PERCEPTIONS OF FAIRNESS AND EFFECTIVENESS OF PERFORMANCE APPRAISAL AS RELATED TO WORK BEHAVIOUR

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PERCEPTIONS OF FAIRNESS AND EFFECTIVENESS OF PERFORMANCE APPRAISAL AS RELATED TO WORK BEHAVIOUR

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This project is submitted in partial fulfilment of the requirements for the degree of Bachelor of Science with Honours (Human Resource Development)

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ABSTRACT

PERCEPTIONS OF FAIRNESS AND EFFECTIVENESS OF PERFORMANCE APPRAISAL AS RELATED TO WORK BEHAVIOUR

Cherry Chai Ling Ling

Perception of fairness and effectiveness of the appraisal system is important as it determines work behaviour in the workplace. Perceived fairness will lead employees to show positive work behaviour. Generally this study aims to look into components of fairness and effectiveness of the appraisal system (rating system, feedback from the supervisor, accountability, effective communication, involvement of employee in objective setting and organizational fairness) as related to employee work behaviour in a telecommunications company. The objective of this study is to identify the relationship between the employees' perception of components of fairness and effectiveness and the supervisors' perception of the impact of the appraisal system on work behaviour. This study chose the survey method as the research design using convenience sampling with a sample of 437 respondents out of 1000 non-executive employees. The instruments used are questionnaires and interviews which will then be analysed with descriptive statistics such as frequencies and Pearson correlation using SPSS. Results of this study show that there is a positive and significant relationship between employees' perception of the appraisal system and how supervisors perceive the impacts of the performance appraisal on work behaviour. This result further supports past research that perceived fairness of the appraisal system has a positive impact on work performance.
ABSTRAK

HUBUNGKAIT FAKTOR-FAKTOR PENILAIAN PRESTASI DENGAN TINGKAH LAKU KERJA

Cherry Chai Ling Ling

1.1 Introduction

Performance appraisal is defined as a systematic evaluation of employees regarding their work performance and their potential development (Beach, 1980 in Martey, 2002). Performance appraisal is an important organizational activity because it involves comparing the employee's performance to a performance standard. Performance standards describe the kind of work behaviour and work outcomes for which the employee will be held accountable. This is important, as it will help the employee develop his full potential in achieving the organization's goals. In a study conducted in a Ghanaian university over a period of 16 years, 36 out of the 52 respondents (69 percent) stated that appraisal of work performance is necessary.

For a performance appraisal process to be effective, it must be viewed positively by those whose performance is being measured. Perception of fairness is an important component of effective performance appraisal. Employees who perceive the performance appraisal as fair will be more likely to accept the results of the appraisal. If employees perceive the appraisal as unfair, they will be dissatisfied. Dissatisfaction will create problems for the organization (Martey, 2002). The only way for the appraisal to be considered fair is for the employee to understand and accept the basis of the appraisal.

Fairness is an important component of an effective performance appraisal because it will breed satisfaction of the employee on the results of the appraisal. Effective performance appraisal helps to create a motivated and committed workforce. This is important because
employees would be more willing to achieve the organization’s goals and objectives. This will also lead the employee to better improve himself through training and development.

Fairness of performance appraisal includes communicating clear and objective information to employees (Piggot-Irvine, 2003). Communicating information to the employees promotes transparency of the performance appraisal process. Employees will feel they are involved and a trusted part of the organization. This will induce them to show good work performance or work behaviour. Work behaviour will directly influence the productivity and performance level in an organization.

Managers today are concerned with the productivity of their employees, as the workplace is becoming a more competitive global market. Therefore work behaviour of the employees plays an important role in determining the success of the organization.

In managing the performance of employees, fairness of the performance appraisal process is an important factor that will determine how well an employee will perform on the job. If an employee perceives the performance appraisal as being conducted fairly, he will certainly show excellent work behaviour and vice versa.

1.2 Background Of The Study

Performance appraisals are designed to evaluate the work performance of the employees, compared to the expectations of the supervisor, to determine areas that need improvement. Boice and Kleiner (1997) mentioned that an effective performance appraisal system required the support of top management. Employee performance needs to be linked to organizational objectives to ensure that organizational goals are met. Therefore
performance appraisal ensures that the work behaviour of the employee is directed towards the goals of the organization.

Organization’s objectives should also be communicated to employees so that employees are aware of the roles and responsibilities that they have in helping achieve the organization’s objectives. Supervisors should communicate high expectations to their employees so that their work performance shows remarkable results. Coaching is an important aspect to help employees achieve the goals of the organization.

Performance appraisal should be conducted on an ongoing basis and frequently. Frequent reviews will give a more fair performance appraisal. Besides that, frequent reviews help supervisors be better informed on the work performance of their employee and take corrective measures when necessary. Dobbins, Cardy and Platz-Vieno (1990) mentioned that employees are more satisfied with appraisal system that provides substantial feedback about job performance. Employee satisfaction of the appraisal system is a determinant of an effective appraisal system.

Fairness of the appraisal system as view by the employees is also crucial to determine the effectiveness of the appraisal system. Lawler (1967) in Dobbins, Cardy and Platz-Vieno (1990) stated that the ultimate success of performance appraisal greatly depends on employees attitudes towards fairness and acceptability of the system.

At Telekom Malaysia Berhad, performance appraisals for the non-executive employees are done on a yearly basis. The performance appraisal process is being conducted by the employee’s immediate superior and reviewed by a higher executive. If these employees perceive the appraisal as fair, then they are more likely to exhibit good work behaviour (Janssen, 2001). This, in turn, benefits the organization because of the high productivity and high performance from its employees.
1.3 Statement Of The Problem

According to Edmonstone (1996), a good appraisal system that accurately reflects the performance of an employee is not an easy task. Performance appraisal that is conducted properly will be of much benefit to an organization.

The perception of employees of the performance appraisal process is often different than that of management, relative to fairness. This study is going to examine the employees' perception of the performance appraisal process relative to fairness. Besides that, it is also going to examine supervisors' perception of whether and how the appraisal system impacts on work behaviour of employees.

This study aims to obtain the perceptions of employees in one of the largest telecommunications company in the country. Perception of employees will be related to the perception of supervisors on the impact of the system towards work behaviour. This study will include the perceptions of the appraisal process by a cross section of randomly selected employees.

1.4 Objectives Of The Study

The main objective of this study is to identify the relationship between the employees' perception of components of fairness and effectiveness and the supervisors' perception of the impact of the appraisal system on work behaviour.

Specifically the objectives of this study are as follows:

(i) To describe the selected demographic characteristics of the respondents.
(ii) To identify the supervisors' perception of the impacts of the performance appraisal system on work behaviour.

(iii) To identify the relationship between employees' perception of the rating system and supervisors' perception of the impacts of the performance appraisal system on work behaviour.

(iv) To identify the relationship between employees' perception of feedback from supervisor and supervisors' perception of the impacts of the performance appraisal system on work behaviour.

(v) To identify the relationship between employees' perception of accountability and supervisors' perception of the impacts of the performance appraisal system on work behaviour.

(vi) To identify the relationship between employees' perception of effective communication and supervisors' perception of the impacts of the performance appraisal system on work behaviour.

(vii) To identify the relationship between employees' perception of involvement of employee in objective setting and supervisors' perception of the impacts of the performance appraisal system on work behaviour.

(viii) To identify the relationship between employees' perception of organizational fairness and supervisors' perception of the impacts of the performance appraisal system on work behaviour.
1.5 Conceptual Framework

Independent Variables

Perception of Employees:
Components of Fairness
- Rating System
- Feedback from Supervisor
- Accountability
- Effective Communication
- Involvement of Employee in Objective Setting
- Organizational Fairness

Dependent Variables

Perception of Supervisors
- Impact of the performance appraisal system on work behaviour

Demographic Characteristics
- Seniority
- Gender
- Race
- Job position
- Education Level
1.6 Hypotheses

The following null hypotheses are formulated from the research questions and objectives.

Ho1: There is no significant relationship between the employees’ perception of the rating system and supervisors’ perception of impacts of the appraisal system on work behaviour shown by Telekom Malaysia Berhad employees.

Ho2: There is no significant relationship between employees’ perception of feedback from supervisor and supervisors’ perception of impacts of the appraisal system on work behaviour shown by Telekom Malaysia Berhad employees.

Ho3: There is no significant relationship between employees’ perception of accountability and supervisors’ perception of impacts of the appraisal system on work behaviour shown by Telekom Malaysia Berhad employees.

Ho4: There is no significant relationship between employees’ perception of effective communication and supervisors’ perception of impacts of the appraisal system on work behaviour shown by Telekom Malaysia Berhad employees.

Ho5: There is no significant relationship between employees’ perception of involvement of employee in objective setting and supervisors’ perception of impacts of the appraisal system on work behaviour shown by Telekom Malaysia Berhad employees.
H06: There is no significant relationship between employees’ perception of organizational fairness and supervisors’ perception of impacts of the appraisal system on work behaviour shown by Telekom Malaysia Berhad employees.

1.7 Significance Of The Study

This study of how employees perceive fairness of the performance appraisal process is set in a customer-oriented company in the telecommunications industry in Malaysia. It aims to seek the relevance between components of fairness and the findings could be used by other organizations that are interested to see how perceptions of fairness of the appraisal process can impact work behaviour and productivity.

The focus of this study is on fairness of the performance appraisal process from the non-executive employees’ point of view. Managers often perceive performance appraisal differently from their employees. Therefore it is necessary to obtain the perception of the non-executive employees to see how they perceive the performance appraisal system. This in turn could lead to significant findings and help improve the performance appraisal system.

Besides the employees’ point of view, this study will also look at supervisors’ perception of the impacts of the system on work behaviour. By looking at the correlation between the independent and dependent variables, the management of Telekom Malaysia Berhad could then redesign or improve the performance appraisal system to be more effective. A more effective performance appraisal system will provide better individual development that will help achieve the organization’s objectives.

A more effective performance appraisal system will also improve employee morale and promote motivated employees, who are committed to achieving the organization’s
targets. Employees with high morale will not only perform better but will be more willing to work as a team and have a sense of belonging towards the organization.

1.8 Definitions Of Terms

Work behaviour
Includes satisfactory work performance and work behaviours shown by employees during working hours at the workplace.

Fairness
Being rated on an equal basis regardless of age, gender, race, job position and education level.

Rating system
A measurement or grading system used to assess employee’s performance needs.

Feedback from supervisor
Having informal or formal discussions regarding work performance with one’s immediate superior.

Accountability
Being responsible for results under one’s scope of work.
Effective communication

Successful transmission of information and meaning from one party to another through the use of shared symbols.

Involvement of employee in objective setting

Goals and standards of performance being made known to the employee before the initial evaluation.

Organizational Fairness

Organizational policies and procedures that fairly reward and punish deserving employees.

1.9 Limitations Of The Study

The scope of this study is only limited to a single organization in the telecommunications industry. Therefore the results of this study cannot be generalized for all telecommunications companies and its employees.

This study only focuses on the perception of non-executive employees, thus the work behaviour shown by these employees cannot be generalized for employees throughout all levels. Other than that, this study only applies to employees in the Kuching area and therefore cannot be generalized for others located at outstation and rural offices.

There are other internal and external factors that influence employee work behaviour besides fairness of the performance appraisal process. However for the purpose of this study only fairness will be considered as the factor that influences employee work behaviour.
This study is based on the perceptions of supervisors of impacts of the system on work behaviour. Therefore it cannot be used to draw conclusions of the actual work quality of employees.
CHAPTER 2
LITERATURE REVIEW

2.1 Performance Appraisal: Value Of Effective Appraisal

Spinks, Wells and Meche (1999) stated that the main purpose of having an appraisal system is to increase the effectiveness and productivity of the organization. Performance appraisals are used in nearly all organizations. Performance appraisal allows an individual's work performance to be evaluated over a certain period of time. Performance appraisal if implemented properly will increase the productivity of an organization. Wiese and Buckley (1998) wrote that an effective appraisal system not only helps managers in developing employees but also facilitates organizational decision making in areas such as reward allocation, promotions, layoffs and transfers.

An effective appraisal system is an asset to the organization because will lead employees to show better performance, effort and commitment. Employees that are satisfied with the appraisal tend to show better performance (Janssen, 2001). An effective appraisal system is important for organizational and individual improvement. Piggot-Irvine (2003) defines effectiveness of the appraisal system in terms of being non-controlling, non-defensive, educative and confidential. It is also stated that effective appraisal systems are linked to continuous learning and processes or information that have clarity, objectivity and high integrity. An effective appraisal system is linked to continuous learning as a tool to determine the developmental needs of the employee. It should be able to identify the types of training an employee needs currently and in future.
Good appraisal systems should have goals and objectives that are effectively communicated to the employee. When goals and objectives of the organization are made known to the employees then they will be more committed in helping the organization achieve those goals.

Supervisors or raters should play their role in giving feedback to the employees regarding their appraisal. Feedback from supervisors is important because ratees who receive feedback about their job performance are more satisfied with the system (Dobbins, Cardy & Platz-Vieno, 1990). Therefore effective communication is an important element for a fair and effective appraisal system.

Informative and objective data must be collected in the appraisal. If employees do not consider the appraisal as valid, fair or reliable they will be dissatisfied with the appraisal. Thus this affects their work motivation and performance on the job. Appraisals should have clear procedures so that employees are clear on the objectives of the appraisal. This is important because employees will then consider the appraisal fair and be more willing to accept the results. Transparency is also important so that employees consider the appraisal fair and will show good performance on the job. An effective appraisal should also ensure confidentiality.

Longenecker (1997) pointed out that an ineffective performance appraisal will lead to various negative implications at the individual and organizational level. Individuals who think that the appraisal is ineffective will not only be demotivated but will also lost confidence in their supervisor. Employee participation in the appraisal will help increase satisfaction of the appraisal. Employee involvement in the appraisal is one type of intrinsic motivational strategy that can facilitate employee growth and development (Roberts, 2003). Employees should be involved in the appraisal because they are in the best position of
knowing the job well. Employees know what standards they are able to achieve and what types of development needs they will require to do the job well. Therefore participatory performance appraisal is essential and a proven attribute to an effective performance appraisal system (Roberts, 2003).

2.2 Performance Appraisal And Work Performance

Perception of fairness is an important determinant of the work behavior in the workplace (Konovsky & Pugh, 1994; Moorman, 1991; Mowday, 1991; Organ & Moroman, 1993 in Janssen, 2001). Work behavior of employees is influenced by how they perceive the performance appraisal process conducted in their organization. Lawler (1967) in Dobbins, Cardy and Platz-Vieno (1990) proposed that attitudes towards fairness and acceptability of the system will determine the effectiveness of the appraisal system. Perception of employees towards the appraisal system will affect their work behavior and work performance.

According to Brief & Weiss (2002) job satisfaction affects work performance. Employees need to feel that they are treated fairly to be satisfied with their job. Although perception of fairness is a subjective element, a win-win outcome for all parties involved in the appraisal process can be achieved through an interactional evaluation process (Schimel). Schimel suggests that to work towards fairness both the supervisor and the employee must share their perspectives and seek realistic standards.

Perceptions of employees towards the appraisal system do affect their work behavior but there are other components of fairness that affects the effectiveness of the appraisal system. In a study conducted by Mani, employees who are satisfied with their supervisors are 1.59 times more likely to be satisfied with the appraisal system. Thus, supervisors play...
an important role in how employees perceive the appraisal system and their work performance.

Mani (2002) further stressed the importance of employees’ relationship with their supervisors. In another study conducted 79% of the respondents rated “poor working relationships with your boss” as cause of ineffective managerial appraisals. Thus it is important to not only have good relationship with the supervisor but also effective communication to ensure good work performance. Mutual respect between the rater and ratee is important to bring out the best of employees’ performance. Martey (2002) states that the appraisal interview helps supervisors and employees have a clearer view of work behaviours that are needed for effective performance. He added that without good relationship between supervisors and employees it is difficult to reach valid appraisal results.

Organizational goals should be reflected in employees’ objectives. Therefore participation of employees in objective setting helps creates responsibility (Boice & Kleiner, 1997). This does not mean objectives set are easy but should be attainable. Effective goal setting is associated with greater job satisfaction and increased performance (Longenecker, Scanzero & Stansfield, 1994 in Roberts, 2003). Employees should be involved in goal setting with their supervisor to ensure that they are more acceptable of what they are supposed to achieve the following year. Besides that, they will be more dedicated and show higher performance.

Feedback from the supervisor must be continuously done throughout the year. This gives an opportunity for supervisors to understand the difficulties in achieving the performance standards. Latham and Wexley (1981) in Roberts (2003) state that ongoing formal and informal performance feedback is necessary for effective performance appraisal. Effective performance feedback enhances employee satisfaction and work performance.