

## The Impacts of Performance Appraisal on Employee's Job Satisfaction and Organizational Behavior

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**ABSTRACT:** The implementation of performance appraisal is widespread, and it is a significant tool by which organizations can maximize the potential of human resources. The purpose of this study is to investigate how performance appraisal affect employee's job satisfaction and organizational behavior. The methodology used for this research is a qualitative-library research, entailing the data collections and analyses from published resources such as books, journals, and internet databases. Based on the results, it was found that the experience of a positive performance appraisal raises not only workers' sense of accomplishment but also self-worth and fosters the trust in the legitimacy process. Furthermore, appraisal assists employee retention by highlighting the company's dedication to address their requirements and support the development. In order to increase job satisfaction and organizational behavior, the study emphasizes the values of giving feedback to employees, defining goals, encouraging employee involvement, and carrying out efficient performance appraisal.

**Keywords:** Performance Appraisal, Job Satisfaction, Employee's Attitude, Organizational Behavior



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### INTRODUCTION

Employees are valuable assets of an organization and the key to the success of a business. To achieve its goals, an organization requires a good team since they are the face, voice and heart of a business. Employees' high quality performance is reflected by their strong work ethics and professionalism. There is no doubt that employee performance is critical to the success of an organization. Therefore, to measure how well an employee performs, an organization implements a systematic evaluation called performance appraisal, which is a process of evaluating and documenting employee's progress towards the set goals. An organization considers the employee performance appraisal tool beneficial and can be used to maximize the potential of human resources.

Performance appraisals have been utilized by around 80–90% of firms in the US and the UK, illustrating how widely employed they are. [Armstrong & Baron \(2005\)](#) stated that there was a considerable increase in the use of formal performance management systems from 69% of firms in 1998 to 87% in 2004. In the UK itself, evaluations have been widely adopted and extended to

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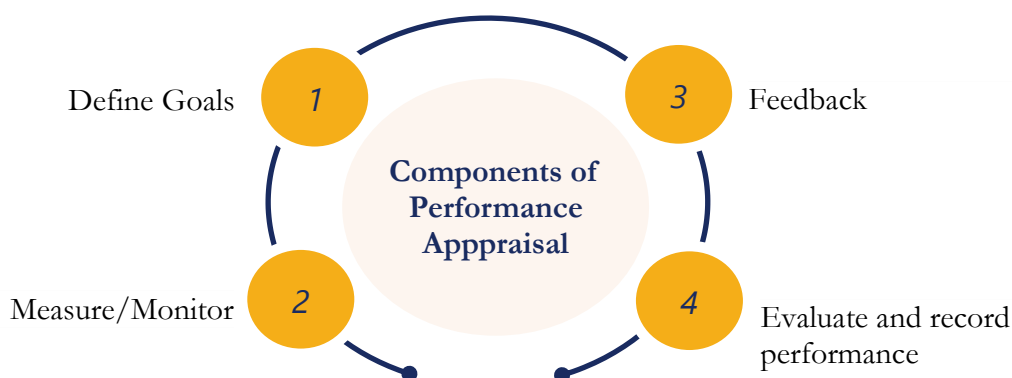
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include non-managerial jobs in both the public and private sectors. However, the effectiveness of this appraisal approach has not been demonstrated or evaluated (Kersley et al., 2013). The External environment of an organization influences how individuals feel at work and job satisfaction affects a person's level of happiness since it plays a big role in their lives. Dizgah et al. (2012) noticed a connection between job satisfaction and quality of life, which emphasized the significance of managers and supervisors keeping an eye on employees' quality of life in addition to job satisfaction.

According to Joo & Park (2010), job satisfaction refers to the favorable psychological or employment-related impacts that an individual experiences as a result of their work abilities. Job satisfaction is correlated with the benefits an individual derives from their job description at work, as well as having their expectations, wants, wishes, and prior experiences fulfilled (Willem et al., 2007). It is essential to respond to employees' requirements in order to trigger their having a positive attitude. There are some factors to gauge employee job satisfaction that researchers take into account, among others are salary, promotion, coworkers, and supervisors (Dizgah et al., 2012). Generally, organizations set work goals and targets to be accomplished. Therefore, the management in each department is in charge of applying the strategies and the technical know-how to plan, organize, direct, and regulate operations effectively in order to meet predetermined goals (see figure 1 regarding the components of performance appraisal). An organization's workforce is managed by the department of human resource management (HRM) which includes hiring and keeping qualified staff members as well as educating and fostering their growth to increase their output, effectiveness, and satisfaction, all of which ultimately serve to advance the success of the company as a whole (Paauwe & Boon, 2018).

Organizational targets and goals serve as a metric for evaluating success. Employee performance is assessed by HRM experts through performance reviews since employees' performance is crucial to the success of the firm (Wood et al., 2009). However, positive work attitudes like job satisfaction and commitment are necessary for the expected employee performance. In light of this finding, (Griffin & Moorhead, 2011) argued that negative job attitudes threaten organizational goals from getting accomplished.

Figure 1. Components of Performance Appraisal



Source: Armstrong on reinventing performance management (2017)

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Furthermore, ([Douglas, 2010](#)) emphasized that everyone associated with the organization is significantly impacted by the cultural norms of the organization (including the aspect and level of behavior between the employee and manager). However, such norms are frequently challenging to identify, unless an organization improves performance and profitability suited to its standards. Stewart is interested in investigating how things carried out within an organization are affected by the employees' attitudes and beliefs. The organizational culture and its effects on organizational performance can be understood by recognizing certain attitudes and standards. Stewart further stresses that managers must not rely only on chances to create a high-performance workplace culture since the so doing jeopardizes the future of the organization. It is likely that financial profitability and development appear to be the most frequently utilized indicators of organizational performance, despite a number of studies indicating that various objectives are prioritized by different organizations in different countries.

Considering its importance to an organization's success, performance appraisal continues to be a topic of interest for both scholars and organizations ([Rasch, 2004](#)). A number of organizations spend a lot of money on rewards and recognition programs to encourage employees' loyalty, to build teamwork, and to raise job satisfaction and organizational commitment ([Denning, 2001](#)). The purpose of this study is to highlight how performance appraisals affect job satisfaction and organizational behavior, particularly in the public sector. The article examines several effects that performance reviews can have on the variables previously mentioned. Employees' job satisfaction increases, for instance, if they believe their performance evaluation is accurate and fair. On the other hand, people lose motivation and stop caring about their work if they believe the appraisal process is either unfair or prejudiced. Thus, the primary research questions this study seeks to answer are:

1. Is there a relationship between performance appraisals and employee's job satisfaction?
2. Is there a relationship between organizational behavior and performance reviews?

## METHODS

This is a research with a qualitative-library method, which entails gathering and analyzing information from a variety of published resources, including books, journals, newspapers, and internet databases. The main objective is to examine the connection between performance evaluation and work satisfaction. The author offers insightful suggestions for managers and organizations to improve job satisfaction in performance rating matters through the use of trustworthy and authoritative resources. In addition, a library research method is implemented for a cost-effective access through studying published materials and gaining a thorough understanding of a particular topic. The method is helpful for gathering the previous data, evaluating previous research, and identifying trends in a given subject.

## RESULT AND DISCUSSIONS

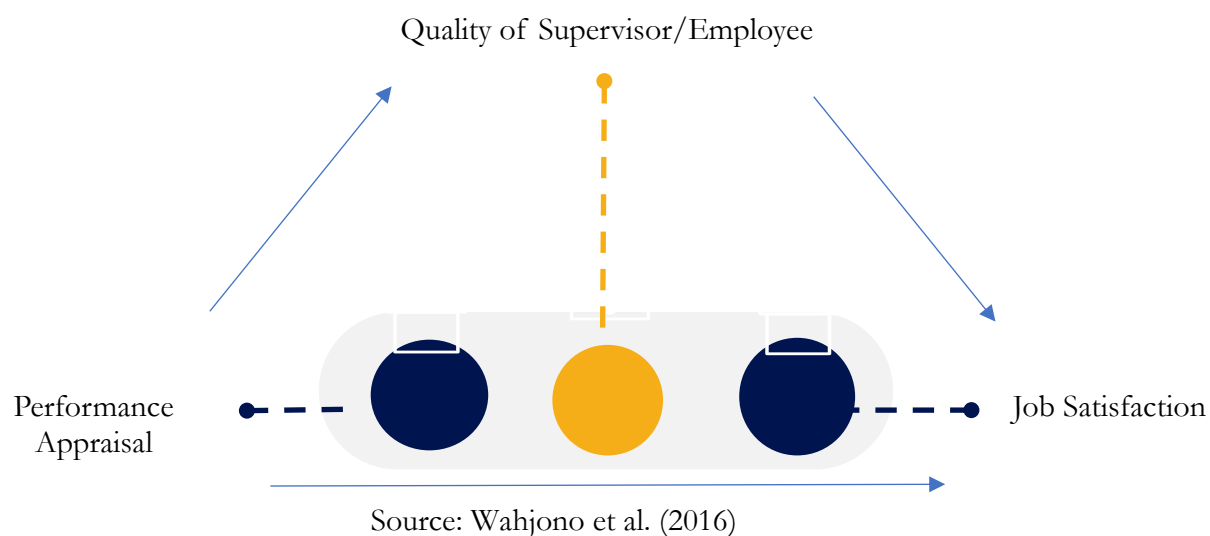
### Performance Appraisal Concept and its Relation with Job Satisfaction

Performance appraisal, as investigated by [Hung et al. \(2012\)](#), entails management and employees working together to evaluate performance and advance career development. The essential elements of the evaluation process include performance evaluation, periodic analysis, communication, and selection. Employees feedback helps enhance learning from taking place, and boosts performance and retention ([Kasemsap, 2018](#)). Similarly, [Hemans & Abena \(2011\)](#) stated that a communication system which promotes employee involvement in the evaluation procedure have a good impact on staff retention. Another crucial step in the performance review process is setting objectives. According to [Fulk et al. \(2011\)](#), an organization's defined goals help workers stay motivated and engaged, especially if the goals are interesting and pertinent. If an organization shows its dedication through addressing employees' needs and fostering their growth, its performance reviews help maintain employees on board ([Yi et al., 2011](#)). Additionally, by identifying areas where employees may lack the required skills, dedication, or success, employees' retention can be maximized ([Pulakos et al., 2015](#)).

However, [Martin et al. \(1981\)](#) asserted that the degree to which an employee enjoys their work is job satisfaction. It is typically viewed as a transient solution susceptible to change. Job satisfaction has been linked to worker productivity and safety ([Harter et al., 2002](#)) and is frequently used to gauge employee well-being ([Green, 2004](#)). A study by ([Fletcher, 2001](#)) mentioned a hypothesis that high-quality performance assessments (PAs) can boost work satisfaction is considered valid. Moreover, how well a job meets important demands is a key factor to determine job satisfaction. A positive performance appraisal experience is likely to enhance an employee's sense of accomplishment, self-worth, and favorable perception of their position and company. Additionally, it boosts employees' satisfaction through the fostering of trust in the quality of the PA procedure ([Fried & Ferris, 1987](#)).

On the other hand, a poor PA experience makes employees unhappy at work. If an individual has little control over the process and is unsure of the organization's performance objectives, they think they are not given an appreciation. In fact, trial and error attempts leading to ambiguous performance goals will undermine the feelings of accomplishment and self-worth, thus, job satisfaction is ultimately lowers ([Behrman et al., 1981](#)). There are two types of performance reviews, subjective and objective. The objective assessment focuses on evaluating employee performance in terms of quantity, whereas the subjective appraisal entails evaluators noting specifics about the performance of their subordinates ([Brown et al., 2010](#)). Moreover, while the objective form offers a less risky rating distortion, the subjective kind has more room for appraiser bias ([Brown et al., 2010](#)). A research finding by [Wahjono et al. \(2016\)](#) indicates that an employee's experience in receiving a poor performance appraisal may lead to a lower level of job satisfaction. In this situation, employees think that their contributions to the organization are not fairly measured since they have limited ability to exert any control process and are uncertain of what particular organization performance is expected.

Figure 2. Performance Appraisal on Job Satisfaction Based on Path Analysis Model



The accuracy and information of the performance appraisal may be inflated by appraiser bias. [Murphy & Cleveland \(1991\)](#) argued that appraisers may have several goals while evaluating subordinates, such as inspiring them or making them a part of the team. High ratings for subordinates may also help the appraiser achieve other goals reflected by a better compensation, a conducive work environment, and a positive relationships with subordinates ([Murphy & Cleveland, 1991](#)). Setting high evaluations to subordinates on purpose helps such goals from being achieved, however accurate ratings may result in unfavorable outcomes such as a decreased motivation, resentment among subordinates, and poor relationships between them ([Murphy & Cleveland, 1991](#)).

[\(Bjerke et al., 1987\)](#) stated further that appraisers who prioritize their personal objectives more than the organization have an impact on performance evaluations. The appraisal process is rendered inefficient due to these conflicting objectives. Based on a research by [Patz \(1975\)](#), appraisers need to look out for their own interests, which could lead them to purposefully or inadvertently alter the ratings in the appraisal. In their discussion of political difficulties in performance evaluation, [Longenecker et al. \(1990\)](#) presented an argument that organizations must deal with politics in some capacity, even during the performance rating process. To further their own interests, some employees may place a premium on political acts, which might cause bias when evaluating subordinates ([Longenecker et al.,1990](#)). In line with a survey on executives by [Longenecker et al. \(1990\)](#), it can be emphasized that politics often rules the day when it comes to performance reviews. It arises during the firms' performance reviews concerning the company monetary, particularly those related to the employees' salary and career advancement ([Longenecker et al.,1990](#)).

[Bhatti & Qureshi \(2007\)](#) came to a conclusion that performance appraisals are positively correlated with job satisfaction, and these raise employees output. This finding underlines the notion that job satisfaction has numerous significant effects on workers such as an increased dedication, engagement, and productivity. Employees tend to contribute more effectively and efficiently to accomplish the organizational goals when they are satisfied with their jobs. [Fletcher \(2001\)](#) defined

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performance evaluation as a broad range of activities used by organizations to assess personnel, improve their competence and performance, and assign some awards. In essence, performance evaluation is a useful process for evaluating employees' performance and gives managers an opportunity to grow and enhance organizational performance professionally ([Mondy & Mondy, 2012](#)).

## Relationship between Employee Satisfaction, Performance Appraisal and Job Performance Enhancements

Work performance has long been inadequately and frequently interpreted. The idea of work performance is broad and could appear overly simplistic. Work performance is described in two different ways. The first is to think of work execution as the result or endpoint of an action. Here, performing specified tasks is referred to as carrying out work. The second refers to the action itself, which may include behaviors or acts pertinent to the organization's goals and which can be evaluated based on an individual's ability and level of commitment ([Suliman, 2001](#)). Alternative interpretations of work execution include behavior or activity linked to achieving corporate objectives ([Honiball, 2018](#)).

Numerous studies have suggested that human resource operations have a direct impact on an organization's effectiveness. This is mostly based on how these activities affect the tendencies and behaviors of employees. Human resource activities boost organizational efficiency by including workers and promoting their active engagement in accomplishing organizational goals. Human resource activities should concentrate on workforce capabilities (such as selective recruiting and training), motivation (such as performance appraisal-based payment), and opportunities to demonstrate one's abilities (such as team-based systems) in order to maximize organizational and employee performance. ([Gerhart, 2005](#)) underlined the critical role that performance appraisal procedures play in the larger context of human resource activities and their ability to enhance job performance.

Investigating the organization's goals is one of the first steps to develop a successful performance appraisal system. These objectives must then be converted into administrative and personal goals so that staff members are aware of the standards by which their performance will be analyzed. In this process, both job roles and duties are defined to explain how they are connected to the performance of the organization as a whole. Furthermore, [Stroul \(1987\)](#) highlighted the value of giving feedback to help the development and the evolution of the employees. In order to improve individual performance and develop a positive relationship between work performance and employee satisfaction with the appraisal, objectives are set and relationships are established during the performance appraisal process.

[Van der Linde \(2005\)](#) proposed that work performance includes both the act of doing the task and the results. Performance can therefore be viewed as the acts of providing the service and the actual provision of the service. Three factors used to describe work performance are tools and conditions, motivation and workload, and knowledge and skills. The Saville model, which lists the characteristics of successful work performance, is consistent with the description. This approach

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defines competencies as groups of abilities and behaviors that are necessary for effective performance.

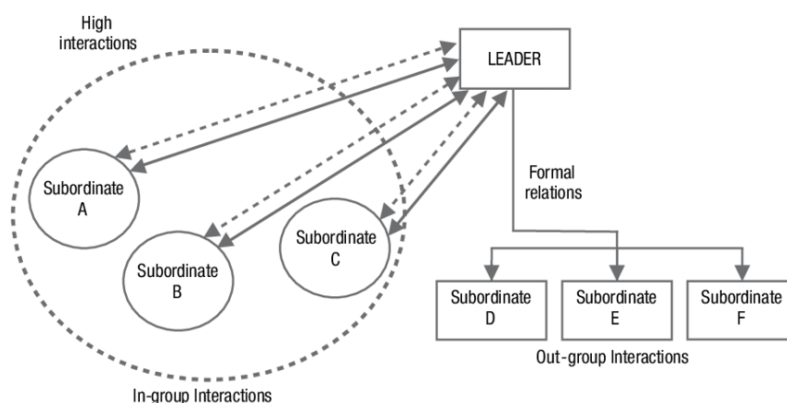
### Performance Appraisal Satisfaction and Reduced Turnover Intention

The percentage of people who start their career in an organization until they retire is relatively small. People tend to change jobs and businesses at different stages in their careers for a number of reasons. According to [Brown et al. \(2010\)](#), employees make gradual decision to quit an organization. Employees go through a process involving a variety of situations and reasons to quit. The process of quitting a job starts with a thought of doing so and it grows stronger over time for a number of reasons. Resignation is another way of quitting a job by detaching from the organization. Numerous studies have found that when employees believe their employer's policies are not in line with their best interests, they get motivated to leave ([Fugate et al., 2008](#)).

According to [Hugh & Feldman \(1982\)](#), a variety of characteristics, such as job satisfaction, age, tenure, organizational commitment, perception of job security, and desire to switch jobs affect an employee's intention to leave an organization. [Mobley \(1977\)](#) highlighted additional elements that may influence an employee's decision to leave, including peer interaction, promotion chances, and the significance of workplace ideals. Meanwhile, [Lee \(2010\)](#) combined and distilled some variables into a thorough list of factors that affect employee turnover intention, and these include organizational culture (leadership and enterprise style), job stress (workload, atmosphere, and interaction between management and employees), promotion (opportunities, repositioning, and fair allocation), compensation (salary, employee benefits, rewards, and retrenched), and work characteristics (working hours, attributes, and interest). Employers should therefore take these aspects into account if they want to lower the staff turnover.

The Leader-Member Exchange (LMX) theory is based on an exchange of resources between the two parties and applies to the interaction between a supervisor and their subordinates. A supervisor and any particular subordinates will have discrete interactions in this particular binary relationship since it is considered unique. This relationship between leaders and members is sometimes established and improved through the performance appraisal process ([Fakhimi & Raisy, 2013](#)). In doing such process, a performance feedback can be used to keep staff members informed, inspired, and involved. A research showed that LMX negatively correlates with workers' propensity to quit their employment, which raises the possibility that job satisfaction and performance review satisfaction serve as factors behind the retention rates. Making sure the performance appraisal process is fair becomes a crucial aspect that impacts satisfaction. Therefore, the use of reasonable judgment is one of the most important factors in determining fairness. Assessors are suggested to evaluate each employee using the same standards, and it should be free from any outside bias or personal preferences.

Figure 3. Leader–Member Exchange Theory



Source: Robbins (2005)

Political factors in performance appraisal can also contribute to the less accurate assessment. [Vigoda \(2000\)](#) claimed that employees alter their work attitudes when they believe they have been treated unfairly, resulting in retaliatory acts like quitting. Political factors influence an employee's opportunity for advancement, financial compensation, and job status, since performance reviews have a big impact on a business. Employees work hard to perform well in the evaluation period in order to receive significant scores. This triggers employee interest and emotional engagement to rise, and the risk that they will leave their position is reduced when they believe that the appraisals are handled fairly and productively. This is as a result of their perception of a capable and fair employer. Such encouraging encounters increase the drive to advance in their careers and meet their requirements for self-actualization ([Fakhimi & Raisy, 2013](#)).

## Effects of Performance Appraisal on Employee Attitudes and behavior

Based on the study findings, it is critical to give feedback when conducting performance reviews and analyzing how they affect workers' attitudes ([Sapra, 2012](#)). A study on similar subject found that feedback is just as crucial to enhance employees' performance as reviews to employers. In addition, it should be noted how post-appraisal feedback improves the relations between managers and staff members and how it inspire workers. The study underlined the function of good performance reviews in assisting employees to achieve both corporate and individual objectives. On the other hand, poorly executed performance reviews could hurt a business since it is regarded as lowering the employees' performance ([Sapra, 2012](#)).

The performance appraisal system has favorably and adversely a considerable impact on employee engagement ([Daoanis, 2012](#)). The study indicated that the assessment system has a significant impact on the loyalty and initiative of employees, which in turn influences productivity and effectiveness at work. The study stated further that workers are eager to put in more time if they feel well-compensated, whereas hesitance will be shown if poor compensation is given. The results supported the assertion made by [Lee & Bruvold \(2003\)](#) which emphasized that employees are more likely to reciprocate the firms' commitment to rewards giving and training them with high performance levels. Ambitious organizational goals may even become more motivating for



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employees to achieve. In addition, ([Latham, 2017](#)) discovered that such commitment can also result in a rise of employee emotional engagement.

Studies on organizational behavioral commitment are beneficial in many ways. They discover a link among elements that includes work satisfaction, minimal turnover, high productivity and organizational behavioral commitment. Additionally, such commitment supports performance level projection, therefore, it is easier to achieve organizational objectives. To understand the behavior of salespeople, it depends critically on organizational behavioral commitment. Organizational behaviorists have invested considerable time and energy in their studies. [Paul & Anantharaman \(2003\)](#), [Browning \(2006\)](#), and [Payne & Huffman \(2005\)](#) stated that there is a significant positive relationship between HR practices and organizational behavioral commitment, as well as between HR systems and organizational commitment. The researchers recommended that the goal of appraisals for performance be reassessed since this practice may have a negative impact on the dedication and satisfaction with the work of employees. As observed in a prior study by [Griffin & Moorhead \(2011\)](#), it is argued that rewards are regarded an important variable that influences employees' views toward their jobs.

In contrast, a study conducted by [Messah & Kamencu \(2011\)](#) discovered that performance review procedures could enhance staff productivity at the Kenya Tea Development Agency. The main variables that influenced employees' performance, as highly regarded by respondents, were management by objectives, performance-based remuneration, and staff training. The results showed that evaluations on competency and development have a minor influence on employees' performance. Another research on salespeople indicated that integrating the variables in the development of performance reviews and giving them comprehensive explanations of the evaluation criteria used for employees has a favorable link with their dedication. Employees' dedication, however, can be undermined if their roles within the organization are not clear. The performance appraisal system is improved by both the employees' involvement and the perceived goal clarity. Moreover, the link is favorable for affective engagement, supporting the idea for overarching goals to be communicated ([Pettijohn et al., 2001](#)).

### The Effects of a Good Performance Appraisal on Employee Attitudes

Setting goals that are reasonably high supports both organizational and personal growth. Individuals have a positive feeling not only about themselves but also about their employer when they are challenged and rewarded for the accomplishments made. The systems for evaluating performance assist the organization in creating objectives, honoring progress toward them, and assisting people in strategizing their professional advancement. Furthermore, a performance reviews that supports career advancement signifies that an organization cares about advancing its employees, consequently the staff morale is enhanced ([Wahjono et al., 2016](#)). Performance reviews are a great way for managers and employees to discuss and decide on each other's particular needs for training and development. During the discussions of employees' performance at work, people with no prior training experiences reflected in limited work skills becomes apparent ([Ghosh & Vijayaragavan, 2003](#)).

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By explicitly connecting the training needs to both performance outcomes and long-term career goals, the performance reviews can increase the urgency and relevance of training needs. Employees are expected to understand job requirements better, identify their areas of strength and weakness, and as a result, they ultimately perform well ([Agarwal & Mehta, 2014](#)). Except for particular workers with a high sense of self-worth, giving negative criticism from performance reviews is considered ineffective and possibly result in subpar performance from occurring. Moreover, destructive criticism that sounds ambiguous, misguided, unfair, or forceful can result in conflict, animosity, and low performance at work. Therefore, it is critical to treat performance reviews as a chance to explain how an employee can advance, how the firm as a whole can function more effectively and go forward ([Prasad, 2015](#)).

It is recommended that assessors be knowledgeable and credible in order to maintain fairness and accuracy during the performance appraisal process. When employees believe that the process are fair and accurate, they will be more inclined to accept the appraiser's criticism and be open to change. Instead of blaming employees while responding to their problems, it is crucial to frame the comments in such a way to prevent similar issue from recurring. In addition, It can also be beneficial to offer a cooperative, dialogical approach where the management and the employees team up and work toward the set objectives. A notified, feel-assured and proud employee triggered him or her to work even more. [Ismail et al. \(2017\)](#) emphasized the need for the employees to communicate with the supervisor. It is obvious that the promotion of organizational and individual growth can be facilitated by performance evaluations. They can aid in goal-setting, help identify areas that require training and growth, and enhance workers' performance when employed properly. Examining employees in a constructive and positive way with an emphasis on improvement rather than criticism, thus effective assessment can be assured. To sum up, it can be stated that the appraisal process should be accurate and fair, and the appraiser should not only be knowledgeable but also credible. Supervisors can encourage workers to feel noticed, confident, and inspired to perform even better by implementing a collaborative, dialogue-based approach ([Brown et al., 2010](#)).

### CONCLUSIONS

To successfully maximize the potential of the human resources, organizations must evaluate employees' performance. However, the effectiveness of this appraisal technique has not been shown or evaluated. Approximately 80–90% of firms in the United States and the United Kingdom use performance appraisals, making it a commonly used practice. Due to its importance in ensuring an organization's success, performance appraisal continues to be a topic of interest for both the organizations and the researches. Feedback, selection, communication, frequent analysis, and performance review are important steps in the evaluation process. Employees' feedback boosts learning, enhances performance and maximizes retention and helps change the behavior. Another crucial step in the performance review process is setting objectives. As emphasized by [Fulk et al. \(2011\)](#), defining goals help workers stay motivated and engaged, particularly if the goals are interesting and pertinent.

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The organization's commitment to address employees' needs and to foster their development is shown in performance reviews, from which employee retention is maintained. Similarly, by identifying areas where employees lack the required skills, dedication, or success, organizations can survive in the years to come. The level of employees' job satisfaction reflects how much they enjoy their work. It is typically viewed as a transient solution susceptible to change. Empirical data suggests that high-quality performance assessments (PAs) can boost job satisfaction. A positive PA experience is likely to enhance an employee's sense of accomplishment, self-worth, and favorable perception of their position and company. In addition, instilling faith in the excellence of the PA procedure helps enhance job satisfaction. There are a number of strategies organizations can implement to increase work satisfaction. These includes guiding the managers on how to conduct more efficient performance reviews, ensuring that the review process is open and objective, and getting employees feedback to refine the problems. The results of the study indicate that good performance reviews can raise satisfaction among staff members, and this will boost the retention rates and enhance the overall organizational performance.

In organizational research, the effects of performance reviews on employees' attitudes have been extensively investigated. It is widely acknowledged that a favorable performance appraisal experience can influence employees' behaviors such as the level of job satisfaction, the loyalty to the organization, and the performance at work. On the other hand, a poor appraisal experience, will result in demotivation, a low job satisfaction, and even turnover. Therefore, in order to encourage positive employees' attitudes and improve organizational outcomes, it is critical for any firms to design the efficient processes of performance rating . The impartiality of the appraisal process is one of the key elements that can affect employees' attitudes toward performance reviews. Employees are more likely to accept and value comments from performance reviews if they believe the process are equitable and fair. Thus, to assess fairness, a number of factors, including the correctness of the feedback, the consistency of the evaluation criteria, and the availability of the feedback opportunity should be taken into consideration.

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