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

Project paper submitted
to the College of Business in partial fulfillment
of the requirements for the degree

Master of Business Administration (Accounting)
Universiti Utara Malaysia

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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
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2</td>
<td>Theoretical Framework</td>
<td>24</td>
</tr>
<tr>
<td>2.2.1</td>
<td>Introduction</td>
<td>24</td>
</tr>
<tr>
<td>2.2.2</td>
<td>Organizational Justice Theory</td>
<td>24-25</td>
</tr>
<tr>
<td>2.2.3</td>
<td>Applying Organizational Justice Theory To Performance Appraisal</td>
<td>26-30</td>
</tr>
<tr>
<td>2.2.4</td>
<td>Model Overview</td>
<td>30-31</td>
</tr>
<tr>
<td>2.2.5</td>
<td>Definition of Conceptual Terms</td>
<td>31</td>
</tr>
<tr>
<td>2.2.5.1</td>
<td>Employee</td>
<td>31</td>
</tr>
<tr>
<td>2.2.5.2</td>
<td>Performance</td>
<td>31</td>
</tr>
<tr>
<td>2.2.5.3</td>
<td>Satisfaction</td>
<td>31</td>
</tr>
<tr>
<td>2.2.5.4</td>
<td>Appraisal</td>
<td>32</td>
</tr>
<tr>
<td>2.2.5.5</td>
<td>System</td>
<td>32</td>
</tr>
<tr>
<td>2.2.6</td>
<td>Definition of Operational Terms</td>
<td>32</td>
</tr>
<tr>
<td>2.2.6.1</td>
<td>Procedural Justice</td>
<td>32</td>
</tr>
<tr>
<td>2.2.6.2</td>
<td>Distributive Justice</td>
<td>33</td>
</tr>
<tr>
<td>2.3</td>
<td>Statement of Hypotheses</td>
<td>33</td>
</tr>
</tbody>
</table>

Chapter 3  
Research Methodology  

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0</td>
<td>Introduction</td>
<td>34</td>
</tr>
<tr>
<td>3.1</td>
<td>Research Design</td>
<td>34-35</td>
</tr>
<tr>
<td>3.2</td>
<td>Population and Sampling</td>
<td>35-36</td>
</tr>
<tr>
<td>3.3</td>
<td>Measurement Items</td>
<td>36-38</td>
</tr>
<tr>
<td>3.4</td>
<td>Instrumentation</td>
<td>39-41</td>
</tr>
<tr>
<td>3.5</td>
<td>Data Collection Method</td>
<td>42</td>
</tr>
</tbody>
</table>
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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ACKNOWLEDGEMENTS

I would like to express my gratitude to my supervisor, Dr Norsiah Mat who had shared not only her knowledge but also her time and guidance to assist me with my research until completion.

I also thank my family who has offered me unconditional love and support all through these years. My son, Muhammad Amjed and my daughters, Nur Farhati and Nur Saffiya had to spend their off days without me while I attended classes and worked on my project paper. I am blessed with my wife, Zahrah binti Ahmad, who took absolute care of our children and their education. I truly cannot express enough gratitude for the absolute love and support that she has given me.

I would like to express my love to my late father, mother, brothers and sisters for their constant love, support, and encouragement. Not to forget my sister-in-law, Dr. Zainab binti Ahmad who had volunteered to help me with my research.

Finally, I thank my colleagues in Bank Islam Malaysia Berhad for their support and participation in answering the survey questions.

My heartfelt gratitude to all of you. May Allah s.w.t bless us all.
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 toxis 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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