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The Importance of Employee Satisfaction with Performance Appraisal Systems

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Abstract

Although performance appraisals have been in existence for nearly 100 years, little is known about how employees’ reactions to these systems might impact on factors important to organisations. The primary aim of the current study was to investigate the relationship between employee satisfaction with performance appraisal systems, work performance, affective commitment, and intention to leave. A secondary aim of the research was to explore how intrinsic and extrinsic motivation might impact on these relationships, as both these variables were argued as having the potential to moderate these relationships.

The sample consisted of N=118 New Zealand professionals working in either the retail or finance industry. After controlling for organisation (one or two), organisational tenure, organisational level (management or staff), and work status (full-time or part-time) it was found that performance appraisal satisfaction accounted for variance in both affective commitment and intention to leave, however, no significant correlation was found with work performance. As there was no significant association between performance appraisal satisfaction and work performance, no moderation was found.

The performance appraisal system is often a source of employee dissatisfaction, however, the findings from the current research provide evidence that if employees are satisfied with their appraisal system then this satisfaction has positive benefits for both the organisation and the individual in terms of affective commitment and intention to leave. This study adds to the body of knowledge of why employee performance appraisal satisfaction matters.
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