

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

**The Importance of Employee Satisfaction with Performance
Appraisal Systems**

A thesis presented in partial fulfilment of the requirements for the degree of

Master of Arts

in

Psychology

At Massey University, Albany,

New Zealand

Karen M. Katavich

2013

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.

Acknowledgements

Firstly, I would like to thank the employees of the two organisations who took part in this research. So many of you readily welcomed me into your workplaces and happily completed the survey at what was a very busy time of year for so many of you. I will always be very grateful to those who participated in the research.

For me, my thesis has been a long journey and one which would never have been completed without the wonderful spirit and wisdom of my supervisor, Dr. Dianne Gardner. Thank you for providing me with your expert guidance, for showing me the fun side of statistics!, and for your gentle encouragement to ensure I finished this thesis.

Many people I know who have undertaken a thesis have experienced personal challenges while trying to complete their thesis. For me, those personal challenges would not have been possible to overcome without the professional advice and help of Dr. Ben Speedy, Helen Rawlinson, David Ronberg, and Dr. Sandy Bansal.

To Anne Rundle for having the wisdom to know when to motivate and when to support; to Lisa Stewart for choosing to walk with me on both this professional and personal journey; to Erina Karauria-Gimpel for providing me with a shining light to brighten up those gloomy days; to Jaime Rowntree for being the best thesis helpline ever, and to Morgan Brooks, thank you for your love, support and total belief that things will always get better.

Thank you to my family, especially to both of my Mums. To my mother in-law, Maria, for showing me that when the going gets tough, the love of your family will always get you through. To my Mum, Polly, thank you does not seem enough for all that you have done to help me get my thesis finished. Your role as taxi driver, statistics soundboard, note taker, and friend has been truly appreciated. I have enjoyed the extra time we have had together and will always treasure it.

To Phantom, thank you for sitting and listening to me rant on for hours, for having that feline instinct of knowing which piece of paper to sit on because I was trying to read it and for always being willing to produce a much needed hug and purr when asked.

Lastly, I would like to thank my husband, Mate. Your patience, wisdom, kindness and love have helped me get through, and although I know the thesis was my topic, I consider it our project and I therefore dedicate this thesis to you.

Contents

Abstract	ii
Acknowledgements	iii
Contents	v
List of Figures	vii
List of Tables	vii
Chapter 1: Performance Appraisals	1
Chapter 2: Performance Appraisal Satisfaction	7
2.1 Performance appraisal satisfaction	8
2.1.1 The appraisal process	9
2.1.2 The appraisal interview	9
2.1.3 Appraisal outcomes	11
2.1.4 Fairness	12
2.2 Performance appraisal satisfaction as a predictor	13
Chapter 3: The Importance of Performance Appraisal Satisfaction	14
3.1 Work performance	14
3.1.1 Performance appraisal satisfaction and work performance	17
3.2 Affective commitment	18
3.2.1 Performance appraisal satisfaction and affective commitment	19
3.3 Intention to leave	22
3.3.1 Performance appraisal satisfaction and intention to leave	23
Chapter 4: Intrinsic and Extrinsic Motivation	25
Chapter 5: Method	29
5.1 Procedure	29

5.2	Respondents.....	30
5.3	Measures.....	32
5.3.1	Performance appraisal satisfaction.....	32
5.3.2	Intrinsic and extrinsic motivation.....	32
5.3.3	Work performance	32
5.3.4	Organisational commitment.....	33
5.3.5	Intention to leave.....	33
5.3.6	Demographic data	33
5.4	Analysis.....	34
5.4.1	Preliminary analysis.....	34
5.4.2	Bivariate correlations and between group differences.....	35
5.4.3	Factor analysis.....	35
5.4.1	Moderation	36
Chapter 6: Results		37
6.1	Demographic variables.....	37
6.2	Factor analysis.....	37
6.3	Hypothesis testing	39
Chapter 7: Discussion		42
7.1	Findings and practical implications.....	42
7.2	Limitations.....	44
7.3	Future research	45
7.4	Conclusion.....	46
References.....		47
Appendix.....		61

List of Figures

Figure 1. Employee reactions to performance appraisal systems	7
Figure 2. Scree plot for performance appraisal satisfaction.....	76

List of Tables

Table 1. Respondent demographics	31
Table 2. Kolmogorov-Smirnov results.....	35
Table 3. Mann-Whitney U test results	38
Table 4. Bivariate correlation matrix	39
Table 5. Variance in affective commitment explained by performance appraisal satisfaction	40
Table 6. Variance in intention to leave explained by performance appraisal satisfaction...	41