effective

appraisals of performance, but are oblivious of its disadvantages. Moreover, the study also found that perspective about the outcomes of performance appraisal systems differ even across genders. A study by Farooq and Aslam (2011) found that feedback and training significantly influence employees' work effort in an organization. Arslan, Sohail, and Zaman (2014) argued that employees' personal skills are significantly influenced by an organization's performance appraisal systems, thereby implying that a robust performance appraisal system helps in better understanding of employees' performance.

Organizational commitment is defined as "the strength of individual identification with and involvement in a particular organization" (Mowday, Steers & Porter, 1979). While affective organizational commitment is one of the dimensions of organizational commitment which is related to positive work experience (Allen & Meyer, 1990). Roberts and Reed (1996) argued that there is a positive relationship between employee's satisfaction of performance appraisal and affective commitment and employee's satisfaction regarding performance appraisal can be maximized with the help of employee participation and clarity regarding perceived goals. In light of literature discussed it is hypothesized that

H1: There is a positive relationship between employees' performance appraisal satisfaction and work effort.

H2: There is a positive relationship between employees' performance appraisal satisfaction and affective organizational commitment.

Turnover intention is related to the people intention to leave or quit the organization or individual tendency to quite from their organization (Price, 1977). Poon (2004) found that employee's dissatisfaction regarding performance appraisal significantly increase employee intention to leave their organization while having lower level of job satisfaction. Therefore, the following hypothesis is put forth for testing:

H3: There is a negative relationship between employees' performance appraisal satisfaction and turnover intensions.

# Method

Being co-relational and explanatory in nature the study is carried out quantitatively (Christensen, 1985). Christensen (1985) suggested that if the purpose of research study is to explain the relationship between variables then under such circumstance quantitative approach is suitable method. Moreover, Neuman (2000) suggested that quantitative study primarily emphasis on studying samples and populations and are profoundly dependent on mathematical data and statistical analysis. Therefore, this study is conducted using quantitative technique where the researcher tests the theory which is derived from previous literature. Besides this, the nature of this study is in such a way that it allows the researcher to use the given technique as a suitable choice because the study is mainly related in examining the relationship between independent and dependent variables and apart from that it was also found from the literature that most researchers employed quantitative approach to investigate the phenomenon (Kuvaas, 2006; Kuvaas, 2009, Vignaswaran, 2008; Pettijohn, 2001).

# Population and Sample

The data is collected from employees working in HEIs of Peshawar city. Sampling was carried out in two stages or utilizing multistage sampling technique. In the first stage, from a list of eight

public sector and seven private sector HEIs, 2 old and 2 newly established HEIs selected purposely (given in annexure). While in the second stage, utilizing stratified random sampling method, two strata were formed i.e. administration staff and faculty staff or academic and non-academic staff. The technique is chosen to avoid the chances of biasness and to generalize the finding to other similar situation (Saunders et al., 2009).

#### Instruments

## Performance Appraisal Satisfaction

An eight item, 5 point Likert scale (1= strongly disagree to 5= strongly agree) construct is adopted from Meyer and Smith (2000). It sample items is like "I am satisfied with the way my organization provides me with feedback", the adequacy of feedback employees receive e.g. "the feedback I receive on how I do my job is highly relevant".

*Work Effort:* For work effort of employees Brockner et al., (1992) measure is adopted. This construct contains six items 5 point Likert scale (1= strongly disagree to 5= strongly agree).

Affective Organizational Commitment: Affective organizational commitment was measured by instrument Meyer, Allen and Smith (1993) is adopted, comprises six items 5 point Likert scale (1= strongly disagree to 5= strongly agree).

*Turnover Intention:* Finally, for measuring turnover intention 3-items with 5-point Likert scale were adopted from Khatri, Fern and Budhar (2001).

## **Reliability of instrument**

The reliability analysis is applied in order to find out whether the instrument is giving reliable (consistent) results or not with the overall questionnaire. Hair, Black, Babin, Anderson and Tatham (2006) stated that if the reliability coefficient of a construct is 0.70 or more is treated as reliable. Moreover, Bakeman and Gottman (1986) argued that a variable having reliability as 0.65 is enough to find the reliability while the variable having value 0.70 or more have been recommended. This study contains one independent variable i-e performance appraisal satisfaction having alpha as 0.888 while three dependent variables i-e work performance, affective organizational commitment and turnover intention having the alpha values as 0.855, 0.667 and 0.928 respectively. Therefore, it shows that scales are internally consistent as given in below table.

Instrument/ Variable	Number of Items	Cronbach's Alpha Coefficient
Performance Appraisal Satisfaction	8	0.888
Work Performance	6	0.855
Affective Organizational Commitment	6	0.667
Turnover Intention	3	0.924

Table 1

Cronbach's Alpha ( $\alpha$ ) Values of the Instruments

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#### Results

400 questionnaires were distributed in eight HEIs out of which 345 questionnaires were received; however, 29 questionnaires were not properly filled by respondents. Therefore, the researcher has collected 316 properly filled questionnaires (response rate of 79%).

## **Demographic Characteristics of Respondents**

There were 80.7 %( n=255) male respondents. Majority were married i.e. 70.88% (n= 224). Age-wise, 55.06% (n=74) were in the age group of 26-35, 22.26% (n=83) in the age group of 36-45 while 7.27% (n=23) each were in the age group of 20-25 and 46-55. There were 13 respondents above age 55 years. Education-wise, 54.11% (n=171) were in the educational level of MS/MPhil, 22.15% (n=70) were having Bachelor/Master degrees (16 years), 21.51% (n=68) were having PhD degrees, 1.58% (n=5) were having Bachelor degrees (14 years) and there were only 0.63% (n=2) respondents having intermediate education. Regarding department, 75.53% (n=245) questionnaires were received from faculty staff while 22.5% (n=71) questionnaires were gathered from non-academic staff. From faculty, 44.6% (n=141 were lecturers, 26.3% (n=83) were Assistant Professors while 3.5% (n=11) and 3.2% (n=10) were Associate Professors and Professors respectively. Similarly, from administration or non-academic staff, 11.4% (n=36) questionnaires were filled by below grade 17 staff, 6% (n=19) were filled by grade 17 officers and only 1.9% (n=6) questionnaires were collected from grade 19 and above non-academic staff.

#### Table 2

Correlation Matrix 1 2 3 4 1 Performance Appraisal 1 Satisfaction Work effort 2 .263 1 3 Affective Organizational .295\*\* .207\*\* 1 Commitment **Turnover Intention** Δ -.470\*\* -.339 -.050 1 \*\* Significant at p<0.01 \*\*\*Significant at p<0.001

## Table 3

IV	β	DV	R <sup>2</sup>	F (sig)
			Value	
Employees' performance appraisal satisfaction	β = .140**	Work effort	.069	23.230 (.000)
Employees' performance appraisal satisfaction	β = .190**	Affective organizational commitment	.087	29.880 (.000)
Employees' performance appraisal satisfaction	β = - .282**	Turnover intention	.115	323.205 (.001)

The correlation analysis showed that employees' performance appraisal satisfaction is positively and significantly correlated with work effort (r (312) =.263, p<.01). The regression analysis

also corroborated result as employees' performance appraisal satisfaction is positive influencing work effort ( $\beta$ =.140, p<.01; R<sup>2</sup>=.069; F (2,314) =23.230, p<.001). Thus **H1** is accepted.

The results showed that employees' performance appraisal satisfaction is positively correlated (r(312) = .295, p < .01) with affective organizational commitment. As reported by regression results, there is positive impact of employees' performance appraisal satisfaction on affective organizational commandment ( $\beta = .190$ , p < .01;  $R^2 = .087$ ; F(2,314) = 29.880, p < .001). Thus **H2** is get supported and therefore accepted.

Employees' performance appraisal satisfaction is inversely correlated (r (312) =-.339, p<.01) with turnover intensions. Similarly, employees' performance appraisal satisfaction in negatively impacting the turnover intensions ( $\beta$ = -.282, p<.01;  $R^2$ =.115; F (2,314) =323.205, p<.001). This showed that the third hypothesis (H3) is justified and thus accepted.

This chapter highlights finding of the study taken from previous chapter of data analysis. Additionally, directions for prospect researchers are also given at the end of this chapter.

#### Discussion

The study aimed at examining the relationship between employees' performance appraisal satisfaction and employees' outcomes in the form of work effort, affective organizational commitment and turnover intentions. The findings revealed that employees' satisfaction regarding performance appraisal have a significant impact on employee outcomes i.e. work effort, affective organizational commitment and turnover intensions. The study found that there is a significant and positive relationship (r (312) =.263, p<.01) between performance appraisal satisfaction and work effort of employees working in HEIs. This is corroborating the findings of the studies by Klein and Snell (1994) and Kuvaas (2006). They argued that goal setting during the process of performance appraisal significantly influence attitudinal reaction of those employees who are not performing well, as such people requires precision regarding goal setting for the purpose of improving their job performance.

This study showed that affective organizational commitment is significantly and positively associated (r (312) =.295, p<.01) with performance appraisal satisfaction. This means that if employees are satisfied with performance appraisal conducted by their organization, then their emotional attachment towards their organization will be significantly high. These findings are also in line with the previous studies (Vignaswaran, 2008; Kuvaas, 2006; Klein & Snell, 1994) where they found a positive relationship between performance appraisal satisfaction and affective organizational commitment.

Furthermore, the finding of this study also portrayed that performance appraisal satisfaction is negatively correlated (r (312) =-.339, p<.01) with turnover intention of employee. It ultimately means that the more people are satisfied with their performance evaluation the lesser will be their intention to leave their organization as reported by Poon (2004). Ahmed, Ahmed, Hussain, and Akbar, (2010)have also found similar association between PA satisfaction and turnover intention with value ( $\beta$  = -.811, p < .001)..

#### Conclusion

This research replicated Kuvaas (2006) and Vignaswaran (2008) studies. However, Vance et al., (1992) argued that management style in western culture is different from that of other countries and context particularly developing countries and their findings cannot be generalized to the findings

of other country context. Therefore, with this intention the current study was investigated. To conclude the study, performance appraisal satisfaction has positive relationship with work effort of employee. Similarly, performance appraisal satisfaction is positively associated to affective organizational commitment while negatively related with the intention to quit. These findings corroborated previous results (Kuvaas, 2006; Pettijohn et al., 2001; Robert & Reed, 1996; Vignaswaran, 2008; Levy & Williams, 2004).

## **Recommendations for practitioners**

Following are the recommendations for managers and practitioners;

- 1) As the study suggest a positive relationship between performance appraisal satisfaction and employee outcomes, so managers need to have a clear communication about performance appraisal satisfaction if they want to improve organizational productivity.
- Similarly, performance appraisal system should be designed in a manner which enhances employee trust about fairness of the system which will indeed result in greater degree of employee commitment.
- 3) Employees' satisfaction regarding performance appraisal system will also help in reducing the turnover cost. Subsequently, organization will easily retain their employees.
- 4) Managers in organization need to have a transparent performance appraisal system as it is beneficial for increasing work effort, employee commitment and at the same time reduce their intention to quit from their existing organization.
- 5) Finally, this study also recommends the managers and practitioners to establish clear goal for employees. Having goal clarity enhance the energy level of individuals. Once employees are aware about their clear desired goals, they will exert their full efforts towards achieving those goals and will definitely raise their performance level which in turns, will boosted organizational productivity.

## Limitations and Directions for Future Researchers

The results of the study shall be dealt cautiously as it has several limitations. Firstly this is a cross-sectional and self-reported data based study, so there may chances of Social Desirability Bias. There are several limitations of gathering the data using self-reported tool. In order to minimize this issue one could opt for mixed methodology. Because self- reported questionnaire only determine the attitudes of respondents, while it fails to capture the actual behaviours. As, it does not assure whether these attitudes of respondents will be converted into actual behaviour. Secondly, this study has taken work effort, affective organizational commitment and turnover intention as three dimensions for measuring employee outcomes, so there is a need to consider certain other employee outcomes like job satisfaction, job involvement, absenteeism, presentisim and job stress etc. Thirdly, the future researchers could indulge certain other variables that could moderate and mediate the relationship between performance appraisal satisfaction and employee outcomes e.g. autonomy orientation (Lee et al., 2003) and internal ability (Fletcher, 2003) etc. Moreover, data is collected only from one sector in this study i.e. higher education institute of Peshawar. However, the future researchers shall gather the data from other industry or other regions in order to examine this particular phenomenon. Finally, this study includes both public and private sector institutes however, it fall short to do comparison among these universities, therefore the upcoming researchers shall do a comparative analysis of private and public HEIs in order to examine the phenomenon at hand.

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# Table 2

Annexure: 1

List of Universities in Peshawar selected for study

Public Sector	Private Sector
University of Peshawar (1950)	Cecos University (1986)
University of Agriculture Peshawar (1980)	Qurtaba University (2001)
Institute of Management Sciences Peshawar	City University (2008)
(2002)	
Islamia College University (2008)	Iqra National University (2012)