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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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## **Chapter 1: Performance Appraisals**

Although the origin of rating work performance can be traced back to 3<sup>rd</sup> Century China and the Wei dynasty, it was the work of Walter D. Scott in the early part of the 20<sup>th</sup> century which can be credited with the first formal performance appraisal system (Farr & Levy, 2007; Paterson, 1922). With the advent of World War One, Scott and many industrial psychologists of that time provided their services to the United States Army. Using the knowledge he had obtained through his work at Carnegie Tech (Pittsburgh) in assessing performance, Scott and his team helped develop a rating system which would allow the army to assess and monitor the performance of army officers. With Scott's determination and passion his "Man-to-Man" (sic) rating system soon became accepted as the tool of choice, not only by the United States Army but also private industry. Although Scott's rating system has been shown to have flaws which would have jeopardised its quality as a tool to measure employee performance (Paterson, 1922), it did provide the basis from which other performance appraisal systems were developed.

Although the original reason for using performance appraisals was to evaluate employee performance, the purposes for which they are used has increased (Farr & Levy, 2007). There are two key factors which played a major role in increasing the number of purposes for which these systems are used for. Firstly, a change in management theoretical frameworks and practices which started in the 1950s emphasised that in order for organisations to get the most out of their employees they needed to work alongside their employees (Katzell & Austin, 1992). This philosophy lead to some researchers (McGregor, 1957; H. H. Meyer, Kay, & French, 1965) advocating the need for managers to change how they used performance appraisals from being a tool to monitor and control employees to one which allows the employer to help the employee meet the needs of both the organisation and the employee.

The second key factor which increased the purposes for which organisations use performance appraisals was the development of performance management (Farr & Levy,

2007). The 1980s saw sharp increases in the use of technology and globalisation resulting in organisations working in highly competitive global markets (Fletcher, 1997; Williams, 2001). Organisations undertook various business processes, such as downsizing and outsourcing to help ensure their survival. Performance management was introduced into many companies to help increase employee performance. Conceptually, performance management is about linking organisational strategies to individual employee performance, however, in reality it requires a number of activities. For example, it requires organisations to identify the strategic goals which they wish to achieve, which in turn must relate to clear objectives which provide guidance as to how these goals are to be met. From there the objectives filter down into departmental, team, and individual objectives (Williams, 2001).

Performance management uses many Human Resource practices to help link organisational goals to individual employee performance. Some of the more commonly known ones are: pay for performance, career development, and training and development, all of which are designed ultimately to motivate and develop employees. With the linking of all these programs under the performance management framework, the uses for performance appraisal increased. Organisations now use performance appraisal as a tool to provide both the employee and the organisation with the information needed to make decisions related to each area in the performance management framework (Williams, 2001). For example, discussing the objectives that an employee has to meet in the following year provides the basis for discussing what training and development needs the employee might require.

With the changes in management philosophies and the demands that performance management placed onto the performance appraisal, organisations may require the performance appraisal to achieve any of the following four main objectives (Fletcher, 1997; Murphy & Cleveland, 1991):

- Administrative: to help organisations assess and monitor employee performance, to determine pay, salary, and bonuses. It can also be used to help make staffing decisions with regards to workforce planning, e.g., staff layoffs or downsizing.

- Organisational strategy: performance appraisal systems provide organisations with the opportunity to communicate and implement their organisational strategies to all employees within the company.
- Training and development: performance appraisals can help managers determine what training and development employees might require to achieve current or future personal and organisational goals.
- Organisational feedback: by seeking useful information from employees, performance appraisals help managers and organisations gather feedback to help determine the current or potential strengths and weaknesses of the organisation.

Although organisations can use appraisals to help them achieve any of these objectives, there is research both here in New Zealand (P. Taylor & O'Driscoll, 1993) and internationally (Cleveland, Murphy, & Williams, 1989; IPM, 1992) that provides evidence that many organisations use the performance appraisal primarily to evaluate and motivate employees. However, a disturbing finding from the New Zealand study (P. Taylor & O'Driscoll, 1993) was that 78% of the 83 participating organisations did not undertake any evaluation as to whether their performance appraisal systems were meeting the aims for which they were intended. In addition, of the remaining 22% of organisations who participated in the research, the majority tended to use company data such as profit and loss statements and staff turnover to ascertain the effectiveness of the performance appraisal system. It appears that although organisations are implementing performance appraisals to motivate and develop their employees, few steps are taken to assess whether these systems are actually meeting these goals (IPM, 1992).

There is also evidence that when organisations do assess employee reactions to performance appraisal systems, employee dissatisfaction with the system is commonly reported (Bowles & Coates, 1993; Sudarsan, 2009). Although both pieces of research offer a range of reasons for employee dissatisfaction with performance appraisal systems (e.g., too time consuming and perceived as biased and unfair), the key point to take away from these pieces of research is that employees are dissatisfied with the very system that is designed to motivate and develop them. Fletcher (1993) proposes that employee

dissatisfaction with performance appraisal is a warning to organisations that performance appraisals are failing to achieve the purpose for which they were intended. Therefore, it is important for organisations to determine how employees react to these systems in order to obtain an understanding of what the impact of these reactions might be on the organisation (Murphy & Cleveland, 1991).

The argument that it is important for organisations to develop appraisal systems which employees react positively to is not new. Findings from early studies (Hepner, 1930; Moore, 1939) suggested that developing performance appraisals that employees were positive about was crucial to the systems' success. More specifically, Hepner (1930) found that when managers openly and honestly communicated the aims of the performance appraisal system to employees, it helped increase employees' trust in the systems. Moore's (1939) work suggested that effective performance appraisals were a way of creating perceived fairness in HR decisions as when these systems were run in a structured and formal manner, performance appraisal systems were likely to be perceived as providing objective information as a basis for decisions, which helped to increase employees' trust and enthusiasm towards the system.

Unfortunately, this early work was overwhelmed by research which focused on refining and improving the measurement qualities of performance appraisal systems. As the traditional role for performance appraisals was to evaluate employee performance it is not surprising that factors which limited resources, such as the Great Depression and two World Wars drove researchers to focus on the primary needs of these eras, namely the evaluation and monitoring of performance (Farr & Levy, 2007; Ilgen, Barnes-Farrell, & McKellin, 1993; Katzell & Austin, 1992; Murphy & Cleveland, 1991). Later, other elements kept the focus of research on the psychometric aspects of performance appraisal systems. For example, in America, organisations were increasingly required to ensure that performance appraisal systems met the same stringent criteria as psychometric tests. Performance appraisals need to be suitable for the purposes for which they are intended, and organisations need to ensure the psychometric worthiness of these tools are current (Employment and Training Administration, 1999).

It was not until the late 1970s and early 1980s that studies investigating employee reactions to performance appraisals began to predominate (Ilgen, et al., 1993; Landy & Farr, 1980; Murphy & Cleveland, 1991). The reason research into employee appraisal reactions might have increased at this time was that there were articles which highlighted that the lack of knowledge on how employees might react to the appraisal system was creating a large gap between organisational use and research knowledge (Ilgen, et al., 1993; Landy & Farr, 1980; Lawler, 1967; Murphy & Cleveland, 1991). For example, Lawler (1967) highlighted that appraisal reactions might impact on how well the system measures performance. Therefore, as organisations use appraisal systems to measure performance it was important to consider that how an employee might feel towards their appraisal system might create personal biases which then may influence the appraisal rating.

It became increasingly clear how important it was to understand how employees might react to the appraisal system as there was a mounting body of evidence which showed that there was an interplay between the performance appraisal system and the reactions of its main users (i.e., rater/supervisor or ratee/employee), which had consequences for organisations (Ilgen, et al., 1993; Landy & Farr, 1980; Murphy & Cleveland, 1991). For example, Mani (2002) found that raters were more lenient in the rating they gave to an employee when the appraisal rating was being used to determine an employee's pay as raters tried to avoid conflict with employees. However, what is apparent from this body of knowledge is that the research has tended to focus on the rater, and not the ratees who are the primary reason as to why performance appraisal systems exist (Ilgen, et al., 1993; Landy & Farr, 1980; Murphy & Cleveland, 1991).

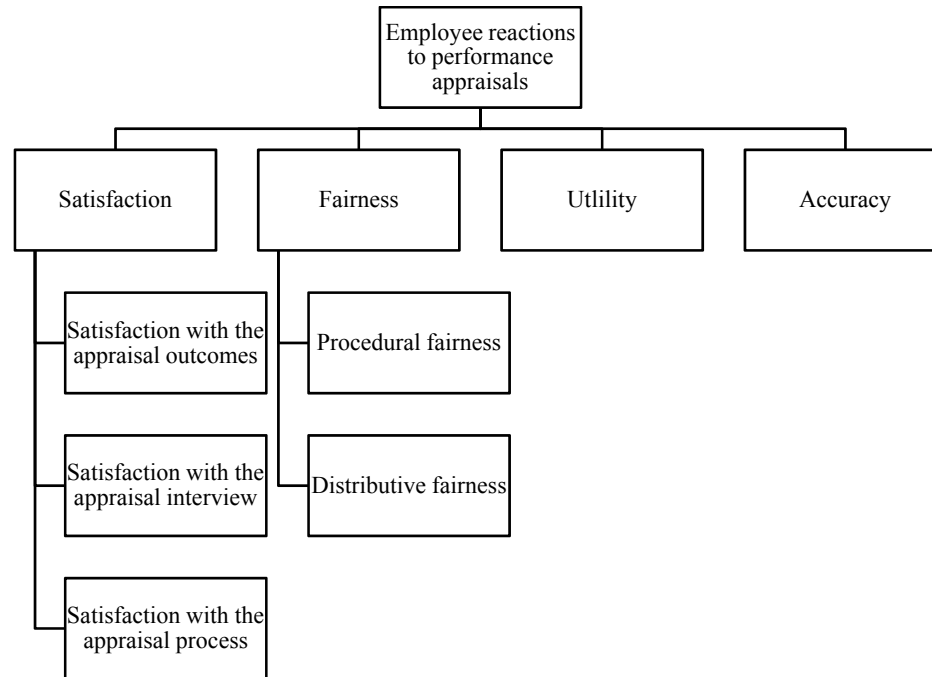
Later reviews on performance appraisal research show that there is a growing body of evidence on how ratees react to performance appraisal systems (Keeping & Levy, 2000; Levy & Williams, 2004). Of all the reactions to performance appraisals that have been studied, satisfaction is the one most often measured (discussed in Chapter 2). However, while there is still a need to continue to examine how employees react to performance appraisal systems, it is important to start considering what are the impacts of employees' reactions to these systems. There is research in this area, but given how extensively

performance appraisals are used further study is required to gain an understanding as to why performance appraisal satisfaction is important (Brown, Hyatt, & Benson, 2010).

Therefore, the main aim of the current research is to build on the body of knowledge on employee satisfaction with performance appraisal systems, and to examine it from a New Zealand context. In particular, this research will explore the relationships between employee satisfaction with performance appraisals and: work performance, affective commitment, and intention to leave. As one of the primary reasons organisations use performance appraisals is to motivate employees (Cleveland, et al., 1989; IPM, 1992; P. Taylor & O'Driscoll, 1993), a secondary aim of the study is to investigate whether motivation (intrinsic and extrinsic) might influence the relationship between performance appraisal satisfaction and work performance.

## Chapter 2: Performance Appraisal Satisfaction

Figure 1 illustrates that there are four main constructs which have been used to investigate employee reactions to performance appraisal systems (Keeping & Levy, 2000).



**Figure 1. Employee reactions to performance appraisal systems**

Of these four, it has been suggested that performance appraisal satisfaction is the preferred construct (Cawley, Keeping, & Levy, 1998; Giles & Mossholder, 1990; Keeping & Levy, 2000). The reason for this is that performance appraisal satisfaction may have the ability to capture other constructs, such as fairness and utility (Cardy & Dobbins, 1994; Cawley, et al., 1998; Giles & Mossholder, 1990; Keeping & Levy, 2000). The foundation for this argument is not based on research within the performance appraisal arena but on a theoretical idea that job satisfaction can assess both fairness and emotions (Organ, 1988).

Although a recent meta-analysis (Fassina, Jones, & Uggerslev, 2008) found that job satisfaction is not the multi-faceted construct that Organ (1988) proposed it would be, there is research to show that performance appraisal satisfaction has the ability to capture other

constructs. The research by Dobbins, Cardy, and Platz-Vieno (1990) shows that although questions relating to satisfaction and fairness were used to assess employee reactions to their performance appraisal system, only one factor was produced in the factor analysis (i.e., labelled appraisal satisfaction). Although further research is needed to confirm the factor structure of performance appraisal satisfaction, the research by Dobbins and others provides evidence that performance appraisal satisfaction may be the better reaction to choose because of its potential ability to assess other reaction constructs, such as fairness.

## **2.1 Performance appraisal satisfaction**

As shown in Figure 1, the research which has investigated what predicts performance appraisal satisfaction has tended to focus on one of three main components of the appraisal system (Keeping & Levy, 2000):

- The appraisal process: this involves the policies and procedures used to implement and administer the performance appraisal process.
- The appraisal interview: refers to the formal meeting held between the rater and the ratee (employee) and is typically used to provide feedback to the ratee on their performance, discuss an employee's performance, and to define and discuss the performance goals that the ratee needs to achieve in the future.
- The appraisal outcomes: although there are a number of outcomes to the appraisal process, i.e., training opportunities, career development, and pay increases, the most immediate outcome is the performance rating.

In reality though, when organisations and their employees refer to the appraisal system they are often referring to a combination of all three of these components (Brown, et al., 2010). With this in mind the current study defines performance appraisal satisfaction as a positive reaction to the appraisal process, the appraisal interview, and the outcomes of the appraisal. The following discusses the research which has investigated what predicts employee satisfaction with each of these components so as to highlight the key features which are important in increasing employee satisfaction with the appraisal system.



### ***2.1.1 The appraisal process***

Although there are a number of features that have been found to be important in predicting employee satisfaction with the appraisal process, such as providing training to teach people how to use the system and developing an appeals process if employees wish to dispute performance rating decisions (Giles & Mossholder, 1990; Levy & Williams, 1998; Mount, 1983, 1984; Pooyan & Eberhardt, 1989), there is one key feature which is important in predicting employee satisfaction, information. The concept of providing employees with information is not new, with an early guide to managers advocating the need for organisations to communicate the reason for implementing the performance appraisal as a way in which to increase employees' trust and therefore buy-in into the system (Hepner, 1930).

Although Hepner's management guide does not cite evidence to support such claims, later studies have found that informing employees as to the purpose of the performance appraisal, what the performance appraisal requires of the employee, communicating the policies and procedures which relate to the system, and informing employees how the system will be monitored to ensure that it is being carried out in accordance with organisation policy, are all important predictors of employee satisfaction with the appraisal system (Giles & Mossholder, 1990; Levy & Williams, 1998; Mount, 1983, 1984; Pooyan & Eberhardt, 1989).

### ***2.1.2 The appraisal interview***

The performance appraisal interview can be used for both the purpose of evaluating and developing the employee (Williams, 2001). Research by Dorfman, Stephan, and Loveland (1986) and Boswell and Boudreau (2000) investigated whether the different purposes might have different impacts on performance appraisal satisfaction. Although these studies provide little evidence that using the appraisal interview for evaluation purposes (e.g., pay and promotions) is an important predictor of performance appraisal satisfaction, both studies did find that motivational and developmental purposes are both significantly related to appraisal satisfaction. Dorfman et al. (1986) explains that the reason employees are likely to be more satisfied with the appraisal system when it is used for developmental

reasons, rather than for the purpose of evaluation, is that when managers use performance appraisals for developmental purposes there is a strong focus on helping employees succeed in their roles.

The appraisal interview is also used to discuss goals that the employee has to achieve. The research which has investigated how goals might predict appraisal system satisfaction has found that it is important for managers to discuss with employees how their individual goals relate to organisational strategies as it can help increase employees understanding of why they are important to an organisation (Dipboye & de Pontbriand, 1981; Dorfman, et al., 1986; Eberhardt & Pooyan, 1988; Giles & Mossholder, 1990; Roberts & Reed, 1996). Furthermore, these studies show that satisfaction with the appraisal system increases when goals are specific as this allows employees to understand what they need to do in order to achieve those goals. In addition, it has also been found that using an open and participatory communication style when discussing goals with employees has a significant positive impact on employee satisfaction with the performance appraisal (Cawley, et al., 1998; Greller, 1975; Inderrieden, Keaveny, & Allen, 1988; Jawahar, 2006; Pettijohn, Pettijohn, Taylor, & Keillor, 2001).

The role feedback has in predicting performance appraisal satisfaction has been thoroughly investigated, with the results from these studies showing that feedback which is perceived as fair, provides employees with timely and relevant information so they can determine how they are performing in relation to the goals they need to achieve, and is provided by a credible source, have been found to be positively associated with performance appraisal satisfaction (Giles & Mossholder, 1990; Jawahar, 2010; McEvoy & Buller, 1987; Mount, 1984; Pooyan & Eberhardt, 1989; Roberts & Reed, 1996). In addition, research by Dobbins et al. (1990) highlights that the frequency of feedback may also be an important predictor of appraisal satisfaction for some employees, as the results from this study show that for the employees who have high levels of role ambiguity they were more satisfied with the appraisal system when feedback was more frequent.

Feedback may not always have a positive relationship with performance appraisal satisfaction as the type of feedback given and the source of the feedback might change the nature of this relationship, or determine if there is a relationship at all. McEvoy and Buller (1987) and others (Pooyan & Eberhardt, 1989) have found that the type of feedback (positive or negative) can moderate the relationship between feedback and appraisal satisfaction. Dorfman et al. (1986) and Poon (2004) found that a negative relationship exists when employees perceive feedback on poor performance as controlling and punishment focused. However, negative feedback does not always mean a reduction in performance appraisal interview satisfaction, as it can still result in increases in performance appraisal interview satisfaction if employees are given the opportunity to discuss and develop action plans with their manager that allow the employee the chance to rectify their performance (Prince & Lawler, 1986).

The second factor which might impact on the relationship between feedback and performance appraisal satisfaction is the source of the feedback (Miller, 2001). Feedback from different sources can provide a clear picture of the employee's overall performance and can be perceived as being fairer as the rating is based on multiple sources not just that of their supervisor (Williams, 2001). However, there is concern employees may dislike feedback from peers as it can be perceived as being based more on workplace friendships than actual performance (Latham & Seijts, 1997). The studies which have explored this area show that when peer feedback is used for evaluation purposes it does not relate to performance appraisal satisfaction (Miller, 2001), whereas when it is used for developmental purposes it does (McEvoy & Buller, 1987). What seems to moderate this relationship is the importance of the outcome, e.g., evaluation can determine pay rises or promotions, however further research is needed to decipher why employees prefer different sources for different purposes.

### ***2.1.3 Appraisal outcomes***

Although a number of outcomes are possible from the appraisal system (e.g., action plans, training, and ratings) (Williams, 2001), the research has predominantly focused on the association between performance rating and performance appraisal satisfaction. Studies

have found that there is a positive correlation between an employee's rating and their attitude towards the performance appraisal process (Dipboye & de Pontbriand, 1981; Jawahar, 2006; Pearce & Porter, 1986). Jawahar (2006) highlights that an employee's rating is often used to make decisions which are of importance to an employee, such as pay rises or promotions, and suggests that the reason a positive correlation between employee rating and performance appraisal satisfaction exists is because of how valuable a good rating is to an employee.

#### **2.1.4 Fairness**

It has also been found that perceptions of fairness are strongly related to performance appraisal satisfaction (Cook & Crossman, 2004; Jawahar, 2007; Palaiologos, Papazekos, & Panayotopoulou, 2011). The terms fairness and justice are often used interchangeably (Greenberg, 1987). The work of Greenberg (1986, 1987) and others (Landy, Barnes, & Murphy, 1978) provides evidence that employees perceive three types of fairness in regards to performance appraisal systems. The first type, distributive justice relates to the perceived fairness of the outcomes that stem from the performance appraisal system (e.g., promotions, pay rises, lay-offs). The second, procedural justice refers to the perceived fairness of the process/policies which are used to administer the system. The last type of fairness is referred to as interpersonal justice and relates to the perceived fairness of the way in which supervisors treat their employees (Greenberg, 1986). Although research tends to examine the concept of fairness and performance appraisal satisfaction separately, there are some studies which have explored the relationship between the two (Cook & Crossman, 2004; Jawahar, 2007; Palaiologos, et al., 2011).

Although the three different types of fairness (procedural, distributive, and interactional) relate to performance appraisal satisfaction, procedural justice has consistently been found to have the strongest relationship with it (Cook & Crossman, 2004; Jawahar, 2007; Palaiologos, et al., 2011). Folger, Konovsky, and Cropanzano (1992) proposed that it is important for organisations to provide employees with procedurally fair performance appraisal systems as they are often used to make decisions which are of importance to employees. To provide guidance to organisations on how to develop a fair performance

appraisal Folger and colleagues developed a model which is based on the American judicial concept of due process, which requires that everyone is entitled to adequate notice, a fair hearing, and judgment based on evidence.

Adequate notice requires that all key elements of the performance appraisal system are clearly communicated to employees so that they can understand: why the performance appraisal system is being implemented, how it is to be administered, what is expected of the employee, and to ensure all relevant communication is given in a timely and appropriate manner. Fair hearing refers directly to the appraisal discussion and requires that not only are employees informed of their rating, but how that rating was determined. In addition, it also requires that there be an appeals process so that employees have a clear procedure to follow if they do not agree with any of the components of the appraisal system. Lastly, the due process model requires that employee performance is judged on evidence. This requires an organisation to ensure that clear performance standards are set and employees who are in the same role are rated on the same standards to help maintain consistency (Folger, et al., 1992).

## **2.2 Performance appraisal satisfaction as a predictor**

The studies which have examined the relationships between performance appraisal satisfaction, work performance, affective commitment, and intention to leave have used the above predictors of performance appraisal satisfaction to explain why these relationships might exist (Brown, et al., 2010; Dobbins, et al., 1990; Dorfman, et al., 1986; Inderrieden, et al., 1988; Jawahar, 2006; Kuvaas, 2006; J. P. Meyer & Smith, 2000; Poon, 2004; Roberts & Reed, 1996; Thurston & McNall, 2010). The aim of the following chapter is to provide a review of the theory and empirical evidence which surrounds these relationships, so as to explain why performance appraisal satisfaction should matter to organisations.

## **Chapter 3: The Importance of Performance Appraisal Satisfaction**

### **3.1 Work performance**

Employee performance is argued to be the greatest contribution an employee can make to an organisation as it contributes to an organisation achieving its strategic goals (Arvey & Murphy, 1998). There are a number of studies which show that a high performing employee can produce between two to ten times the output of a low performing employee (Ackerman & Kanfer, 1993; J. P. Campbell, Gasser, & Oswald, 1996; Rimland & Larson, 1986; Rothe, 1978). Although acknowledging that the amount of output a person may be able to produce can be affected by other factors, such as the difficulty of the task (Hunter, Schmidt, & Judiesch, 1990), the differences between the performance of low performers and high performers gives organisations a right to be concerned about the performance of their employees.

Researchers have used a variety of techniques, such as critical incident and job analysis to develop models of work performance to help them define what is meant by the term work performance (Arvey & Murphy, 1998). However, the range of techniques used has led to confusion in what is meant by this term as each technique provides a different perspective of work performance (Arvey & Murphy, 1998; Viswesvaran & Ones, 2000). In order to draw some conclusions from the studies that have investigated how to define work performance, a recent meta-analysis was conducted to ascertain what consistent themes might underpin the models of work performance (Koopmans, et al., 2011). The results show that there are two factors which are common to most models of work performance: task performance and contextual performance.

The terms task and contextual performance were originally developed by Borman and Motowildo (1997). Task performance refers to employee behaviours which they need to perform in order to carry out the tasks which are part of their job description, e.g., closing a sale. Contextual performance is based on the concept of organisational citizenship behaviour and refers to the behaviours which employees carry out in order to help an

organisation, but which are not part of the employee's formal job description, e.g., volunteering to help a new employee. Borman and Motowildo argue that as organisations continue to face external pressures, e.g., global competition, which can create internal organisational changes, e.g., team work and restructuring, both types of performance are important to organisations. Therefore, the current study will define work performance as behaviour which relates to tasks, both within and outside of an employee's job description.

The research which has investigated what predicts task and contextual performance illustrates that both types can be affected by factors found at the organisation, job, and individual level (Motowildo, Borman, & Schmit, 1997; Nasurdin & Soon Lay, 2007). What is apparent from these studies is that there are a large number of factors which can impact on work performance, therefore organisations often use a range of policies and practices to take these factors into consideration (Williams, 2001), one of which is the performance appraisal system. Although the focus on how these systems can increase work performance has predominantly focused on task performance, there is also evidence to show that these systems have the potential to affect employees' contextual performance (Findley, Giles, & Mossholder, 2000; Zheng & Li, 2012).

Although a number of motivational theories exist which provide an explanation as to why performance appraisal systems relate to task performance, goal setting theory is argued as being the theory of choice as at the center of many of these theories is the concept of goals (Buchner, 2007). While goal setting theory does not fully explain employee work motivation, the evidence that has accumulated over the last 40 years shows that goal setting has an important part to play in increasing employees' task performance (Mitchell, Thompson, & George-Falvy, 2000).

The evidence that has accumulated regarding this theory shows that the setting of goals which are difficult and specific impacts on task performance (Latham, 2004, 2007; Locke, Shaw, Saari, & Latham, 1981; Mitchell, et al., 2000). The findings from these studies show that this relationship exists primarily because the setting of difficult and specific goals focuses people's attention on what needs to be achieved (direction), energizes people into

action (intensity), provides a reason to maintain effort over time (persistence), and encourages a person to come up with plans on how to achieve the goal (strategies). In addition, the setting of difficult and specific goals provides employees with immediate benefits, such as a sense of purpose and challenge, and the achievement of these goals can result in both internal (e.g., self-esteem and job interest) and external (e.g., pay rise and promotions) rewards (Latham, 2004).

To build a broader understanding of how the theory works, later studies have investigated factors which might impact on the goal – performance relationship (Locke & Latham, 1990, 2002; Locke, et al., 1981; Mitchell, et al., 2000). Although a number of findings have resulted from this additional research, with regards to performance appraisal systems there is now evidence which illustrates that financial rewards, participation, and feedback provide further explanation as to why goals increase task performance. In short, both financial rewards and participation have been found to increase employees' commitment to a goal, as while money acts as an incentive, openly discussing the purpose of a goal and working alongside the employee to develop action plans (participation) has been found to help increase a person's understanding of the importance and direction of a particular goal (Locke & Latham, 1990, 2002; Locke, et al., 1981; Mitchell, et al., 2000).

The third factor which has been found to add value in the understanding of why there is a positive association between goal setting and work performance, is feedback. Research has found that feedback explains unique variances in work performance, over and above the variance explained by goal setting (Locke & Latham, 2002). Providing employees with feedback both while the employee works towards a goal and at its completion is important (Earley, Northcraft, Lee, & Lituchy, 1990; Kluger & DeNisi, 1996; Locke & Latham, 2002). For example, feedback at the completion of a goal helps to increase self-efficacy and therefore increase the probability of the person setting higher goals in the future, whereas providing on-going feedback while the person is trying to achieve the goal helps the person to build their ability to develop new strategies in achieving goals.



There is also evidence that the process of setting goals and providing employees with feedback can also affect contextual performance (Findley, et al., 2000; Zheng & Li, 2012). Using a social exchange theory which proposes that two or more parties engage in a mutual relationship so that each may benefit (Blau, 1964), it has been found that if employees perceive performance appraisal systems as procedurally fair, then employees will reciprocate by engaging in behaviours which are outside of their job role (Findley, et al., 2000; Zheng & Li, 2012). More specifically, the results show that when employees perceived that managers had a thorough understanding and knowledge of employees' day to day performance, and were provided with the opportunity to discuss their previous performance and future goals to ensure employees understood what was expected of them, then this was positively associated with employees' contextual performance.

### ***3.1.1 Performance appraisal satisfaction and work performance***

Research has found that performance appraisal satisfaction is a predictor of both employees' motivation to improve performance (Dorfman, et al., 1986; Inderrieden, et al., 1988; Roberts & Reed, 1996) and work performance (Kuvaas, 2006, 2007). The evidence from these studies show that employees reported higher levels of satisfaction with the appraisal system when: managers used it to provide support in developing action plans, feedback was perceived as developmental focused, and employees gained clarity on what was expected of them. Although these studies show that performance appraisal satisfaction might be a stronger predictor of motivation to performance than actual work performance, as work performance is often determined by a large number of variables (Motowildo, et al., 1997), based on the above evidence it is expected that a relationship between appraisal satisfaction and work performance does exist.

Hypothesis 1: Performance appraisal satisfaction will be positively correlated with work performance.

### **3.2 Affective commitment**

Organisational commitment generally refers to the attachment an employee has with their organisation (A. Cohen, 2007). Over time this concept has been defined in different ways. Early research in this area conceptualised organisational commitment as a single factor, relating to either cognitive (Becker, 1960) or psychological (Porter, Steers, Mowday, & Boulian, 1974) reasons as to why employees commit themselves to an organisation. Since then, studies have demonstrated that organisational commitment is a multi-factorial concept which has the ability to capture both cognitive and psychological reasons as to why employees commit themselves to an organisation (A. Cohen, 2007; J. P. Meyer & Herscovitch, 2001). Although a number of models exist, the one which has been most readily used is the model by Meyer and Allen (1984) as there are concerns over the factor structure and predictive ability of many of the other models (A. Cohen, 2007).

The model developed by J. P. Meyer and Allen (1984) proposes that there are three types of commitment: affective, continuance, and normative, all of which provide different explanations as to why a person is committed to an organisation. Affective commitment refers to the commitment an employee has with an organisation because they believe in the values and beliefs of the organisation. Continuance commitment refers to the commitment an employee has with the organisation because they are aware of the costs associated with leaving, and lastly, normative commitment is the commitment an employee has towards a company because they feel obliged to stay with the company (J. P. Meyer & Herscovitch, 2001). Over time a large body of evidence has accumulated to not only validate the model but also provide an understanding as to what predicts the three different types of commitment and what the impacts of each type of commitment are (A. Cohen, 2007; J. P. Meyer & Herscovitch, 2001; J. P. Meyer, Stanley, Herscovitch, & Topolnytsky, 2002).

Although there are the three types of commitment, it is beneficial for an organisation to concentrate on influencing employees' affective commitment as it has been found that this type of commitment has stronger relationships with factors which are of importance to organisations, such as turnover and job involvement (J. P. Meyer, et al., 2002). Although there is research to provide a good understanding as to what predicts affective commitment,

little is known about how HR systems, including performance appraisals might relate to it (J. P. Meyer & Smith, 2000; J. P. Meyer, et al., 2002). However, it has been proposed that it is not the HR system which directly affects employees' affective commitment, but rather it is employees' perceptions (e.g., performance appraisal satisfaction) towards the management and use of the system which affects employees' attitudes towards the appraisal system (J. P. Meyer & Smith, 2000).

### ***3.2.1 Performance appraisal satisfaction and affective commitment***

The studies which have examined how performance appraisal satisfaction might impact on affective commitment highlight that there are two factors (fairness and perceived support) which help to explain why a relationship between performance appraisal satisfaction and affective commitment might exist (Brown, et al., 2010; Kuvaas, 2006; J. P. Meyer & Smith, 2000; Thurston & McNall, 2010).

Providing employees with a fair system helps to communicate to employees that the company is concerned about protecting the rights of employees and helps to build employee trust, both of which provide a catalyst to increasing employees' emotional commitment with the organisation (J. P. Meyer, et al., 2002). There is evidence to show that performance appraisals which are based on Folger's et al. (1992) model (discussed in Chapter 2) help to explain the variance in employees' affective or emotional attachment types of commitment (Fletcher & Williams, 1996; Hendrix, Robbins, Miller, & Summers, 1998; Levy & Williams, 1998; Park & Rainey, 2007; Pearce & Porter, 1986). Increasing an employee's affective commitment to the organisation can be achieved by providing employees with an appraisal systems which: provides useful and timely feedback, allows employees to participate (Fletcher & Williams, 1996; Hendrix, et al., 1998; Pearce & Porter, 1986), ensures employees understand the rationale for the appraisal system, is based on objective information (Park & Rainey, 2007), and ensures employees know about and understand the policies and procedures relating to the system (Levy & Williams, 1998).

The studies which have used the concept of procedural fairness to examine the relationship between performance appraisal satisfaction and affective commitment have found that

positive correlations do exist (Brown, et al., 2010; Kuvaas, 2006; Thurston & McNall, 2010). Both Kuvaas (2006) and Brown et al. (2010) found that when employees were more satisfied with the performance appraisal system because they perceived the processes as being fair, this related to employees' emotional attachment to the organisation (J. P. Meyer & Herscovitch, 2001). Furthermore, the research by Thurston and McNall (2010) highlights how important it is for managers to help employees understand how decisions were made, as it helps to communicate to employees how fair the process is.

The concept of organisational support also provides an explanation as to why a relationship between performance appraisal satisfaction and affective commitment might exist. Eisenberger, Huntington, Hutchinson and Sowa (1986) proposed that perceived organisational support reflected employees' perceptions of the organisation's commitment to them. Based on the concept that the actions and behaviours of agents (i.e., managers) of the organisation as representing the actions and behaviours of the organisation itself (Levinson, 1965), Eisenberger et al. (1986) used a social exchange framework to propose that if employees perceive their organisations as being supportive, therefore caring about the employee, then employees would repay the organisation in terms of affective commitment.

There is evidence to show that performance appraisal systems are a way with which to provide employees with support (Hutchison & Garstka, 1996). Their results show that employees perceived they were being supported when: they received regular feedback, were provided with useful information on how well they are doing their roles, and managers helped employees to develop and implement goals that would meet both organisational and individual needs. Furthermore, employees who reported higher levels of perceived organisational support also indicated that they had more of an emotional attachment with the organisation than those who reported lower levels of perceived organisational support.

Research by J. P. Meyer and Smith (2000) found that employee satisfaction with the performance appraisal was related to affective commitment, but only because it was

mediated by the concept of perceived organisational support. However, the same elements which Hutchinson and Garstka (1996) found were predictors of perceived organisational support are also predictors of performance appraisal satisfaction. For example, when managers use the performance appraisal system to work alongside employees to develop goals and action plans and provide employees with clear, timely, and useful feedback, this can relate positively with performance appraisal satisfaction (Dipboye & de Pontbriand, 1981; Dorfman, et al., 1986; Eberhardt & Pooyan, 1988; Giles & Mossholder, 1990; Jawahar, 2010; McEvoy & Buller, 1987; Mount, 1984; Pooyan & Eberhardt, 1989; Roberts & Reed, 1996). Therefore, based on this evidence it is suggested that when employees are satisfied with the performance appraisal because they perceive it as supporting them in their roles, it will then directly affect employees' affective commitment.

Therefore, it is proposed that when employees are satisfied with their performance appraisal because they perceive it as fair and providing them with support then it will have a positive impact on employees' affective commitment.

Hypothesis 2: Performance appraisal satisfaction will be positively related with affective commitment.

### **3.3 Intention to leave**

A nationwide study conducted in 2008 reported that the staff turnover rate in New Zealand was approximately 20%, and that the cost of staff turnover to organisations can range from 50-300% of a resigning employee's salary (Price & Clark, 2009). Similar international statistics indicate that staff turnover is an issue faced by many countries (D. J. Campbell & Campbell, 2000). Both the organisation and the individual face costs in ending employee tenure. For example, the organisation faces increased recruitment, loss of organisational memory, potential reduced public image and competitor advantage, while the individual can face costs such as relocation costs, financial stress and loss of organisational friendships (Griffeth, Hom, & Gaertner, 2000; Hom & Griffeth, 1995; Price & Clark, 2009).

The reasons why people leave an organisation can vary considerably, these can range from: individual (e.g., age), job (e.g., role overload), organisational (e.g., company policies and practices), and social factors (e.g., economic law reforms) (Boxall, Macky, & Rasmussen, 2003; Cotton & Tuttle, 1986; Griffeth, et al., 2000; Hom & Griffeth, 1995). On a positive note, the quantitative findings from the Boxall et al. (2003) research highlights that many organisations do have the power to reduce turnover by implementing policies and practices which are designed to empower employees.

Performance appraisals have been found to impact on staff turnover (Guthrie, 2001; Huselid, 1995), regardless of organisational size and industry sector (Huselid, 1995). However, a criticism of these studies is that they define the system as being empowering from the organisation's perspective, which may be different to that of the employees' perspective, and it is how the employee perceives the system which determines the affect on the employee (Griffeth, et al., 2000; J. P. Meyer & Smith, 2000). Therefore, by examining how employee satisfaction with the performance appraisal system might affect turnover, research examines the performance appraisal – turnover relationship from the employee's perspective.

In addition, it is also argued that it is more useful for organisations to study what the predictors of intention to leave are rather than actual turnover (Brown, et al., 2010). The rationale behind this argument is that turnover is the final behaviour in what has generally been found to be a gradual process, with employees initially entertaining thoughts about leaving, and progressing onto more serious withdrawal behaviours such as lateness and absenteeism, with the final step being actually leaving the organisation (Boxall, et al., 2003; D. J. Campbell & Campbell, 2000; Rosse, 1988). More importantly, intention to leave has been found to be one of the latter stages in the withdrawal process and has been found to be a strong indicator of actual turnover (Rosse, 1988). Due to the potential costs an organisation can be faced with when an employee leaves, it is argued that it would be more beneficial to organisations to investigate how employee satisfaction with performance appraisals affects employees' intention to leave (Brown, et al., 2010).

### ***3.3.1 Performance appraisal satisfaction and intention to leave***

The research which has investigated the relationship between performance appraisal satisfaction and intention to leave highlights that if people are satisfied with the ratings they receive and the fairness of the performance appraisal system then employees have lower intentions in leaving the organisation (Brown, et al., 2010; Dobbins, Platz, & Houston, 1993; Kuvaas, 2006; Poon, 2004). The turnover research highlights that failure to recognise employees' efforts is a key reason as to why people leave the organisation, (Boxall, et al., 2003; Griffeth, et al., 2000; Hom & Griffeth, 1995), and the performance rating is one key method used by organisations to recognise and validate employees' contribution to the organisation (Dobbins, et al., 1993; Jawahar, 2006; Pearce & Porter, 1986; M. S. Taylor, Fisher, & Ilgen, 1984).

The studies which have focused on ratings provide mixed support as to whether there is a relationship between performance appraisal satisfaction and employees' intention to leave (Dobbins, et al., 1993; Jawahar, 2006). The research by Jawahar (2006) found no evidence that a relationship between performance appraisal satisfaction and intention to leave exists, whereas Dobbins et al. (1993) did find a significant relationship. The research by Boxall (2003) highlights that intention to leave is a gradual process and this might explain why the

differences between the two studies exist. For example, the measure used by Jawahar (2006) contained one item which asked employees about their immediate intentions in leaving, whereas the measure used by Dobbins (1993) contained seven items which illustrate that intention to leave is a gradual process.

Although the research by Dobbins et al. (1993) does present evidence that dissatisfaction with performance ratings can impact on a person's intention to leave, if employees perceive the performance appraisal as fair then regardless of their performance rating they can still be satisfied with the appraisal system (Dipboye & de Pontbriand, 1981). Performance appraisal systems are of great importance to employees as they are often used to help determine pay rises, promotions, and training and development (Folger, et al., 1992), and employees who perceive the process on which those decisions are made and implemented as being fair will perceive the organisation as being trustworthy and concerned about their employees, which in turn invokes feelings of trust towards the organisation (Pearce & Porter, 1986). Employee trust in the organisation is a key factor in determining why employees stay with an organisation (Boxall, et al., 2003).

The studies which have focused on fairness to explain why a relationship between performance appraisal satisfaction and intention to leave exists have found that a correlation between these variables exists (Brown, et al., 2010; Kuvaas, 2006; Poon, 2004). For example, Poon (2004) found that performance appraisal decisions which are perceived as being based on personal biases and motives increased employees' intention to leave. Whereas Kuvass (2006) and Brown et al. (2010) found that when employees are satisfied with the appraisal system because they perceive the policies and practices which surround it as fair, then performance appraisal satisfaction has a negative relationship with employees' intention to leave. Based on the above evidence the following hypothesis is proposed.

Hypothesis 3: Performance appraisal satisfaction will be negatively correlated with intention to leave.



## **Chapter 4: Intrinsic and Extrinsic Motivation**

The previous research which has focused on the potential outcomes of performance appraisal satisfaction has shown that employee satisfaction with performance appraisal systems does have a positive relationship with both work performance (Kuvaas, 2006, 2007) and affective commitment (Brown, et al., 2010; Kuvaas, 2006; Thurston & McNall, 2010) and a negative relationship with employees' intention to leave (Brown, et al., 2010; Kuvaas, 2006; Poon, 2004), and that the nature of these relationships do, or have, the potential to be beneficial to organisations, i.e., reducing intention to leave can help reduce actual turnover (Boxall, et al., 2003; Brown, et al., 2010).

However, recent research has shown that individual differences in employees' intrinsic motivation have the potential to influence the nature of the relationship between performance appraisal satisfaction and work performance (Kuvaas, 2006, 2007). The 2006 study also tested whether intrinsic motivation would moderate the relationships between employee satisfaction with their appraisal system and affective commitment and intention to leave. However, their results show that individual differences in intrinsic motivation did not influence either of these relationships.

Faced with these findings and reflecting on the evidence that the primary reason organisations use the performance appraisal is to increase employee performance (Cleveland, et al., 1989; IPM, 1992; P. Taylor & O'Driscoll, 1993), the current research will focus on whether intrinsic motivation will moderate the relationship between performance appraisal satisfaction and work performance. In addition, there is also evidence to suggest that extrinsic motivation may moderate this relationship (Abuhamdeh & Csikszentmihalyi, 2009; Demerouti, Bakker, & Fried, 2012). Therefore the current study extends the body of knowledge on what individual differences might influence the performance appraisal satisfaction – work performance relationship by investigating whether individual differences in intrinsic and extrinsic motivation influence this relationship.

In order to illustrate how these two variables might moderate the performance appraisal satisfaction – work performance relationship it is important to identify what the current study defines as intrinsic and extrinsic motivation. While recognising that there is evidence to suggest that both types of motivation can be elicited by the situation a person finds themselves in, it has also been found that there is a degree of stability in individual's motivation between situations, indicating that intrinsic and extrinsic motivation can also be considered as traits (Amabile, Hill, Hennessey, & Tighe, 1994; Deci & Ryan, 1985; Vallerand, 1997). Using the trait theory approach the current study defines an intrinsically motivated individual as someone who is driven by challenge and enjoyment, whereas extrinsic motivation characterises individuals as being driven by external reward and recognition (Amabile, et al., 1994).

Individuals who perceive themselves as being intrinsically motivated have a much stronger drive to work on tasks which provide them with a challenge, as they enjoy the opportunity to develop their knowledge and skills (Amabile, et al., 1994). It has also been found that individuals who want to be challenged have a strong need for autonomy which is the need to have personal control over tasks chosen and the action plan in achieving those tasks (Amabile, et al., 1994; Ryan & Deci, 2000). The need for autonomy has raised concerns for using the performance appraisal system with individuals who are intrinsically motivated, as the use of goals and rewards to manipulate employee behaviour to focus on the needs of the organisation is likely to be perceived as controlling by intrinsically motivated employees, which may have negative consequences for organisations, i.e., decreased work performance (Deci, Koestner, & Ryan, 1999; Kuvaas, 2006, 2007; Oh & Lewis, 2009).

Recent research has explored the idea that although employees' satisfaction might have a positive effect on work performance because the use of goals can provide clarity, there is the concern that for individuals high on autonomy the relationship between performance appraisal satisfaction will be negative, and not positive (Kuvaas, 2006, 2007). The results from these studies show that although it was initially found that a positive relationship between performance appraisal satisfaction and work performance did exist, when individual differences in employees' intrinsic motivation were considered the relationship

became negative for employees with high levels of intrinsic motivation, but did remain positive for employees who perceived themselves as having low levels of intrinsic motivation. Based on this evidence the following hypothesis is proposed.

Hypothesis 4: Intrinsic motivation will moderate the relationship between performance appraisal satisfaction and work performance.

In contrast to intrinsically motivated individuals, people who perceive themselves as extrinsically motivated are driven to work because they have a strong drive to be recognised and rewarded for their efforts (Amabile, et al., 1994), with recent research highlighting that praise and tangible rewards are more important to some people as they can be a mechanism with which to maintain or increase the image a person has of themselves (Jawahar, 2006). The performance appraisal system is designed to set goals and provide recognition (feedback, ratings, and rewards) based on the employees' progress towards those goals (Williams, 2001), and it has been recently found that extrinsically motivated individuals have a much stronger preference for this process than intrinsically motivated individuals, due to the differences in needing to be recognised for ones efforts (Demerouti, et al., 2012)

There is also evidence that individual differences in extrinsic motivation may influence the nature of the recognition – performance relationship (Abuhamdeh & Csikszentmihalyi, 2009). Although not from the performance appraisal research arena this study investigated why winning or losing a game was more important for individuals who perceived themselves as strongly extrinsically motivated, than for individuals who reported low levels. The results from this study show that although individuals had much higher levels of enjoyment in taking part in a game when they won, this relationship was much stronger for individuals who perceived themselves as highly extrinsically motivated than for individuals who perceived themselves as having low levels of extrinsic motivation. The differences in how much a person enjoyed a game can be explained by how important it is for that person to be recognised for their performance.

Based on the evidence presented above it is proposed that although a positive relationship will exist between performance appraisal satisfaction and work performance (Hypothesis 1), the relationship between these two variables will be stronger for individuals who are high on extrinsic motivation, than compared to individuals who are low on extrinsic motivation.

Hypothesis 5: Extrinsic motivation will moderate the relationship between performance appraisal satisfaction and work performance.

## Chapter 5: Method

### 5.1 Procedure

Data was collected by means of a cross-sectional survey of employees in two New Zealand organisations. Ethics approval was granted (MUHEC 10/046). The survey consisted of six sections, measuring: performance appraisal satisfaction, intrinsic and extrinsic motivation, work performance, affective commitment, intention to leave, and respondents' demographics. In total, the survey took approximately 20 minutes to complete and consisted of 84 items (Appendix A) with a separate information sheet for each organisation (Appendices B and C).

Organisation one was a large retail company that operates throughout New Zealand. Managers at various stores within the Auckland and Waikato regions were contacted by head office to seek approval for the research. The researcher then contacted managers to advise them about the research and what participation would mean for those who chose to be part of the research. The email also asked managers to communicate the invitation to all staff in their store as the research was open to everyone who had participated in a performance appraisal at the organisation.

Six managers gave their permission for the researcher to visit their stores. Surveys were administered at five of these stores by the researcher visiting the store's lunchroom over the lunch period (3 hours) and inviting staff as they took their breaks to take part in the research. Each of these branches were visited twice, with a one week interval to administer the survey. Staff members were clearly advised that participating in the research was voluntary, anonymous and confidential. A secured collection box was left in the store's lunch room to allow respondents time to complete the survey at their convenience, and this was uplifted three weeks after the second visit. Due to unforeseen constraints the surveys at the sixth store were left in the staff lunchroom with a copy of the email which had been sent to the managers. The secured collection box for this store was uplifted three weeks later.

The change in method was possibly the reason for the unusually low returns from this particular store, i.e., of the 100 survey forms left at the store only five were returned. Overall, 400 surveys were administered throughout the six stores and 87 completed surveys were returned, resulting in a response rate of 21.8%, which is below the typical response rate of 30 percent for mail surveys (Shaughnessy, Zechmeister, & Zechmeister, 2006).

Organisation two was a large financial institution that operates throughout New Zealand. Managers at 17 branches were contacted via email which was sent by a central liaison person at the organisation. Similar to the email at the first organisation it advised managers about the research, outlined what participation would require, and invited all staff who had participated in the organisation's performance appraisal to take part in the research. Managers were asked to forward this email on to their staff. Employees were able to access the survey by clicking on a link at the bottom of the email which re-directed them to the online survey which was developed and run using the website [www.surveymonkey.com](http://www.surveymonkey.com).

Employees were given two months in which to complete the survey. At the end of the two months 32 surveys had been submitted via the online system, however, one survey was removed from the data set as only four items had been answered.

## **5.2 Respondents**

Eighty seven surveys were returned from organisation one. Of the 87 employees who completed the survey, 18.4% were male and 81.6% female. Data from organisation one's Human Resource department illustrates that the uneven gender balance of the sample represented the gender distribution within the organisation (15.9% males and 84.1% females).

Forty-nine respondents were full-time (37.5 hours per week), 25 were part-time (less than 37.5 but more than 15 hours per week), and 13 were part-time working less than 15 hours per week. Due to the uneven group sizes the two part-time groups were consolidated, which resulted in 56.3% of respondents classifying themselves as full-time employees and 43.7% of respondents classifying themselves as part-time.

Eighty-four of the respondents indicated their organisational level. Of these, 13 respondents (15.5%) held management roles and 71 (84.5%) held staff roles which was defined as having no direct reports. The average organisational tenure was 4.84 years with a standard deviation of 5.17 years.

Thirty one completed surveys were returned from the second organisation. Of these, 32.3% of the respondents were male and 67.8% were female. No data was available from the organisation to determine whether the gender split in the current sample is similar to that of the whole organisation. Thirty respondents held full-time positions (37.5 hours per week) and the remaining respondent held a part-time position (less than 37.5 hours per week). Sixteen respondents held management roles and the remaining 15 held staff (no direct reports) roles. The mean organisational tenure was 8.51 years with a standard deviation of 6.64 years. Respondents' demographic characteristics for organisation one and two are represented in Table 1.

**Table 1. Respondent demographics**

	Organisation one Number (%)	Organisation two Number (%)
Gender		
Male	16 (18.4)	10 (32.3)
Female	71 (81.6)	21 (67.8)
Work Status		
Full-time (37.5hrs per week)	49 (56.3)	30 (96.8)
Part-time (<37.5hrs per week)	38 (43.7)	1 (3.2)
Organisational Level		
Management	13 (15.5)	16 (51.6)
Staff (No direct reports)	71 (84.5)	15 (48.5)

## 5.3 Measures

### 5.3.1 *Performance appraisal satisfaction*

Performance appraisal satisfaction was measured using the 25-item scale developed by Cook and Crossman (2004). This measure asks respondents to indicate on a five point Likert scale, ranging from strongly disagree to strongly agree how satisfied they are with aspects of their performance appraisal system. Cook and Crossman report that Cronbach's alpha for this measure is  $\alpha = 0.84$ , which is good.

Some items were modified slightly for the current research to reflect terminology that is more suitable for a general organisational rather than a specific organisational context. For example, "I know how the PDA process helps [Company name] to achieve its goals as an organisation" was modified to "I understand through my performance appraisal review how my job helps my organisation to achieve its strategic goals".

### 5.3.2 *Intrinsic and extrinsic motivation*

Intrinsic and extrinsic motivation were measured using the 30 item Work Preference Inventory (Amabile, et al., 1994). Respondents were asked on a four point scale (1 = "Rarely" to 4 = "Always") how intrinsically motivated (e.g., I enjoy trying to solve complex problems and what matters most to me is enjoying what I do), and extrinsically motivated (e.g., I think about pay and promotions and I believe that there is no point in doing a good job if nobody else knows about it) they perceived themselves. There were 15 items relating to each type of motivation. Cronbach's alpha for intrinsic ( $\alpha = 0.79$ ) and extrinsic motivation ( $\alpha = 0.71$ ) were good.

### 5.3.3 *Work performance*

Work performance was assessed using a five item measure which was based on the work performance measure developed by Kuvaas (2006). The items asked respondents to indicate on a five point scale (1 = "Strongly disagree" to 5 = "Strongly agree") how they perceive their work performance in relation to the effort the organisation expects of them, for example "I always perform to an acceptable standard" and in relation to the



discretionary work effort, for example “I often perform tasks which are outside of my job description”. Cronbach’s alpha for this five item measure was good ( $\alpha = 0.81$ ).

#### **5.3.4 *Organisational commitment***

Allen and Meyer’s (1990) measure of affective commitment was used, and has been found to be suitable for use in New Zealand organisations (O’Driscoll & Randall, 1999). The eight items ask respondents to indicate on a seven point scale, ranging from “Strongly disagree” to “Strongly agree” how aligned an individual is with the beliefs and values of their organisation. For example, “This organisation has a great deal of personal meaning for me”. The results from the current study highlights that reliability was acceptable ( $\alpha = 0.74$ ).

#### **5.3.5 *Intention to leave***

Respondents were asked to indicate their intention to leave using a measure containing three items (O’Driscoll & Beehr, 1994). Item one asked respondents whether they had thought about leaving their job, item two asked respondents if they planned to look for a job in the next 12 months, and item three asked respondents if they were actively searching for a new job outside the firm. Responses were on a six point scale, ranging from “Strongly disagree” to “Strongly agree”. The results indicate that reliability for this measure was good ( $\alpha = 0.90$ ) and were consistent with that found by O’Driscoll and Beehr ( $\alpha = 0.93$ ).

#### **5.3.6 *Demographic data***

Organisation (0 = organisation one, 1 = organisation two), organisational tenure, role position (0 = management, 1 = staff) and work status (0 = full-time, 1 = part-time) may be associated with the dependent variables (Kuvaas, 2006). Categorical variables were dummy-coded (0-1) so that they may be included in the regression analysis.

## 5.4 Analysis

### 5.4.1 Preliminary analysis

All data analyses were completed using IBM's SPSS v18 for Windows. Both missing data and outliers were checked as both have the potential to impact on the distribution of the data and the results (Pallant, 2011; Tabachnick & Fidell, 2007). Missing data analysis highlighted that one of these items in the performance appraisal satisfaction measure; item 23 ("The result I receive at my annual performance appraisal review determines my bonus/incentive") was above the recommended 5% threshold acceptable for missing data (Tabachnick & Fidell, 2007). A review of the paper based surveys revealed that some of the respondents had written comments pertaining to item 23 which indicated that bonuses were not offered by the main participating organisation, therefore a decision was made to drop this item.

In addition, a review of the boxplots showed outliers in four variables: organisational tenure, extrinsic motivation, work performance, and performance appraisal satisfaction. Pallant (2011) recommends that when there are only small differences between the mean and the five percent trimmed mean, as was the case with all four variables, then removal of the outliers is unnecessary.

Multiple regression requires that the data meets the assumptions of normality, linearity and homoscedasticity (Pallant, 2011; Tabachnick & Fidell, 2007). To check whether the data met these assumptions, all the variables were analysed using the Kolmogorov-Smirnov test, histograms, and scatterplots. Although the data met the assumptions of linearity and homoscedasticity, Table 2 shows that five of the variables did not meet the assumption of normality. The last column of Table 2 shows that the normality of only two of these five variables (organisational tenure and performance appraisal satisfaction) improved by transforming the variables.

The decision was made to leave all the variables in their untransformed state as Pallant (2011) and others (Tabachnick & Fidell, 2007) advise against using transformations as an explanation of the results requires that the variables be interpreted in their transformed state

rather than their original condition which may result in a loss of data. As no alternative to multiple regression exists (Pallant, 2011), and some of the variables fail the assumption of normality care should be taken in interpreting the multiple regression results.

**Table 2. Kolmogorov-Smirnov results**

Variable	Kolmogorov-Smirnov test	Kolmogorov-Smirnov test (after transformation)
Organisational tenure	.17**	.08
Intrinsic motivation	.07	N.A.
Extrinsic motivation	.10**	.09*
Affective commitment	.06	N.A.
Intention to leave	.12 **	.13**
Work performance	.10**	.14**
Performance appraisal satisfaction	.09*	.07

\* $p < .05$  level, \*\*  $p < .01$  level

#### **5.4.2 Bivariate correlations and between group differences**

As the assumption of normality was not met by all of the variables, Bivariate correlations were tested using Spearman rho; inspection of the correlation matrix was performed to determine whether multicollinearity was an issue.

To determine whether the categorical control variables should remain in the analysis, Mann-Whitney U tests were conducted on the categorical variables: organisation, organisational level, full-time or part-time, and gender. Guidelines recommended by Cohen (1988) were used to determine whether the significant differences were small (.01), moderate (.06), or large (.14).

#### **5.4.3 Factor analysis**

As the performance appraisal satisfaction measure (Cook & Crossman, 2004) has not been extensively used, Principal Component Analysis was undertaken. To ensure the data was

appropriate to use for factor analysis, both the Bartlett's test of sphericity and Kaiser-Meyer-Olkin were checked; the data passed both these tests. However, care should be taken in generalizing the factor analysis results outside of this research, as small sample sizes may affect the reliability of the factor structure (Pallant, 2011).

#### **5.4.1 Moderation**

In order to determine if moderation exists, the following procedure advised by Baron and Kenney (1986) was undertaken:

Step One: To help reduce the risks of multicollinearity, firstly the independent variable and the moderator variable were centred.

Step Two: The interaction variable was created by multiplying the centred independent variable with the centred moderator variable.

Step Three: Lastly, a regression analysis was conducted, by firstly regressing the outcome variable on the predictor and moderator variable. Then the new interaction term was added into the analysis to see if the interaction term was significant, if so moderation exists.

## Chapter 6: Results

### 6.1 Demographic variables

Group comparisons showed significant differences could be accounted for by the four categorical variables: gender, organisation, work status (full-time or part-time), and role level (management or staff). However, applying Cohen's (1988) guidelines to determine the effect size, it was decided that although gender could account for significant differences in intrinsic motivation,  $U(116)$ ,  $z = -2.07$ ,  $p < .05$  and performance appraisal satisfaction,  $U(116)$ ,  $z = -2.13$ ,  $p < .05$ , these effect sizes were small and it was decided not to control for gender in the remaining analyses.

Table 3 provides the results of the three categorical variables that were found to have significant and moderate effects. It was found that participants from organisation two reported higher levels of affective commitment, were more satisfied with their appraisal system, and had lower intentions in leaving than the participants from organisation one. It was also found that managers reported higher levels of appraisal satisfaction, affective commitment, and had lower intentions in leaving than compared to staff. It was also found that full-time employees had higher levels of affective commitment and lower intentions to leave than part-time employees. Lastly, it was found that differences in organisational tenure depended on whether a person held a full-time or part-time position and which organisation they worked for.

In addition, organisational tenure did hold significant relationships with affective commitment ( $r^2 = 0.28$ ,  $p < .01$ ) and intention to leave ( $r^2 = 0.17$ ,  $p < .01$ ). As these effect sizes can be considered moderate (J. Cohen, 1988) it was decided to retain organisational tenure as a control variable for the remaining analyses.

### 6.2 Factor analysis

The scree plot (Appendix D) identified a single factor accounting for 36.77% of the variance, Varimax rotation did not change the structure of the factor loading. Initially 16

items loaded onto this single factor, however as already discussed, missing data analysis resulted in the removal of item 23. Appendix E illustrates the items which loaded on to this single factor. Cronbach's alpha for this single factor was high ( $\alpha = 0.93$ ).

**Table 3. Mann-Whitney U test results**

Dependent variable	Categorical variable Md (n)		U	z	p	r
Affective commitment	Management	Staff	533.50	-4.60	.00	-.43
	5.25 (29)	4.00 (86)				
	Organisation 1	Organisation 2				
	4.00 (87)	5.13 (31)	701	-3.96	.00	-.36
	Full-time	Part-time	989.50	-3.16	.00	-.29
	4.50 (79)	3.75 (39)				
Performance appraisal satisfaction	Organisation 1	Organisation 2				
	3.13 (87)	3.60 (31)				
	Management	Staff				
	3.60 (29)	3.13 (86)	703.00	-3.51	.00	-.33
Intention to leave	Full-time	Part-time	1007.50	-3.06	.00	-.28
	2.67 (79)	4.33 (39)				
	Organisation 1	Organisation 2				
	4.00 (87)	2.67 (31)	757.50	-3.63	.00	-.33
	Management	Staff	713.00	-3.45	.00	-.32
	2.00 (29)	3.83 (86)				
Organisational tenure	Full-time	Part-time				
	5.80 (79)	2.25 (39)				
	Organisation 1	Organisation 2				
	3.00 (87)	7.80 (31)	879.00	-2.87	.00	-.26

### 6.3 Hypothesis testing

**Table 4. Bivariate correlation matrix**

	Mean	St. Dev	1	2	3	4	5	6	7
1 Organisational Tenure	5.79	5.80	1						
2 Intrinsic Motivation	2.94	.40	.01	1					
3 Extrinsic Motivation	2.65	.36	-.10	.40**	1				
4 Affective Commitment	4.22	1.04	.28**	.13		1			
5 Intention to Leave	3.51	1.66	-.24**	-.13	-.07	-.57**	1		
6 Work Performance	4.22	.59	.17	.29**	.29**	.16	-.05	1	
7 Performance Appraisal Satisfaction	3.23	.60	-.06	.09	.16	.53**	-.41**	.13	1

\* $p < .05$  level, \*\*  $p < .01$  level

Bivariate correlations (Table 4) were analysed to determine if multicollinearity was an issue. The results show that it was not. However, the results from this analysis show that performance appraisal satisfaction was not significantly correlated with work performance, which meant that Hypothesis 1 was not supported.

In order to test whether performance appraisal satisfaction was related to affective commitment (Hypothesis 2) and employees' intention to leave (Hypothesis 3), regression analysis was conducted. Table 5 shows that the predictor variables explained 42% of the variance in affective commitment. Furthermore, as there was a significant, positive relationship between performance appraisal satisfaction and affective commitment Hypothesis 2 was supported. Table 6 shows that the predictor variables explained 30% of the variance in employees' intention to leave. In addition, it was found that even after controlling for the other variables there was a significant, negative correlation between performance appraisal satisfaction and intention to leave, therefore Hypothesis 3 was supported.

**Table 5. Variance in affective commitment explained by performance appraisal satisfaction**

Model	B	SE B	$\beta$	Adj. R <sup>2</sup>
1 (Constant)				.42
Role level	-.38	.20	-.16	
Organisational tenure	.04	.01	.21**	
Organisation	.28	.20	.12	
Work status	-.10	.19	-.05	
Performance appraisal satisfaction	.65	.11	.46**	

Dependent variable: Affective commitment

\* $p < .05$  level, \*\*  $p < .01$  level



**Table 6. Variance in intention to leave explained by performance appraisal satisfaction**

Model	B	SE B	$\beta$	Adj. R <sup>2</sup>
1 (Constant)				0.30
Role level	.27	.35	.07	
Organisational tenure	-.07	.03	-.24**	
Organisation	-.53	.34	-.14	
Work status	.30	.32	.09	
Performance appraisal satisfaction	-.78	.19	-.36**	

Dependent variable: Intention to leave

\* $p < .05$  level, \*\*  $p < .01$  level

It was proposed that intrinsic motivation (Hypothesis 4) and extrinsic motivation (Hypothesis 5) would moderate the relationship between performance appraisal satisfaction and work performance. Neither of these two hypotheses were supported as no significant relationship between performance appraisal satisfaction and work performance was found (Table 4).

## **Chapter 7: Discussion**

The current research investigated how performance appraisal satisfaction relates to work performance, affective commitment, and intention to leave. A secondary aim of the research was to explore how intrinsic and extrinsic motivation might influence the appraisal satisfaction – work performance relationship.

### **7.1 Findings and practical implications**

Although not a primary focus of the research, the factor structure of the performance appraisal satisfaction measure was explored as little is known about the psychometric properties of the measures which assess performance appraisal satisfaction (Keeping & Levy, 2000). For the employees who participated in this study, performance appraisal satisfaction was determined by: managerial support, procedural fairness, increasing individuals' understanding as to how their role is important in helping the organisation achieve its objectives, providing relevant and timely feedback, managerial commitment to the appraisal process, discussing career and personal development with managers, and fair and achievable goals. These results were not unexpected as previous research has established that all of these elements are important predictors of performance appraisal satisfaction, (e.g., Giles & Mossholder, 1990; Mount, 1983, 1984; Pooyan & Eberhardt, 1989).

One of the common reasons many organisations use performance appraisals is to motivate employees to improve their performance (Cleveland, et al., 1989; IPM, 1992; P. Taylor & O'Driscoll, 1993), and it has been suggested that measuring employees' reactions to appraisal systems may give an indication as to whether these systems are achieving this purpose. Although previous research has found performance appraisal satisfaction to be a stronger predictor of motivation to perform (Dorfman, et al., 1986; Inderrieden, et al., 1988; Roberts & Reed, 1996) than actual work performance (Kuvaas, 2006, 2007), it was unexpected to find no relationship between performance appraisal satisfaction and work performance. However, it should be noted that the majority of the participants in the current

study reported high levels of performance; therefore what the results from the current study actually show is that there is no relationship between performance appraisal satisfaction and high levels of work performance.

Although performance appraisal satisfaction was found not to be significantly related to work performance, it was found to be positively related to affective commitment and negatively related to employees' intention to leave. These relationships have been found in other studies which argued that when employees are satisfied with the performance appraisal system because they perceive it as a system which: provides them with support, is procedurally fair, and which managers can use to recognise employees value, then it can explain why employees feel emotionally attached to their organisation (Brown, et al., 2010; Hutchison & Garstka, 1996; Kuvaas, 2006; Thurston & McNall, 2010) and why they are less likely to leave an organisation (Brown, et al., 2010; Dobbins, et al., 1993; Kuvaas, 2006; Poon, 2004).

Finding that performance appraisal satisfaction does relate to employees' affective commitment and intention to leave does present practical implications that need to be considered. Both affective commitment and intention to leave can relate to other outcomes which are of importance to organisations, for example both have been found to affect staff turnover (Griffeth, et al., 2000; J. P. Meyer, et al., 2002), which can save the organisations having to face the costs associated with staff turnover. Although research is needed to determine if these relationships do actually relate to other factors which are of importance to organisations, it does highlight that organisations may benefit from designing and implementing appraisal systems which employees are satisfied with. This in itself raises practical issues for organisations, in that how a system may be designed by senior management may not necessarily be what is carried out, as it has been found that managers often change the performance appraisal process in order to cope with day to day demands (IPM, 1992).

A secondary aim of the current research was to explore whether or not motivation (intrinsic and extrinsic) moderated the relationship between performance appraisal satisfaction and

work performance. The results show that both types of motivation did not influence this relationship. This was unexpected as previous studies have found that intrinsic motivation does moderate this relationship (Kuvaas, 2006, 2007), and research (Abuhamdeh & Csikszentmihalyi, 2009) outside of the performance appraisal arena did suggest that extrinsic motivation might also influence this relationship. Although the lack of a relationship between performance appraisal satisfaction and work performance is the main reason as to why no moderation was found, it should also be noted that there was no significant relationship between performance appraisal satisfaction and motivation (intrinsic and extrinsic). However, it was found that intrinsic and extrinsic motivation was related positively with work performance. This has practical significance for organisations as it suggests that organisations need to provide opportunities and resources to cater for both the intrinsic and extrinsic needs of employees.

## **7.2 Limitations**

The main limitation of this research is that it was a cross-sectional study using self-reported data. Cross-sectional designs mean that casual inference cannot be determined (Coolican, 2009). For example, while the current study found that performance appraisal satisfaction is related to affective commitment and the research which surrounds these two variables does suggest that performance appraisal satisfaction is a precursor of affective commitment (Brown, et al., 2010; Kuvaas, 2006, 2007; Thurston & McNall, 2010), it is also plausible that affective commitment is a determinant of performance appraisal satisfaction.

Additionally, participants' responses were collected using self-reported data. One of the concerns with using self-reported data is that it may be influenced by impression management (Coolican, 2009), as participants may be inclined to present themselves in a certain way. Although it cannot be known for certain that the high levels of work performance that the majority of participants reported are a result of impression management, previous research has found impression management to have a strong influence over participants self-reported work scores (Mani, 2002). An implication of this high level of reporting has already been highlighted, in that results are restricted to high performing employees.

### **7.3 Future research**

In light of this discussion there are a number of areas which future research should consider to develop the body of knowledge surrounding performance appraisal systems. The first area of research that future studies could examine is the performance appraisal satisfaction – work performance relationship. Although the current study found no relationship, the restricted range in participants' work performance scores is probably the reason why no relationship was found. Developing the body of knowledge between these two variables would help determine if measuring employees' reactions to performance appraisals is a way of assessing whether these systems are achieving the goal of increasing employee performance (Fletcher, 1993).

As no relationship was found between performance appraisal satisfaction and motivation (intrinsic and extrinsic), it would be beneficial for future studies to consider other variables which might influence the relationship performance appraisal satisfaction has on factors of importance to organisations, i.e., work performance and intention to leave, as this would help provide organisations with an understanding as to when performance appraisal satisfaction may influence factors in a way that is beneficial to organisations (Fletcher, 2002).

In reality, organisations generally use a number of Human Resource practices and it would be useful to investigate whether performance appraisal satisfaction still predicts affective commitment and intention to leave when compared to other practices and systems organisations might use, i.e., training and development.

Lastly, although the current research provides initial evidence from a New Zealand perspective as to why performance appraisal satisfaction matters, future research should examine these relationships with other samples to determine whether these results could be generalised to other employees.

## **7.4 Conclusion**

The aim of the current research was to examine why performance appraisal satisfaction matters. The results provide evidence that developing and implementing a system which employees are satisfied with may have little impact on employees' performance, but may benefit organisations by affecting the attitudes (affective commitment) and behavioural intentions (intention to leave) of employees. As performance appraisal systems continue to be used by organisations, the findings from the current research highlight that developing a performance appraisal which employees are satisfied with may contribute to building a loyal and committed workforce.

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## Appendix

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## Appendix A: Survey

### Performance Appraisals

Please answer questions with your last annual performance appraisal and current work place in mind.

#### 1. Performance Appraisal Satisfaction

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
The regular performance appraisal meetings I have with my manager include a discussion about the things my manager could do to help me in performing better	1	2	3	4	5
The current performance appraisal system is fair and unbiased	1	2	3	4	5
My last annual performance appraisal review conflicted significantly with the feedback I received in my regular reviews throughout the year	1	2	3	4	5
My view of my performance was taken into account by my manager when assessing my performance appraisal result for last year	1	2	3	4	5
The result I receive at my annual performance appraisal review determines my pay at my organisation	1	2	3	4	5
I understand through my performance appraisal review how my job helps my organisation to achieve its strategic goals	1	2	3	4	5
As part of my organisation's performance appraisal system, I receive regular feedback about my performance	1	2	3	4	5
My manager is fully committed to my performance appraisal reviews	1	2	3	4	5

The overall performance appraisal system helps me to identify areas to improve my work performance	1	2	3	4	5
The result I receive at my annual performance appraisal review determines my bonus/incentive	1	2	3	4	5
I decided upon the goals I had to achieve as part of my last performance appraisal, in consultation with my manager	1	2	3	4	5
My end of year performance appraisal review is the only time I get feedback about my performance	1	2	3	4	5
Everyone who is involved in the performance appraisal system should receive training in how to do it, even if they are not a manager	1	2	3	4	5
If I do not agree with the final result of my performance appraisal, there is a clear appeals process for me to use	1	2	3	4	5

Performance Appraisal Satisfaction continued	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Overall, I am satisfied with the way in which my manager uses the performance appraisal system	1	2	3	4	5
Overall, I am satisfied with the performance appraisal system	1	2	3	4	5
When I do a good job I receive positive feedback from my manager	1	2	3	4	5
I believe that the goals I had to achieve as part of my last performance appraisal were fair and achievable.	1	2	3	4	5
The performance appraisal system that my organisation uses allows input from other sources, such as work colleagues, about my performance	1	2	3	4	5
As part of my performance appraisal system there is a discussion about what training I need to improve my performance	1	2	3	4	5
I do not believe that the performance appraisal system takes account of all my work achievements	1	2	3	4	5
My manager does not know enough about my work to give me a fair performance appraisal result	1	2	3	4	5
The system that my organisation uses to allocate performance appraisal bonuses/incentives is fair	1	2	3	4	5
As part of my last performance appraisal there was a discussion about my career and personal development	1	2	3	4	5
My organisation's performance appraisal process is a fair assessment of my performance in relation to other staff at my organisation	1	2	3	4	5



## Performance Appraisals

2. Intrinsic and extrinsic motivation	Rarely	Occasionally	Often	Always
I enjoy tackling problems that are completely new to me	1	2	3	4
I am strongly motivated by the money I can earn	1	2	3	4
I enjoy trying to solve complex problems	1	2	3	4
I enjoy relatively simple and straightforward tasks	1	2	3	4
The more difficult the problem, the more I enjoy trying to solve it	1	2	3	4
I am keenly aware of the work goals I have for myself	1	2	3	4
I want my work to provide me with opportunities for increasing my knowledge and skills	1	2	3	4
I am strongly motivated by the recognition I can earn from other people	1	2	3	4
Curiosity is the driving force behind much of what I do	1	2	3	4
I want other people to find out how good I really can be at my work	1	2	3	4
I want to find out how good I really can be at my work	1	2	3	4
I think about pay and promotions	1	2	3	4
I prefer to figure things out for myself	1	2	3	4
I am keenly aware of the income goals I have for myself	1	2	3	4
What matters most to me is enjoying what I do	1	2	3	4
To me, success means doing better than other people	1	2	3	4
It is important for me to have an outlet for self-expression	1	2	3	4
I have to feel that I am earning something for what I do	1	2	3	4
I prefer work I know I can do well over work that stretches my abilities	1	2	3	4

Intrinsic and extrinsic motivation continued

	Rarely	Occasionally	Often	Always
As long as I can do what I enjoy, I am not that concerned about exactly what I am paid	1	2	3	4
No matter what the outcome of the project, I am satisfied if I feel I gained a new experience	1	2	3	4
I believe that there is no point in doing a job if nobody else knows about it	1	2	3	4
I am more comfortable when I can set my own goals	1	2	3	4
I am concerned about how other people are going to react to my ideas	1	2	3	4
I enjoy doing work that is so absorbing that I forget about everything else	1	2	3	4
I prefer working on projects with clearly specified procedures	1	2	3	4
It is important to me to be able to do what I most enjoy	1	2	3	4
I am not that concerned about what other people think of my work	1	2	3	4
I am less concerned with what work I do than what I get for it	1	2	3	4
I prefer having someone set clear goals for me in my work	1	2	3	4

## Performance Appraisals

### 3. Self-rated Work Performance

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
I always perform to an acceptable standard	1	2	3	4	5
I often perform to a standard over and above what is expected of me	1	2	3	4	5
I often perform tasks which are outside of my job description	1	2	3	4	5
My work quality is generally considered acceptable	1	2	3	4	5
My work quality is generally considered to be over and above what is expected of me	1	2	3	4	5

## Performance Appraisals

4. Organisational Commitment	Strongly disagree	Disagree	Disagree somewhat	Undecided	Agree somewhat	Agree	Strongly agree
I would be happy to stay with this organisation for the foreseeable future	1	2	3	4	5	6	7
I enjoy discussing my organisation with people outside it	1	2	3	4	5	6	7
I really feel as if this organisation's problems are my own	1	2	3	4	5	6	7
I think that I could easily become as attached to another organisation as I am to this one	1	2	3	4	5	6	7
I do not feel like 'part of the family' at my organisation	1	2	3	4	5	6	7
I do not feel like I am 'emotionally attached' to this organisation	1	2	3	4	5	6	7
This organisation has a great deal of personal meaning for me	1	2	3	4	5	6	7
I do not feel a strong sense of belonging to my organisation	1	2	3	4	5	6	7
I am not afraid of what might happen if I quit my job without having another one lined up	1	2	3	4	5	6	7

It would be very hard for me to leave my organisation right now, even if I wanted to	1	2	3	4	5	6	7
Too much in my life would be disrupted if I decided I wanted to leave my organisation now	1	2	3	4	5	6	7
It would not be too costly for me to leave my organisation now	1	2	3	4	5	6	7
Right now, staying with my organisation is a matter of necessity as much as desire	1	2	3	4	5	6	7
I feel that I have too few options to consider leaving this organisation	1	2	3	4	5	6	7
One of the few serious consequences of leaving this organisation would be the scarcity of available alternatives	1	2	3	4	5	6	7
One of the major reasons I continue to work for this organisation is that leaving would require considerable personal sacrifice – another organisation may not match the overall benefits I have here	1	2	3	4	5	6	7

## Performance Appraisals

### 5. Intention to Leave

	Strongly disagree	Disagree	Disagree somewhat	Agree somewhat	Agree	Strongly agree
I have thought about leaving my job	1	2	3	4	5	6
I plan to look for a new job within the next 12 months	1	2	3	4	5	6
I am actively searching for a new job outside the firm	1	2	3	4	5	6

6. Demographic Information

Please indicate your organisational level:

- Management
- Staff - no direct reports

Is your job?

- Full time      37.5 hours per week or more
- Part time      Less than 37.5 hours but more than 15 hours per week
- Part time      Less than 15 hours per week

How long have you worked with this organisation?

Years: 

--

Months: 

--

How long have you been in your current job with this organisation?

Years: 

--

Months: 

--

Gender:

- Male
- Female

Thank you very much for completing this survey.

If you would like to receive a summary of the findings or enter into the draw, please fill in the sheet attached. This will be separated from your survey when received by the researcher.

## Appendix B: Information Sheet – Organisation One



### Research into Performance Appraisal Satisfaction

#### INFORMATION SHEET

My name is Karen Katavich. I would like to invite you to take part in my research which looks at how employee's satisfaction with their performance appraisal relates to their: perceptions of their own work performance, commitment to their organisation, and intention to leave their organisation.

In addition to this, I am also looking at how an individual's intrinsic motivation e.g., I am motivated to do my job for the enjoyment I get from the job and extrinsic motivation e.g., I am motivated to do my job as I am financially rewarded to do so might impact on the above relationships.

Your organisation has kindly given me permission to invite all their full-time and part-time employees to participate in the research by completing a 20 minute survey. Participation in the survey is voluntary and choosing to take part or not will not affect your job. As the survey is confidential and anonymous please do not write your name anywhere on the survey. If there are any questions you do not wish to answer please leave them blank. You may withdraw from this study at any time.

When you have completed your survey place it into the secured box I have left in your lunchroom and I will collect it one week after my second visit to your store. Completion of the survey means that you have consented for me to use your survey as part of the research.



If you would like a copy of the findings of the research please complete the form at the end of the survey or you can email me at karenkatavich.survey@xtra.co.nz. The findings will be available from the 15<sup>th</sup> November, 2010.

Be in the chance to win

As a thank you for participating in the research, all participants will be able to enter into a draw to win one of four Prezzy Card vouchers, valued at \$50 each. If you would like to enter into this draw then please fill out the form at the back of the survey. To help ensure your confidentiality and ensure the survey remains anonymous, surveys will be immediately detached from the forms when I receive the secured survey boxes. The draw will be made at the end of September and winners will be contacted directly by me.

Project Contacts

Please do not hesitate to contact me if you have any concerns or questions regarding this research. I can be contacted via email at karenkatavich.survey@xtra.co.nz. You are also welcome to contact my supervisor, Dr. Dianne Gardner at D.H.Gardner@massey.ac.nz.

Committee Approval Statement

This project has been reviewed and approved by the Massey University Human Ethics Committee: Northern, Application 10/046. If you have any concerns about the conduct of this research, please contact Dr Ralph Bathurst, Chair, Massey University Human Ethics Committee: Northern, telephone 09 414 0800 x 9570, email humanethicsnorth@massey.ac.nz

## Appendix C: Information Sheet – Organisation Two



### Research into Performance Appraisal Satisfaction

#### INFORMATION SHEET

My name is Karen Katavich. I would like to invite you to take part in my research which looks at how employee's satisfaction with their performance appraisal relates to their: perceptions of their own work performance, commitment to their organisation, and intention to leave their organisation.

In addition to this, I am also looking at how an individual's intrinsic motivation e.g., I am motivated to do my job for the enjoyment I get from the job and extrinsic motivation e.g., I am motivated to do my job as I am financially rewarded to do so might impact on the above relationships.

Your organisation has kindly given me permission to invite all their full-time and part-time employees to participate in the research by completing a 20 minute survey. Participation in the survey is voluntary and choosing to take part or not will not affect your job. If there are any questions you do not wish to answer please leave them blank. You may withdraw from this study at any time.

Completion of the survey means that you have consented for me to use your survey as part of the research.

If you would like a copy of the findings of the research, please click on the link at the end of the survey, as this will send an email directly to my email address,

karenkatavich.survey@xtra.co.nz. The findings will be available approximately 6 weeks after the survey closes.

As a thank you for participating in the research, all participants will be able to enter into a draw to win one of four Prezzy Card vouchers, valued at \$50 each. If you would like to enter into this draw then please make sure you click on the link at the end of the survey. The draw will be made at the end of data collection September and winners will be contacted directly by me.

Please do not hesitate to contact me if you have any concerns or questions regarding this research. I can be contacted via email at karenkatavich.survey@xtra.co.nz. You are also welcome to contact my supervisor, Dr. Dianne Gardner at D.H.Gardner@massey.ac.nz.

This project has been reviewed and approved by the Massey University Human Ethics Committee: Northern, Application 10/046. If you have any concerns about the conduct of this research, please contact Dr Ralph Bathurst, Chair, Massey University Human Ethics Committee: Northern, telephone 09 414 0800 x 9570, email humanethicsnorth@massey.ac.nz<mailto:humanethicsnorth@massey.ac.nz>.

Next

Survey Powered by:

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## Appendix D: Scree Plot for Performance Appraisal Satisfaction Measure

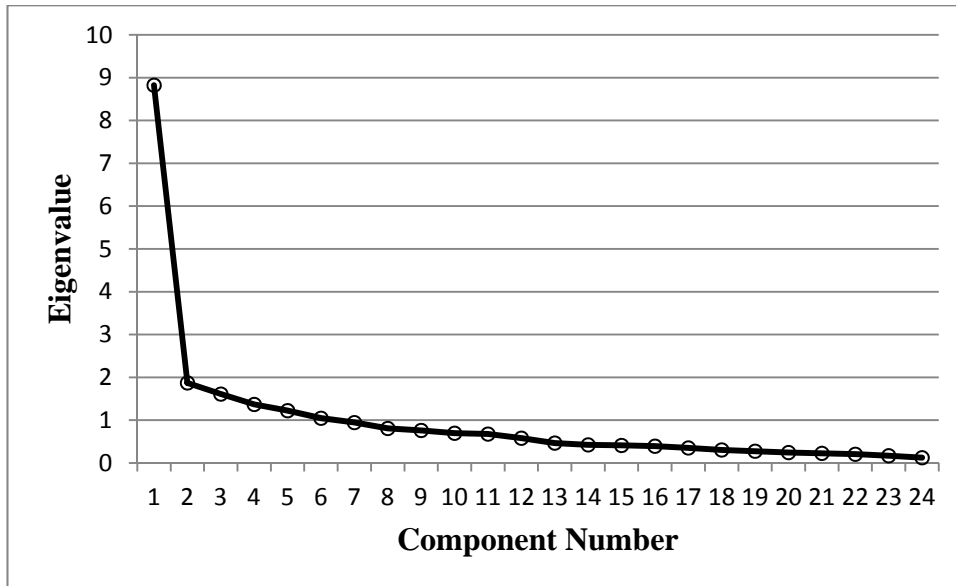


Figure 2. Scree plot for performance appraisal satisfaction

## Appendix E: Item Loadings for Performance Appraisal Satisfaction Measure

Item number	Item wording	Factor loading
1	The regular performance appraisal meetings I have with my manager include a discussion about the things my manager could do to help me in performing better	.656
2	The current performance appraisal system is fair and unbiased	.759
4	My view of my performance was taken into account by my manager when assessing my performance appraisal result for last year	.721
6	I understand through my performance appraisal review how my job helps my organisation to achieve its strategic goals	.604
7	As part of my organisation's performance appraisal system, I receive regular feedback about my performance	.722
8	My manager is fully committed to my performance appraisal reviews	.773
14	If I do not agree with the final result of my performance appraisal, there is a clear appeals process for me to use	.673
15	Overall, I am satisfied with the way in which my manager uses the performance appraisal system	.860
16	Overall, I am satisfied with the performance appraisal system	.845
17	When I do a good job I receive positive feedback from my manager	.712
18	I believe that the goals I had to achieve as part of my last performance appraisal were fair and achievable	.660
19	The performance appraisal system that my organisation uses allows input from other sources, such as work colleagues, about my performance	.581
20	As part of my performance appraisal system there is a discussion about what training I need to improve my performance	.682
24	As part of last performance appraisal there was a discussion about my career and personal development	.614
25	My organisation's performance appraisal process is a fair assessment of my performance in relation to other staff at my organisation	.736