The Implementation of Performance Appraisal System: Perceived Fairness, Employee Satisfaction And Organizational Commitment

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**ABSTRACT**

Performance appraisal (PA) system are the most applied organization management technique used and was intended to enhance competency and productivity of employee in organization. The exercise and practice of employee performance evaluation is one of the important aspects in the Human Resources Management. However, the poor implementation of performance appraisal can give impact towards the organization’s performance as it was considered one of the bureaucratic practices and might having the destructive effect on employee and manager relationship. Therefore, this study intended to focus on the main problems that often discussed in the literature which are perceived fairness and employee’s satisfaction and its effect on organizational commitment.

**INTRODUCTION**

Performance appraisal (PA) system consist of the processes of setting standards, application, managing and informing the incidents related to employee’s performance appraisal. Employee performance evaluation is one of the most applied techniques organizations management used in the developed countries. Despite of how to define the appraisal process or its specific features, performance appraisal system is documented, structures and has become a necessary process in organizations.

The performance appraisal generally includes an interview between the supervisor and the subordinates as well as performance filling forms and paper works required for further documentation of the evaluation system. Suhaimi Sudin [32] stated that “organizational justice and fairness” are the key elements of performance appraisal that determine the success and acceptance by employees which eventually lead organization to the achievement of their business goals.

Kavanagh, Benson and Brown [19] reported that the nature of the managing organization can be observed in the system of employee’s performance management and appraisal (PA) practice in organizations. This process involves a measure where employee’s contribution and commitment in different section and levels of the organizations are evaluated based on the organizational achievements. Clearly, an effective performance appraisal decisions towards further success and growth. On the same note, an ineffective performance appraisal system can jeopardize the efforts of an organization by creating dissatisfaction and confusion which then leads to organization failure.

Disappointment and dissatisfaction, as result of poor performance evaluation have further motivated human resource experts and managers to measure the influence of performance appraisal systems on employees and eventually, the organization’s performance. A performance evaluation system could be acceptable in structure and design but practically ineffective due to rejection and disagreement of some of the users. Therefore, how valid is the system depends on the reactions of the users like the managers and subordinates.
Employees are the valuable assets to determine the success and growth in every organization. Therefore, in line with that, employee’s performance appraisal had becoming a great interest to ensure the organizational survival. Performance appraisal (PA) systems are the processes of setting standards and managing the employee’s progress in order to evaluate their performance and for the purpose of the appraisal. Employee performance evaluations are generally being used in most of the countries and had become a necessary process in organizations to evaluate and measure employee’s productivity.

Several studies support the notion that fairness of performance appraisal is related to employees’ commitment, satisfaction and motivation to their organization [25,1,8]. According to Meyer & Allen [23], perception of fairness illustrates that the organization is committed to its employees. If people feel that the decisions are fair, they would respond with commitment, higher satisfaction and would be more willing to involve in ‘extra-role behavior’ [8]. This perceived fairness was further argued by Cook & Crossman [9] that the evaluation performance will not be effective if it is perceived as unfair by those involved in the evaluation process.

Problem Statements:

The result of the poor performance evaluation will cause disappointment and dissatisfaction among the employees and thus this had motivated the study to measure the influence of performance appraisal systems on employees and eventually, the organization’s performance. Even though, this system had widely applied in organization due to its impact on the employee productivity, there is a significant dispute about their efficiencies. Studies have shown relatively lack of satisfaction with the appraisal systems in most of the organizations [10,32,19,5,11,21]

An effective performance appraisal system can make an organization to make the right decision towards further success and growth. However, an ineffective performance appraisal system can jeopardize the efforts of an organization by creating dissatisfaction and confusion which then leads to organization failure. Based on previous studies, it showed that performance appraisal system is a crucial aspect in organization. Thus this paper will explore the pertinent issues commonly discussed in the literature which is perceived fairness and employee satisfaction towards better organizational commitment among employees.

Research Objectives:

The objectives of this study are:

a) To investigate the relationship between perceived fairness in performance appraisal towards organizational commitment

b) To determine the link between employee satisfaction towards organizational commitment

Literature Review:

a. Performance Appraisal System:

Performance appraisal system had been defined by Griffin and Ebert [15] as the formal evaluation of an employee’s job performance in order to determine the degree to which the employee is performing effectively. It is a formal process of employee monitoring [6,24] and usually involves evaluating performance based on the judgments and opinions of subordinates, peers, supervisors, other managers and even workers themselves [16]. Ideally, a performance appraisal should be a rational process to avoid from biased and subjective evaluation to ensure its effectiveness. However, due to human error, the tendency for the appraisal to be subjective is unavoidable.

Archer North [4] argued that an effective performance appraisal can lead to higher job satisfaction and reduced absenteeism and turnover rates. By having an effective performance appraisal system it also increased motivation to perform effectively, fair distribution of rewards and also for the development purposes. Moreover, Richards [30] found that performance appraisal can provide an indication of areas of training need as well as direction for leadership development, performance improvement, and succession planning.

b. Employee Satisfaction with Performance Appraisal System:

Employee satisfaction towards performance appraisal has been the most frequently measured [20] and it has been primarily conceptualized in three ways which are satisfaction with the performance appraisal interview, satisfaction with the appraisal system, and satisfaction with performance ratings. They also argued that it is necessary to address employee reactions toward their performance appraisal for many reasons, including for the interest of the employee, supervisor and also the organization. Furthermore, Pettijohn, Pettijohn and Taylor, [28] indicate that appraisals can have a positive impact on job satisfaction when employees believe that they are being evaluated by the "proper” criteria. This proves that there have been many reports on dissatisfactions and satisfactions of performance appraisal.

A performance appraisal system will not be effective in organizations if it is not appealing on the users satisfaction, which is to the employee and organization itself [10,32,19] and it will not acceptable by the
employees [21]. Employee satisfaction toward appraisal system is a necessary component in performance appraisal. It will be successful if the appraisal and feedback method is mainly accepted by the employees [10,32,19,21]. Therefore it is crucial to ensure fair and satisfied appraisal to ensure effective individual development and as well as to ensure better performance evaluation for the purpose of recognition, rewards, promotion, training or salary pays.

c. Fairness of Performance Appraisal System:

Process of evaluating the performance of employees is one of the most important determinants of organizational justice [14,13]. Although researchers argue about the category of fairness, there is a general consensus that organizational justice consists of at least two components, namely distributive and procedural justice [3]. The procedural justice is the perception of workers that procedures used to evaluate their performance is fair while distributive justice means that performance or rewards received from the use of these procedures is fair [14,8]. Further review in the literatures indicates that fair practices in human resource management, particularly in terms of performance appraisal has a predictive role in the employees’ attitude such as the organization’s commitment [18]. Performance appraisal is viewed as an important mechanism for changing employees’ attitude and behaviors such as affective commitment [25].

If performance appraisals are perceived as unfair, therefore, the benefits of performance appraisals can diminish rather than enhance employee’s positive attitudes and performance [33]. Specifically, the perceptions of procedural unfairness can adversely affect employee’s organizational commitment, job satisfaction, trust in management, performance as well as their work-related stress, organization citizenship behavior, theft, and inclination to litigate against their employer. Therefore, the perceived fairness is one of important aspect in the review about the performance appraisal system because if an appraisal within a company is carried out without any rules, transparency, and prospect of things linked to it, it might cause severe troubles, not only can it damage the climate at workplace but also lead to decrease in productivity.

d. Organizational Commitment:

Organizational commitment defined as the relative strength of an individual’s identification with and involvement in a particular organization. Employees who have strong organizational commitments are characterized as having strong belief in the values and goals of the organization, willing to step up efforts in the interests of the organization and have a strong desire to remain in the organization [27]. This model of commitment is also known as affective or attitudinal commitment that explains the organizational commitment from the perspective of the employees’ attitude towards the organization [26,2,22].

Moreover, Elliot [12] stresses that organizational commitment will affect productivity because employees are willing to work hard and Riketta [31] argues that committed employee is assumed to be more determined to work with and has a low turnover intention. As a result of low turnover, organizations are more capable in reducing operational costs in managing human resources in terms of recruiting, retaining and training. Committed workers are also more ethical as they are not missing from work [22] and more supportive of the organizational values [29].

Methodology:

This paper examines the effect of perceived fairness of the performance appraisal and the employee satisfaction on organizational commitment. In order to execute this study, the quantitative method will be applied on this study by using the self administered questionnaire. By using this method, this study will examined and discovered the effect of fairness and satisfaction factor on organizational commitment.

Conclusion:

This study has explored the relationship between perceptions of fairness of performance appraisal system and how it affects employee reaction toward the system. A review of theoretical and empirical research appears to indicate that employee perceptions of fairness and their reactions would normally have chain effect, which most likely to affect the benefits of the system. The fairness of a performance appraisal system had been identified as the crucial effect on the success of any organization as the perceived fairness are connected to the acceptance of this system and eventually, the performance of employees and organization. The understanding and perceptions of performance appraisal purpose have been connected to employee satisfaction with both appraisal and supervisor. Therefore, the purpose of performance appraisal may affect all dimensions of employee’s perception and reactions toward performance appraisal. Effectiveness of performance appraisal system is needed as it can influence the employees’ commitment to the organization and lastly, this will directly affect the performance of an organization because employee is the important asset to ensure the growth and success of the organization.
REFERENCES


