

RELATIONSHIP BETWEEN PERCEIVED FAIRNESS IN PERFORMANCE APPRAISAL AND PERFORMANCE APPRAISAL SATISFACTION IN THE AUDIT SECTOR

ABSTRACT

The HR practice of performance appraisal positively influence to employee behavior and performance. The purpose of the present study is examined to relationship between perceived fairness in Performance appraisal and Performance Appraisal satisfaction in the audit sector. Base on that purpose BDO Partners audit firm was selected to conduct this research. The research framework consists of independent variable and dependent variable. The independent variable of the study is Perceived fairness in PA and dependent variable is PA satisfaction. A hypothesis was formulated to be tested under this study. To collect data a structured questionnaire was used and distributed among the 40 sample by using the simple random sampling method.

The data was analyzed through correlations of variables and regression in order to answer for the hypothesis of the study. The results indicate that there is a positive relationship between perceived fairness in performance appraisal system and performance appraisal satisfaction. And also there is an impact of perceived fairness in performance appraisal system and performance appraisal satisfaction.

According to the analysis, 47.6% impact of perceived fairness in performance appraisal system and performance appraisal satisfaction. Thus, in order to obtain positive outcomes, organizations should provide a performance appraisal platform where employees must create satisfaction with performance appraisal.

Keywords: Audit firm, Perceived fairness in performance appraisal system, Performance appraisal satisfaction

INTRODUCTION

Employee work performance helps to gain more benefits to the organizations. It helps to achieve competitive advantage to the organizations (Walsh, 2003). There is function that is providing high contribution when trying to increase employee performance. That is performance appraisal function. Understanding on Performance appraisal satisfaction of employee is becomes very important issue because it related to employee ultimate satisfaction towards organization (Long et al, 2013)

When considering employee perception of fairness in performance appraisal it may

have impact with performance appraisal satisfaction of employee. Through this study aim to identify whether there is significant relationship between perceptions of fairness in performance appraisal and performance appraisal satisfaction of employee. In an audit firm there is flexible and fluctuating working environment. Main work force consists of trainees who engage in higher studies of accounting field.

Trainees don't have specific Job description and specific superior to report, those change according to current assignment they engaging. The organization use Management by Objectives (MBO) approach to appraise employee performance. MBO is a managerial process whereby organizational purposes are diagnosed and met by joining superior and subordinates in the pursuit of mutually agreed upon goals and objectives which are specific, measurable, time bounded and joined to an action plan, progress and goal attainment are measured and monitored in appraisal session which center on mutually determined objective standards of performance (Kodrauk, 1981).

Each employee has allocated to their own mentor. Employee performance is apprise and it's highly affect to employee performance. There is huge impact of Employee perception, whether organization carry out its activities like performance appraisal in the way of ensuring fairness. Fairness in organizations has been studied extensively by researchers in the field of organizational justice (Walsh, 2003). Therefore studding of employee satisfaction towards performance appraisal provides important contribution to the organizations which engage in the audit field.

PROBLEM STATEMENT

Today in competitive business environment to survive in market employee performance is become key factor. In an audit industry even though there are few players there is high competition in those organizations. The quality of tasks performed by employees provides sensitive affect to retain their clients. Customer retention mainly affected by employee performance. On the other hand employee retention on the organization affected by the extensive training opportunities, Promotions and salary increments which are based on performance appraisal results.

Therefore the study of whether there is significant **“Relationship between perceived fairness in Performance Appraisal (PA) and Performance Appraisal Satisfaction (PAS) in the audit sector”** provide result whether existing organization appraisal practices fair in the view of employees and whether employees are satisfied with existing performance appraisal system.

And help to make correlation between those variables to make future forecasting on what are the factors needed to make fair performance appraisal system in the organization which cause to make employee satisfaction towards appraisal system. Therefore the overall research problem is, what is the relationship between perceived fairness of performance appraisal and performance appraisal satisfaction?

OBJECTIVE/S

To identify whether there is significant relationship between perceived fairness in performance appraisal and performance appraisal satisfaction in the audit sector.

LITERATURE REVIEW

PERFORMANCE APPRAISAL (PA)

Performance appraisal has a brief history starting from early 20th century where the need of performance appraisal was felt and some measures developed. As in Walsh (2003) noted that Performance appraisal is the process of identifying, observing, measuring and developing human resources in organizations. As in Salleh et al (2013) according to Scott (2009), define that Performance appraisal is the measurement of work and its results by using the scale and index that we can measure the desired quantity and quality with precision and free of personal judgments and vague criteria of evaluation.

Furthermore, PA served as a tool for managing the effectiveness and efficiency of employees and it is a vital component of a broader set of human resource practices. It is the mechanism for evaluating the extent to which each employee's day to day performance is linked to the goals established by the organization (Coutts and Schneider 2004, as in Vigneswaran, 2005).

PERCEIVED FAIRNESS IN APPRAISAL PROCESS

Employees want fair dealing in PAS, which is a vital component of organization's HRM. Fairness perception about PAS has very serious implications not only for employees but also for an organization (Latham & Wexley, 1994). According to Gabris & Ihrke, (2001), if employees have an opportunity to change their ratings or have given simply right to raise their voice against ratings which they perceived unfair then this will result in fair perceptions

of PAS. Likewise Gilliland and Langdon (1998) claimed that, employees' fairness perceptions of PAS have significant effect on performance appraisal rating acceptance and ratees' satisfaction with performance appraisal process.

As in Walsh (2003), according to Evansl and Elain (1978) employee opinion on performance appraisal system is important for the long term effectiveness of performance appraisal system. Performance appraisal system should be fair in the view of employees to be effective and it helps to get benefits for the organizations. Employees' attitudes towards performance appraisal system such as perceptions of fairness result to the employees' acceptance of the system. And also the most important performance appraisal issue faced by organizations is the perceived fairness of the performance review (Bretz, Milkovich and Read, 1992).

Selvalajan and Cloninger (2011) studied employee reactions to performance appraisal in terms of perceived employee fairness are important variable of appraisal effectiveness because these perceived employee reactions can motivate employees to improve their performance.

RELATIONSHIP BETWEEN EMPLOYEE PERCEPTION OF FAIRNESS IN PERFORMANCE APPRAISAL AND PAS

Employee reactions and attitudes are important evaluative criteria of the effectiveness of appraisal systems in organizations (William and Levy, 2000). Reaction and attitudes towards the performance appraisal system considered as a perceptions of performance appraisal system. According to Cardy and Dobbins

(1994) as in William and Levy (2000) proposed that appraisal satisfaction and perceptions of fairness need to be considered as legitimate terminal values, because of their influence on appraisal effectiveness. Therefore, employees' reactions and attitudes toward various aspects of the appraisal system are important criteria, but also as means to identify the success of specific components of the appraisal process.

Moulik and Mazumdar (2010) investigate employees' attitudes towards various aspects of the performance appraisal system and found that open, two-way communication, mutual trust, opportunities for appraisals to participate in goal setting, the supervisor's knowledge of the employees' performance and being evaluated on job-related factors, are significantly related to appraisals' satisfaction with performance appraisals system.

Kumari (2013) found that a positive relationship between satisfaction and employee perceptions such as supervisors encouraged participations, assisted in goal setting and provided frequent feedback. Employees' fairness perceptions of PAS have significant effect on the performance appraisal rating's acceptance, ratees' satisfaction with performance appraisal process and organizational commitment (Ikramullah et al, 2011). According to Walsh (2003), employee satisfaction is linked to employee perception of fairness of the organization's appraisal system.

One factor which affects PA satisfaction is the perceived fairness of the PA evaluation process. According to Vignashwaran and Rajendran (2005) an important element affecting fairness perceptions is judgment based on evidence - raters must be seen to apply performance standards consistently across employees without misrepresentation

by external pressure, corruption, or personal biases. And also he identified that PA activities such as participation, identification of goals or objectives and feedback may affect satisfaction with PA, which finally may affect employee motivation and productivity.

CONCEPTUAL FRAMEWORK



Figure 01: Conceptual Model

HYPOTHESIS OF STUDY

H1: There is a significant relationship between Perceived fairness of Performance Appraisal and Performance appraisal satisfaction.

METHODOLOGY

SAMPLING METHOD:

Simple random sampling method is the technique which is used by the researchers as sampling method to provide equal opportunities to the population being in the sample. Here the sample consist 40 audit trainees in BOD Audit firm from 100 audit trainees (population).

METHODS OF DATA COLLECTION:

When designing the questionnaire, a great deal of thought was given to its comprehensiveness and length. The questionnaire consists of a series of questions, Section A consist of 7 questions discuss about demography and section B consists of 47 questions which are described independent variable and dependent variable. Most of questions used in this research were accepted ones by previous researches (Walsh and Burns, 2003) (Evansl and Elaine, 1978). Reliability of questionnaire is 0.7 (Cronbathe’s Alpha Value). Therefore questionnaire is supporting to measure those particular variables.

Factor	Majority	Frequency	Percentage
Civil Status	Single	40	100%
Experience	1-2 years	17	42.5%
Job position	Senior	15	37.5%
Education	G.C.E A/L	18	45%

STATISTICS OF THE DISTRIBUTION

The independent variable and dependent variable explained and illustrated by the statistics such as median, mean, mode, standard deviation skewness and kurtosis as summarize in bellow tables.

Mean	4.2250
Median	4.0000
Mode	4.00
Std. Deviation	.61966
Skewness	-.177
Kurtosis	-.455

METHODS DATA ANALYSIS:

Quantitative method was used to analyze the data. The data was analyzed in this study based on the questionnaires. Under the quantitative method, the Likert Scale was included to measure the relationship between perceived fairness of PA and PA satisfaction. 5 point Likert- scales was used to score the responses from strongly agree to strongly disagree. Correlation analysis and simple regression analysis were used to find the impact and the relationship between perceived fairness of PA and PA satisfaction.

The frequency distribution analysis was made individually for the key variable, perceived fairness in performance appraisal. As indicated by the above table the mean value of the distribution is 4.23. Then the perceived fairness in performance appraisal of the respondents is **“Good/High”**. The skewness and kurtosis of the distribution are -.177 and -.455.

DATA ANALYSIS

FREQUENCY DISTRIBUTION ANALYSIS FOR DEMOGRAPHIC FACTORS

Factor	Majority	Frequency	Percentage
Gender	Female	24	60%
Age	18-25	26	65%

Table 3-Statistics of the distribution of the PAS

Mean	4.0250
Median	4.0000
Mode	4.00
Std. Deviation	.69752
Skewness	-.034
Kurtosis	-.848

The frequency distribution analysis was made separately for the dependent variable of performance appraisal satisfaction. The frequency distribution of PAS is presented in the above table. As indicated by the table 4.18 the mean value of the distribution is 4.02. Then the performance appraisal satisfaction of the respondents is **“High”**. The skewness and kurtosis of the distribution are -.034 and -.848.

SIMPLE REGRESSION ANALYSIS

This is used in a situation where one independent variable is hypothesized to affect one dependent variable (PAS). In here by using simple regression analysis, measure effect of Independent variable to dependent variable.

CORRELATION BETWEEN PAS AND PERCEIVED FAIRNESS IN PA

EFFECT OF PERCEIVED FAIRNESS IN PA TO PERFORMANCE APPRAISAL SATISFACTION

		Performance Appraisal Satisfaction Scales	Perceived Fairness Performance Appraisal Scales
Performance Appraisal Satisfaction Scales	Pearson Correlation	1	.699(**)
			.000
	Sig. (2-tailed)	40	40
Perceived Fairness Performance Appraisal Scales	N	.699(**)	1
	Pearson Correlation		
	Sig. (2-tailed)	.000	40
	N	40	

The relationship between PAS and Perceived Fairness in Performance Appraisal measured using Pearson correlation by using SPSS. and Perceived Fairness in PA

** Correlation is significant at the 0.01 level (2-tailed).

According to the table it is noted that perceived fairness in performance appraisal positively

yet moderately correlated ($r= 0.699$) with performance appraisal satisfaction.

Variable	Performance Appraisal Satisfaction
Method	Linear
R Square	0.488
Adjusted R Square	0.476
F	36.211
Significance	0.000
B-constant	0.703
Standardize Beta	0.699

above table regression equation is,

$$\text{Performance Appraisal Satisfaction} = 0.703 + 0.699 \text{ Perceived fairness of Performance Appraisal.}$$

As indicated by table 5 adjusted R square is 48% of the variance of Performance Appraisal Satisfaction is explained by Perceived fairness of Performance Appraisal. It has 48% impact of Perceived fairness of Performance Appraisal on Performance Appraisal satisfaction.

RESULTS AND FINDINGS

In this research, the researcher tried to find out the impact of perceived fairness in PA to the PAS. After analyzing the data, the results and findings of the research were as follows:

It was found to be that there is a positive relationship between perceived fairness in PA and PAS. The correlation between these variables was 0.699, which is significant at 0.000 levels. This was based on two - tailed tests. This correlation was found to be moderate positive relationship as it is between 0.3 and 0.7.

The simple regression analysis describes that perceived fairness in PA have a positive impact on PAS with the strength of beta value, 0.699. The level of perceived fairness in PA of the audit firm give a measure of PAS and it has a 47.6% accuracy of predicting. That is 47.6% of PAS is accounted for perceived fairness in PA.

When discussing the level of perceived fairness in PA in the sample, it was found that they have a High level of perceived fairness in

PA with the mean value of 4.2 and standard deviation of 0.61966. Accordingly it was found that in the audit firm there is high perception of fairness about performance appraisal system.

As indicated by the empirical data, perceived fairness in PA was in good state (90% of respondents were have good perception of fairness in PA). Performance appraisal satisfaction of employees of the firm is also very high. (77.5% of respondents show high performance appraisal satisfaction). Perceived fairness in PA of employees in audit firm, have positive impact on performance appraisal satisfaction of employees that is a moderate relationship.

Even though, this study showed empirical positive relationship between perceived fairness in performance appraisal and PAS, only 47.6% of perceived fairness is accounted for PAS in audit firm. That means, there might be other 52.4% of unexplained variables.

CONCLUSION

This study explores the relationship between perception of fairness of performance appraisal system how this perception of fairness affects employee satisfaction of performance appraisal. Overall, this study found that fairness of performance appraisal does affect employee's performance appraisal satisfaction. According to that there is a positive and moderate relationship between perceived fairness of PAS and performance appraisal satisfaction.

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