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Perception of Justice in Performance Appraisal and Effect on Satisfaction: Empirical Findings from Northern Cyprus Banks

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Abstract

Appraisals could be problematic; nevertheless they are deemed as necessary in organizational management. This is because workers might not always view appraisals as a positive measure. When the employees perceive appraisals to be fair, it emits positive attitude and vice versa. This study aimed to understand the perceptions of employees towards performance appraisals. Data (n=100) was gathered through questionnaires and administered to workers in the banks of Northern Cyprus. An overall perception of respondents shows a positive rating towards interpersonal justice, distributive justice and procedural justice in performance appraisal (PA). While the respondents agreed to rating PA system positively, metrics that define high satisfaction with the PA system was statistically low and non-significant. This can be due to the fact that the majority of these staff perceives PA to be compulsory or organizational routines, and did not evidently see how it affects their job or their career. Furthermore, satisfaction with PA system can only be translated when the employees see that a positive appraisal results in pay rise, promotion, training and development, awards, other monetary incentives such as benefits and insurance.

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1. Introduction

Performance appraisal is one of the critical human resource practices administered in managing organizations (Jafari et al, 2009, p. 92-100) with the aim of identifying, rewarding, and disciplining employees according to performance; developing programs and other management activities that are important in human resource management. It is perceived to be critical in leveraging human capital towards a desired direction (Delery and Doty, 1996; Takeuchi et al, 2007).

Appraisals usually are utilized mainly for two main purposes; development and evaluation (Maund, 2001). Developmental uses are administered for identification of needs, giving feedback, determination of assignment and transfers, and pointing out employee's strength and weaknesses. Evaluative uses entail the identification of performance, promotion/demotion decisions, recognizing each worker's performance, wage management and retention or termination determinations. Despite the fact that the evaluations have benefits and they are very useful as a management tool in the workplace (Walsh, 2003), there are problems which distort its usefulness. The problems with appraisals hinder their utility in the workplace and sometimes impacts worker's attitude, reaction, behaviour and performance in the workplace negatively. Workers do not appreciate the processes of human resource activities all the time (Whitener, 2001; Kuvaas, 2007). It is very important that administrators have the knowledge of the employees' feelings, which results in their reactions which could be positive or negative towards evaluations. Workers need an accurate and precise evaluation mechanism that provides feedback as regards to their performance. The mechanism can only be effective if it is viewed as fair and reflective of their actual individual's performance (Suliman, 2007). Employees are believed to show a positive reaction towards their jobs if they perceive fair treatment of the appraisal system in the workplace (Moorman, 1991; Cook and Crossman, 2004). Furthermore, according to Sabeen, Mehboob, Muhammad (2008) the workers reaction towards the appraisal mechanism plays a crucial role in the overall job satisfaction. This research study aimed at identifying the employees' perceptions in Northern Cyprus banking sector on justice and satisfaction with their appraisal mechanism.

2. Theoretical Framework and Research Construct of Empirical Study

The appraisals are administered to identify errors, to make decisive judgment towards employees, and to foster growth in the organizations. Appraisals could be problematic, nevertheless they are deemed as necessary in organizational management (Murphy and Cleveland, 1995). This is because workers might not always view appraisals as a positive measure (Whitener, 2001; Kuvaas, 2007) which can arise as a result of personalities and different experiences felt by workers (Fletcher, 2002, Kuvaas, 2007). Justice at workplace is very important in organizations (Bretz, Milkovich and Reid, 1992; Walsh, 2003). The evaluation mechanism must be viewed as equitable and an accurate reflection of performance (Suliman, 2007). When the employees perceive appraisals to be fair, it emits positive attitude and vice versa, which is a determination of evaluation accomplishment (Erdogan, Kraimer and Liden, 2001). The healthiest way to measure and inquire about the experiences of employees is their reactions (Cardy and Dobbins, 1994; Keeping and Levy, 2000; Wright, 2004; Kuvaas, 2007). According to Jawahar (2007, p. 735-754) the employee reactions towards evaluations have crucial impacts on the evaluation mechanism which could lead to productive employees. It is important to do research on workers attitude or reaction towards used evaluation mechanism. The most crucial reaction derivable from the evaluation can be expected to be satisfied with the performance evaluation system (Dorfman, Stephan and Loveland, 1986; Giles and Mossholder, 1990; Jawahar, 2007). This thereby gives rise to the main hypothesis of the study:

Main Hypothesis: Perception of the organizational justice will positively and significantly affects satisfaction with the performance evaluation system.

The items utilized in this research to study performance appraisal fairness are based on Grennberg's (1993) model of organizational justice. It includes systematic, configural, informational and interpersonal aspects of justice. The systematic refers to the structural-procedural while the configural refers to the structural-distributive justice perceptions. The informational and interpersonal entails the social view of performance appraisal. They clearly analyse the social views of organizational justice in evaluations (Walsh, 2003). The systematic or structural procedural aspect is related to the process concerning the assignment of evaluator's measurement settings, collection of data and seeking appeals. This is applicable to evaluation and they are established through Leventhal's (1980) procedural justice theory in respect of evaluation processes. The views on processes are assessed on the basis of the

consistency of accuracy, favourability and representation of employee's interest. The second is the configural or structural distributive which is related to the normality resulting from appraisal ratings in terms of equity, external pressures and managerial decisions (Leventhal, 1980; Walsh, 2003). The third is informational or social procedural which has to do with the manner appraisers communicate with appraises. This entails how sensitive or respectful evaluators are towards rates. It illustrates views on equity arising from standards, clarity of expected performance, response of evaluators, and vindication of judgment (Walsh, 2003). The fourth, which is the interpersonal or social distributive is related to the handling of employees by the administrators of appraisals (Thurston, 2001; Walsh, 2003). This is suggested to be a component of interactional justice, which is concerned with the feelings that employees develop towards the treatment by their administrators (Bies, Shapiro and Cummings, 1988; Walsh, 2003). Employees are mostly affected by the sensitivity of appraisers and managers in the workplace, specifically when ratings are accurate and show interest in the result of the evaluations (Greenberg, 1993; Walsh, 2003). The systematic procedures are derived from Leventhal's (1980) procedural justice perceptions of appraisal ratings. This entails the rate's concern towards the appraisal mechanism consistency in terms of procedural justice and in handling workers' interest related to performance expectations. The scales connected to systematic procedure are; seeking appeals and appraiser confidence. These scales stand for systematic justice factor and other justice measures according to organizational justice investigators (Walsh, 2003). The configural justice stands for the results of distributive justice aspect of the performance evaluation mechanism. In this research, in the context of performance evaluation, appraisals and ratings can be said to be inputs for administrative decision which could affect activities like pay, promotion to mention but a few. The scales for measuring fairness were modified by Thurston (2001) in the context of distributive justice. These scales are "accuracy of ratings" and concern over ratings". The informational and interpersonal justice perceptions are components of the interactional and social attributes of the evaluation practices. The interpersonal is related to the views of the worker regarding the handling by the appraiser. The scales were extracted from personal interactions as explained by Bies and Moag (1986) and combined into a single scale termed "treatment by appraiser". The informational justice is related to the view of the social aspect of the activities and the richness of these activities which leads to the result. It has to do with the quality of reciprocal actions and communicating the procedural aspect of the appraisal. Included in the scale are factors of interactional justice (Bies & Moag, 1986; Bies & Shapiro, 1987) plus procedural justice (Greenberg, 1986; Leventhal, 1980; Thibaut & Walker, 1975).

The other part of the questionnaire contains the emotive reaction of workers towards their appraisal system. The reaction in question is satisfaction which was measured using altered items from previous studies (Tang and Sarsfield-Baldwin, 1996, Taylor, Tracy, Renard, Harrison & Carroll, 1995) and they are believed to indicate satisfaction with the evaluation system (Keeping & Levy, 2001; Walsh, 2003). They were measured with a 5-point scale concentrated on the degree which workers concur with the fairness and accuracy of the rater in reflecting their performances. The first is "reaction towards your last appraisal" and the second is the "reaction to the performance appraisal" while the third is the "reaction towards your supervisor". In order to gather basic information pertaining the worker, which is related to their professional and personal data, a short demographic section has been constructed in the questionnaire.

The validity of the questionnaire's content was institutionalized by professional human resource staff, the staff of other departments concerned with appraisals and representatives of the state civil service department. Non-probability sampling was utilized due to its convenience for sampling (Welman and Kruger, 2001). It is best suited for comfort in gathering employees who are available and prepared to respond to the questionnaires. It is easier to collect data with this method because the research can choose respondents easily and randomly amongst the employees in TRNC.

3. Data Analyses and Discussion of Results

3.1. Demographic Data

39% (39) of the research participants were male and 61% (61) research participants were female. 63% of the entire respondents were between 25-34 years old. The second largest age group of participants (19%) was less than 25 years of age, while 18% indicated that they were between 35-44 years of age. The majority (42%) of the respondents said that they were employed within the banking sector for 5-9 years. This is followed by those with working years of 0-4 years (n=36, 36%). Regarding the educational level in which respondents were in, more than

half of them were holders of a bachelor's degree (63%). Regarding the job level in which respondents were in, more than half of them (57%) were in the clerical level grade system and 26% were at the supervisory level while the remaining (17%) falls in the management.

In order to test the reliability of the questionnaire, the Cronbach alpha was calculated for each of the question categories. Normally, Cronbach's alpha reliability coefficient ranges between 0 and 1. The closer the Cronbach's alpha coefficient is to 1.0, then the greater the internal consistency of the items in the scale. George and Mallery (2003) provide the following rules of thumb: “ $\alpha > .9$ – Excellent, $\alpha > .8$ – Good, $\alpha > .7$ – Acceptable, $\alpha > .6$ – Questionable, $\alpha > .5$ – Poor, and $\alpha < .5$ – Unacceptable”. All the Cronbach alphas are good enough to test the respondents' perceptions about satisfaction with performance appraisal system with more than 0.70 values.

The overall response from staff's satisfaction showed positive feedback indicating that staff had a good relationship with their supervisors and that performance appraisal is taken seriously at their respective place of work in their departments respectively. All responses fall within the 'agreed scale' rating based on Likert scale and with an above average score. Furthermore, results showed that there is support and guidance between the staff being appraised. This is because, at the top management level, other factors also come into play when dealing with guidance and support during performance appraisal as the appraisers are mostly board members which might also put the managers under pressure to perform and meet their targets based on the overall organizational goals.

Hierarchical multiple regression was used to determine predictors that contribute to satisfaction about the performance appraisal system. Among all tested models, perceptions of informational justice. Among all models added during the hierarchical regression, informational justice has a significant relationship with satisfaction of performance appraisal system. Furthermore, among the predictors from the independent variables, perceptions of informational justice meets this criteria having a high t-statistics ($t=2.96$, $P=0.03$) revealing that informational justice is a predictor towards satisfaction of performance appraisal system.

Adjusted R for Perception of distributive justice is 0.060 indicating a 6% contribution to the overall model. This reveals a very low contribution. When perception of procedural justice was included in the model, there is a decrease to 0.050 meaning a 5% contribution which also shows that it carries an insignificant contribution in over PA satisfaction. However, a significant rise in noticed when the perception of informational justice is included in the model showing a rise to 0.087, that is 8.7% contribution followed by interpersonal justice with 7.8% contribution. It can be seen that communication plays a significant role in the overall PA satisfaction which is characteristic of informational and interpersonal justice. Although the sum total of all model summaries is relatively low with 0.276 or 27.6% effect, it can be suggested that other external factors could be the reasons why employees feel unsatisfied towards the PA system within the banking sector.

The results from the Pearson correlation statistical analysis showed no significant relationship between perception of distributive justice and satisfaction with the performance appraisal system having a low value of 0.126. Distributive justice involves results that have an effect on staff appraisals and these include salary, pay rise, training and layoff.

Pearson correlation was also used to determine if there exists a relationship between perception of procedural justice and satisfaction with the appraisal system among staff in the North Cyprus banking sector. The result revealed very low correlation coefficient $R=0.147$. On the other hand, all satisfaction reactions' mean score were in the range of 3.4 – 4.0 “agreed” and the perceptions of fairness scales were also in the range of 3.4 – 3.8. Although they see the performance appraisal as relevant to their career, there seems to be other factors that contribute to a positive relationship between employee satisfaction that were not tested in this questionnaire. The Pearson coefficients (relationships) between the various perceptions of fairness and employee satisfaction with the performance appraisal were in the range of 0.14 – 0.263 that indicated “very weak association” between the scales under analysis. Furthermore, one-way ANOVA was conducted to examine whether there were statistically significant differences between job level (managers, supervisors and clerical) and satisfaction with the performance appraisal system. The results revealed no statistically significant differences between the job levels, $F(2,96)=1.047$, $P=0.35$.

4. Conclusion and Recommendations

Performance appraisal has two general uses in organizations. One role is to measure performance for the purpose of rewarding or otherwise making administrative decisions about employees. Promotions or layoffs might hinge on these ratings. Another role is the development of individual potential. In that role, the manager is featured more as a

mentor than as a judge, and the atmosphere is often different. The emphasis is on identifying potential and planning employees' growth opportunities and direction (Mathis and Jackson, 2011). Most employees have a strong need to know how well they are performing. A good appraisal system provides highly desired feedback on a continuing basis. There should be few surprises in the performance review. Managers should handle daily performance problems as they occur and not allow them to pile up for six months or a year and then address them during the performance appraisal interview.

This study aimed to understand the perceptions of staff towards performance appraisals. Second, it aimed to identify which factors (if any) that contributes to overall PA satisfaction. The data were collected through a survey within the banking sector of North Cyprus.

An overall perception of respondents shows a positive rating towards interpersonal justice, informational justice, distributive justice and procedural justice. Hierarchical logistical regression analyses also showed that these independent variables are not statistically significant factors for performance appraisal satisfaction. Further analysis by using ANOVA also indicated that there is no relationship between job level and PA satisfaction. The implication is that while all the groups of respondents agreed to rating positively to the PA system in their respective organizations, metrics that define high satisfaction with the PA system was statistically low and non-significant. This could also be as a result of the fact that the result of the ratings do not have positive and indicative effect on their careers. The majority of these staff perceives PA to be compulsory or organizational routines, but did not evidently see how it affects their job or perception towards their career. Also, it is imperative to understand that satisfaction with PA system can be translated when the staff sees that a positive appraisal results rises in wages and salary payments, promotion, development, awards, and other incentives.

This study has one particular limitation which was the research access to the bankers in TRNC. The banks had very strict rules when it comes to giving out information and attending to researchers as they tend to control the information given out by staff. This affected their return rate of the questionnaires and many banks did not allow their staff to fill the questionnaires up rather they gave them to their human resource department to fill. Some banks were so up-tight that the managers had to approve the questionnaires before they were attended to making sure it does not indicate any unwanted or unwelcomed outcome from the research. Moreover, managers should avoid common mistakes when evaluating the performance of employees under their supervision. Some managers may want to rate their subordinates very high either because they want to show that the work under their responsibilities is proceeding very well or because they do not have the ability to convince their subordinates that their performances deserve this rating. In the light of these circumstances, it is recommended that further research should be conducted towards understanding why respondents still do not derive satisfaction with PA system based on parameters of interpersonal justice, informational justice, procedural justice and distributive justice. Furthermore an exploratory analysis can be very valuable to gain insights on further other critical factors that affects PA satisfaction.

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