



Impact of Performance Appraisal System on Job Satisfaction, Employee Engagement, Organizational Citizenship Behavior and Productivity

KEYWORDS

Job Satisfaction, Organization Culture, Organization Citizenship Behavior, Employee Engagement, Productivity

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ABSTRACT

Performance appraisal is a formal system that evaluates the quality of an employee's performance. Performance appraisal is one of the most complex and controversial human resource techniques. In many organizations performance appraisal systems are used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions Performance appraisal system is important to any organizational work performance; it determines the organization's success or failure. This paper summarizes the conceptual foundation of performance appraisal system and its relationship between Job Satisfaction, Organization Culture, Organization Citizenship Behavior, Employee Engagement and thus with Productivity.

INTRODUCTION

The process of performance appraisal helps the employee and the management to know the level of employee's performance compared to the standard/predetermined level. Performance Appraisal is essential to understand the employee's performance through HRD. In fact, performance appraisal is the basis for HRD. It was viewed that performance appraisal was useful to decide upon employee promotion/transfer, salary determination and the like. But in the recent development, Performance appraisal indicates that the level of desired performance, level of actual performance and the gap between these two. This gap should be bridge through human resources development techniques like training, and executive development, etc.

According to Afford and Beatty: "Performance appraisal is the evaluation or appraisal of the relative worth to the company of man's services on his job"

Performance Appraisal is the process which is used to identify the work performance of the employees i.e., the strengths and weakness so that it may help the organization to provide proper training to them and thus to improve the organization's performance.

Purpose of performance appraisal

- Performance appraisal serves over a dozen different organizational purposes:
- Providing feedback to employees about their performance
- Determining who gets promoted
- Facilitating layoff or downsizing decisions
- Encouraging performance improvement
- Motivating superior performance
- Setting and measuring goals
- Counseling poor performers
- Determining compensation changes
- Encouraging coaching and mentoring
- Supporting manpower planning or succession planning
- Determining individual training and development needs
- Determining organizational training and development needs
- Confirming that good hiring decisions are being made
- Providing legal defensibility for personnel decisions
- Improving overall organizational performance

Performance Appraisal Process

1. Objectives definition of appraisal
2. Job expectations establishment
3. Design an appraisal program
4. Appraise the performance
5. Performance Interviews
6. Use data for appropriate purposes
7. Identify opportunities variables
8. Using social processes, physical processes, human and computer assistance

Benefits of Performance Appraisal

- Facilitation of communication
- Enhancement of employee focus through promoting trust
- Goal setting and desired performance reinforcement
- Performance improvement
- Determination of training needs

Performance Appraisal System and Organizational Commitment:

Deborah F. Boice and Brian H. Kleiner (1997) reported that effective performance appraisal systems help to create a motivated and committed workforce, USA. In their analysis, they pointed out that with large spans of control, several supervisors may work with an individual employee. They concluded that developing an effective performance appraisal system requires strong commitment from top management: if the system does not provide the linkage between employee performance and organizational goals, it is bound to be less than completely effective.

Aharon Tziner, Kevin R. Murphy (1999) observed the attitudinal influences in performance appraisal. From their analysis they found that raters who were high on instrumental commitment were more likely to give high ratings than raters lower on instrumental commitment. They also suggested that perceptions of performance appraisal systems can affect the quality and usefulness of the ratings obtained. One way of improving ratings may be to increase perceptions that ratings are done honestly, that ratings are used fairly by organizations, and that raters are rewarded for providing useful performance feedback to their subordinates.

Azzat Mohd. Nasuridin, Mohamad Abdullah Hemdi and Lye Phei Guat(2008) examined a model involving Human Resource Management (HRM) practices, perceived organiza-

tional support, and organizational commitment. They have concluded that HRM practices will be positively related to organizational commitment, and that perceived organizational support would serve as a mediator in the relationship between HRM practices and commitment. They found that the Malaysian manufacturing sector demonstrated that career development and performance appraisal have direct, positive and significant relationships with organizational commitment.

Performance Appraisal System and Organizational Citizenship Behavior

Wei Zheng, Mian Zhang, Hai Li (1986), examined how performance appraisal process is associated with organizational citizenship behavior, under the light of social exchange theory and impression management theory, using affective commitment as a mediator and rating-reward linkage as a moderator. They found that the relationship between performance appraisal process and organizational citizenship behavior was partially mediated by affective commitment, and perceived rating-reward linkage strengthened the direct association between appraisal process and organizational citizenship behavior whereas it weakened the relationship between appraisal process and affective commitment.

Abdus Sattar Abbasi, Aiza Hussain Rana (2012), analyzed the impact of Islamic work ethics, reward system and organizational environment on citizenship behavior of employees. They found that there is significant and positive correlation between work environment and citizenship behavior of employees. They have concluded that organizations should develop proper, transparent and well communicated reward system to ensure pleasant work environment to achieve both tangible and intangible organizational objectives.

Performance Appraisal System and Job Satisfaction:

Adnan Ahmed, Iftikhar Hussain (2010) analyzed the Performance Appraisals Impact on Attitudinal Outcomes and Organizational Performance, Pakistan. They recommended that a better PA system integrated with better HR practices will enhance performance appraisal satisfaction and also increase employee job satisfaction and reduce turnover intentions to bring effectiveness in the organizations.

Ayaz Khan (2009) examined the effectiveness and impact on performance and job satisfaction of technical education faculty (N.W.F.P). He concluded that existing system of performance appraisal lack proper effectiveness to positively affect performance and satisfaction level of faculty members of Technical Education Department (N.W.F.P) due to inherent pitfalls.

June M.L. Poon (2004) observed the effects of employees' perceptions of political motives in performance appraisal on their job satisfaction. They found that when employees perceived performance ratings to be manipulated because of raters' personal bias and intent to punish subordinates they expressed reduced job satisfaction that, in turn, led to greater intentions to quit their jobs. They concluded that manipulations of ratings for motivational purposes, however, had no effect on job satisfaction and turnover intention.

Mahdieh Darehzereshki (2013) analyzed the role of the performance appraisal quality on job satisfaction, Malaysia. He had analyzed and concluded that employees with high quality performance appraisal experiences were more likely to be satisfied with their job and human resource (HR) practitioners has to decide whether the allocation of additional resources to ensure that all employees have a uniformly high quality performance appraisal experience is a worthwhile investment.

Performance Appraisal System and Employee Engagement:

Graham Lowe (2012) examined how job, work environment,

management and organizational factors influence levels of engagement among healthcare employees. He found that a high level of employee engagement is related to retention, patient centered care, patient safety culture and employees' positive assessments of the quality of care or services provided by their team. He concluded that hospital employees provide a unique opportunity to explore the dynamics of employee engagement in healthcare.

Vishal Gupta, Sushil Kumar (2013) explored the relationship between perceptions of performance appraisal fairness and employee engagement in the Indian business context. The relationships between justice perceptions and engagement were analyzed and they found that there is a significant positive association between distributive and informational justice dimensions and employee engagement. They concluded that the distributive and informational justice perceptions during a performance appraisal session lead to enhanced engagement among employees.

Performance Appraisal System and Productivity:

Ari Warokka, Cristina G. Gallato and Thamendren a/ Moorthy (2012) studied the literature of the effect of performance appraisal on productivity and employees by connecting the employees' perception on fair performance appraisal and organizational justice-considered practices to job satisfaction and work performance. They concluded that employee perception of organizational justice (distributive, procedural and interactional justice) in the performance appraisal system did not significantly contribute or have no impact to productivity.

Evrin Ustunluo (2009) analyzed whether appraisal system leads to improve in productivity. They pointed out that most of the teachers always or often fulfill their responsibilities in terms of teaching and professionalism although few teachers had received low means. They suggested that Administration, Heads of Program and Coordinators always and often take their responsibilities in terms of planning, organization, communication, collaboration, professional competence, leadership and duties, whereas TDU and TMDU sometimes and rarely fulfill responsibilities. They concluded that in terms of the administration, the appraisal system helped define roles and responsibilities more clearly, review and determine job descriptions, organizational goals and objectives, and led to continuous learning, team building and improved productivity.

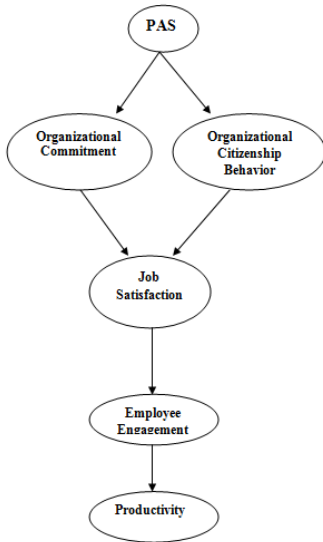
Relationship derived or understood from the above discussion:

PAS models:

Model 1:



Model 2:



Now, the impact of performance appraisal through Organizational Commitment, Job Satisfaction and Employee Engagement towards productivity can be given as a conceptual framework as follows:

- Performance Appraisal System can be used to encourage the employees to have a great Organizational Commitment. It makes them to work efficiently for the organi-

zation by thinking that the organization as their own and by having a great commitment.

- Performance Appraisal System also helps the employees to motivate themselves in two ways; either financially or non-financially. Financially, by providing extra incentives, it helps the employees to motivate themselves and makes them to have a more commitment in the organization.
- Non-Financially, by providing extra roles and responsibilities, it helps the employees to have a great citizenship behavior which helps them to work more and to increase in their productivity.
- Performance Appraisal System also motivates the employees to engage themselves towards the work and makes them to have a very good Job Satisfaction.
- Job Satisfaction, once the employees are satisfied with their job they will commit themselves automatically to their job, thus makes the employee to feel that they are the citizens of the organization.
- Once the employees feel that they are the citizens of the organization they will behave accordingly and all these factors will help them to increase in their productivity.

Conclusion:

Thus performance appraisal system helps both the employees and the organization in increasing their productivity. The employees will have Organizational Commitment and Organizational Citizenship Behavior automatically. Once the employees found that they are satisfied with their job, then they engage themselves towards the work until they find that there is an increase in their productivity.

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