



Faculty of Cognitive Sciences and Human Development

**THE RELATIONSHIP BETWEEN ORGANIZATIONAL
JUSTICE AND EFFECTIVENESS OF PERFORMANCE
APPRAISAL SYSTEM**

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Statement of Originality

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ABSTRACT

THE RELATIONSHIP BETWEEN ORGANIZATIONAL JUSTICE AND EFFECTIVENESS OF PERFORMANCE APPRAISAL SYSTEM

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Employee performance appraisal is one of the most commonly used management tools in an organization regardless of public or private sector, big or small. Therefore, this study investigates the relationship between organizational justice and the effectiveness of performance appraisal system in selected public organization. The populations in this study are all employees working at the organization. Data were obtained via a questionnaire. There are 150 questionnaires distributed to the respondents from two organizations, Ibu Pejabat Polis Daerah Kota Samarahan and Serian. There are 76 questionnaires were completed and returned and 5 questionnaires were rejected due to incomplete responses. Five points Likert rating scale representing the dimension of organizational justice and the effectiveness of performance appraisal system was included. The findings of the study based on Pearson Correlation analysis, indicated that the respondents perceived the performance appraisal system was to be fair as indicated by the results of hypothesis testing which shows that there is a significant relationship between all the dimension of organizational justice; distributive justice, procedural justice and interactional justice towards the effectiveness of performance appraisal system. On the other hand, the result of the Regression analysis shows that interactional justice become the dominant factor in influencing the effectiveness of performance appraisal system. Finally, there are some recommendation had been made for the future improvements in terms of appraiser, management and future researchers.

ABSTRAK

HUBUNGAN DI ANTARA KEADILAN ORGANISASI DAN KEBERKESANAN SISTEM PENILAIAN PRESTASI

Zamlie Bin Aba

Penilaian prestasi pekerja adalah salah satu alat yang biasa digunakan dalam pengurusan tanpa memperhatikan organisai itu adalah awam atau swasta, besar atau kecil. Oleh sebab itu, kajian ini mengenal pasti hubungan antara keadilan organisasi dan keberkesanan sistem penilaian prestasi di organisasi awam yang terpilih. Populasi bagi kajian ini adalah semua pekerja yang bekerja di organisasi tersebut. Data diperoleh melalui borang soal selidik. Terdapat 150 borang soal selidik telah diedarkan ke Ibu Pejabat Polis Daerah Kota Samarahan dan Serian. Sebanyak 76 borang soal selidik telah diisi dengan lengkap dan dikembalikan dan sebanyak 5 borang soal selidik ditolak kerana jawapan tidak lengkap. Lima point skala Likert digunakan untuk mengukur tahap keadilan dalam sistem penilaian prestasi. Berdasarkan kepada analisis Pearson Correlation, responden merasa adil terhadap sistem penilaian prestasi berdasarkan keputusan analisis hipotesis yang menunjukkan bahawa terdapat hubungan yang signifikan di antara dimensi keadilan organisasi iaitu keadilan prosedur, keadilan pengagihan dan keadilan interaksi terhadap keberkesanan sistem penilaian prestasi. Manakala, keputusan daripada analisis Regression pula menunjukkan keadilan interaksi menjadi faktor utama penyumbang kepada keberkesanan sistem penilaian prestasi. Akhir sekali, terdapat beberapa cadangan yang telah diberikan kepada penilai, pengurusan dan pengkaji baru untuk menambah baik keberkesanan sistem penilaian prestasi pada masa hadapan.

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Research Framework

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter discusses the background of the study, statement of problem, definition of key terms, and limitations of study. The importance of this chapter to be conducted is to give an overview about the studied topic which is performance appraisal and organizational justice with deeper understanding.

1.2 Background of study

Today's workforce is rapidly changing, information-savvy, and requiring flexibility and accommodation as never before (Abd. Aziz Yusof, 2009). For these reasons, organizations must think constantly and strategically about how to build and grow an exemplary workforce capable of meeting the challenges of today and tomorrow. Individual at all organizational levels from the executive officers to the front line must be held accountable for their performance while being ready, willing, and able to improve continuously. Continuous performance improvement is a process, and one best facilitated through performance appraisal (Wiese & Buckley, 1998).

Performance appraisals often arouse a raft of strong reactions, emotions, and opinions when brought together in the organizational context of a formal appraisal procedure (Cook, 1995). Most organizations throughout the world regardless of whether they are large or small, public or private, service or manufacturing, use performance appraisal, with varying degrees of success, as a tool to achieve a variety of human resource management objectives (Dev Kumar, 2005). Organizations use different tools and have a number of goals for performance appraisals, often resulting in some confusion as to the true purpose of performance appraisal systems.

However, at its core, the performance appraisal process allows an organization to measure and evaluate an individual employee's behavior and accomplishments over a specific period of time (Wiese & Buckley, 1998). Performance appraisal is a vital component of a broader set of human resource practices. It is the mechanism for evaluating the extent to which each employee's day-to-day performance is linked to the goals established by the organization (Abd. Aziz Yusof, 2009).

According to Chen and Eldrige (2010), performance appraisal is considered as a "formal annual interview that generates social interactions between managers and employees to formulate action plans through a discussion of the individual's previous job performance and future developmental needs" (p. 245). Meanwhile, Ab. Aziz Yusof (2009) states that performance appraisal is seen as an evaluative and developmental process. Appraisal practices often include formal review and feedback sessions, and may include procedures for establishing work objectives, conducting self-appraisals, and setting performance goals. The processes inherent in these systems and the performance appraisal outcomes themselves can have an important influence on employees' reactions toward their work, their supervisors, and their organization as a whole (Cook, 1995). The appraisal process can also become a source of frustration and extreme dissatisfaction when employees perceive that the appraisal system is biased, political or irrelevant (Thurston & McNall, 2010).

On the other hand, organizational justice refers to the employee's views of whether they are being treated fairly by the organization (Abu Elanain, 2010). Zhang, Nie and Luo (2009) said that organizational justice describes and explains the role of justice in workplace and it is the key issues in the organization. Meanwhile, Tatum, Eberlin, Kottraba and Bradberry (2003) state that organizational justice refers to the fair, just and ethical treatment of individuals within the organization and is intimately tied to leadership and decision processes. Leaders are expected to create performance appraisal systems that members perceive as fair, caring and open. In a fair and ethical system, the decision that leaders make should reflect fair treatment of people and concern for their welfare. Academicians have identified that there are three main dimensions of organizational justice namely distributive justice, procedural justice and interactional justice (Nabatchi, Bingham & Good, 2007; Klendauer & Deller, 2009; Wang, Liao, Xia & Chang, 2010). There are a difference between the dimension but all of them are depends to each other.

1.3 Statement of problem

Effectiveness of performance appraisal has so far been studied in different contexts but very few have studied it in the context of organizational justice (Gul, Dolu, & Dogutas, 2010). In a study conducted by Soltani, Meer, Williams, and Lai (2006) shows that the respondents tended to agree that four criteria are vital to any quality-driven performance appraisal system, namely helping employees to improve their performance, promoting customer focus, involving all employees in the modification of the system, and approaching performance evaluation as a quality improvement effort. In addition, comparing such a quality-driven system to their current performance appraisal practices, the interview respondents expressed concerns about their over reliance on inadequately trained supervisors as the main source of appraisal and about their lack of a

performance appraisal system that effectively integrates all the key performance indicators in support of the organization's quality-related aims and objectives.

In other context, Sillip and Klimberg (2010) studied about assessing the ethics of implementing performance appraisal system shows those performance evaluators with more education and maturity believed performance appraisal helped them manage more effectively. However looking at the time they spent to conduct performance appraisal, it raises some ethical concerns, particularly for those managers who are older with higher education levels. They are usually in positions of greater responsibility within the corporation and have greater influence on employee's career.

In another context, Rusli Ahmad and Nur Azman Ali (2004) discuss the research on performance appraisal system on the Malaysian public service by applying the Cognitive Processing Model (CPM) of raters. It offers an understanding and explanation of the role of CPM as a new perspective in the decision-making process in performance appraisal. In addition, Tatum and Eberlin (2008) studied about the relationship between organizational justice and conflict style found that conflict will never be eliminated, and it is often constructive, but it can also be very destructive if issues of fairness and justice are not deal with effectively. Conflicts style as stated in their study includes avoiding, competing, sharing, accommodating, and collaboration.

In this study, it will attempt to explore the effectiveness of performance appraisal system in the context of organizational justice by examining its relationship. These can be obtains from the dimension of organizational justice namely distributive justice, procedural justice, and interactional justice. Distributive justice emphasizes fairness in the distribution or allocation of outcomes and decision result (McDowall & Fletcher, 2004; Nabatchi, Bingham & Good, 2007; Dayan & Benedetto, 2008; Abu Elanain, 2010). So, the question here is, "Do you as an employee feel that at the end result of the performance appraisal was fair?"

Meanwhile, procedural justice refers to participant's perceptions about the fairness of the rules and procedure that regulate a process (McDowall & Fletcher, 2004; Nabatchi, Bingham & Good, 2007; Dayan & Benedetto, 2008; Abu Elanain, 2010). Here, the question we could ask is, "Do you believe the process the organization uses to do their performance appraisal is fair? Are their methods fair?"

Interactional justice is concerned with the communication process between the source and the recipient and emphasizes the importance of politeness, honesty, dignity and respect during the enactment of the procedures (Nabatchi, Bingham & Good, 2007; Dayan & Benedetto, 2008; Klendauer & Deller, 2009). The question here is, "Does the organization treat all employees similarly and with respect?"

On the other hand, employee performance appraisal, whereby a superior evaluates and judges the work performance of subordinates, is one of the most common management practices utilized in an organizations. The widespread use of performance appraisal can be attributed to the belief by many managers and human resource professionals that performance appraisal is a critically needed tool for effective human resource management and performance improvement (Longenecker & Goff, 1992). The assumption appears to be that an effectively designed, implemented, and administered performance appraisal system can provide the organization, the manager, and the employee with a lot of benefits (Cascio, 1987; Coens & Jenkins, 2000).

In spite of its widespread use, or perhaps because of it, the practice of formal performance appraisal continues to come under considerable scrutiny and criticism. Performance appraisal is one of the most widely researched areas in industrial/organizational psychology (Murphy & Cleveland, 1991.) Researchers have developed and practitioners have implemented various changes to the evaluation criteria, rating instruments, and appraisal procedures in an effort to improve the accuracy and perceived fairness of the process (Banks & Murphy, 1985). However, in spite of the attention and resources applied to the practice, dissatisfaction with the

process still abounds and systems are often viewed by employees as inaccurate and unfair (Church, 1985).

Therefore, this study will aim to investigate the perceived fairness of employee towards the effectiveness of performance appraisal system based on the dimension of organizational justice. The fact is performance appraisal is not an easy task to perform by all organization. However, based on research problem has been stated, it needs to have a proper process and procedures in order to have an effectiveness performance appraisal.

1.4 Research objective

1.41 General objective

This research aims to examine the relationship of organizational justice and the effectiveness of performance appraisal system.

1.42 Specific objective

1. To examine the relationship of distributive justice and the effectiveness of performance appraisal system.
2. To examine the relationship of procedural justice and the effectiveness of performance appraisal system.
3. To examine the relationship of interactional justice and the effectiveness of performance appraisal system.
4. To discover the dominant factor that influences the effectiveness of performance appraisal system.

1.5 Conceptual framework

The conceptual framework is divided into two categories which are independent variable and dependent variable. A variable is some characteristic of some event, object, or person that can take different values at different times, depending on the conditions. The independent variables in these studies are the variables that systematically manipulated. Meanwhile, the dependent variable is the variable that is affected by the independent variable.

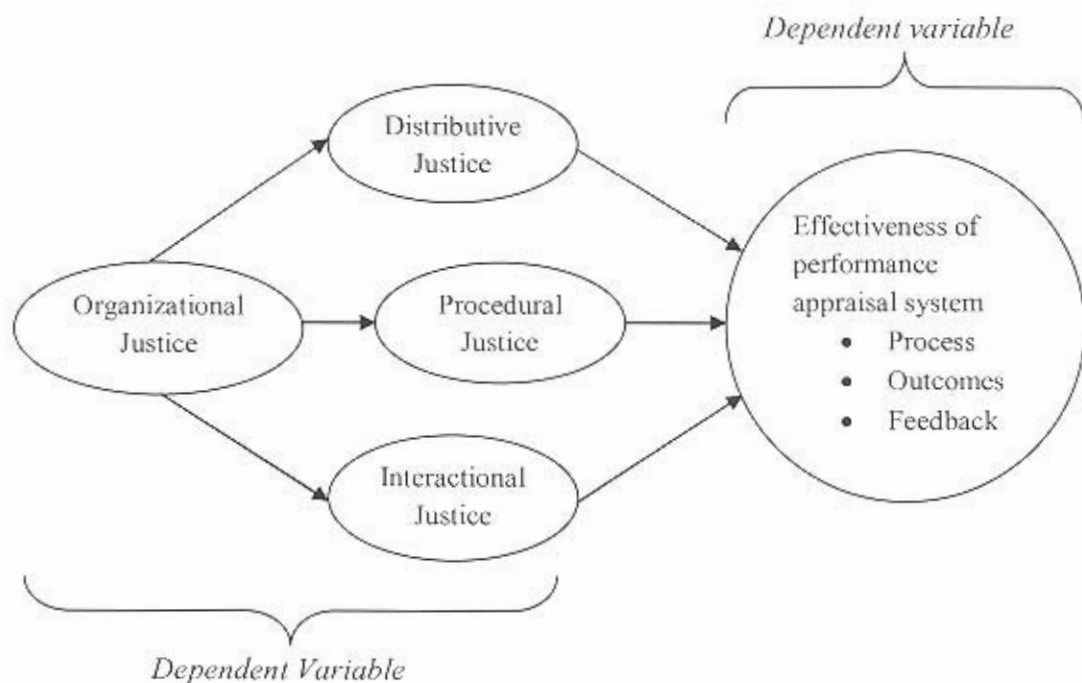


Figure 1.0: Research Framework

1.6 Research hypothesis

Based on the research objective and conceptual framework, researcher has come out with four hypotheses as shown in the following:

- H_a 1 There is a significant relationship between distributive justice and the effectiveness of performance appraisal system.
- H_a 2 There is a significant relationship between procedural justice and the effectiveness of performance appraisal system.
- H_a 3 There is a significant relationship between interactional justice and the effectiveness of performance appraisal system.
- H_a 4 There is a dominant factor that influences the effectiveness of performance appraisal system

1.7 Significant of study

The findings and outcomes of this study hopefully will provide some useful information to all personnel who involve directly and indirectly on the implementation of performance appraisal system and increasing the level of acceptance towards the system.

The management can give and add a policy in their current performance appraisal system regarding justice throughout the organization. Justice policy must be distributed fairly beyond races, genders, hierarchy, departments and so on without discrimination. Besides, it is the organization policy to document the expectations of individual and organizational performance, provide a meaningful process by which employees can be rewarded for noteworthy contributions to the organization, and

provide a mechanism to improve individual and organizational performance as necessary.

In addition, the management will understand the impact of performance appraisal system to the whole organization as a result of organizational justice. It also can provide them the understanding of their roles and responsibilities in performance appraisal process in terms of clarify the job duties, communicate expectations and standards, observe performance, analyze performance, report performance, and develop performance.

On the other hand, the human resource department can provide training to the raters so that the raters able to conduct an effective appraisal. A weakness of many performance appraisal systems is that raters are not adequately trained for the appraisal task. As consequences, the appraisals become nondirective, meaningfulness and bias. Therefore, they must find a way to improve the competencies of the raters that are critical for effective appraisal. Without these critical competencies, the appraisal process cannot achieve its desired objective.

1.8 Conceptual definition

1.81 Distributive justice

Distributive justice deals with the fairness in the distribution of outcomes (rating) received by the person being rated (Nabatchi, Bingham & Good, 2007). In other words distributive justice deals with what the decision are at the end of the appraisal process. A performance appraisal system would satisfy the distributive justice principles if the employees and the supervisors set annual performance objectives and standards that provide realistic expectations.

1.82 Procedural justice

Procedural justice refers to the perceived fairness of the process by which outcomes were determined (Klendaue & Deller, 2009). In other words, it examines the fairness of the performance appraisal process. Procedural justice principles include encouraging employee input throughout the performance cycle from development of standard through information gathering, the rating process, to providing feedback. Besides, it also concerned with providing employees with input into decision making by ensuring fair treatment, communicating information accurately, consistently, suppressing bias, and providing opportunities.

1.83 Interactional justice

Interactional justice has been defined as the quality of interpersonal treatment people receive during the enactment of organizational procedures (Dayan & Benedetto, 2008). Interactional justice relates to the human side of organizational procedures, i.e. to the way the management or decision makers treat all employees in a polite way.

1.84 Effectiveness of Performance appraisal

According to Dev Kumar (2005), the effectiveness of performance appraisal system shows through the process, outcomes and feedback employee received and at the same time help the employees learning about themselves, know how they are doing, and know how the management valued them. Meanwhile, performance appraisal is considered as an evaluation and grading exercise undertaken by the organization on all its employees either periodically