The Impacts of Performance Appraisal on Employees' Job Satisfaction and Organizational Commitment: A Case of Microfinance Institutions in Ghana

Ramous Agyare[1], Ge Yuhui[1], Lavish Mensah[1], Zipporah Aidoo[1] & Isaac Opoku Ansah[1]

[1] University of Shanghai for Science and Technology, Shanghai, China

Correspondence: Ramous Agyare, University of Shanghai for Science and Technology, Shanghai, China. E-mail: cdemus007@yahoo.com

Abstract

Performance appraisal is credited by researchers as a tool for spurring employees towards the attainment of organizational goals. Considering employees' attitudes as a vital component in the attainment of organizational goals, this study investigated the impacts of performance appraisal on the job-satisfaction and commitment of employees. The study used a descriptive research design. A stratified random sampling was used to sample 200 respondents from Microfinance organizations in Ghana. The study used questionnaires as its data collection instrument. Regression Analysis and correlations were used to analyze the data collected. The study revealed that employees' job satisfaction is positively related to and impacted by fairness in the appraisal system, linking appraisals with promotion, clarity of roles and feedback about their performance. The study also revealed that employees' commitment is positively related to and impacted by the linkage of appraisals with salary, identification of training needs, clarity of performance appraisal purpose and employee involvement in the formulation of appraisal tools. The study recommends that organizations comply with rewards systems linked to performance levels, provide training to employees identified to be in need of training so as to further enhance the relevance of performance appraisal, and also instigate and/or maintain communication between management staff and their subordinates especially with regards to their performance.

Keywords: performance appraisal, job attitudes, job satisfaction and organizational commitment

1. Introduction

1.1 Background of the Study

Organizations set targets and goals that they work towards achieving. In view of this, management sections of organizations are tasked to employ the use of techniques and expertise in the efficiently, planning, organizing, directing, and controlling the operations to achieve set targets. The Human Resource Management is concerned with the management of an organization's workforce. They are responsible for the recruitment and retention of good employees and also the training and development of employees to boost their productivity, efficiency and also their satisfaction, and to resultantly promote the overall success of the organization (Paauwe & Boon, 2009). Targets and goals set by organizations serve as yardsticks for measuring success. HRM practitioners, via the use of performance appraisals, evaluate their employees' performance since their performances are vital to organizational success (Collings & Wood, 2009). Desirable performance of employees which an organization needs, however, is dependent on positive job attitudes like job satisfaction and commitment. Thus, negative job attitudes pose a threat to the attainment of organizational goals (Moorhead & Griffin, 1992).

Described as an indispensable aspect of an organization (Rasch, 2004), Performance appraisal continues to garner more interest among researchers and organizations alike due to the role it plays in the success of organizations. Many organizations, who have the view of encouraging employee loyalty and fostering teamwork which in turn results in developing and increasing employees' job satisfaction and organizational commitment, are investing huge sums of money in rewards and recognition programmes (Denning, 2001).

Performance appraisals are indispensable for organizations in the light of making their employees cognizant of their performance improvements and growth, their abilities and their potentials as well. Performance appraisal system has a substantial impact on other aspects of HR and the strategy of an organization in entirety. It's the

effectiveness of performance appraisals that lays bedrock for ensuring the success in matters relating to employees such as: selection, training, and employee motivation practices. It enables employees to build their own developmental goals which eventually culminate into an employee's personal growth. Thus, there is very little doubt that a well orchestrated performance appraisal suffices in reconciling the needs of an organization and the needs of the organization's employees (Grote, 2002). Recent studies reveal a positive impact of appraisals on organizations and also emphasize the need for appraisal systems to be vividly understandable by employees and purposes explained to them (Daoanis, 2012).

In contrast to the above positives of Performance appraisal, it is described as one of HR management's most problematic aspects. Smith (1996) argues that all parties concerned with the appraisal process - including employees, their supervisors and HR managers are collectively dissatisfied with appraisal systems in their organization. Appraisal systems are also described to be full of errors (Cardy, 1998).

1.2 Statement of the Problem

Performance appraisal is credited with encouraging employee loyalty, fostering teamwork, impacting other Human Resource functions positively and also positively involved in employee motivation. Owing to the role these factors play in attaining organizational goals, many organizations invest in Performance appraisals.

However, researchers also cite loopholes in the appraisal system and also warn of the dangers it poses to management and their subordinates. They also assert a seeming unanimous (employees and their supervisors alike) dissatisfaction with Performance appraisal.

The study sought to identify the impacts of performance appraisal on employees' job satisfaction and organizational commitment if it is well carried out with a focus on the purposes and features of performance appraisal. It investigates the impacts of performance appraisal on the job related attitudes of employees, with the supposition that, if the performance appraisals are carried out with a clear purpose and links performance levels with rewards, then employees' job related attitudes – job satisfaction and organizational commitment– will be accordingly positively influenced.

1.3 Objectives and Research Questions

The study's main objective was to investigate the impact of performance appraisals on employees' job satisfaction and organizational commitment.

The study's specific objectives included investigating the relationship between performance appraisal and employees' job satisfaction. Furthermore, it also investigated the effects that performance appraisals have on employees' job satisfaction. The study also investigated the relationship between performance appraisals and employees' commitment to an organization and how performance appraisals impact the commitment of employees.

In the light of the above mentioned objectives, the study sought to answer the following research questions:

1.   What is the relationship between employees, job satisfaction and performance appraisal?

2.   What is the degree of impact of performance appraisal on employees' job satisfaction?

3.   What is the relationship between performance appraisal and employees' organizational commitment?

4.   What is the degree of impact of performance appraisal on employees' organizational commitment?

1.4 Contributions of the Study

This study is going to contribute immensely to existing knowledge on the study of Performance appraisals. The study was the first of its kind to investigate the impacts of Performance Appraisals on employees' job-related attitudes with focus on the microfinance sector of Ghana. It is worth noting that Ghana's microfinance sector is gaining popularity and is widely regarded as a viable business.

The study would contribute to the development of microfinance sector which plays a significant role in the economy of Ghana. In spite of the many challenges it faces, the microfinance sector has emerged nationally and even globally as one of the effective strategies in reducing poverty with the potential of having an extensive impact on transforming the lives of the underprivileged in society.

The study will also serve as a source of reference for other related research works in the future and will also be invaluable with regards to bringing to the fore factors to note in designating appraisal systems.

2. Literature Review

2.1 Performance Appraisal and Its Purpose

Performance management represents a strategic and integrated approach which is geared towards delivering organizational success by improving the performance capabilities of both individuals and teams (Armstrong, 2005). Angelo S. De Nisi and Robert D. Pritchard (2006) define performance appraisal as a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process. It is also described as a formal process of employee monitoring which usually involves the evaluation of performance based on the judgments and opinions of subordinates, peers, supervisors, other managers and even workers themselves. (Jackson & Schuler, 2002)

Performance appraisal is concerned with the clarification of employees' work expectations, helping with individual employee growth and the collective growth of the entire workforce, as well as ensuring that pay structure designing incorporates performance. It ensures that employees have an awareness of how organizations expect them to perform in relation to organizational goals after their performances are evaluated (De Waal, 2004). This assertion of awareness creation as mentioned by de Waal (2004) is in consonance with a finding by Gabris and Ihrke (2000) which states that the main aim of performance appraisal is the provision of periodic and formal feedback to individual staff members.

As a formal organization event, Performance appraisal is undertaken for certain reasons. Malcolm and Jackson (2002) discuss three main reasons why performance appraisals are done:

One of the reasons is what they term performance reviews. They describe performance reviews as an opportunity for managers to hold discussions with their employees with regards to progress in their current positions, their strengths and areas requiring further development.

Secondly, they mention reward reviews and describe it as usually separate discussions but linked to the appraisal system in which the manager communicates decisions on rewards such as pay, benefits or promotion and provides feedback.

Finally, they discuss potential reviews which represent discussions about employees' opportunities for progression, and the type of work they will be fitted for in the future and how this can be achieved.

In a related discussion, Wendy R. Boswell and John W. Boudreau (2002) make mention of two typical reasons for performance appraisal: evaluative and developmental purposes. According to Boswell and Boudreau (2002), the evaluative function covers using performance appraisal for typical HR decisions like pay and salary administration, promotion, retention, termination, layoffs, giving employees the needed recognition, and identifying poor performance. This represents an amalgamation of two of the purposes of performance appraisal, that is (performance reviews and reward reviews) as discussed by Malcolm and Jackson (2002). It is also considered as an evaluative process because depending on how an employee performs, they attain certain numerical scores. Afterwards, the scores attained by each employee are communicated to him or her.

Boswell and Boudreau (2002) also describe developmental functions as geared towards improving individual employees by employing the use of appraisals to identify training deficits in employees, giving employees a clear perspective about what their strengths and weakness are, and to provide employees with feedback about their performance. This is akin to what Cook and Crossman (2004) describe as the enhancement of employees skills.

With regards to clarifying reasons for performance appraisal, Youngcourt et al. (2007) assert that perceived reasons for appraisal will influence employees' attitudes towards performance appraisal irrespective of intended purpose. They therefore suggest that there should be a clear purpose behind establishing performance appraisal and it must be achieved.

2.1.1 Challenges and Criticisms of Performance Appraisal

Performance appraisal is faced with certain challenges and has also been criticized by researchers and authors alike. The criticism includes evaluation criteria, evaluation errors and others which hinder effective Performance appraisal. Maroney and Buckley (1999) assert that there is a gap between theory and practice and further criticize HR specialists for neglecting the use of psychometric tools in performance appraisal. Similarly, Walters (2005) identifies evaluation criteria as a challenge faced by performance appraisal. He claims that the criteria could be vague and suggests that performance appraisal criteria be designed in quantifiable and measurable terms.

Also among the criticism is the use of appraisal by management as the main technique used to develop employees' performance (Bach, 2005). According to Bach, this technique doesn't encourage the assessment of employees' past performance and reward employees based on their past performance. This criticism is perhaps better summarized as having an entrenched focus on future performance and placing limited importance on past performance hence giving credence to the question by Strebler (2001), as to why performance appraisal focuses on motivating employees by ensuring performance goals and objectives are attained through adequate provision of training needs and a vivid explanation of objectives and laying down vivid future objectives.

Walters (2005) also discusses the lack of competence on the part of evaluators which results in rating and evaluation errors based on personal biases like stereotyping and halo effect. Maroney and Buckley (1999) also argue that managers who carry out performance appraisals are usually not trained for the task and thus they hinder genuine feedback because subjectivity and the biases affect the data which is collected on the performance of employees. Walters (2005) suggests that for reliable data and objective appraisal process, appraisers should be trained to carry out performance appraisal.

Walters also cites resistance as a challenge faced by performance appraisal. He discusses that due to unfavorable ratings employees may resist the appraisal process. Therefore employees should get a clear explanation and be well informed about the appraisal purpose and process. The standards should be clearly communicated and every employee should be made aware of what exactly is expected from them. In the light of this challenge, Maroney and Buckley assert that performance appraisal may increase the dependence of employees on their superiors.

2.1.2 Performance Appraisal Approaches

Organizations may adopt different approaches which can be traced to the categorization by Creamer and Janosik (1999) which comprise behavior based approach, and result focused approach.

Creamer and Janosik (1999) describe the behavior-based approaches as the type of performance appraisal that employs the uses of specific factors of performance in the evaluation of employees. These include rating scales and forced choice method. Another type which fits under the behavior-based approach is the behavioral checklist which outlines specific criteria or targets an employee must meet. The behaviors may vary according to the particular type of job under assessment. This method is regarded as favorable because it avoids comparing the performance of one employee with the performance of another employee but rather focuses on performance yardsticks for each employee (Diya Jose, 2013).

Secondly, results-focused approaches lay emphasis on what results the appraisals bring (Creamer and Janosik, 1999). An example of result based approach which is widely used is Management by Objectives (MBO). MBO evaluates performance objectively and it is a modern of performance appraisal. With MBO, managers and their employees have a discussion and both parties agree on which goals to achieve and when to achieve them (Diya Jose, 2013).

Diya Jose (2013) also discusses 360 degree appraisal and psychological appraisals. She describes 360 degree appraisal as one which takes an all inclusive approach. It ensures that all parties related to the employee, that is the manager, supervisor, and team members give a feedback on the employee performance. It also makes use of employee profile and reports. Apart from all these, an in-depth feedback from the employee himself is also used. Psychological appraisals, on the other hand, are very useful in placing employees in teams as it uses a psychological approach in evaluating the psychological traits such as how an employee analyses issues, his reasoning ability, his emotional stability and his intellect.

2.2 Job Satisfaction

Job satisfaction generally reflects how an employee feels about his or her job. It includes how an employee feels about the conditions within which he works and thus influences his attitudes towards his work. It is also concerned with rewards as employees' feelings towards their organization may be influenced by rewards (Kim, 2005). Schwepker (2001) defines job satisfaction is as the pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating one's job values. Job dissatisfaction, on the other hand, is the undesirable emotional state an employee encounters if he realizes that his job prevents him from attaining his values.

Satisfaction is categorized as intrinsic, extrinsic or total. According to Wegge et al. (2007), job satisfaction helps organizations in identifying work behaviors including organizational citizenship and absenteeism. In like manner, (Saari, 2004) asserts that organizations can identify or track employee turnover with job satisfaction. It is also indicative of job performance (Chen, 2006). As a result, an organization's efforts in increasing its employees' job satisfaction can mitigate undesirable work attitudes like absenteeism (Cohen et al., 2007).

Organizations, however, are cautioned that job satisfaction may have a negative correlation to productivity on the job as reported by Judge et al (2001) in a meta analysis which revealed low correlations between job satisfaction and performance. Some factors which influence job satisfaction include how complex an employee's task is. Usually, employees who have high-complexity tasks have higher job satisfaction than those who have low to moderate complexity tasks (Cohen et al., 2007).

In summary, organizations cannot easily ascertain if job satisfaction will lead to increased productivity owing to the assertion that an employees' performance may be influenced by his personality (Bowling, 2007), this should thus be considered by organizations in deciding on increasing the job satisfaction of its employees.

2.3 Organizational Commitment

Herscovitch and Meyer (2002) defined organizational commitment to reflect how devoted an employee is to his organization which usually comes about if he or she feels that he can identify with the values and objectives of the organization. It goes to show the extent to which an employee would go to help an organization achieve its goals. And as there may be factors for which an employee may not give his all in the course of rendering his duties at work, how committed an employee is plays a role in how he persists in the face of these factors to exert more effort on the job. It typically portrays how much an employee values his membership in an organization and the extent to which he believes the organizations objectives are in line with his values. Cooper-Hakim and Viswesvaran (2005) mention the three vital pillars which help define organizational commitment. Firstly, they cite an employee's willingness to exert more effort to aid organizational success and this exerted effort might be more than the organization expects. Secondly they cite the willingness of an employee to remain an employee of the organization. Thirdly, the perception an employee has about his organization's core values and how he identifies with it.

Organizational commitment is an essential requisition in an employee for reaching challenging goals because, as opposed to easy goals, they require more effort and typically have lower chances of success than easy goals do (Latham, 2007). For over a period of 30 years, several private and public sector organizations have generally focused significantly on researching into organizational commitment, an act which underscores the relevance of the issue (Meyer, 2004).

Most research and studies on organizational commitment are centered on the three types or models of commitment as developed by Allen and Meyer (Meyer, 2002). This model identifies three forms of commitment that an employee experiences. One of them is affective commitment which typically refers to those emotional ties that bind an employee to his organization. According to Cohen (2003) it is also described as that positive feelings experienced by an employee, and these feelings cause him to work harder to help attain organizational objectives and the feeling gives him a sense of pride for being a part of the organization. The second one is continuance commitment, a form of commitment which develops as an employee realizes that he has invested in an organization and also has no options if he decides to leave the organization. With continuance commitment the employee is bound by economic and social costs and they cause him to avoid leaving the organization. Normative commitment, the third one, has got to do with a feeling of being morally obliged to remain in an organization. Employees feel that the company has helped them in the past and they need to return the favor by maintaining their status as employees of the organization. All these three types share a common ground when it comes to the extent to which an employee desires to remain a part of the organization.

The study of organizational commitment has proven extremely beneficial in diverse ways. It has revealed a positive relationship between organizational commitment and constructs like low turnover, job satisfaction and high productivity (Cohen, 2003). It is also useful in predicting performance levels which, by extension, helps in the attainment of organizational goals (Meyer, 2002). Organizational commitment is also very vital in understanding the behavior of sales persons (Singh, 2010) and it is thus not surprising that organizational behaviorists pay close attention to researching on commitment (Allen and Meyer, 2002). Studies conducted by Wright, Gardner, and Moynihan (2003) on 50 business units from a large food service corporation, Bergmann (2000), Paul and Anantharaman's (2003) in the study of software professionals, Browning (2006) among hospitality organizations in South America, Payne and Huffman (2005), have all given credence to the existence of a significant positive relationship between HR practices and organizational commitment, and also between HR systems and organizational commitment.

2.4 Impacts of Performance Appraisal on Employees' Attitudes

Studies on the impacts of performance appraisal on employees' attitudes emphasize the need for feedback (Shrivastav & Sapra, 2012) and rewards (Gichuhi, Abaja, & Ochieng, 2012). Shrivastav and Sapra (2012) in a study to investigate the impacts of performance appraisal on employees' attitudes revealed the relevance of

performance appraisal to organizations but also emphasize the need to give feedback to employees due to the positive impact that will have on their performance. They assert that feedback after appraisal helps strengthen communication between supervisor and employees and also motivates the employee. The study also underscores the role performance appraisal plays in guiding employees to work towards attaining organizational goals and their own goals as well. Poorly undertaken performance appraisals, they warn, could have detrimental effects on the organization by causing employees to perform worse.

The study by Gichuhi, Abaja, and Ochieng (2012) in Kenya discovered that employees realize little benefit after a performance appraisal. It claimed that there was little reward as far as performance appraisal is concerned. The study asserted that there is no significant difference in rewards to employees on the basis of their performance. The study questioned why employees get no tangible benefits from appraisals and suggests that the purpose of appraisals be relooked at. This practice has the potential of reducing employees' job satisfaction and commitment levels since rewards are one of the factors that influence employees, job- related attitudes (Moorhead & Griffin, 1992).

In another study in Kenya which was to investigate the effectiveness of performance appraisal systems on employees, Omboi Bernard Messah, and Shadrack M. Kamencu (2011) proved that performance appraisal systems have positive impacts on the performance of employees in the Kenya Tea Development Agency. They identified employee training, management by objectives and performance based pay as the main factors that have an influence on the performance of employees as they were given high ratings by respondents. The study also suggested that competence, assessment and development also influence employees performance but to a relatively moderate extent.

A recent study by Daoanis (2012) reveals that performance appraisal system strongly affects the commitment of employees in both positive and negative ways. She discovered that employees' loyalty are strongly affected, hence their initiative in doing their work. It follows that efficiency and effectiveness of the employees are strongly affected as they claimed that their motivation in doing their work are affected. On the positive side, responses by employees revealed that they would not mind working extra hours, on the negative side; however, employees will be unwilling to work for extra hours or beyond the hours for which they are paid because they feel they are not rewarded sufficiently. This study gives credence to the assertion by Lee and Bruvold (2003) that employees are willing and feel obliged to repay the organization through high performance levels if the organization shows a commitment in terms of rewards and the development of employees. Employees will thus feel motivated to work towards achieving organizational goals, even those which may be super ordinate, and will also cause an increase in their affective commitment (Latham, 2003).

Finally, a research on sales persons asserts that giving clear explanations on the criteria used in evaluating employees and giving employees the chance to partake in designing appraisals has a positive relationship with their commitment. However, if the employees' roles in the organization are not clearly defined, it will have a negative impact on commitment (Pettijohn, 2001). And, since performance appraisal system is enhanced by employee participation and perceived clarity of goals (Roberts & Reed, 1996), it may also be positively related to affective commitment, thus supporting the arguments about communicating super ordinate goals (Latham, 2003) . Moreover, developmental performance appraisal is concerned with giving employees a sense of belongingness and that sense of being valued by their teams and the organization at large as this is vital in making employees more affectively committed to the organization (Levy & Williams, 2004)

3. Theoretical Background and Methodology

3.1 Theoretical Background and Hypotheses

Motivational theories are invaluable in the explanation of performance appraisal. Examples of such theories are the Equity theory and the Expectancy theory.

3.1.1 Equity Theory

It is a theory that explains relational satisfaction in terms of perceptions of fair or unfair distributions of resources within interpersonal relationships. John Stacey Adams, who developed the theory, asserted that employees seek fairness in terms of their contribution to an organization and what they get in return from the organization, particularly in relation to what they think other employees' contributions are and what the organization gives in return to those employees. This borders on the issue of motivation because if an employee holds the view that he is being treated fairly, it causes him to maintain a healthy relationship with his coworkers and his organization. The contributions made by an employee are referred to as inputs and what the organization gives in return are referred to as outcomes. Thus equity theory deals with a ratio of inputs to outcomes. If an

employee is over o under rewarded, he will seek to restore a balance by increasing or decreasing his contributions respectively. Equity theory typically focuses on ensuring fairness in the distribution of an organizations resources and it is measured by comparing the ratio of inputs and outcomes of relational partners.

It can be deduced that the theory typically focuses on rewards and recognition which may be reflected in the form of bonuses or salary increment. The researcher, thus, by juxtaposing the factors from reviewed literature which includes fairness of the appraisal system, reflecting employee performance in rewards such as promotions, providing feedback to all employees, and clarifying work roles to all employees, with employee job satisfaction deduced hypotheses 1, 2, 3 and 4.

H1: Fairness in the appraisal system is positively related to the job satisfaction of employees.

H2: Linking performance appraisal with promotion is positively related to the job satisfaction of employees.

H3: Clarity of roles is positively related to the job satisfaction of employees.

H4: Feedback after appraisals is positively related to the job satisfaction of employees.

3.1.2 Expectancy theory

Expectancy theory involves the preferred rewards an employee expects to get if he undertakes or performs particular actions. It concerns how motivated an employee is to carry out a task because he perceives that carrying out that task will lead to an outcome. It is also concerned with whether the employee prefers the outcome or not. The likelihood that a particular action will bring about preferred reward is at the heart of expectancy theory. In the light of the above, employees have a tendency to weigh the probability of attaining a desired reward by performing different tasks and they will eventually opt to perform the task which they perceive as more successful Employees are thus motivated to put up positive job related attitudes and subsequently increase their efforts so as to produce better results because of the expected reward.

Vroom discusses three components of the theory to include Expectancy, Instrumentality and Valence. Expectancy is about the belief an employee holds with regards to his efforts being sufficient to help him attain his desired performance goals and it is usually determined by the employee's past experiences. Instrumentality, on the other hand, is the belief an employee holds about receiving rewards in the form of promotion or salary increment if he meets performance expectations. Valence represents how an employee values the reward he stands to get if he meets performance expectations. If an employee places a high value on the reward, then he is likely to perform the action to earn the reward. This is usually an employee's goals, his needs and his values (Montana et al 2008).

Hypotheses 5, 6, 7 and 8 were developed from the above theory by comparing employees' organizational commitment with factors of performance appraisal from reviewed literature. The factors are the reflection of employees' performance in their salaries, involving employees in the formulation of appraisal tools, identifying employees' training need and a clear understanding of the purpose of appraisal.

H5: Salaries being linked to performance appraisal is positively related to employees' commitment.

H6: Identification of training needs by appraisals is positively related to employees' commitment.

H7: Clarity of the purpose of appraisal is positively related to employees' commitment.

H8: Involvement of employees in formulating appraisal tools is positively related to employees' commitment.

3.2 Research Method

The thesis made use of quantitative and qualitative methods. The quantitative approach is more objective. It is used in evaluating the evidence and for clarifying theories and hypothesis. It is much more focused on the collection and analysis of statistics. It refers to counting and measuring of variables

The qualitative approach, on the other hand, mainly focuses on interpreting non numerical data. This method is much more subject to interviews and relies less on numbers. It refers to meanings, concepts, characteristics and descriptions of variables

The items in the questionnaire had a scale of 1 to 5 ranging from strongly disagree, disagree, neither agree nor disagree, agree to strongly agree measures all responses to the questionnaire item: "I am satisfied with my Job". The independent variables for the dependent variable job satisfaction were: fairness, promotion (reward), clarity of roles and feedback were used to measure the questionnaire items: "Conducts of evaluation are fair", "Performance is reflected in promotion decisions", "Performance appraisal clarifies my roles" and "I receive feedback after performance appraisal" respectively.

"Commitment" was used to measure all responses to the questionnaire item: "I am strongly attached to my organization". The independent variables for the dependent variable commitment were: salary (reward), identification of training needs, clarity of purpose of appraisal and involvement were used to measure the questionnaire items: "My performance is reflected in my salary", "Performance appraisal helps identify my training needs", "I understand the purpose of performance appraisal" and "Employees partake in the formulation of appraisal tools" respectively.

3.3 Data Collection

The required information needed for the thesis was collected through the use of questionnaires. The questionnaires were administered to 200 employees who were selected by use of the stratified random sampling. Owing to the fact that the population included 5 financial institutions – Best point savings and loans, Beige capital microfinance, Global access savings and loans, Cottage microfinance and Dalex finance- in Ghana, each financial institution was made a stratum and 40 respondents were randomly sampled from each stratum. N=200. Therefore from the target population which consisted of all employees in the 5 financial institutions, a sample size of 200 was used.

The questionnaire was briefly composed and it made use of an appropriate language to avoid ambiguity and also to attract respondent's interest. The questionnaire consisted of two sections: Section A and Section B. Section A was designed to collect demographical information about the respondents. Section B was also in Parts I and II. Part I collected data by juxtaposing employees' job satisfaction with performance appraisal factors such as fairness of the appraisal system, clarity of roles, feedback and the reflecting performance in promotion. This was to find out the relationship between the variables. Part II juxtaposed employees' commitment with employees understanding of the purpose of appraisal, employee involvement in the formulation of the appraisal tools, reflecting employee performance in salary and the identification of employee training needs.

4. Statistical Results and Discussion

This chapter used statistical tools in summarizing the features of the data collected. The demographic data collected which comprise the gender, age groups, position, and number of years worked by the respondents was analyzed and interpreted by the use of frequencies and percentages. The hypotheses were also tested for either acceptance or rejection by the use regression analysis and correlations.

4.1 Demographic Data

Table 1. Gender of respondents

Gender	Frequency	Percentage (%)
Female	88	44
Male	112	56
Total	200	200

Source: Researcher, November 2015.

Table 1 shows that 88 individuals who represent 44 percent of the total respondents were females. The other 56 percent were males and they were 112 in number.

Table 2. Age group of respondents

Age	Frequency	Percentage (%)
20–30	39	19.5
31–40	76	38.0
41–50	60	30.0
Above 50	25	12.5
TOTAL	200	100.0

Source: Researcher, November 2015.

Table 2 shows that 39 persons who represent 19.5 percent of the total respondents were 20 to 30 years of age. 38.0 percent of the total respondents who were 76 in number were 31 to 40 years old. 30.0 percent of the total respondents were 41 to 50 years old and were 60 in number. 25 individuals who represent 12.5 percent of the

total respondents were above 50 years old.

Table 3. Number of years respondent has worked for the organization

Number of Years	Frequency	Percentage (%)
Less than 3	60	30.0
3-6	95	47.5
More than 6	45	22.5
TOTAL	200	100.0

Source: Researcher, November 2015.

Table 3 shows that: 60 persons representing 30.0 percent of the total respondents had been working for their organization for less than 3 years. 95 persons representing 47.5 percent of the total respondents had been working for their organization for 3 to 6 years. 45 persons representing 22.5 percent of the total respondents had been working for their organization for more than 6 years.

Table 4. Position of respondents

Position	Frequency	Percentage
Junior Staff	110	55.0
Senior Staff	65	32.5
Management Staff	25	12.5
TOTAL	200	100.0

Source: Researcher, November 2015.

Table 4 shows that 110 persons representing 55.0 percent of the total respondents were members of the junior staff. 32.5 percent of the total respondents who were 65 in number were members of the senior staff. 12.5 percent of the total respondents who were 25 in number were management staff members.

4.2 Job Satisfaction

The study used regression analysis and correlation analysis in testing Hypotheses 1,2,3 and 4. The model of analysis was based on the regression analysis:

$$Y = a_o + a_i(X_1) + a_{ii}(X_2) + a_{iii}(X_3)\ldots a_n(X_n)$$

Where: Y is the dependent variable (Job satisfaction) and $(X_1, X_2, X_3\ldots X_n)$ are the independent variables and $(a_i, a_{ii}, a_{iii}\ldots a_n)$ are the regression coefficients or the slope and a_o is the intercept or the constant upon which the independent variables are based. Thus the research model for hypothesis 1 was as follows:

Job Satisfaction = constant + fairness + reward + clarity of role + feedback + error.

The items in the questionnaire had a scale of 1 to 5 ranging from strongly disagree, disagree, neither agree nor disagree, agree to strongly agree measures all responses to the questionnaire item: "I am satisfied with my Job".

The independent variables: fairness, promotion (reward), clarity of roles and feedback were used to measure the questionnaire items: "Conducts of evaluation are fair", "Performance is reflected in promotion decisions", "Performance appraisal clarifies my roles" and "I receive feedback after performance appraisal" respectively.

4.2.1 Descriptive Statistic

Table 5. Descriptive statistics and relationship between job satisfaction and performance appraisal

Variables	Mean	SD	N	2	3	4	5
1. Job satisfaction	4.75	1.009	200	.515**	.248**	.163*	.33**
2. Fairness	3.66	.975	200		.046**	.056**	.045**
3. Promotion	4.42	1.110	200			-.112**	-.028**
4.Clarity of roles	3.11	1.424	200				.015**
5. Feedback	4.52	1.126	200				

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

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Researcher, November.

Table 5 shows the correlation coefficients that show the measure of the relationship between the dependent variable (Job Satisfaction) and the independent variables which comprised Fairness, Promotion, Clarity of roles and Feedback. The table shows that the relationship between Job satisfaction of employees and fairness is positive with a coefficient of 0.51 at $p < 0.01$ (2-tailed). The relationship between Job satisfaction and promotion is also a positive one with a coefficient of 0.24 at $p < 0.01$ (2-tailed). The relationship between Job satisfaction and clarity of roles is also a positive one with a coefficient of 0.16 at $p < 0.05$ (1-tailed), it is however a low positive relationship and the lowest among the independent variables. The relationship between Job satisfaction of employees and feedback is also a positive one with a correlation of 0.33 at $p < 0.01$ (2-tailed).

It was deduced from the above that all the variables are positively related to employees' job satisfaction even though the relationship between job satisfaction and clarity of roles is not a strong one.

4.2.2 Regression Analysis

Table 6. Regression coefficients for job satisfaction

Model	Level of significance for beta	Unstandardized coefficients.		Standardized coefficient	t-value	Sig.
		Beta	Standard Error	Beta		
Fairness	0.01	.735	.091	.607	8.099	.000
Promotion	0.01	.432	.425	.480	.3984	.327
Clarity of Roles	0.05	.345	.092	.071	.3730	.000
Feedback	0.01	.427	.421	.457	3.225	.222

Dependent Variable: Satisfaction

Source: Researcher, November 2015.

The results in table 6 show that the value for fairness is .607. This implies that a 1% increase in fairness in the appraisal system will result in a 60.7% increase in employees' job satisfaction. Promotion has a value of .480 which implies that a 1% increase in promotion will cause a 48.0% increase in employees' job satisfaction. Clarity of roles has a value of 0.071 and also implies that a 1% increase in clarity of roles will cause 7.1% increase in employees' commitment. Feedback has a value of .457 and implies that a 1% increase in feedback will bring about an increase of 45.7% in employees' job satisfaction. The relationship between Fairness and job satisfaction is significant with Beta = .607, p<0.01. Thus, it can be inferred that linking salaries with performance has the highest impact on commitment, followed by involvement, then identification of training need and finally clarity of purpose which has the least impact. The relationships between Promotion and Job satisfaction, Clarity of roles and job satisfaction, and Feedback and job satisfaction are all significant with Beta =.480, p<0.01, Beta = .071, p<0.05 and Beta = .457, p<0.01 respectively.

The R-square value obtained for the regression was .688. This shows that the variables of performance appraisal account for 68.8% variation in employees' job satisfaction. The variation associated with the independent variables, therefore, have a large effect since the value of R-square is greater than 50%. 68.8% also implies that there might be other factors which bring about 31.2% in the dependent variable.

4.2.3 Testing Hypothesis 1

H1 states that "Fairness in the appraisal system is positively related to the job satisfaction of employees".

The relationship between Job satisfaction of employees and fairness is positive with a coefficient of 0.51 at p < 0.01 (2-tailed). The regression coefficient for fairness is .607. This implies that a 1% increase in fairness in the appraisal system will result in a 60.7% increase in employees' job satisfaction. The relationship is significant. H1 is accordingly supported.

4.2.4 Testing Hypothesis 2

H2: Linking performance appraisal with promotion is positively related to the job satisfaction of employees.

The relationship between Job satisfaction and promotion is positive with a coefficient of 0.24 at p < 0.01 (2-tailed). The regression coefficient for promotion is .480, shows a significant relationship, which implies that a 1% increase in promotion will cause a 48.0% increase in employees' job satisfaction. H2 is thus accepted.

4.2.5 Testing Hypothesis 3

H3: Clarity of roles is positively related to the job satisfaction of employees.

The relationship between Job satisfaction and clarity of roles is also a positive one with a coefficient of 0.16 at p < 0.05 (1-tailed). The regression coefficient is Beta = .071, p<0.05. H3 is accordingly accepted.

4.2.6 Testing Hypothesis 4

H4: Feedback after appraisals is positively related to the job satisfaction of employees.

The relationship between Job satisfaction of employees and feedback is also a positive one with a correlation of 0.33 at p < 0.01 (2-tailed). The regression coefficient is significant with Beta = .457, p<0.01. H4 is thus supported.

4.3 Organizational Commitment

The study also used correlation and regression analysis in testing Hypotheses 5 to 8. The model of analysis was based on the regression analysis: $C = a_o + a_i(X_5) + a_{ii}(X_6) + a_{iii}(X_7) \ldots a_n(X_n)$

Where: C is the dependent variable (Commitment) and $(X_5, X_6, X_7 \ldots X_n)$ are the independent variables. Thus, the model is represented as

Organizational Commitment = constant + salary (reward) + identification of training needs + clarity of purpose of appraisal + involvement + error.

The items in the questionnaire had a scale of 1 to 5 ranging from strongly disagree, disagree, neither agree nor disagree, agree to strongly agree. The dependent variable "Commitment" was used to measure all responses to the questionnaire item: "I am strongly attached to my organization"

The independent variables: salary (reward), identification of training needs, clarity of purpose of appraisal and involvement were used to measure the questionnaire items: "My performance is reflected in my salary", "Performance appraisal helps identify my training needs", "I understand the purpose of performance appraisal" and "Employees partake in the formulation of appraisal tools" respectively.

4.3.1 Descriptive Statistic

Table 7. Descriptive statistics and relationship between commitment and performance

Variables	Mean	SD	N	2	3	4	5
Commitment	4.95	.809	200	.64**	.26**	.31**	.53**
Salary	3.86	.936	200		.05**	.17**	.03**
Identification	3.93	1.120	200			-.08**	.09**
Clarity of purpose	3.06	1.399	200				.03**
Involvement	4.52	1.114	200				

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

Source: Researcher, November.

Table 7 shows that there was a positive relationship between employees' organizational commitment and the reflection performance in salary with a coefficient of 0.64 at p < 0.01(2-tailed). There was also a positive relationship between employees' organizational commitment and the involvement of employees in the

formulation of appraisal tools with a coefficient of 0.53 at p < 0.01(2-tailed). The relationships between employees' organizational commitment and the variables (identification of training needs and clarity of the purpose of appraisal) were also positive, albeit not high, with coefficients of 0.26 and 0.31 at p < 0.01(2-tailed) respectively.

It is deduced from the above that all the variables had a positive relationship with employees' commitment.

4.3.2 Regression Analysis

Table 8. Regression coefficients for commitment and performance appraisal variables

Variables	Level of significance for beta	Unstandardized coefficients.		Standardized coefficient	t-value	Sig.
		Beta	Standard Error	Beta		
Salary	0.01	.617	.079	.621	7.787	.000
Identification	0.01	.040	.066	.108	.597	.552
Clarity of Purpose	0.01	.036	.073	.058	1.062	.950
Involvement	0.01	.160	.079	.385	1.765	.081

Source: Researcher, November 2015.

Dependent Variable: Organizational Commitment.

The results in table 4.8 show that the value for salary in the table is .621 which implies that a 1% increase in Salary as a result of performance will cause an increase of 62.1% in employees' commitment. Identification of training needs has a value of .108 which implies that a 1% increase in identification of training need will cause a 10.8% increase in employees' commitment. Clarity of purpose of appraisal has a value of 0.058 and thereby implies that a 1% increase in clarity of purpose will cause 5.8% increase in employees' commitment. The Involvement of employees' in formulation of appraisal tools has a value of .385 and implies an increase of 38.5% in employees' commitment if involvement is increased by 1%. Thus, it can be inferred that linking salaries with performance has the highest impact on commitment, followed by involvement, then identification of training need and finally clarity of purpose which has the least impact. The relationship between salary and commitment is significant with Beta = .621, p< 0.01. The relationships between identification of training needs and commitment, Clarity of purpose and commitment, and Involvement and commitment are all significant with Beta = 108, p< 0.1, Beta = .058, p< 0.01 and Beta = .385, p< 0.01 respectively.

The R-square value obtained was .763 and it shows that the variables of performance appraisal account for 76.3% variation in employees' commitment. The variation associated with the independent variables, therefore, have a large effect since the value of R-square is greater than 50%. 76.3% also implies that there might be other factors which bring about 23.7% in the dependent variable.

4.3.3 Testing Hypothesis 5

H5: Salaries being linked to performance appraisal is positively related to employees' commitment.

There is a positive relationship between employees' organizational commitment and the reflection performance in salary with a coefficient of 0.64 at p < 0.01(2-tailed). The relationship between salary and commitment is significant with Beta = .621, p<0.01. H5 is accordingly supported.

4.3.4 Testing Hypothesis 6

H6: Identification of training needs by appraisals is positively related to employees' commitment.

The relationship between employees' organizational commitment and the identification of training needs is positive with coefficient of 0.26 at p < 0.01(2-tailed). The relationships between identification of training needs and commitment is significant with Beta =108, p<0.1. H6 is accordingly accepted.

4.3.5 Testing Hypothesis 7

H7: Clarity of the purpose of appraisal is positively related to employees' commitment.

The relationship between employees' organizational commitment and clarity of the purpose of appraisal was positive with coefficient 0.31 at p < 0.01(2-tailed). The relationships between Clarity of purpose and commitment, is significant with Beta = .058, p<0.01. H7 is thus supported.

4.3.6 Testing Hypothesis 8

H8: Involvement of employees in formulating appraisal tools is positively related to employees' commitment.

There was a positive relationship between employees' organizational commitment and the involvement of employees in the formulation of appraisal tools with a coefficient of 0.53 at $p < 0.01$(2-tailed). The relationships between Involvement and commitment is also significant with Beta = .385, $p<0.01$, thus H8 is accepted.

4.4 Discussion and Implications

The research revealed that performance appraisal has an impact on job satisfaction and organizational commitment of employees in Best point savings and loans, Beige capital microfinance, Global access savings and loans, Cottage microfinance and Dalex finance. The main findings of the study are below:

First of all, it was found out that a positive relationship exists between employees' job satisfaction and the factors: fairness of an appraisal system, rewards, clarity of roles and the provision of feedback about employees' performance. The relationship between the employees job satisfaction and clarity of roles as a purpose of performance appraisal was however not a strong one, albeit positive. In addition it was revealed that the variables: fairness in the appraisal system, rewards in terms promotion opportunities, clarity of roles and feedback on performance all have an effect on employees' job satisfaction. Clarity of roles, however, has the least impact among the four factors.   When there is fairness in the appraisal system, employees are satisfied with their jobs and this is probably because employees have an expectation from the company to be fair in its appraisal. Fairness in the appraisal should therefore not be compromised. Employees also probably have the impression that one good turn deserves another and therefore are more satisfied if their efforts are rewarded with promotions.

It can thus be inferred that employees of these financial institutions are not necessarily concerned about having their roles clarified after performance appraisal. This is probably because most employees have a clear understanding of their roles in their workplaces. Clarifying roles may however be relevant and also impact employees' job satisfaction if there is some sort of role confusion. It is essential that the appraisal system ensures fairness to keep employees satisfied about their job. Organizations must adhere to rewarding employees with the deserved promotions if their performances merit it in order to avoid job dissatisfaction which could prove detrimental to the organizations in their missions to achieve their goals. Feedback about employees' performances should be given and well documented.   The above gives credence to the findings of Srivastaav and Sapra (2012) which underscores the relevance of feedback in performance appraisals and also supports the assertion by Gichuhui et al. (2012) that there is the need for a significant variation in rewards in relation to employees' performance.

Furthermore, it was found out that employees' organizational commitment has a positive relationship with the factors: rewards in terms of salary, identification of training needs, clarity of performance appraisal purpose, and the involvement of employees in the formulation of appraisal tools. The study found out that rewards in terms of salary has a high effect on employees' organizational commitment. Involvement of employees in the formulation of appraisal tools also has a significant effect on employees' commitment. Employees are more committed to their organizations if their performances are acknowledged and rewarded accordingly. They also feel committed to their organizations if they are involved in the formulation of appraisal tools. The other factors, clarity of purpose of performance appraisal and identification of training needs also have an effect on employees' organizational commitment, albeit low impacts. This could result from the fact that these institutions do not train their employees to help them acquire their training needs after the appraisal process reveals that they lack some skills. Employees may also be lacking the vivid understanding of the appraisal's purpose or do not find it necessary to impact their commitment to Eden. In the light of the findings, organizations needs to ensure that their employees' commitment levels are sustained by encouraging more communication among senior management staff and junior staff, as well as ensuring that performances which deserve salary increments or bonuses are accordingly rewarded. The findings support claims by Paul (2003) and Wright (2003) that HRM practices have a significant positive relationship with organizational commitment. The findings, especially with regards to clarity of the appraisal purpose and the involvement of employees in formulating appraisal tools, also underscores the   research by Pettijohn (2001) which suggested that organizational commitment is positively associated with the use of explicit evaluative criteria and openness to discussing the appraisal   of employees' performance.

5. Conclusion

5.1 Conclusion

The purpose of the study was to investigate the impacts of performance appraisal on the job satisfaction and organizational commitment of employees. The study used both qualitative and quantitative approaches. The data used for the study was collected through questionnaires and the analysis revealed a correlation between employees' job satisfaction and performance appraisal variables. It also revealed a correlation between employees' commitment and performance appraisal variables.

The study recommends that employers adhere to the reward systems which are linked with performance levels since rewards in terms of both salaries and promotion opportunities have an effect on employees' job related attitudes. This will invariably help organizations achieve their goals because employees' job related attitudes, and by extension the organization's performances, will be improved.

The study also recommends that after appraisals, employees who are identified to be in need of training should be accordingly provided with training. This will further enhance the relevance of performance appraisals to employees.

Finally, finding out that factors such as clarity of roles and clarity of the purpose of performance appraisals have an effect on employees' commitment and job satisfaction, even though mild, I recommend that organizations encourage more communication between management staff and their subordinates. This regular communication, especially with regards to the performance of employees, can help organizations make their employees' satisfied with their jobs and also make them committed to the organization.

The result of this study is consistent with other research and findings which sought to investigate the impacts of performance appraisal on the attitudes of employees and the performance of employees. Even though these other studies were undertaken in different countries and continents with different cultures, the results were still in support of the facts that performance appraisals have an effect on employees' attitudes. This gives the impression that there might not be any significant cultural effects on how performance appraisals impact employees.

5.2 Further Research Area

The world is becoming more and more of a global village each passing day. There are several multicultural organizations in today's world. A study using a meta-analysis to focus on contrasting and combining results from different studies on performance appraisal effects on employees attitudes in different cultures, to help identify why some results may differ, the similarities between results, and also bring to the fore other relationships which may be revealed when multiple studies are used. This will be invaluable to multicultural organizations in the formulation of their appraisal tools.

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