

**Organizational Justice in Performance Appraisal System: Its Effects on  
Performance Appraisal Satisfaction and Work Performance.**

**THAMENDREN A/L MOORTHY**  
**MASTER OF SCIENCE (MANAGEMENT)**

**UNIVERSITI UTARA MALAYSIA**  
**FEBRUARY 2011**

**Organizational Justice in Performance Appraisal System: Its Effects on  
Performance Appraisal Satisfaction and Work Performance.**

A Dissertation submitted to the College of Business as a partial fulfilment of the  
requirements for the Master of Science (Management)

By

**THAMENDREN A/L MOORTHY**

**DECLARATION OF THESIS**

I declare that this thesis has not been accepted for any degree and is concurrently submitted in candidature of any other degree.

I hereby declare that any valuable contributions and all resources have been used as an acknowledgement to this research.



**THAMENDREN A/L MOORTHY**  
806112  
College of Business  
Universiti Utara Malaysia  
06010 Sintok  
Kedah Darul Aman

February, 2011

## **PERMISSION TO USE**

In presenting this thesis as partial fulfilment of the requirements for a postgraduate degree from Universiti Utara Malaysia, I agree that the Universiti Utara Malaysia may make it freely available for inspection. I further agree that permission for copying of this thesis in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor or in their absence, by the Dean of College of Business. It is understood that any copying or publication or use of this thesis or parts thereof for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and the Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis.

Request of permission to copy or to make other use of material in this thesis, in whole or in part should be addressed to:

**Dean of College of Business  
Universiti Utara Malaysia  
06010 Sintok  
Kedah Darul Aman**

## **ABSTRACT**

Performance appraisal is an integral part on the Human Resource Management system. An organization implements the performance appraisal system to allocate rewards for the employee, provide development advice as well as to obtain their perspectives and justice perceptions about their jobs, department, managers and organization. Further, performance appraisal is an ongoing communication process between employees and supervisors. Superior should set expectations, monitor performance and provide feedback to employees. By having this information it will direct and develop employee performance by identifying training and development needs, correcting problems and determine raises and promotion.

Employees job satisfaction is important for work performance (Suliman, 2007). For improved work performance, the employees also need a good performance appraisal system to provide them with feedbacks regarding their job. However, for the system to be effective it must be perceived as fair (Suliman, 2007). In line with this, the purpose of this study is to identify the effect of employee perception of justice in performance appraisal system on performance appraisal satisfaction and lastly it will affect the work performance too.

Overall, this study was to examine the employees perceptions of organizational justice (distributive, procedural and interactional justice) in performance appraisal system and the effect on performance appraisal satisfaction and work performance. This study also identified the main perceptions that employee have on performance appraisal system and how reliable the system are to them.

## **ABSTRAK**

Penilaian prestasi merupakan salah satu tulang belakang bagi sistem pengurusan sumber manusia. Pada amnya, sesebuah organisasi mengamalkan sistem penilaian prestasi bagi tujuan member ganjaran yang setimpal atas usaha seseorang pekerja, untuk member ruang bagi memperkembangkan potensi serta prestasi diri dan pada masa yang sama untuk mendapatkan persepsi seseorang pekerja dari segi hak kesamarataan dan keadilan terhadap kerja, jabatan, pengurusan dan organisasi tersebut. Sementara itu, penilaian prestasi merupakan satu proses komunikasi yang berterusan diantara majikan dan pekerja. Penyelia atau seseorang pegawai atasan perlu menetapkan objektif yang perlu dicapai oleh seseorang pekerja, menilai prestasi dan memberi maklumbalas yang sepatutnya kepada pekerja tersebut. Dengan adanya maklumat sebegini rupa ia dapat membantu dalam memantapkan serta memperkembangkan prestasi pekerja dengan melihat pada program latihan yang diperlukan, membetulkan segala masalah dan mempertimbangkan kenaikan pangkat dan gaji.

Pada keseluruhannya, kajian yang dijalankan adalah bertujuan untuk mengkaji tanggapan pekerja terhadap keadilan organisasi(distributive, procedural dan interactional justice) dalam proses penilaian prestasi dan bagaimana ianya boleh memberi kesan terhadap kepuasan penilaian prestasi dan prestasi kerja seseorang pekerja. Tambahan, kajian ini juga bertindak dalam mengenalpasti persepsi pekerja yang dominan atau utama terhadap sistem penilaian prestasi dan sejauh mana sistem berkenaan berkesan bagi golongan pekerja serta mencapai matlamatnya.

## **ACKNOWLEDGEMENTS**

First and foremost, I would like to acknowledge my supervisor, Professor Dr. Cristina G. Gallato. Prof. Tina offered endless support, guidance, and encouragement throughout my studies. Her dedication to research and her tremendous work ethic motivated and inspired me. I am most grateful that she challenged me and allowed me the freedom and respect to develop my own ideas and theories.

Next, I must thank all the organisations that allowed me to enter their workplaces, and all the participants involved in the studies. I especially want to thank staff at leading construction companies in Kuala Lumpur, the management team and the Human Resource Department of respective companies. These people invested time and energy into completing my survey purely for the benefit of helping others. I am so appreciate of their efforts and I am determined to share the knowledge that I have gained from them.

Finally, I would like to acknowledge my family and friends. My parents, Mr. Moorthy and Mdm. Parimala Devi and my brothers who have provided endless support to me. Besides, I would like to thank my course mate, Sumathi Ganesan who has given an immeasurable amount of guidance and encouragement throughout the entire process. My partner, Jeeva Malar Loganathan who has been my tower of strength, and I am forever grateful for her love and support.

## **TABLE OF CONTENTS**

|                              |               |
|------------------------------|---------------|
| <b>Declaration of Thesis</b> | <b>i</b>      |
| <b>Permission to Use</b>     | <b>ii</b>     |
| <b>Abstract</b>              | <b>iii-iv</b> |
| <b>Acknowledgement</b>       | <b>v</b>      |
| <b>List of Figures</b>       | <b>vi</b>     |
| <b>List of Tables</b>        | <b>vii</b>    |

## **CHAPTER 1 - INTRODUCTION**

|                              |            |
|------------------------------|------------|
| <b>1.0 Introduction</b>      | <b>1-5</b> |
| 1.1 Problem Statement        | 5-6        |
| 1.2 Research Objectives      | 7          |
| 1.3 Research Questions       | 7-8        |
| 1.4 Hypotheses Tested        | 8-9        |
| 1.5 Significant of the Study | 9-10       |
| 1.6 Scope and Delimitation   | 10         |
| 1.7 Definition of variables  | 11-12      |

## **CHAPTER 2 – LITERATURE REVIEW**

|  |           |
|--|-----------|
| <b>2.0 Introduction</b>                                    | <b>13</b> |
| 2.1 Performance Appraisal System                           | 13-18     |
| 2.2 Performance Appraisal Satisfaction                     | 19-23     |
| 2.3 Organizational Justice in Performance Appraisal System | 23-24     |
| 2.3.1 Distributive Justice                                 | 24-25     |
| 2.3.2 Procedural Justice                                   | 25-26     |
| 2.3.3 Interactional Justice                                | 26-27     |
| 2.4 Work Performance                                       | 27-28     |



|               |    |
|---------------|----|
| 2.5 Synthesis | 28 |
|---------------|----|

## CHAPTER 3 – RESEARCH METHODOLOGY

|  |       |
|--|-------|
| <b>3.0 Introduction</b>                    | 29    |
| 3.1 Research Framework                     | 29-30 |
| 3.2 Research Design                        | 30    |
| 3.3 Sampling Design                        | 30    |
| 3.3.1 Population                           | 30    |
| 3.3.2 Sampling                             | 30-31 |
| 3.4 Design of Questionnaire                | 31    |
| 3.4.1 Variables and measures               | 31-32 |
| 3.4.1.1 Work Performance                   | 32    |
| 3.4.1.2 Organization justice               | 32-34 |
| 3.4.1.3 Performance appraisal satisfaction | 34-35 |
| 3.5 Data Collection                        | 35    |
| 3.6 Data Analysis Procedures               | 35    |
| 3.6.1 Descriptive Statistic                | 35    |
| 3.6.2 Factor Analysis                      | 36    |
| 3.6.3 Correlation Analysis                 | 36    |
| 3.6.4 Regression Analysis                  | 37    |
| 3.7 Synthesis                              | 37    |

## CHAPTER 4 – DATA ANALYSIS AND FINDINGS

|   |       |
|---|-------|
| <b>4.0 Introduction</b>                         | 38    |
| 4.1 Overview of data collected                  | 38    |
| 4.2 Demographic Profile of Respondent           | 38-40 |
| 4.3 Factor Analysis                             | 40-41 |
| 4.3.1 Organizational Justice                    | 41-44 |
| 4.3.2 Performance Appraisal Satisfaction and WP | 44-46 |
| 4.4 Descriptive Statistics                      | 47    |

|   |       |
|---|-------|
| 4.5 Reliability   | 47-48 |
| 4.6 Correlation   | 49-50 |
| 4.7 Regression Analysis                                       | 50    |
| 4.7.1 Relationship btwn employee perceptions of OJ and WP     | 51    |
| 4.7.2 Relationship btwn employee perceptions of OJ and PAS    | 52-53 |
| 4.7.3 Relationship btwn employee perceptions of PAS and WP    | 53-54 |
| 4.8 Relationship btwn employee perceptions of OJ and WP & PAS | 54-55 |
| 4.9 Summary of Hypothesis Testing                             | 56-57 |
| 4.10 Conclusion   | 57-58 |

## **CHAPTER 5 – DISCUSSION**

|   |       |
|---|-------|
| <b>5.0 Introduction</b>                                       | 59    |
| 5.1 Summary of the study                                      | 59-61 |
| 5.2 Discussions of Findings                                   | 61    |
| 5.2.1 Organizational Justice and Work Performance             | 61-62 |
| 5.2.2 Organizational Justice and Performance App Satisfaction | 62-63 |
| 5.2.3 Performance App Satisfaction and Work Performance       | 63-64 |
| 5.2.4 PAS as a mediator to the relationship of OJ and WP      | 64    |
| 5.3 Implications  | 64-65 |
| 5.4 Conclusion  | 66-67 |
| 5.5 Recommendations for future research                       | 67    |

## **References**

## **Appendix ‘A’ : Questionnaire**

## **LIST OF FIGURE**

|                                       |           |
|---------------------------------------|-----------|
| <b>Figure 1: Conceptual Framework</b> | <b>29</b> |
|---------------------------------------|-----------|

## **LIST OF TABLE**

|  |           |
|--|-----------|
| <b>Table 1: Summary of Demographic Profile</b>   | <b>39</b> |
| <b>Table 2: Rotated Component of Organizational Justice</b>  | <b>42</b> |
| <b>Table 3: Rotated Component of Performance Appraisal Satisfaction and<br/>Work Performance</b>       | <b>45</b> |
| <b>Table 4: Descriptive Statistics of the study variables (N=100)</b>                                  | <b>47</b> |
| <b>Table 5: Reliability Coefficients for the Variables of the Study</b>                                | <b>48</b> |
| <b>Table 6: Correlation of Variables</b>   | <b>49</b> |
| <b>Table 7: Regression Result of Organizational Justice and Work Performance</b>                       | <b>51</b> |
| <b>Table 8: Regression Result of Organizational Justice and Performance<br/>Appraisal Satisfaction</b> | <b>53</b> |
| <b>Table 9: Regression Result of Performance Appraisal Satisfaction and Work<br/>Performance</b>       | <b>54</b> |
| <b>Table 10: Summary of Hypothesis Testing</b>   | <b>56</b> |

# **CHAPTER 1**

## **INTRODUCTION**

### **1.0 Introduction**

Performance appraisal is an integral part of the Human Resource Management system. An organization implements the performance appraisal system to allocate rewards for the employee, provide development advice as well as to obtain their perspectives and justice perceptions about their jobs, department, managers and organization.

Performance appraisal is an ongoing communication process between employees and supervisors. Superior should set expectations, monitor performance and provide feedback to employees. By having this information it will direct and develop employee performance by identifying training and development needs, correcting problems and determining raises and promotions. Performance appraisal is necessary for the following reasons:

- Provide a review of past work performance and create the opportunity to develop new performance goals.
- Establish lines of communication about employee performance
- Create an opportunity to discuss professional development goals and objectives.
- Document employee performance and provide support increment, promotions or terminations.
- Document corrective action necessary to improve work performance
- It is supervisor's and manager's responsibility to monitor, evaluate and coach employees.

The contents of  
the thesis is for  
internal user  
only

## REFERENCES

- Aquinis, H. (2007), *Performance management*. Pearson Prentice Hall; Upper Saddle River, New Jersey.
- Bard Kuvaas.(2007), *Different relationships between perceptions of developmental performance appraisal and work performance*, Personnel Review, Vol. 36 No. 3, pp. 378-397
- Baron, R.M. and Kenny, D.A. (1986), “*The moderator-mediator variable distinction in social psychological research: conceptual, strategic, and statistical considerations*”. Journal of Personality and Social Psychology, Vol. 51, pp. 1173-82.
- Cedwyn Fernandes and Raed Awamleh.(2006), *Impact of organisational justice in an expatriate work environment*, Management Research News, Vol. 29 No. 11, pp. 701-712
- Charles Pettijohn, Linda S Pettijohn, Parker J Taylor, Kent D Keillor. (2001), “*Are performance appraisals a bureaucratic exercise or can they be used to enhance sales-force satisfaction and commitment?*” Psychology & Marketing. Hoboken: Vol. 18, Iss. 4; pg. 337
- Cohen, J. (1988). *Statistical power analysis for the behavioral sciences*, (2nd edn). Hillsdale, NJ: Lawrence Erlbaum.
- Cook, J., & Crossman, A.(2004), *Satisfaction with performance appraisal system*. Journal of Managerial Psychology, Vol. 19 No. 5, p. 526 - 541.
- Cottringer, W. (1999), “*Managing fairness*”, Executive Excellence, Vol. 16 No. 10, p. 13.

- DeCoster, J. (1998), *Overview of Factor Analysis*, (data derived from <http://www.stat-help.com>)
- Fatt, C. K., Khin, E. W. S. & Heng, T. N. (2010), *The Impact of Organizational Justice on Employee's Job Satisfaction: The Malaysian Companies Perspective*, American Journal of Economics and Business Administration, Vol.2 (1): 56-63.
- Hair, J.F.J., Anderson, R.E., Tatham, R.L. and Black, W.C. (1998), *Multivariate Data Analysis*, Maxwell Macmillan International, New York, NY.
- Hal J. Whiting, Theresa J.B. Kline, Lorne M. Sulsky.(2008), *The performance appraisal congruency scale: an assessment of person-environment fit*. International Journal of Productivity and Performance Management Vol. 57 No. 3, pp. 223-236
- Herman Steensma and Ellen Visser.(2007), *Procedural Justice and supervisors personal power bases: Effect on employees perceptions of performance appraisal sessions, commitment and motivation*, Journal Collective Negotiations, Vol. 31(2) 101-118.
- Heslin, A. P. & Walle, D. V. (2009), *Performance Appraisal Procedural Justice: The Role of a Manager's Implicit Person Theory*, Journal of Management.
- Kavanagh, P., Benson, J. & Brown, M. (2007), Understanding performance appraisal fairness, Asia Pacific Journal of Human Resources, Vol.45 (2) Pg. 132-150.
- Khim Ong Kelly, Shi Yun Angela Ang, Wei Ling Chong and Wei Sheng Hu.(2008), *Teacher appraisal and its outcomes in Singapore primary schools*. Journal of Educational Administration Vol. 46 No. 1, pp. 39-54
- Korsgaard, M.A., & Roberson, L.(1995), Procedural justice in performance evaluation: The role of instrumental and non instrumental voice in performance appraisal discussion. Journal of Management, Vol. 21 No. 4, p. 657 - 669.



- Moorman, R.H.(1991), Relationship between organizational justice and organizational citizenship behaviors: Do fairness perception influence employee citizenship? Journal of Applied Psychology, Vol. 76, p. 845 – 855
- Patricia Hind and Yehuda Baruch.(2007), *Gender variations in perceptions of performance appraisal*, Women in Management Review, Volume 12, Number 6, pp. 276–289
- Pallant, J. (2007). SPSS survival manual: A Step By Step Guide to Data Analysis Using SPSS for Windows (Version 15) (3rd Edd). Allen and Unwin: Worldwide Bestseller.
- Poon, J.M.L. (2004), “*Effects of performance appraisal politics on job satisfaction and turnover intention*”, Personnel Review, Vol. 33, pp. 322-34.
- Robert Cavana, Brian L. Delahaye &Uma Sekaran(2008), Applied Business Research: Qualitative and Quantitative Methods
- Robbins, S. & Judge, T. (2007), Organizational behavior (12th ed.). Upper Saddle River, NJ: Prentice Hall.
- Robert P. Wright and Frenda K.K. Cheung.(2007), *Articulating appraisal system effectiveness based on managerial cognitions*, Personnel Review, Vol. 36 No. 2, pp. 206-230
- Shen, J. (2004), *International performance Appraisals: Policies, practices and determinants in the case of Chinese multinational companies*. International Journal of Manpower Vol. 25 No. 6, 2004 pp. 547-563
- Stephen P. Robbins.(2003), Organisational Behaviour: Global and Southern African Perspectives, Pearson South Africa, Business & Economics - 460 pages

- Suliman, A.M.T. (2007), *"Links between justice, satisfaction and performance in the workplace: a survey in the UAE and Arabic context"*, Journal of Management Development, Vol. 26 No.4, pp.294-311.
- Tyler, T.R. and Belliveau, M.A. (1995), *"Tradeoffs in justice principles: definitions of fairness"*, in Deutsch, M. and Bunker, B.B. (Eds), Conflict, Cooperation, and Justice: Essays Inspired by the Work of Morton Deutsch, Jossey-Bass, San Francisco, CA.
- Zara Sabeen, Ali Abdullah Mehboob, *"Perceived Fairness of and Satisfaction with Employee Performance Appraisal and its Impact on Overall Job Satisfaction."* The International Business & Economics Research Conference, London, July 2008