Effect of Performance Appraisal on Employees’ Satisfaction: A Case Study of University of Peshawar, Khyber Pakhtunkhwa, Pakistan

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ARTICLE DETAILS

ABSTRACT

The purpose of this study is to identify the effect of performance appraisal on employees’ satisfaction in university of Peshawar, Khyber Pakhtunkhwa (KP), Pakistan. We collected data from 60 administrative employees of university of Peshawar using survey questionnaire. We distributed 100 questionnaires among the employees of university of Peshawar, out of which 60 were returned back, so the response rate was 60 %. Findings of this study revealed that performance appraisal significantly and positively affect employee satisfaction in university of Peshawar, KP. It was concluded from this study that fair and accurate performance appraisal keep the employees satisfied and positively affect the efficiency and effectiveness of employees as well as organization. In line with the findings of this study it is recommended for top management of higher education of Pakistan to design such a performance appraisal system which is in accordance with the new challenges and developmental aspect of employees within different universities or organizations. This study has importance for both policy makers and academicians.

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1. Introduction

Evaluation of employee’s performance is fundamental practice in almost every organization with the aim of better performance of employees and organizational success (Karimi, Malik, & Hussain, 2011). According to Hussain, Yusoff, Banoori, Khan, and Khan (2016) employees are considered to be the most important resources that perform fairly and significant work for the success of any organization in both public and private sector. Satisfied employees perform a key role in the better performance of an organization. Employee satisfaction is considered to be the one of the most important factor in the achievement of organizational goals and objectives (Selden, Ingraham, & Jacobson, 2001). Employee satisfaction is related with job and further illustrated that how an employee lines up his hopes at work with outcomes (Karimi et al., 2011; Malik, Bibi, & Rahim, 2010; van der Lippe & Lippényi, 2020). These scholars further argue that employees enjoy jobs and endeavor to work in such organizations that offer good working conditions, where employees laid their focus on the organizational development. It means that organizations put every effort and strive hard to satisfy their valued and worthy employees. The primary goal of performance appraisal is to evaluate employees' performance and positively influence the individual and organizational long lasting effectiveness (Aleassa, 2014; Idowu, 2017).

According to Crossman and Cook (2004) more than 80% of the employees working in United Kingdom organizations shows displeasure regarding performance evaluation process, because of lacking to design such a process in which employee develop and motivate. The study of Crossman and Cook (2004) advocated that the inherent variance occurs in the satisfaction of employee’s with a performance appraisal system and associated to an employee contribution within the organization. These scholars conducted their research on performance appraisal satisfaction of employees in large multi-national firms of USA and suggested for further validation of the results (Crossman & Cook, 2004). In last, this study will examine the association of employee satisfaction with the performance appraisal especially in universities of KP, Pakistan, so as to validate the results of the previous researchers.

2. Employee satisfaction

Employee satisfaction is described as the state in which employee shows likeness and happiness with his job instantly (Malik, Saleem, & Ahmad, 2010). It is further explained as an employee likeness of his job that positively motivates him to carry out the tasks to achieve organizational goals and objectives. Crossman and Cook (2004) has also been suggested that absence of employee training with performance appraisal leads to discrepancies between actual and expected performance assessment which will results in dissatisfaction with the process. According to Lee (2014) stating that employee satisfaction is related to performance appraisal in a way that if employees satisfaction from performance appraisal reflects in their performance. Scholars have documented direct linkage of organizational productivity and customer satisfaction with employee satisfaction because satisfied employees are more loyal and productive (Daniel, Ashar, Ihsan-Ur-Rehman, & Shahbaz, 2012; Sageer, Rafat, & Agarwal, 2012). According to Akhtar and Khattak (2013) less research studies have been performed in the area of employee satisfaction particularly in institutions of higher education.

3. Literature review

3.1 Performance appraisal
Scholars opine that performance appraisal is broadly used as a human resource tool. Notwithstanding, it still endures with some major challenges in human resource management subsequently, the performance appraisal system should reach to its high acceptability milestone amongst employee’s satisfaction (Saraih, Karim, Ahmad, & Nordin, 2017). The researcher like Saraih et al. (2017) suggested that in order to increase employee satisfaction regarding appraisal process, the concerns of employees regarding evaluation process must be addressed. According to Akhtar and Khattak (2013) less research studies have been performed in the area of employee satisfaction particularly in institution of higher education. Katavich (2013) indicated that earlier research identified several factors such as appraisal system, appraisal interview, and appraisal outcomes as predictors of performance appraisal satisfaction. Though, little knowledge has been outlined to contribute on the context of performance appraisal satisfaction model. According to Lee (2014) stating that employee satisfaction is related to performance appraisal in a way that if employees exhibit satisfaction with the performance appraisal process, their satisfaction reflects in their performance. The utmost critical reaction resulting from the appraisal can be expected to be satisfaction with the performance appraisal system (Jawahar, 2007; Kithuku, 2012). When the employees perceive evaluation process as to be fair, it produces positive attitude, maximize satisfaction and vice versa, which is purpose of performance appraisal achievement (Erdogan, Kraimer, & Liden, 2001; Palaiologos, Papazekos, & Panayotopoulou, 2011). While Bhatti and Qureshi (2007) is of the opinion that employee satisfaction can be better explained when employees feel happy with their performance appraisal and working environment. The best way to examine and investigate employee’s perceptions about the experiences of the employee’s satisfaction is their reactions (Kuvaas, 2007). Benefits of employee’s satisfaction to organizations can be in different forms like increase in productivity and organizational success (Bhatti & Qureshi, 2007; Mafini & Pooe, 2012; Malik, Ahmad, Saif, & Safwan, 2010; Malik, Zaheer, Khan, & Ahmed, 2010). According to Sageer et al. (2012) organizational productivity and customer satisfaction are directly linked with employee satisfaction because satisfied employees are more loyal and productive. Many studies reveal that the equality and fairness perception are significant factors of employee satisfaction, where the performance appraisal is concerned (Ahmed, Sultana, Paul, & Azeem, 2013). However, if performance appraisal is not conducted appropriately or the employees perceived that as biased and subjective, ultimately employee satisfaction will be decreased and in turn this will affect employee’s work performance and affect organizational productivity (Shrestha & Chalidabhongse, 2006). In accordance with employee satisfaction Jawahar (2007) advocated that employee reaction regarding satisfaction of performance appraisal is the area of research which has attracted less attention of the researchers. Another recent study has also emphasized on studying such relationships (Aleassa, 2014). Poor and ineffective conducted performance appraisal could lead to staff insecurity and boost dissent and anger in employees of the organizations (Montague, 2007; Singh & Twalo, 2014).

3.2 Relationship of employee satisfaction with performance appraisal

Relationship of employee satisfaction with performance appraisal has been researched widely (Keeping & Levy, 2000) and mostly three methods are used to conceptualize this relationship (a) satisfaction with performance appraisal interview, (b) satisfaction with the appraisal system and (c) satisfaction with performance ratings (Pettijohn, Pettijohn, & Taylor, 2000). But the core construct is employee satisfaction. In short, empirical evidences proposed that employee satisfaction is one of the most significant reactions to the performance appraisal (Sudin, 2011). An extensive research has been conducted on other factors that influence the relationship with performance appraisal (Kuvaas, 2006). But Levy and Williams (2004) pointed out that still there is less empirical study that how and when satisfaction with performance appraisal matters, so it is concluded from the previous studies
(Karimi et al., 2011; Malik, Ahmad, et al., 2010) that if employees are satisfied from their work and performance appraisal their contribution towards organizational achievements will be increased. If employees or ratees are dissatisfied with their performance appraisal or perceived it as inaccurate and unfair, employees would not be motivated to use performance appraisal reaction to improve their performance (Aleassa, 2014). Performance appraisal is basically used to help and support management in making decisions regarding satisfaction and development of employees. For instance, every employee is assessed based on his job performance, recognized and deemed either fit for promotion or not (Karimi et al., 2011). By and large, they posit an opinion that employee’s reactions regarding satisfaction are better signs for judging the effectiveness of performance appraisal system as compared to psychometric properties (Aleassa, 2014). A study performed by Posthuma and Campion (2008) documented that out of 50,000 respondents, only 13 % employees thought the performance appraisal system used by them as effective and sufficient. Dusterhoff, Cunningham, and MacGregor (2014) reported that if employees perceived the performance appraisal system as unjust and unfair, they become dissatisfied and in turn their performance decreases.

Some other researchers such as Crossman and Cook (2004), and Othman (2014) contend that reaction criteria could not be underestimated, because negative approach towards performance appraisal may ruin the most useful and carefully made performance appraisal system. Most of the previous researchers have found positive relationship between employee satisfaction and performance appraisal (Bhatti & Qureshi, 2007; Gyawali, 2017; Mahmoud, 2008; Malik, Ahmad, et al., 2010; Malik, Zaheer, et al., 2010). Keeping in view the previous literature regarding such relationship, the following hypothesis is developed.

**Hypothesis 1:** There is positive relationship between performance appraisal and employee satisfaction.

![Research frame work of the study](image)

**Figure 1: Research frame work of the study**

### 3.3 Material and methods

The data was gathered from employees of university of Peshawar, KP, Pakistan. Purposive sampling technique has been used as sampling structure in the study. A sum of 100 questionnaires were sent to administrative employees of the university of Peshawar, via email out of which we received back 60 filled questionnaires recording a response rate of 60 percent. We used 5-point Likert scale in the questionnaires in order to record responses of the participants. We used SPSS-20 for data analysis. Both regression and correlation analysis were made to analyze the data of the study.

### 3.4 Measures of scales of study

The two scales used in the study to measure the constructs of interest are employee satisfaction and performance appraisal.
3.5 Employee satisfaction
We used a 13-items scale taken from study of Pearce and Porter (1986) to measure employee satisfaction in the study. We used 5-point Likert scale ranging from 1 (strongly agree) to 5 (strongly disagree) in order to word the items of the scale. The scale had sufficient reliability having Cronbach alpha of 0.82.

3.6 Performance appraisal
We used a 5-items scale taken from study of Otman (2014) to measure performance appraisal in the study. We used 5-point Likert scale ranging from 1 (strongly agree) to 5 (strongly disagree) in order to word the items of the scale. The scale had sufficient reliability having Cronbach alpha of 0.75.

4. Results and discussions
This study carries a key aim to find out the association of performance appraisal with employee satisfaction in the University of Peshawar, KP, and Pakistan. We used both correlation and regression analysis for data analysis of the study.

| Performance appraisal | Employee satisfaction |
|-----------------------|-----------------------|
| Pearson Correlation   | 1                     |
| Sig. (2-tailed)       | .000                  |
| N                     | 100                   | 100 |

**. Correlation is significant at the 0.01 level (2-tailed).

Correlation analysis was conducted to determine the association between variables of the study. Correlation coefficient of 0.643 was obtained illustrating strong positive association of performance appraisal with employee satisfaction. For detailed results (refer Table 01).

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics |
|-------|---|----------|-------------------|---------------------------|------------------|
| 1     | .643<sup>a</sup> | .414 | .412 | .64427 | .414 | 214.728 | 1 | 304 | .000 |

a. Predictors: (Constant), performance appraisal

Regression analysis was conducted to find out the effect of one variable on another variable and operationalize hypotheses as well. The value of $R^2$ (0.41) indicates that the independent variable is describing the dependent variable up to 41%. In other words, 41% change occurs in dependent
variable (employee satisfaction) due to independent variable (performance appraisal). Some other factors also have part in the increase of employee satisfaction but overall model of the study is significant showing promising results. For detailed (Refer Table 02).

Table 03: ANOVA between performance appraisal and employee satisfaction

| Model      | Sum of Squares | Df | Mean Square | F       | Sig. |
|------------|----------------|----|-------------|---------|------|
| Regression | 89.130         | 1  | 89.130      | 214.728 | .000 |
| Residual   | 126.185        | 304| .415        |         |      |
| Total      | 215.315        | 305|             |         |      |

a. Dependent Variable: employee satisfaction  

The F statistic 214.728 indicates that performance appraisal has strong significant influence on employee satisfaction, as the level of significance is at maximum 0.000 (Refer Table 03). Hence hypothesis H1: performance appraisal has positive effect on employee satisfaction is accepted.

Table 04: Coefficients of performance appraisal with employee satisfaction

| Model      | Unstandardized Coefficients | Standardized Coefficients | t   | Sig.  |
|------------|-----------------------------|---------------------------|-----|-------|
|            | B                           | Std. Error                | Beta|       |
| 1          | (Constant)                  | .682                      | .234| 2.921 | .004 |
|            | Performance appraisal       | .750                      | .051| .643  | 14.654|.000 |

a. Dependent Variable: employee satisfaction

After analysis the Beta (β) value = .643 for these variables expressed that one unit increase in independent variable (performance appraisal) will maximize the dependent variable (employee satisfaction) up to 0.6 units according to Table 4. The findings of current study indicate that fair, accurate and purposeful performance appraisal make the employees satisfied and result in increase in both employees’ and organizational performance.

To analyze the results of this study, these findings are in relevance and in line with the past results of the study conducted by (Sudin, 2011) owing that performance appraisal has significant and positive effect on employee satisfaction. This study is based on the Vroom expectancy theory (1964) which reveals that if the employees perceive the performance appraisal system to be fair, accurate and purposeful, they will be more motivated and satisfied from the performance appraisal and in response will put more effort to perform better. Such motivational force keeps the employees satisfied which in turn affect the performance of employee's positively in particular and the performance of organization in general. Such theory suits this study in a way that expectation of fair or good performance appraisal is fulfilled in the organization which motivates the employees to perform better and make them satisfied with performance appraisal.

5. Conclusion

Performance appraisal increases the employee satisfaction by giving them the opportunity to improve their weak areas and develop themselves accordingly in the organization. So it is concluded
from the studies of (Karimi et al., 2011; Malik, Ahmad, et al., 2010) that if employees are satisfied from performance appraisal their contribution towards organizational achievements will be increased. If employees feel dissatisfied with performance appraisal and perceived it to be inaccurate and unfair, they will be not motivated to use appraisal criteria to improve their performance (Aleassa, 2014). Performance appraisal is specially designed for two purposes namely administrative and employee development. Performance appraisal is carried out mainly for the improvement of weak performers and when employees get improved, then their efficiency and satisfaction are at high level which is ultimately enhances organizational productivity and success. Previous studies also support these results that performance appraisal has a strong significant and positive effect on employee satisfaction.

6. Recommendations

If performance appraisal will be applied with its true spirit in Khyber Pakhtunkhwa public sector universities of Pakistan, it will bring enormous changes in the efficiency and effectiveness of employees as well as universities’ overall performances and success. Performance appraisal has long lasting effect on the employee's development and improvement but if it is designed in a way that employees feel satisfied and owned it for the improvement of their weak areas. Performance appraisal should not be used only for promotion purposes but it should also be applied for the very purpose of employee improvement, development and satisfaction.

Higher education of Pakistan needs to strive for the implementation of such performance appraisal system within the universities which has explicitly enriched with employee satisfaction and developmental aspects.

7. Implications of the study

This study will add some valuable benefits to both organization and employees. If performance appraisal process is implemented efficiently it can be helpful for the organization in various ways. Benefits of this process include evaluation of employees’ skill level and serve the purpose of employees' development needs and career ambitions. While it should also be focused on organizational performance and success in the shape of improvement in work performance, more objective distribution of rewards, better productivity and improve retention of employees.

This study has also long lasting effect on the higher education institutions because universities employees’ needs proper evaluation system which ensures their development and improvement plan. Students are the direct customers of the universities. Hence, when employees are satisfied they will perform better and efficiently and in turn they will put more efforts to build up such an acceptable education environment which help out our country in socio-economic stability.

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