# Perceived Fairness of Performance Appraisal System and Its Impact on Job Satisfaction and Organizational Commitment; a Case Study of MCB Bank in Pakistan

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Abstract: The research is conducted with objective to find relationship between job satisfaction, organizational commitment and perceived fairness of performance evaluations with reference to organizational culture of Pakistani firms. What are the determinants of fair performance evaluation and how they affect job satisfaction and organizational commitment are also discussed in this study. The data for research was collected from different branches of MCB Bank working in Pakistan. The study found perceived fairness of performance has significant impacts upon employee's level of job satisfaction and organizational commitment. Other dimensions of performance evaluation and job satisfaction that must be explored by future researchers and the limitations of this study are also highlighted at the end.

*Keywords:* Performance Evaluations; Determinants of Fair Performance Evaluations; Job Satisfaction; Organizational commitment; Pakistan; MCB Bank; Banking Sector.

# I. INTRODUCTION

At the core of any performance Management system is the assessment of performance. (Goff 1992) One of the most complex issues that an organization has to face internally is the Performance appraisal. Performance appraisal system and its fairness are mostly questioned by the employees of MCB Bank. Performance ratings are intentionally or unintentional inflated or deflated by performance supervisor{Taylor, 1995 #6}. Organizations implement Performance Appraisal systems to identify and reward their best members. If performance appraisal system is not perceived as fair it has various negative consequences for the whole of organization. Other way around if performance appraisal system is transparent and fair it brings a number of benefits for the organization.

Organizational behavioural scientist had given much attention to fairness of performance appraisal system. A number of studies conducted to find what the true determinants of fair performance appraisal system are? What are the benefits for the organization for ensuring transparent and fair performance appraisal system? What are the negative consequences for implementing a loose, unjust and unclear performance appraisal system? These studies explored how fairness of performance management system improved organizational commitment, developmental opportunities in careers for the members of organization, job performance, organizational goodwill and job satisfaction. Most of studies were conducted in Western and American context. The researchers of Malaysia, Japan, China, Brazil and India also explored this topic and its other dimension in their regional context. Management scientists are agreed upon that behavioural issue must be explored in consideration of local culture. Pakistani researchers also paid attention to this topic during last two decades but some key dimensions of performance appraisal and its impacts on job satisfaction were overlooked. There exits both literature and contextual gaps on this topic in Pakistan. By taking into consideration this fact an attempt is made to discuss performance appraisal system, its key dimensions and its impacts on level of job satisfaction and organizational commitment in our national organizations cultural context.

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#### **Research Question:**

The present study is aimed at how employee's perception about fairness of performance appraisal system of their organization affects the degree of job satisfaction and organizational commitment in MCB Bank in Pakistan. Another objective of this study is to find how either our growing banking industry is following the standardized procedures of performance appraisal.

If performance supervisor (raters) is familiar with employees (ratees) work, there is consistent application of standard while evaluating performance, supervisor solicits employees input prior to evaluation and using it recommendations for salary and promotion are based upon results of job evaluation and employees are allowed to challenge their performance appraisal results. Then members of organization perceive the performance appraisal system as fair. Such PAS can lead to improve level of positive feelings about job and organizational attachment.

When employees are fairly rewarded for their performance and performance evaluation is free from all intentional or unintentional biasness of rating supervisor, it will increase level of motivation improved organizational commitment and ultimately job satisfaction. This is beneficial for individual and organizational performance as well. On other side performance appraisal system helps employees to know their weakness, and deficiencies and also an opportunity to mend such weakness (Seldon 2001). Such feedback encourages and motivates employees to improve their knowledge, skills and abilities to improve job performance for receiving their share in organizational rewards (Ahmed 1999). As performance appraisal is an ongoing process so supervisor continuously observe, monitor and guide employees to improve their abilities and learn new skills (Ari warokka, Cristina G.Gallato and Thamendern 2012).

There are some subjective questions like some organizational members can perceive a performance appraisal system as being fair while other do not. It depends upon perception of employees. Perception is defined as a process to organize ones thoughts and feelings to express the outer environment (Robinson and Judge 2007). The perception of an employee about organizational performance appraisal process is shaped by work environment, peers and immediate supervisor; if immediate supervisor has fair treatment with subordinates and has develop a pleasant working environment the specific subordinate probably has fair perception about performance appraisal system of the organization (Ari warokka, Cristina G.Gallato and Thamendern 2012).

Performance appraisal forms are the key instrument to measure performance. Performance appraisal system is considered an ideal and fair one if performance appraisal forms are simple, comprehensive, time oriented. These appraisal forms can be completed from multiple sources like supervisor, peers, customers, stakeholders and self-appraisal. The accuracy of gathered information depends upon there is how much interaction between raters and ratee? The raters possibly can make the intentional and unintentional errors while performance evaluation. The possible distortions in rating programs can be removed by providing trainings to raters. Such trainings will provide raters with techniques and skills to implement performance appraisal system effectively in the best interest of the organization. Such trainings enabled raters to understand whole performance appraisal system of The organization, the right methods to observe, measure and record employees performance and tools to minimize unintentional rating errors because of over burden of job. These trainings also include how a successful appraisal interview can be conducted by teaching communication skills to raters and by teaching a rater how to counsel, coach and devise a developmental plan for the ratee if needed.(Aucoin 2005)

This study will certainly be another addition in study of Human Resource Management in Pakistani Context. It will help MCB Bank's Management to formulate standardized Performance appraisal system and effectively implement it in this Industry to win more organizational commitment from the employees of their organization.

The upcoming sections of this study is categorized as follows: the next part will discuss past literature on this topic, research design in the third part, fourth part explained the results and major findings of the study and in last section conclusion, implications and limitations that will highlight further dimensions of topics that can be explored by the new researchers.

# 2. LITERATURE REVIEW

# 2.1 Performance Appraisal System:

Performance appraisal is defined as a planned communication between an employee and his supervisor to overview the job performance of an employee (Moorhead & Griffin, 1992). The performance appraisal consists of defining performance parameters, observing and measuring on job performance and developing the skills and abilities of organizational human resource in accordance with organizational goals (Benson and Brown, 2007). In other words a process of analyzing the

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job performance of members of organization is called as Performance Evaluation (Ari Warokke and Criston, 2012). Every organization either public or private used a formal or informal process to judge performance and contribution of its employees (Carroll and Schneier, 1982)

Jenkins(2000) documented that performance appraisal is a process in which for a specified time period the work performance and achievements of all employees of an organization are observed and judged by a performance supervisor, the performance supervisor rates all the employees and rating results are used for awarding organizational rewards (like pay and promotions etc.) to the best performer.

Ari Warokke and Criston, 2012 have noted that performance Appraisal Cycle consist of 4 major steps.

- a. Defining the performance
- b. Measuring and evaluating the performance
- c. Providing feedback to employees
- d. Using the results in the organization system.

How to gather performance information is first and important step in performance appraisal system? *Herman Aguinis* 2011 in his book *Performance Management* documented that performance appraisals forms are the key instrument in gathering performance appraisal information. Although there is no universally accepted standard format of performance appraisal forms but following major components are devised by Grote in his book *The complete Guide To Performance Appraisal*, 1996 must be included in performance appraisal forms:

- a. Basic employee information
- b. Accountabilities, objectives, and standards
- c. Competencies and indicator
- d. Major achievements and contributions
- e. Developmental objectives
- f. Developmental needs ,plan and goals
- g. Stakeholder input
- h. Employee comments
- i. Signature.

Language and contents of performance appraisal forms must be simple, clear, relevant, descriptive, and comprehensive and time oriented.

How to determine the overall rating of subordinates is another critical question. Mostly two techniques are used to assign ratings to each employee (Wells B & Sprinks, 1990)

# a. Judgmental approach

#### b. Mechanical approach

In judgmental approach, performance supervisor examine the every aspect of employees performance dimension and then assign performance rating on his judgmental ability.

In mechanical approach first weights are assigned to each performance dimension based upon importance of particular performance dimension, than overall score is obtained by adding weighted score of each performance dimension (Simmons & Lovegrove, 2005). Mechanical method of assigning performance ratings is best as compared to judgmental method because in mechanical method there are least chances of supervisor manipulations in assigning rating scales to subordinates.

One important question to be answered is what should be the frequency of performance appraisal. Some organization annually review the performance of its employees other quarterly and biannually performance appraisals review are also common but most effective and comprehensive method of performance appraisal is to observe and overview the job performance of employees on day to day basis. In annual, biannual and quarterly performance appraisal system performance appraisal forms are filled at the end of each fiscal year it helped the performance supervisor to compare the

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performance of all employees at one point of time and also helped to assign individual goals with respect to organizational annual goals (Murphy and Cleveland, 1995). But this approach imposed additional work on supervisor to complete all performance appraisal forms within a limited time period. Generally for better and fair ratings there must be ongoing communication between subordinate and performance supervisor for discussing different performance dimensions.

Another important question is who should provide the performance information. *Brutus and Petosa 2005* in their research article "Who will evaluate me?" Identified **5 major sources** that can be used for rating employee's performance.

- a. Supervisor
- b. Peers
- c. Customers
- d. Stakeholders
- e. Self-appraisal

Which source is the best depends upon size and type of organization. In most organizations supervisor is the main and only source of gathering performance appraisal information because supervisor held key position in relation to analyze performance with respect to organizational goals and he has also make decisions regarding rewards against performance (Herman Auginis,2010). Where there is a large numbers of a customer, customers are the best source to get accurate data on one performance. In those organizations where organizational hierarchy is team based peers appraisal can be the best source of getting right information for performance (Ramesy&Owen 2006). If an organization is working in supply chain or providing outsourcing to other organization stakeholders input best to judge ones performance. Self-appraisal is an essential component of modern performance appraisal system it helped an employee to rate and judges his own performance (Facteau and Craig, 2001).

#### 2.2 Job Satisfaction:

Job satisfaction is the one of the most important issue in organizational behaviour. After all what is the concept and prerequisite for job satisfaction? Job satisfaction is positive feelings by an employee towards his job. According to Feldman and Arnold "it is amount of overall positive effect (or feelings) that individual have towards their jobs". Locke (1976) defined job satisfaction as a pleasurable or positive emotional state resulting from the appraisals of one's jobs or jobs experience. Davis and Newstrom documented that job satisfaction is a set of favourable or unfavourable feelings with which employees view thieve work". Hence job satisfaction is good and positive feelings about one's job. Researchers have defined three important dimensions of job satisfaction.

- 1. As job satisfaction is an emotional response it can be seen so it cannot be measured
- 2. Most of the times it is measured to what extent ones expectation have been fulfilled by one's job.
- 3. If speaking broadly job satisfaction represents response of an employee towards five key aspects of his job: Pay; opportunities for growth; the work itself; co-workers and supervision.

What are the true Determinants of Job Satisfaction is another important question. The previous study by A.W Wicker 1969 had identified following key contributors of job satisfaction.

- a. Nature of the work
- b. Equitable reward system
- c. Pay and promotion
- d. Individual Personality Traits
- e. Supportive colleagues
- f. Conducive working conditions.

**Nature of the work:** Most people like to work in a moderate challenge. A job that offers them challenges and opportunities to use their skills and abilities results in positive job feelings (M.H Helft 1950). On other hand more and unrealistic challenges create frustration and problems for the employees. Whereas little challenges creates job dissatisfaction.

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**Equitable reward system:** an equitable reward system ensures the continuance of feelings of job satisfaction among the employees. Whereas if employees feel that reward system is not fair and unjust it declines the level of job satisfaction among the employees (S.J Brecekler 1968).

**Pay and Promotions:** Pay and promotions are perceived as an important antecedent of job satisfaction. The relationship between ones salary and level of job satisfaction is an interesting one. People, living below the poverty line or in poor state of living gave much more weights to salary in determine job satisfaction. But when people reach a level of comfortable living the relationship between job satisfaction and salary virtually disappears (L.Frestinger 1957).

*Individual Personality Traits;* Ones personality traits also play role in determination of job satisfaction. Those Individual who are not positive about themselves will always perceive their jobs as dissatisfied. Where as individuals having positive self-evaluation about themselves will be satisfied with their jobs. Individuals who believe in their abilities and basic competences remain satisfied with their level of job satisfaction as compared to those who have negative self-evolutions (A.W Wicker 1962)

Supportive colleagues: colleagues have also a role in determination of level of job satisfaction. Helpful and supportive colleagues brought job satisfaction (P.P Brooke 1963)

Conducive working conditions: work environment and conditions will positively affect ones level of job satisfaction if working conditions are healthy and safe (D.A Harrison 1968).

i. *Measurement of Job Satisfaction*: How to measure job satisfaction and its degree is a critical question. Measurement of Job satisfaction is a multi-facet phenomenon. Most researchers had used a uni-dimensional and very simple tool to measure job satisfaction that how much satisfied you are with your present job? Rather than using a multidimensional and detail questionnaire to assess ones level of job satisfaction. Evidence had suggested that reliability of uni-dimensional measure of job satisfaction is same to that of multidimensional measure there are two most commonly used ways of measuring job satisfaction.

#### a. Single Global Rating

#### b. Summation Score

In single Global Rating Scale there is asked one question to measure the job satisfaction. An example of such question can be as "how much satisfied you are with your job" and employees responded on a rating scale. Rating scale can be from 1(Highly Dissatisfied) to 5(Highly Satisfied).

In summation Score important determinants of job satisfaction such as nature of work, growth opportunities, working conditions and relationship with co-workers are included in rating scale to find the overall level of job satisfaction.

#### ii. Results of job satisfaction?

How it affects the employee's productivity, absenteeism, and turnover rates? These questions have also gained considerable attention from the behavioural scientist.

- **a.** On productivity: Are satisfied workers more productive than less satisfied co-workers? Previous research evidence proved that there is no consistent positive relationship between level of satisfaction and job performance. Mostly it is believed that satisfied workers will produce better than unsatisfied workers but it is not true all the times. It is not necessary that a satisfied worker will be the highest achievers as well.
- **b. On Absenteeism:** Previous studies had proved that when there is high job satisfaction among the employees than there is low absenteeism and vice versa.
- c. On Turnover: The Rickey-Kiely 2006 has revealed that satisfied workers had less turnover intensions. Thus, like job satisfaction and absenteeism, there is an inverse and negative relationship between job satisfaction and turnover. Although some other moderating variable such as organizational commitment also influence the employees turnover intensions. Condition of economy have also influence on turnover intensions for example when economy is on boom and other jobs are easily available than employees can leave one organization for other in search for a job of their choice. On the other hand if the condition of the economy is such that people find it difficult go for any other job than even dissatisfied workers will continue their job.

There are some other positive outcomes of job satisfaction among the employees like better mental and physical health, employees learn easily new job related skills and they commit fewer mistakes on job. Employees can leave the organization when they are dissatisfied with their job.

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#### 2.3 Organizational Commitment:

Employee commitment is defined in a way as the employee's emotional attachment to the organization (Marmaya1et al. 2010).

Organizational commitment has usually been considered as an individual's attachment with the organization and his or her readiness to utilize energy for organizational wellbeing (Walumbwa et al., 2005).

Organizational commitment has been defined as an employee's willingly participation, involvement and commitment with the organization (Walumbwa, Orwa, Wang, & Lawler, 2005). Organizational commitment can be described as a two way process, i.e. recruiting right sort of employees by creating good corporate policy and brand image. Secondly, dealing all employees according to corporate values and norms.

Employee commitment has been contingent to various kinds of variables. Organization recruitment procedure should be transparent, fair and according to employee's perception. In this way, employee's feeling of commitment and attachment with the organization develops. Employee commitment will be increased if there is a positive correlation among employee expectation with the organization and organization policies and rules for employee welfare.

A good induction and training program will make new employees to know the organization culture and increases job satisfaction. Studies have found good relationship between employee and its immediate manager will be able to judge the employee commitment with the organization. Organizations that treated their employees with fairness and integrity, it would result in enhanced employee commitment and trust. Several other variables like promotions pay and rewards, work life balance have also found to be positively related to employee commitment (Robinson).

The concept of organizational commitment has also been defined as employee thoughts and as a set of behavioural intentions: employee strong commitment towards organizational goals. Further the researchers defined organizational commitment as employee willingness to achieve organizational goals, employee strong attachment with the organization and acceptance of organization values and mission. Employee commitment can be increased if there would be a positive link between employee individual goals and overall organizational goals (Yew, 2007).

The number of studies has examined the relationship between work ethics and organizational commitment. Employees show more commitment when their own values are congruent with organizational values. Islamic work ethics strongly talked about commitment and hard work. Prophet Muhammad (SAW) said "No one eats better food than that which he eats out of his work". Employees who strongly confirm Islamic work ethics are more committed to their organization and more likely to bring change (Yousef, 2000).

The employee's organizational commitment is used to forecast employee's performance, turnover, job satisfaction and other behaviours. It has also been observed that committed work force employ extra efforts such as creativeness. The introduction of better compensation packages, working conditions and effective policies are the ways that might be used by the management to increase the level of commitment in an organization. The studies also put forward that employee organizational commitment might be enhanced by announcing good rewards, flexible rules and procedures and healthy working environment. The organization top management have to increase employee involvement in decision making, effective communication to enhance employee commitment.

Organizational commitment is an important job attitude. Organizational Commitment is a state of identifying with a specific organization and alignment with its goals and wishing to maintain membership with the organization (C.J Blau 1994). As high job involvement is commitment with a specific job where as high involvement with an organization means organizational commitment. Batement and Strasser (1979) documented that organizational commitment is multidimensional in nature, involve an employee's loyalty for the organization, willingness to exert effort on behalf of the organization, degree of goal and value congruency with the organization and desire to maintain membership. Sheldon (1971) argued commitment as being a positive evaluation of the organization and organizational goals. Buchaman stated in 1974 that commitment is a bond between an individual and organization. Meyer and Allen in 2007 proposed a model of organizational commitment. The three component model (TCM) of employee commitment survey has described three forms of organizational commitment, aspiration-based (affective commitment), responsibility-based (normative commitment) and cost-based (continuance commitment). Employees with a strong affective commitment want to stay and inclined to perform better and those with strong normative commitment stay because they feel obligation towards organization. Employees with strong continuance commitment stay because they have cost concerns; such as losing a good pay and other forms of material benefits, established contacts, image, etc(Meyer & Allen, 2004). Sometimes employees show continuance commitment because of personal long term and huge amount of investments. These may be in both monetary and non-monetary form: for example special skills specific to particular organization, close relationship with peers and shareholders etc. According to that model organizational commitment has three important components.

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- a. Affective Commitment
- b. Continuance Commitment
- c. Normative Commitment

#### a. Affective Commitment:

AC is an emotional attachment, identified and involvement that an employee has with its organization and organizational goals (Mowday et al 1979). Affective commitment is defined as an employee's emotional attachment to the organization. The researchers described the concept of affective commitment in a way; affective commitment is like an employee strong attachment, involvement and identification with the organization. Affectively committed employee has strong desired to remain a part of the organization and put positive efforts towards organizational goals (Marmayal et al., 2010).

Porter et al in 1977 explained that there are 3 characteristics of Affective Commitment; first, belief in and acceptance of organizational goals and values; second, employees sincerely effort for the achievement of organizational goals; third, a wish to maintain organizational membership.

Research shows affective commitment gives more desired organizational outcomes. Employees having more motivation and emotional attachment to organization participate more towards achieving organizational goals. So, organization should need to design policies (both short term and long term) which will increase affective commitment. Short term policies include

- Treat employees with respect
- Employees must feel part of family
- Encourage employees and involve them in decision making
- Give respect to its employees
- Provide secure and healthy work environment

Long term organizational policies are human resource practices, these are

- Recruitment and selection process should be clearly defined to attract right sort of candidates
- Providing supportive environment and timely invest in training and development of employees
- The perception of fairness in assessment and promotion process tend to increase affective commitment
- Employees' affective commitment is likely to increase if they judge fairness in rewarding compensation and benefits (Dordevic, 2004).

#### b. Continuance Commitment:

CC is a desire to remain in the organization because of the non-transferable investment that employee has with the organization such as peers relationship, memories and pensions etc. (Redier 1985). It is perceived economic value of remain with an organization as compared with leaving it(Modway 1978). An employee may continue his job with his current employer as he is paying well to him and leaving job may hurt his family. The research studies have described the concept of continuance commitment by referring the realized outlay related with parting the organization. Continuance Commitment includes some other elements for example years of employment or benefits that are unique and employees will receive from organization such unique benefits did not allow that individual to leave the organization. (Redier 1985). Meyer and Allen in 1997 further explain that when employees have continuance commitment with the organization he/she finds it very difficult to leave the organization. If employees believe that there are less job opportunities outside their organization, the realized cost of leaving current job will be high so this will develop a stronger sense of continuance commitment. Employees' normative commitment represents feeling of responsibility to stay within the organization. Employees think they should stay because of their moral obligation to do so: organization invested in their career development, education and training etc. Employees' organizational commitment is valuable asset for an organization and it can produce very real outcomes.

#### c. Normative Commitment:

NC is feelings of obligation among the employees for their organization (Bolon 1993). Normative commitment is like the alleged employee responsibility to stay in organization (Meyer et al., 2010). Weiner in 1982 noted that normative commitment as being a generalized value of loyalty and duty.

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Meyer, Allen and Smith (1993) noted that these three types of commitment have varied outcomes on individual – organizational relationship. The concept of Organizational commitment can be well elaborated by divided it into various components, like attachment, involvement, ethical, structural and affective. Attachment involves employee's strong affiliation with organization interest and values. Involvement includes employees association and belongingness towards organization. Employee ethical attachment means sense of joint commitment with the organization. Affective attachment means employees emotional relation and satisfaction. Finally, structural involvement include employee affianced in an economic transaction. Employees having strong affective commitment always perform better, due to strong emotional attachment with their fellow workers and supportive working environment. The researchers propose that this is the most important form of commitment; affectively committed employees always exert more effort and try to go beyond their normal duties. Normative committed employees perceived that the organization always take care of their interest, so they also fulfil their part of responsibility toward organization. Continuance committed employee have believed they are indulge in a monetary exchange relationship with the organization. They have found no suitable alternative so they remain stay within the same organization. (Robinson 1978)

Individuals develop a sense of affective commitment toward their organizations when they feel important part of organization and having goal similarity with the organization. There are many factors that determine the level of affective commitment. They can be divided into two major groups: organizational factors and individual factors. I.e. management support, organizational culture and organizational policies and rules are considered as organizational factors and personality, education and age are considered as an individual factor.

The researchers further propose that manager perceive affective commitment to be positively linked with organizational citizenship behaviour and job performance. Continuance commitment will be positively correlated to job tenure and age and negatively correlated with education. The managers, who considered their employees to be affectively committed, give them more promotions (Shore et al., 1995).

It has been studied that perceived organizational support and satisfaction with rewards (both intrinsic and extrinsic) are significant to measure employee job involvement and two forms of organizational commitment (affective and continuance). Perceived organizational support (org care about employees and encourage their contribution) was strongly related with job involvement and emotional attachment to the organization. Similarly, intrinsic reward satisfaction was strongly related to both job involvement and affective commitment (Driscoll & Randall, 1999).

The three forms of employee commitment are not always resulted into best performance. For instance, an employee who has high continuance commitment but low affective commitment stays in an organization due to cost concerns associated with leaving the organization.

## 2.4 Fairness of Performance Appraisal System and Job Satisfaction and Organizational Commitment:

Adnan Riaz (2005) noted fair and transparent performance appraisal system has positive relationship with job satisfaction and organizational commitment. When employees are satisfied, their on job performance gets high. The positive relationship between performance evaluations and job satisfaction shows that fair and transparent process not only provides job satisfaction but also enhances individual job performance (Harris 2007). When employees perceived performance evaluations as not fair and manipulated for personal liking and disliking of supervisor it leads to low job satisfaction, increased turnover and poor individual and organizational performance. John M.L Poon 2003 proved that performance appraisal politics effected job satisfaction and led to reduced job satisfaction, increased absenteeism and also has direct effects on turnover intensions.

Raters may be able to provide accurate performance appraisal but Mostly performance ratings are manipulated by the supervisor for various reasons. Cleveland and Murphy 1992 When employees perceived performance ratings to be manipulated because of raters personal bias and intent to punish subordinates they expressed Reduced job satisfaction and it led to go to greater extent to quit their jobs. However manipulations of ratings for motivational purposes however had No impacts job satisfaction and turnover intensions June M.L Poon.

Cremer 2005, noted organizational justice as the main factor in Organizational setup. Martinez et al- broadly defined organizational Justice in two dimensions procedural justice and distributive justice. Distributive justice is the outcomes received by an employee such as pay and promotions whereas procedural justice is the fairness of procedures to determine outcomes. Distributive and procedural justice has significant, positive and direct effects on job satisfaction, job performance, and organizational commitment and Citizenship behaviour. Distributive justice has more significant impacts on level of job satisfaction as compared to procedural justice. When faculty is Categorized in lecturers, Assistant

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professor and Associate professor, lectures were concerned about procedural and distributive justice as compared To assistant and associate professors. (Prof.Dr Muhammad Ehsan Malik(IBA PU,2011)

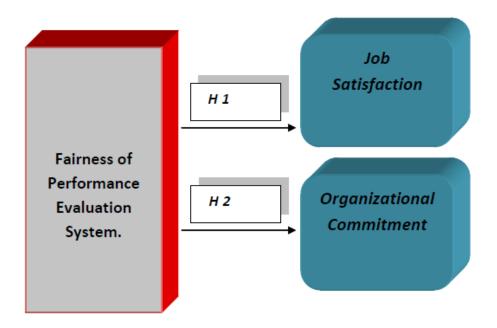
According to shen (2004) performance appraisal is the right method to point out job performance deficiency and developing an employee. Performance appraisal system is effective only when it is accepted and Understand by the employees. If performance appraisal is perceived as unjust and unfair it will negatively effects both individual and organizational performance. The major negative Outcomes of unjust performance appraisal are work related stress, theft, litigation against employer, damaged work environment and even the increased Turnover among the dissatisfied employees. The performance appraisal fairness has strongest correlation with interactional justice, than with distributive Justice and employees care little about procedures. Employees viewed fairness of appraisal system on the basis of outcomes received (Ari warokkaCristina G.Gallato2012).

Murphy and Cleveland 1991 argument that performance appraisal System is fair only when people who are using it also perceived it as Fair. The most effective way to improve organizational performance is Fair evaluations of individual job performance. Fair performance Evolution helped organization to retain its talent. There is a significant relationship between perceived fairness of performance management system and Organizational citizenship behaviour and organizational citizenship behaviour acts as mediating role to win organizational commitment of employees for the organization. When employees received their due share in pay and promotion raises it will bring job commitment, improved performance and goodwill for the firm (Ishfaq Ahmed 2011).

Greenberg 1986 applied the concept of organizational justice theory to performance evaluation system. He stated that what one received &how it is determined it makes performance appraisal transparent. Greenberg 1993 also determined two focal determinants of Performance evaluation as fair namely social and structural factors. A positive relationship exists between organizational justice, accuracy of rating and concern over ratings and job satisfaction. A positive relationship exists between interpersonal justices; trust in supervisor, and respect of supervisor job performance, job satisfaction and Transparency of performance appraisal system. A positive relationship exists between informational justice and fairness of performance evaluation system (Marie Burns Walsh 1981).

#### 3. RESEARCH DESIGNS

#### 3.1 Hypothesized Research Model:



#### 3.2 Hypothesis:

**H1:** The level of employee's job satisfaction will increase if the performance evaluation system of the organization is perceived to be fair.

**H2:** The level of employee's organizational commitment will increase if the performance evaluation system of the organization is perceived to be fair.

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#### 3.3 Population:

Total employees of MCB Bank are 10,000 permanent and 5000 others but our target population for this research was the 10,000 permanent employees of MCB Bank of Pakistan. Managers are the target respondents.

#### 3.3. A: Sample and Sampling Plan:

For data collection questionnaires were disbursed through courier and some data is collected through online by making Z-Drive in Gmail by preparing questionnaire in HTML format and sent to the employees of MCB Bank. The questionnaires which were sent to my colleagues through courier, they got filled that questionnaires by their chief managers, operations managers, credit managers, forex managers. Both close ended and open ended questionnaires are developed including questions relevant to the study is considered for data collection.

#### 3.3. B: Measurement and Instrument:

- It was decided survey questionnaire will be distributed among 100 employees of MCB Bank working in different cities. The Questionnaire contained 25 questions, divided into 3 parts. These parts were perceived fairness of performance appraisal system (9items), job satisfaction (7 items) and organizational commitment (7 items). The questions were mainly regarding the feelings and perception of employees about the organization.
- Fairness of Performance Evaluation System was measured from 9 questionnaire items adopted from Goff 1992. The measurement scale used was a 5 point likert scale that is, 1=Strongly Disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree. All questions focused to measure that how standardized, fair and transparent was the performance appraisal system of respondent organization and how respondents perceive the fairness of performance appraisal system
- **Job satisfaction** was measured from 7 items questionnaire adopted from S.J Brecekler 1984. The measurement scale used was a 5 point likert scale that is, 1=Strongly Disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree. All questions focused to measure that to what degree employees are satisfied with their current job. The method used for measuring of job satisfaction was a summation score rather than single global rating scale. All dimensions of job satisfaction were included in questionnaire.
- Organizational commitment was measured from 7 items questionnaire adopted from Meyer and Allen Model 1997. The measurement scale used was a 5 point likert scale that is, 1=Strongly Disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree. All questions focused to measure that to what level employees are committed to their current organization. All dimensions of organizational commitment were included in survey questionnaire. The questionnaire focused to measure the feelings of attachment among the employees for their current organization, degree of similarity between values of employees and organizations, and intention to quit among the employees of the organization if they are given another opportunity

#### 3.4 Data Collection Procedure:

All questionnaires were got filled from respondents by visiting them personally, through courier service and through internet. For using internet as communication tool questioner was prepared in HTML format and send to emails of employees. Moreover questioner was also shared on Face book, the world largest Social Community website where employees of MCB Bank were invited to record their response. They will be provided sufficient time to answer all questions.

# 3.5 Respondents Composition:

A total of 100 questionnaires were distributed, 81 questioners were returned back fully completed, thus showing the response rate of 81%. 7 questioners were partly filled and 12 questioners were still not received back. The information about following demography has been collected from the questionnaires filled by the respondents.

- **Gender** has been coded as 1 = Male and 2= Female.
- Marital Status has been coded as 1 = single and 2= Married.
- Age Group has been measured in year and coded as 1= 21-30, 2 = 31-40, 3= 41-50, 4=51-60, 5=above 60
- **Education** has been measured in year and coded as 1= less than 14 years, 2 = 14 years, 3=sixteen years, 4=above 16 years.

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• Work experience in the Current Organization has been measured in year and coded as 1 = less than 1 year, 2 = 1-5, 3 = 5-10, 4 = above 10

Following section presents sample composition by demographics. Sample composition by each demographic was explained in detail.

Gender segregation of respondents of present study, Out of 88 respondents, 55 were male and 33 female. That makes 62.5% male while 37.5% female respondents. Marital segregation of respondents of present study, out of 88 respondents, 31 were single and 57 were married. That makes 64.8% married while 32.5% Single respondents. Age segregation of respondents of present study, out of 88 respondents, 53 were between 21-30 years of age while 35 belonged to 31-40 age groups male and 33 female. That makes 60.2% belonged to 21-30 while 39.8% belonged to 31-40 age group. Segregation of respondents of present study on the basis of education, Out of 88 respondents, 50 have 16 years of education and 38 have more than 16 years of education. Work experience segregation of respondents of present study, out of 88 respondents, 15 have less than 1 year of experience, 56 have 1-5 year of experience, only 5 respondents have 6-10 year of experience and 12 have above 10 year of experience.

#### 4. DATA ANALYSIS

Statistical Program for Social Sciences (SPSS 17) was used for analysis of data. Different statistical techniques were used to check reliability of scale, Means, Co-relation and regression. Cronbach Alpha was used to measure the reliability of scale. Correlation analysis was applied to check the association between variables. Linear equation model was used to test the hypothesis.

# 4.1 Cronbach Alpha Score:

Cronbach Alpha score of each item was measured through Reliability Analysis using SPSS 17; a scale is said to be reliable when Cronbach Alpha score is greater than 0.06. All the scales in our model proved reliable and the results are given below in Table

Table 1: Cronbach Alpha Score

Scale	Cronbach Alpha Score
FPA	0.83
JS	0.83
OC	0.72

# 4.2 Comparisons of Means:

Table 2: Comparison of Means On the Basis Of Gender.

Gender	FPA	JS	OC
Male	3.88	3.8	3.90
Female	4.26	4.10	4.01
P-Value	0.006	0.018	0.382

As the Mean values of Fairness of Performance Appraisal, Job satisfaction and Organizational Commitment of females are higher than male respondents so females have higher perception about fairness of performance appraisal, job satisfaction and organizational commitment against male respondents. As the p-value of FPA and JS are less than 0.05 so there is significant difference between male and female level of FPA and JS. Whereas the P-value of OC is greater than 0.05 so there is insignificant difference between male and female level of OC.

Table 3: Comparison of Means On the Basis Of Marital Status.

Marital Status	FPA	JS	OC
Single	3.9073	3.8402	3.9218
Married	4.2535	4.0824	4.0000
P-Value	0.013	0.054	0.546

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As the Mean values of Fairness of Performance Appraisal, Job satisfaction and Organizational Commitment of Married are higher than Single respondents so Married have higher perception about fairness of performance appraisal, job satisfaction and organizational commitment against single respondents. As the p-value of FPA is less than 0.05 so there is significant difference between married and single level of FPA. Whereas the P-value of JS and OC are greater than 0.05 so there is insignificant difference between single and married level of JS and OC.

Table 4: Comparison of Means On the Basis Of Age Group.

Age Group	FPA	JS	OC
21-30	3.92	3.84	3.92
31-40	4.20	4.05	4.00
P-Value	0.03	0.08	0.49

As the Mean values of Fairness of Performance Appraisal, Job satisfaction and Organizational Commitment of Age Group 31-40 are higher than 21-30 Age Group respondents so 31-40 have higher perception about fairness of performance appraisal, job satisfaction and organizational commitment against 21-30 age group respondents. For calculating the P value ANOVA test was applied. As the p-value of FPA is less than 0.05 so there is significant difference between level of FPA among age groups of 21-30 and 31-40. Whereas the P-value of JS and OC are greater than 0.05 so there is insignificant difference between level of JS and OC among age groups of 21-30 and 31-40.

Table 5: Comparison of Means On the Basis Of Education

Education	FPA	JS	OC	
16 years	4.10	3.94	3.97	
Above 16 years	3.93	3.89	3.91	
P-Value	0.22	0.69	0.66	

As the Mean values of Fairness of Performance Appraisal, Job satisfaction and Organizational Commitment of respondents having 16 years of education are higher than those having above 16 years of education so 16 years of education group have higher perception about fairness of performance appraisal, job satisfaction and organizational commitment against above 16 years group. For calculating the P value ANOVA test was applied. As the p-value of FPA,JS and OC are greater than 0.05 so there is insignificant difference between level of FPA, JS and OC among groups having 16 years of education and those having more than 16 years of education.

Table 6: Comparison of Means on the Basis Of work Experience

Work Experience	FPA	JS	OC
Less than 1 Year	3.8476	3.8222	3.8810
1-5 Year	4.0128	3.9544	3.9695
6-10 Year	4.0286	3.6667	3.9556
Above 10 Years	4.3333	4.0278	3.9293
P-Value	0.26	0.56	0.96

As the Mean values of Fairness of Performance Appraisal(Above 10 years), Job satisfaction(Above 10 years) and Organizational Commitment(1-5 year) are higher than rest of Group respondents so they have higher perception about fairness of performance appraisal, job satisfaction and organizational commitment against other groups. For calculating the P value ANOVA test was applied. As the p-value of FPA, JS and OC are greater than 0.05 so there is insignificant difference between level of FPA, JS and OC among all groups having different years of work experience.

# 4.3 Correlation between Perceived Fairness of performance Appraisal System, job Satisfaction and Organizational Commitment:

**Table 7: Correlations** 

			Fairness of Performance Appraisal	Job Satisfaction	Organizational Commitment
Fairness	of	<b>Pearson Correlation</b>			
Performance		Sig. (2-tailed)			
Appraisal		N	88		
Job Satisfaction		<b>Pearson Correlation</b>	R .781**		
		Sig. (2-tailed)	P value .000		

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	N	88	88	
Organizational	<b>Pearson Correlation</b>	.681**	.702**	
Commitment	Sig. (2-tailed)	.000	.000	
	N	81	81	

<sup>\*\*.</sup> Correlation is significant at the 0.01 level (2-tailed).

From the above table 7, Pearson's correlation value for job satisfaction and Perceived fairness of Performance Appraisal is .781 respectively. When Pearson's correlation value is more close to 1, this means there is strong relationship between our two variables. This means that changes in one variable are strongly correlated with changes in the second variable. On the other side, Pearson's r value for Organizational commitment is .681, it shows positive correlation exists between Perceived fairness of Performance Appraisal and organizational commitment but not as strong relationship as it is between job satisfaction and Perceived fairness of Performance Appraisal.

Table 7 indicates that Sig. (2-tailed) value for all variables is less than 0.5. It indicates that there is a significant positive correlation between perceived fairness of performance appraisal system and job satisfaction and organizational commitment.

# 4.4 Regression:

Following table provides the Regression Results of the study.

# 4.4. A: Perceived Fairness of Performance Appraisal System and Job Satisfaction:

**Table 8: Regression** 

Table 8: Performance Appraisal and Job Satisfaction.

		<b>Unstandardized Coefficients</b>			
Model		В	Std. Error	t	Sig.
1	(Constant)	1.108	.246	4.507	.000
	FPA	0.781	.060	11.592	.000

Adjusted R square= .605, F-Value=134.364, P -value of F Test=.000

# a. Dependent Variable: Job Satisfaction:

The determination of coefficient ( $\mathbb{R}^2$ ) of this model is 0.605 which means independent variables of this model cause 60.5% changes in the dependent variable job satisfaction. Furthermore, the F value of this model is 134.364which is 0.00 and significant at (p< 0.01) which proved the overall fitness of present model. Thus Hypothesis 1 "The level of employee's job satisfaction will increase if they perceive performance evaluation system of the organization as fair" is accepted. Thus this model can be used to study implications of independent variable on dependent variable and can be used for making recommendations.

The value of  $\beta$  is positive 0.781, thus it shows positive and direct relationship between the two variables it means that 1 unit change in Fairness of Performance Appraisal will cause 0,699 changes in the level of employee's job satisfaction.

In this case our Regression Equation  $[Y = \alpha + \beta(X)]$  becomes as Y = 1.108 + 0.781(X). We can now predict the degree of job satisfaction of employees when we are given any value of perception of performance appraisal.

#### 4.4. B: Perceived Fairness of Performance Appraisal System and Organizational Commitment:

Table 9: Performance Appraisal and Organizational Commitment

		<b>Unstandardized Coefficients</b>			
Model		В	Std. Error	t	Sig.
1	(Constant)	1.669	.279	5.983	.000
	FPA	.681	.069	8.275	.000

Adjusted R square= .458, F-Value=68.476, P value of F Test=.000

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# a. Dependent Variable: Organizational Commitment:

The determination of coefficient ( $R^2$ ) of this model is 0.458 which means independent variables of this model cause 45.8% changes in the dependent variable organizational commitment. Furthermore, the F value of this model is 68.476 which is 0.000 and significant at (p< 0.01) which proved the overall fitness of present model. Thus the Hypothesis 2 "The level of employee's organizational commitment will increase if they perceive performance evaluation system of the organization as fair" is accepted.

The value of  $\beta$  is positive 0.681, thus it shows positive and direct relationship between the two variables it means that 1 unit change in Fairness of Performance Appraisal will cause 0.681 changes in the level of employees organizational commitment.

In this case our Regression Equation  $[Y = \alpha + \beta(X)]$  becomes as Y = 1.781 + 0.681(X). We can now predict the degree of employee's organizational commitment when we are given any value of perception of performance appraisal.

#### 5. LIMITATIONS

The outcomes of this research should only be considered applicable for banking industry specifically in MCB Bank Ltd. of Pakistan as the research was limited only to MCB Bank Ltd. More research needs to be carried out to broaden the scope of the research topic.

- Sample size was small due to time constraint. But still, we have tried to the best of my ability to take a fair representation of the population.
- In depth comparison could not be made between different levels, the reason being lack of availability of data, respondent's hesitation to provide data and time constraint.
- Lack of time implies convenience sampling to be used as the first choice which might lead to bias but all possible efforts are made to avoid any bias.
- Organizational commitment was measured in general by ignoring its other dimensions like affective, continuance and normative commitment. For more precision effects of fairness of performance appraisal on a particular commitment dimension can be measured.
- The results of the study cannot be applied in other industries of Pakistan for example Telecom, Textile, and cement as the study was conducted only in Banking Sector.

#### 5.1 Conclusion and Recommendations:

The present study was focused on role of fairness of performance appraisal system on employee's level of job satisfaction and organizational commitment. Employee's perception about fairness of performance appraisal system of their organization was measured through a survey questionnaire. Level of job satisfaction and organizational commitment both were measured and compared against perception about fairness of performance appraisal system. It was found there is a strong, positive and significant correlation among employees perception about transparency of performance appraisal system, job satisfaction and organizational commitment. It means that employees who believe that the present system of performance appraisal of their organization is fair and transparent, free from all intentional or unintentional errors and employees are fairly rewarded for their job performance, have increased level of job satisfaction and they also have strong feelings of attachment with the organization.

The results of study strongly supported the hypothesis. Both job satisfaction and organizational commitment showed the high degree of dependency on perception about fairness of performance appraisal system {Poon, 2004 #5}. The study revealed that performance appraisal system of MCB is standardized and fair one as most of the respondents showed trust on performance appraisal system and believed that PAS served as the basis of pay and promotion increase and distribution of reward. There are used only two implications of performance appraisal system in this research study. Other dimensions of performance appraisal system increased productivity, more organizational learning such as increased productivity can also be studied and there effects on organizational performance be viewed empirically. In this we have selected a very small sample size due to time constraints. We suggest broadening the scope of this study by selecting a large sample size of banking institutions. We have used only one independent variable in my study and no intervening

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variables are used, therefore we recommend using various other intervening and contingent variables which also enhances job satisfaction and employee commitment and then analyze the results.

Another study using the same variables and objects can be conducted in other industries like Telecom, Textile, and cement and so on to see the correlation between PAS and job satisfaction and organizational commitment.

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