

Predictors of Performance Appraisal Among Managers in Malaysian Commercial Banks

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Abstract—This paper presents the findings of a study, which investigated the predictors of employees' perception on performance appraisal. A total of 250 managerial staff in Malaysian commercial banks was selected as a sample based on stratified random sampling. The study used self-administered questionnaire as the research instrument. The data obtained were analyzed using descriptive and inferential statistics. The results found that organizational commitment, job satisfaction and demographic factors were related to employees' perception on performance appraisal. The study also revealed that organizational commitment, job satisfaction and demographic factors served as predictors of employees' perception on performance appraisal. Based on the implication of the research findings, several suggestions are put forward.

Keywords- Performance appraisal, organizational commitment and job satisfaction.

I. INTRODUCTION

Performance appraisal has received considerable attention from researchers and practitioners. It has also attracted a great deal of interest in the current literature as evidenced by many writings and studies conducted on this subject. The large interest in this topic appears to be a result of the link found between performance appraisal, employee attitude and behaviours (Gibbons and Kleiner, 1994). This is very much true especially among staff in Malaysian commercial banks that are so dependent on the skilled and highly performed employees, where the business is very competitive. Research has been carried out regarding employee's perception on performance appraisal covering such aspect of performance appraisal criteria, accuracy of performance appraisal and the relationship between raters and performance appraisal. However, less study has been conducted on the predictors of performance appraisal perception among staff in Malaysian commercial banks. This paper examined the predictor of performance appraisal among management staff of Malaysian commercial banks.

II. LITERATURE REVIEW

A. Performance Appraisal

Several terms have been used to describe the process of evaluating employee performance. Among those are like performance assessment, employee appraisal and performance review. The term used in this paper is performance appraisal. Performance appraisal refers to how

organization measures and evaluates employee's behavior and accomplishment (Banner and Cooke, 1986). As such, performance appraisal is a systematic process that measures an employee's job relevant strengths and weakness within and between employees or groups. Generally, performance appraisals serve for two purposes: 1) to improve the utilization of human resources; fostering improvement in work performance and 2) to provide a basis for personal actions; example, promotion and merit pay (Bernardin, 1999). In addition, performance appraisals also serve as evaluative or judgmental function of the appraisal and developmental function (Daughtrey and Ricks (1989). More specifically, performance appraisals support personnel actions, help in establishing objectives for training programs, provide concrete feedback and facilitate organizational diagnosis and development (Jacobs et al., 1980).

B. Performance Appraisal Approach

Ranking and rating are among two main category of evaluation used to appraise employees (Milkovich and Newman, 2010). Performance appraisal can be measured in various ways such as the use of ratings by supervisors, output measures and self-evaluation. The usual method of measuring performance appraisal in most studies has been to obtain the supervisors rating on selected criteria such as quality and productivity (Porter & Lawler, 1968), or quality and quantity, output creativity and other criteria (Fletcher and Williams, 1996). Literature has revealed that most organizations and industries have employed approach of performance appraisal as suggested by Fletcher and Williams (1996). These kinds of measures have been used to assess the attitudinal – performance appraisal relationship. Such evaluations however, are most useful only in specific kinds of work settings.

Judge and Ferris (1993) argue that neither supervisors' ratings nor output measures are scales that apply throughout the employees' performance in organization. Alternatively, Darden et al. (1989) and Kalleberg (1993) suggest performance appraisal measure based on the respondent's self-rating of quality and quantity of his or her performance in organization. A possible criticism of such evaluation is that some people are unable to report their performance accurately, due to reasons such as poor introspection. To avoid biasness in the evaluation of job performance Hind and Baruch (1997) used a combination of supervisor's ratings, self rating and self rating as compared to peers to evaluate the overall performance appraisal on quantity and quality of

work, depth of knowledge, co-operation, loyalty, attendance, honesty, initiative, creativity, output and other attitudinal criteria. Due to its validity and reliability this method is used in this study.

C. Factors Affecting Performance Appraisal

There are considerable efforts by scholars to link demographic factors and job attitudes mainly job satisfaction, organizational commitment with several behavioral outcomes such as job performance and performance appraisal. This is also due to their impacts on some positive outcomes such as efficiency and effectiveness in organization (Demir, 2002). Waldman and Saks (1998) suggest that diversity in individual characteristics could influence in decision making of performance appraisal. Waldman and Saks (1998) found that age, tenure and job experience are significant predictors of employees' performance appraisal. However, Sommer et al. (1996) found a negative relationship between age, tenure, salary, education and performance appraisal.

Quite a number of studies have documented the relationship between job attitudes and behavioral aspects including individual performance evaluation (Clarke, 1977). Previous studies have emphasized the importance of individuals' attitudes (such as organizational commitment and job satisfaction) and feelings about their work that influence behavioral outcomes (such as performance appraisal). Most organizational theories seem to suggest that the will to work (motivation) are closely associated with job performance and how performance appraisals of individuals in organization are conducted. Likert (1986) hypothesized that job satisfaction and organization satisfaction are closely related to employees' perception on performance appraisal. However according to Likert the directions and strength of the relationships are mixed and the findings are inconclusive. According to Meyer and Allen (1991) the direction of relationship between organizational commitment and other variables will depend on the types of the commitment. The positive and significant correlation was reported on the relationship between affective commitment and performance appraisal (Meyer and Allen, 1991). Meanwhile, Meyer and Allen found a negative relationship between continuance commitment and performance appraisal. The preceding discussions indicate that the results of the previous findings have not been conclusive. This study therefore attempted to validate the previous findings and to answer the following hypotheses:

- H1: There is a positive and significant relationship between organizational commitment (affective, continuance and normative) and performance appraisal;
- H2: There is a positive and significant relationship between job satisfaction (hygiene and motivational factors) and performance appraisal;
- H3: There is a positive and significant relationship between demographic factors (pay, age and tenure) and performance appraisal;
- H4: Organizational commitment and its components serve as predictor of performance appraisal;

H5: Job satisfaction and its facets serve as predictor of performance appraisal and

H6: Demographic factors serve as predictor of performance appraisal

H7: Job satisfaction (overall) serves as the most important predictor for performance appraisal.

III. METHODOLOGY

A. Sample and procedure

Data in this study was collected based on stratified random sampling from 250 managerial staff of the Malaysian commercial banks. The response rate was 71% from the sample of 300 staff. Descriptive and inferential statistics were used to test and answer the hypotheses of the study. The obtained data were analyzed using Statistical Package for Social Science Research (SPSS) Version 16.

B. Measures

The independent variables of this study were demographic factors, organizational commitment and job satisfaction. The Organizational Commitment Questionnaire developed by Meyer and Allen (1991) was used to measure three dimensions of affective, continuance and normative commitment. These constructs contains 24 items and were ranked on the seven Likert type scale ranging from the scale of 1 for strongly disagree to 7 for strongly agree. The overall reliability coefficient of organizational commitment was .90. The questionnaire of job satisfaction comprised a combination of items adapted from Minnesota Satisfaction Questionnaire (MSQ) (Weiss et al., 1967) and Seegmiller's (1977). This instrument measures the various facets of Herzberg's job satisfaction theory mainly on motivational and hygiene factors. Motivational factors include: work itself, achievement, possibility for growth, responsibility, advancement and recognition for achievement. Hygiene factors consist of status, relationship with supervisor, relationship with peers, quality of supervision, policy and administration, job security, working condition and salary. For each of this facet contains 5 items. The response options for these items were 7 point Likert-scale ranging from the scale of 1 for strongly disagree and 7 for strongly agree. The overall reliability coefficient for job satisfaction was .81. The demographic factors in this study were age, tenure and salary of the respondents.

The dependent variable of the study was performance appraisal. This variable was measured based on the adapted instrument developed by Hind and Baruch (1997) which measured employees' performance appraisal conducted by immediate boss and employees' perception on performance appraisal based on self rating and self-rating as compared to peers. The response options for these items were 7 point Likert-scale ranging from the scale of 1 for strongly disagree to 7 for strongly agree. The overall reliability coefficient of performance appraisal was .92.

IV. FINDING AND DISCUSSION

A. Relationship Between Organizational Commitment aspects, Job Satisfaction facet, Demographic Factors and Performance Appraisals(H1, H2 and H3)

TABLE I. CORRELATION COEFFICIENTS OF THE MAIN VARIABLES

	1	2	3	4	5	6	7	8	9
1	1.0								
2	.32*	1.0							
3	.33*	.64*	1.0						
4	.30*	.45*	.41*	1.0					
5	.34*	.37*	.21*	.49*	1.0				
6	.39*	.33*	.56*	.22*	.51*	1.0			
7	.25*	.30*	.48*	.45*	.42*	.37*	1.0		
8	.37*	.29*	.42*	.20*	.41*	.34*	.24*	1.0	
9	.29*	.31*	.38*	.45*	.32*	.33*	.28*	.30*	1.0

* Significant at the .05 level.

1. Performance appraisal 2. affective 3. normative 4. continuance
5. motivational factor 6. hygiene factor 7. pay 8. tenure, 9. age

Table 1 depicts results of the correlations among the main variables of study. As can be seen in Table 1, the correlation coefficients for the variables under investigation were relatively significant ranging from 0.21 to 0.64. In general, all aspects of organizational commitment (affective, normative and continuance), job satisfaction facets (motivational and hygiene facets) and demographic variables had significant correlations ($p < 0.05$) with performance appraisal. This correlation analysis also revealed that all aspects of organizational commitment (affective, continuance and normative), job satisfaction facets (hygiene and motivational factors) and demographic variables (tenure, pay and age) were correlated each other and each aspect was positively related with performance appraisal. The data provided support for the H1, H2 and H3 of the study. Since there was a significant relationship between organizational commitment, job satisfaction and demographic variables with performance appraisal therefore the hypotheses H1, H2 and H3 were accepted. It can be concluded that all of organizational commitment, job satisfaction and demographic factors had significantly enhanced the perception of staff on performance appraisal.

B. Contribution of Organizational Commitment, Job satisfaction, Demographic Factors on Performance Appraisal H4, H5 and H6

As can be seen in Table 2, all aspects of the organizational commitment, job satisfaction and demographic variables were found to have a positive and significant effect on performance appraisal (affective commitment $\beta=0.43$; continuance commitment $\beta=0.29$; normative commitment, $\beta=0.26$); motivational factors of job satisfaction $\beta=0.51$; and hygiene factors of job satisfaction $\beta=0.40$). Positive and significant effects of demographic factors on performance appraisal were also found (pay, $\beta=0.23$; age, $\beta=0.18$; and tenure $\beta=0.21$). The R^2 of organizational commitment (0.24), job satisfaction (0.50) and demographic factors (0.18) indicate that 24%, 50% and 18% respectively of the performance appraisal variation was explained by organizational commitment, job satisfaction and demographic factors.

Examination on each aspect of organizational commitment, job satisfaction and demographic factors, the results revealed that organizational commitment aspect of affective emerged as the most significant predictor of performance appraisal ($\beta=0.43$, $p < 0.05$). Meanwhile, for job satisfaction aspect of motivational appeared as the most significant predictor of performance appraisal ($\beta=0.51$, $p < 0.05$). For demographic factors pay ($\beta=0.23$, $p < 0.05$) emerged as the most important predictor to performance appraisal. Data in Table 2 proved that all of the organizational commitment, job satisfaction and demographic aspects were able to serve as predictor to performance appraisal. The data provided support for hypothesis H4, H5 and H6 of the study. Therefore the hypotheses H4, H5 and H6 of the study were accepted.

TABLE II. MULTIPLE REGRESSION ANALYSIS: PREDICTORS OF PERFORMANCE APPRAISAL

Independent Variables	Beta	t	R^2	f	p
Organizational Commitment			.24	30.36	.000*
Affective	.43			3.40	.000*
Continuance	.29			2.12	.000*
Normative	.26			2.05	.003*
Job Satisfaction			.50	18.10	.000*
Motivational factors	.51			5.83	.000*
Hygiene factors	.40			3.45	.001*
Demographic factors			.18	15.37	.000*
Pay	.23			3.18	.002*
Age	.18			5.26	.000*
Tenure	.21			6.19	.000*

* Significant at the .05 level

As tabulated in Table 2 job satisfaction accounted for 50%, organizational commitment 24% and demographic variables 18% of variance in performance appraisal. Since job satisfaction explained the highest variance in

performance appraisal therefore this variable emerged as the most influential predictor to performance appraisal. Thus the hypothesis H7 was supported.

V. CONCLUSION, IMPLICATION AND SUGGESTIONS

The purpose of the current study was to investigate the relationship between organizational commitment, job satisfaction and demographic variables with employee's perception on performance appraisal. It also determined the predictors and the most influential predictor of employees' perception towards performance appraisal. The results revealed that organizational commitment, job satisfaction and demographic variables were related to performance appraisal. The results obtained showed that organizational commitment (particularly affective, continuance and normative commitment); job satisfaction (motivational and hygiene expects); and demographic factors (pay, tenure and age) were considered as important factors in determining employee's perception on performance appraisal of managers in Malaysian commercial bank. On overall job satisfaction emerged as the most influential predictor to performance appraisal. This result is consistent with those of previous researchers (Waldman and Saks (1998) as well as Somers and Birnbaum (1998) who found that both attitudinal factors of job satisfaction and organizational commitment as well as demographic variables (Landy and Farr (1983) have affected employee's perception on performance appraisal. Thus the present study validates the result obtained by these researchers and generalizes it to the other groups of employees. The results imply that all of the independent variables are important in considering performance appraisal of managerial staff in Malaysian commercial banks. The findings of this study also could help management in addressing some important influences of employees' perception towards performance appraisal and in determining the predictors of performance appraisal. However the research has been confined to the banking sector and located in a particular location. The study suggests future research that able to replicate the study to other samples and contexts. Therefore it is suggested further research could be explored on other variety of samples, approaches and setting to generalize the results

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