

THE EFFECT OF PROCEDURAL JUSTICE AND DISTRIBUTIVE JUSTICE ON  
SATISFACTION OF PERFORMANCE APPRAISAL SYSTEM  
A STUDY OF BANK ISLAM'S EMPLOYEES

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## Table of Contents

Permission to use		vi
Acknowledgement		vii
Abstract		viii
Chapter 1	Introduction	
	1.0	Introduction to the Study 1-2
	1.1	Background of the Problem 2-6
	1.2	Problem Statement 6-7
	1.3	Research Objectives 7
	1.4	Research Questions 7
	1.5	Significance of the Study 7-8
	1.6	Definition of Key Terms 8-9
	1.7	Organization of Remaining Chapters 9
Chapter 2	Literature Review	
	2.0	Introduction 10
	2.1	Literature Review on Performance Appraisal 10
	2.1.1	Definition and Description 10-12
	2.1.2	Dissatisfaction with Performance Appraisal System 12-15
	2.1.3	Overview of Past Research and Literature 15-18
	2.1.4	Approaches to Evaluating Performance Appraisal 18-21
	2.1.5	Fairness in Performance Appraisal 21-23

2.2	Theoretical Framework	24
2.2.1	Introduction	24
2.2.2	Organizational Justice Theory	24-25
2.2.3	Applying Organizational Justice Theory To Performance Appraisal	26-30
2.2.4	Model Overview	30-31
2.2.5	Definition of Conceptual Terms	31
2.2.5.1	Employee	31
2.2.5.2	Performance	31
2.2.5.3	Satisfaction	31
2.2.5.4	Appraisal	32
2.2.5.5	System	32
2.2.6	Definition of Operational Terms	32
2.2.6.1	Procedural Justice	32
2.2.6.2	Distributive Justice	33
2.3	Statement of Hypotheses	33
Chapter 3	Research Methodology	
3.0	Introduction	34
3.1	Research Design	34-35
3.2	Population and Sampling	35-36
3.3	Measurement Items	36-38
3.4	Instrumentation	39-41
3.5	Data Collection Method	42

3.6	Data Analysis Techniques	42
3.6.1	Respondent's Profile	43
3.6.2	Establishing Reliability and Validity Of Measures	43-44
3.6.3	Scoring of Constructs	44-45
3.6.4	Normality of Data	45
3.6.5	Production of Descriptive Statistics	46
3.6.6	Bivariate Association	46-47
Chapter 4	Research Findings	
4.0	Introduction	48
4.1	Overview of Data Collected	48-49
4.2	Respondents' Profiles	49-50
4.3	Assessing Quality of Data	50
4.3.1	Assessing Reliability	50-52
4.3.2	Assessing Validity	52-54
4.3.3	Determining the Normality of Data	54-55
4.4	Descriptive Analysis	55-56
4.5	Bivariate Analysis	56
4.5.1	Pearson Correlation Coefficient	56-58
4.6	Summary of Findings	59

Chapter 5	Discussion, Recommendation, and Conclusion	
5.0	Introduction	60
5.1	Discussion	60-61
5.2	Limitation of the Study	62
5.2.1	Lack of Experience	62
5.2.2	Small Sample Size	62
5.2.3	Limitation of Time	62
5.3	Recommendation for Future Research	63
5.4	Recommendation for Improvement	63
5.4.1	Listening to the Voice from the Bottom	63-64
5.4.2	Implementation of 360-Degree Performance Appraisals	64
5.4.3	Rater Training	64-65
5.4.4	Ongoing Feedback	65-66
5.5	Conclusion	66-67
References		68-71
Appendix		

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## **ABSTRACT**

Employee performance appraisal is common among organizations in Malaysia including the banking industry. Instead of being an isolated bi annual program, appraisals are but one component in the overall process of performance management. According to Robert Bacal, (1999) performance management is an ongoing communication process, undertaken in partnership, between an employee and his or her immediate supervisor that involves establishing clear expectations and understanding about the jobs to be done.

The objective of this research is to find the effect of procedural justice and distributive justice on satisfaction of performance appraisal system that has been practised at Bank Islam Malaysia Berhad.

The underlying hypotheses of this research are "There is a significant relationship between procedural justice and employees satisfaction with performance appraisal system in Bank Islam Malaysia Berhad" and "There is a significant relationship between distributive Justice and employee satisfaction with performance appraisal system in Bank Islam Malaysia Berhad".

Data were obtained via a survey questionnaire from 102 participants from BIMB branches in Kedah, Perlis and Penang. The findings of the study accept both the research hypotheses.



## CHAPTER 1

### INTRODUCTION

#### 1.0 INTRODUCTION TO THE STUDY

Employee performance appraisal is an important measurement tools practised by many companies all over the world including Malaysia. The main reason is performance appraisal decisions have effects and consequences on workers' compensation and recognition (Rusli & Azman, 2004). The Performance Appraisal System (PAS) is also important as a management tool to assess employees' efficiency at the workplace (Amstrong & Baron, 1998). According to Robbins and Judge (2009) efficiency is defined as the ratio of effective output to the input required to achieve it.

In the United States, over 90 percent of large organizations employ some form of PAS and over 75 percent of state employment systems require annual performance appraisal (Locker & Teel, 1988; Murphy & Cleveland, 1991; Seldon, Ingraham & Jacobson, 2001). Thus, companies particularly public listed companies have made it as a policy to implement PAS every year. The Public Service Department (PSD), Government of Malaysia implemented the PAS on 1 January 1992 (Rusli & Azman, 2004). Hence, PAS is still a new evaluation tools in Malaysia including in the private sector. In the banking industry, PAS was initially implemented in the late 1990s.

Bank Islam Malaysia Berhad (BIMB) started to introduce PAS to its employees in 2004. Other banks like Bank Simpanan Nasional Malaysia

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