Relationships Between Trust, Organizational Justice and Performance Appraisal Satisfaction: Evidence from Public Higher Educational Institution in Malaysia

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Abstract

The main objective of this present study is to reveal the role of trust as a mediator in the relationship between organizational justice and performance appraisal satisfaction. This study is carried out by distributing questionnaire among 340 staffs. In this research, the questionnaire is administered to staffs from various schools in one of the Malaysian Public Higher Educational Institution (PHEI). Data are analysed by using the PROCESS (Hayes, 2013). As a result, a significant effect of organizational justice on performance appraisal satisfaction with trust as the mediator F(2, 337)=.396, p<.01, R²=.7016, β=.7813, t(337)=21.29, p<.01 is found in this study. A Sobel test is conducted and found a mediation on the model (z=3.2447, p<.00, K²=.0213). Therefore, it is found that trust mediated the relationship between organizational justice and performance appraisal satisfaction. Cultivating the degree of trust among staffs towards the performance appraisal satisfaction; and creating a conductive environment for staffs to improve their perceived organizational justice are the best strategies to achieve the goal for performance appraisal satisfaction in this institution. Theoretical and practical implications based on the results of this study are highlighted. In this line, few suggestions for the institution management are provided.

Keywords: Performance appraisal satisfaction; organizational justice; trust

1. Introduction

Performance appraisal satisfaction is a crucial factor in organization because it can lead to a positive behaviour of employee, which in turn can contribute to the improvement in organization performance. Therefore, to ensure that performance appraisal can positively affect employee behaviour and future improvement towards the organizational performance, employee must first has a satisfied reaction towards the process and output of the performance appraisal. Performance appraisal has been referred by (1) as a critical human resource practices in most of organizations. Previous authors (2) added that performance appraisal is important in identifying, rewarding, and disciplining employees based on their performance; hence developing the appropriate activities are salient in managing a good human resource management.

In the local context, performance appraisal system in the government sector is determined by fulfilling the Annual Work Performance Report (AWPR), which also can be said as one of critical process in delivering the human resource practices. For example, recent empirical works (3) indicates that even though the process of performance appraisal tries to quantify the subjective elements in measuring employees’ performance into the standard evaluation AWPR form, however the process is still complicated and hard to be fairly accepted by employees. This may be because the employees are varies towards the subjective elements towards what has been provided by the organization. For instance, the differences may be due to the elements of organizational justice perceptions among employees in the institutions.

In addition, performance appraisal could be perceived as critical because the employees might have different assumptions towards the process. Therefore, when the employees assume performance appraisal is not a just process, they will display a positive attitude in return. In contrast, when the employees assume performance appraisal is a just process, they will display a negative attitude in return. Given that, organizational justice is become salient in predicting the satisfaction of employees in the implementation of performance appraisal. (4) model of organizational justice is the most intimate factors that can be used in measuring employees’ perceived justice towards the implementation of performance appraisal system in the organization. The four factors of (5) model included of the procedural, distributive, informational and interpersonal justice. Walsh (2003) stated that the four factors based on (5) model can clearly analyzes the social (employees) opinions towards organizational justice in the evaluation or appraisal process. This was supported by other authors (6) who presented that organizational justice is significantly related to performance appraisal satisfaction.

Existing literature revealed that trust was also a key factor of satisfaction for employees towards the performance appraisal system. First and foremost, trust may be said as an important determinant in the human resource practices particularly when involving the process of performance appraisal. Trust can influence the perception and reactions between the assessors (supervisors) and assessee (employees) upon the process of performance appraisal. Second, trust also a meaningful consequence of organizational justice. For example, results of (7) presented that organizational justice and trust is significantly related. Hence, trust was the other factor that...
very crucial to be tested in all institutions, including the PHEI in the Malaysian context. According to Ibeogu & Ozturer (1), satisfaction in performance appraisal was able to predict the development of the institution. Given that, examining the influences of organizational justice and trust on performance appraisal satisfaction is warranted to be studied in the context of Malaysia. Moreover, the degree of performance appraisal satisfaction among employees in the PHEI should not be neglected and need to be revealed. Given that organizational justice is associated with performance appraisal satisfaction (3, 6), the researchers attempt to contribute for a body of knowledge regarding the role of trust as a mediator in public educational institution in Malaysia. Moreover, the degree of performance appraisal satisfaction and how it may relate to organizational justice and trust can be empirically concluded according to the findings of this present study.

Finally, several recommendations can be suggested to the top management to enhance the process of performance appraisal in the aspect of perceived organizational justice. Not only that, this study provides some new knowledge regarding the role of trust as a mediator among employees in the Malaysian PHEI. These findings will provide some guidelines to the top management in the institution (university) particularly to increase the level of performance appraisal satisfaction. Hence, in future it will assist the university to achieve its mission to be ranked among the top 500 universities in the world.

2. Literature Review

This section is to review the related literature on past empirical studies. First, this section reviews the importance of performance appraisal satisfaction. Second, the section discusses on the influences of organizational justice on performance appraisal satisfaction. At the same point, this section reviews several empirical studies about trust and performance appraisal satisfaction. Last but not least, the role of trust as the mediating variable in this present study is explained.

2.1. Performance Appraisal Satisfaction

The implementation of performance appraisal process is very essential to all of the organizations. Thus, the practice of performance appraisal in the context of Malaysian PHEI was also essential to be conducted. This is because the results of performance appraisal can be used to identify the strength and weaknesses of employees. Thus, a proper plan for several activities which are related to employees’ career development and attitudinal changes as well as an appropriate motivation program can be designed. Performance appraisal is defined as the systematic assessments of an employee in terms of performance aptitude and other qualities which are needed to carry out the job and it has almost similar definition with performance evaluation (8). Employee satisfaction towards performance appraisal is the most frequently measured in the past empirical works (9). These authors added that the satisfaction of performance appraisal can be measured or explained very well in terms of the four fairness (justice) factors such as the distributive, procedural, informational and interpersonal fairness (justice).

In the previous years, performance appraisal is done based on the directive style which focused more on the single-source feedback and involved with less participation by other parties (10). Thus, it did not consider the development aspects of employee performance. Its primary concern is only to judge the performance of the employees. Nowadays, modern approaches are introduced in the process of performance appraisal. It focused more on humanistic aspects and multiple source of feedback. According to Wee Phin (11), a latest version of performance appraisal process involved an interaction between appraisers (eg. head of department, employers) and appraisees (eg. rates, employees).

In line with this, past authors stated that employees’ satisfaction in performance appraisal plays an essential role to strengthen the long-term relationship between the appraiser and appraisee. Hence, a negative reaction towards the appraisal implementation can ruin the entire process of performance appraisal even if it is built meticulously (12). Thus, to provide a satisfy performance appraisal system is become a challenge for the management to ensure the continuation of the strong relationship between the management level and all employees in the organization (institution).

Given that performance appraisal satisfaction and organizational effectiveness are inter-related (13) most of today management including those who are in the Malaysian PHEIs need to put their concern to provide a satisfied performance appraisal system. First, it becomes a crucial effort to develop a positive reaction from all employees in the aspects of perceived justice and trust in implementing the process of performance appraisal. In the long-term, these positive reactions will improve the performance of PHEIs simultaneously.

Organizational justice and trust are two of key factors in the process of human resource practices especially the one that involve with performance appraisal (6). Therefore, this present study would like to investigate the potential effects of organizational justice and trust in predicting the degree of performance appraisal satisfaction among PHEI employees in Malaysia.

2.2. Organizational Justice

Organizational justice is defined as an individual’s perception of and reactions to fairness in an organization (14). Organizational justice is referred to perceived fairness of interactions between employees and the organization (4). As highlighted by Colquitt et al. (4), the four dimensions of organizational justice included of distributive justice, procedural justice, interpersonal justice and informational justice.

The study of organizational justice rooted out from Adam’s equity theory in the domain of social-psychology field (15). Ikramullah et al. (16) explained that employees’ perceptions of fairness depend on one or more of their perceptions. Distributive justice is referred to employees’ perception of fairness towards the organizational outcomes as they received from the organization; procedural justice is referred to procedures used to make those decisions of outcomes as given by the organization; interpersonal justice is referred to the treatment that employees received from the organization or its agents; and informational justice is referred to all required information related to various outcomes that provided by the organization.

There is increasing concern in employees about fairness or justice in the organization. This is due to the issue that relates to performance appraisal fairness (justice) which received by different employees (17). Therefore, the issue of justice is crucial to be practised by all head of departments in organization because it involves with perceived justice of interaction between employee and the head of department who represents the organization. Hence, the satisfied performance appraisal process can create a positive impact on the effectiveness of organization.

This was supported by Venkatesh et al. (18) who said that employee perceptions towards performance appraisal are very crucial to determine the long-term effectiveness of the process. This is the reason of why people care about justice, and why it is undeniable (5). Hence, the issue of justice remains among the salient factors in the study of performance appraisal satisfaction. Other author (19) also supported that performance appraisal should be implemented in the most fairly manner because it aligned employees to the organizations’ goals and employees’ development. Also, results of Abdullah et al., (6) presented that organizational justice created an influence on performance appraisal satisfaction. Moreover, a current work of by Saraiah et al. (3) revealed a strong correlation between overall justice dimensions (distributive, procedural, interpersonal, informational) and performance appraisal satisfaction. Therefore, all dimensions of Colquitt’s justice have been utilized in the questionnaire set to obtain data from the respective respondents in this study.

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2.3. Trust

Trust is referred to the willingness of a party to be vulnerable to the actions of another party; based on the expectation that the other will perform a particular action important to the truster, irrespective of the ability to monitor or control that other party. It may be the case that employee trust in the workplace influences the behaviour of employees, which in turn affected the organizational performance. In particular, the extent to which employees trusted that their managers have treated them with most fairly can influenced the extent to which employees engaged in opportunistic behaviour or otherwise. Thus, the degree of trust that employees have in their managers (head of department) finally can created impact on the organizational performance. However,(20) claimed that less attention has been given in the literature regarding the role of employee trust and its implications for organizational performance.

Most of trust studies have referred to the Blau’s Social Exchange Theory. According to Social Exchange Theory, the relationship between individuals is based on the outcome/benefit one gets from that relationship. For example, when one puts his trust in another person, favours are expected in return. Therefore, trust is a key element in the management of the supervisor-employee relationship.

Not only that, trust includes expectation that individual with an ethical sense who involves in the relation with others, has treated the others equally (21). Literature revealed that trust can limit the efficiency of the performance appraisal process; and trust towards the supervisor (managers) can cultivated the employee’s satisfaction in the performance appraisal process (22). Thus, to prepare an efficient process of performance appraisal is salient to all organizations. Nowadays, it becomes the challenge for all heads of department (managers, supervisors). This is because performance appraisal process involves with trust and equity among the employees. Although the supervisor (manager) does not control the whole process of performance appraisal; however, the relation of trust in employees promotes a positive perception of the entire performance appraisal (22).

Although many researches presented that trust and individual performance are significantly associated, (23) claimed that the linkage between these variables still ambiguous. Trust characterizes the employee-supervisor relationship; and trust can greatly support the performance appraisal efficiency (22). Therefore, trust toward supervisors (leaders) becomes crucial to neutralize ambivalent attitudes that employees and supervisors adopt toward the performance appraisal and its perceived benefits (24).

In the perspective of performance appraisal satisfaction, trust towards leader (head of department) was significantly related to employees’ satisfaction in the performance appraisal process (6). Although these researchers presented that perceived organizational justice and trust are associated with performance appraisal satisfaction among teachers in the Malaysian schools, less is known about trust and performance appraisal satisfaction among employees in this institution is associated significantly. For this purpose, trust is expected to has a mediation effect between a predictor (organizational justice) and a criterion (performance appraisal satisfaction). The mediation effect, in which organizational justice leads to performance appraisal satisfaction through trust.

Trust as Mediator

Based on Figure 1, below are the developed hypotheses:

H1: Organizational justice and performance appraisal satisfaction among employees in this institution is associated significantly.

H2: Trust and performance appraisal satisfaction among employees in this institution is associated significantly.

H3: Trust mediates the association between the predictor (organizational justice) and the criterion (performance appraisal satisfaction) among employees in this institution.

3. Methodology

The population of this research included all employees from one of the PHEI located in the Northern Region of Peninsular Malaysia. The data regarding employees’ organizational justice, trust as well as performance appraisal satisfaction had been obtained from the perspective of the employees (self-ratings). This research has utilized the quantitative method (eg. questionnaire) in order to get the required information. By focusing on the individual unit of analysis (employee), the questionnaire sets have been randomly distributed for approximately 600 respondents. A total of 340 returned survey sets have been used for analysis by using SPSS software (version 22).

Respondents are required to reveal their gender, level of education, service category, age, years of service in the current institution, and years of service in the whole entire appointment. Next, respondents’ perception towards their organizational justice and trust becomes the basis for understanding the level of respondents’ performance appraisal satisfaction in this institution. As for the measurement of performance appraisal satisfaction, 10 items of Colquitt(4) scale has been adapted. Meanwhile, 22 items for four justice dimensions have been adapted from Colquitt (4). Finally, 9 items of trust have been adapted from (25).

4. Results and Findings

4.1. Background of the Study

The descriptive analysis showed that 48.2% of respondents were from the academic staff category; whereas the remaining 51.8% of respondents were from the non-academic staff category. It is presented that more than half or 198 of the total 340 respondents were males which contributed of 58.2%. On the other hand, 142 out of the total responses are obtained from the female respondents (41.8%). More than half of the respondents which contributed of 67.9% were in the range of ages between 21 to 30 years old. Also, more

Fig. 1: Trust as mediator in OJ and PAS
than half of the respondents which contributed of 67.1% had served the institution in less than 5 years. Based on the results, it is presented that almost three quarter of the respondents who contributed of 73.4% had six to ten years of working experience in this institution. To the extent of academic qualification, it is found that 43.2% of the respondents had a Master degree, 31% of the respondents had a Doctoral degree, and 18.6% of the respondents had a Bachelor Degree. The remaining respondents were in the category of Diploma holders (4.8%), and other certifications such as SPM/STPM (2.4%).

4.2. Mediator Analysis

This section explained the analysis based on PROCESS by (26). The mediator analysis had been shown in Table 1. The analysis presented that path a, where organizational justice predicted trust. A significant relationship of organizational justice and trust is reported, $F(1, 338)$=153, $p<.01$, $R^2=.3119$ with coefficient $\beta=.3951$, $t(338)=12.37$.

Table 1: Results on Trust as a Mediator

<table>
<thead>
<tr>
<th>Path</th>
<th>$R^2$</th>
<th>$F$</th>
<th>df1</th>
<th>df2</th>
<th>$P$ value</th>
<th>$\beta$</th>
<th>$t$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational justice predicting trust (path a)</td>
<td>.3119</td>
<td>153</td>
<td>1.00</td>
<td>338</td>
<td>.00</td>
<td>.3951</td>
<td>12.37</td>
</tr>
<tr>
<td>Trust predicting performance appraisal satisfaction (path b)</td>
<td>.7016</td>
<td>396</td>
<td>2.00</td>
<td>337</td>
<td>.00</td>
<td>.1749</td>
<td>3.37</td>
</tr>
<tr>
<td>Organizational justice predicting performance appraisal satisfaction (path c)</td>
<td>.6916</td>
<td>757</td>
<td>1.00</td>
<td>338</td>
<td>.00</td>
<td>.8504</td>
<td>27.52</td>
</tr>
</tbody>
</table>

Further analysis is continued to reveal the relationship between trust and performance appraisal satisfaction, path b. The analysis showed a significant relationship between these two variables, $F(2, 337)$= 396, $p<.01$, $R^2=.7016$ with coefficient $\beta=.1749$, $t(337)=3.37$, $p<.01$. The next step is done to analyze path c, the relationship between organizational justice and performance appraisal satisfaction. The analysis also showed a significant relationship between organizational justice and performance appraisal satisfaction, $F(1, 338)$= 757, $p<.01$, $R^2=.6916$ with coefficient value of $\beta=.8504$, $t(338)=27.52$, $p<.01$.

Next, path c’ analysis is done to reveal the predicting effect between organizational justice to performance appraisal satisfaction, with the existence of trust. The analysis is conducted to find out whether organizational justice is no longer predicted performance appraisal satisfaction, the predicting effect is lessen or vice versa. The results showed a significant effect on organizational justice to performance appraisal satisfaction with trust as the mediator $F(2, 337)$= 396, $p<.01$, $R^2=.7016$, with $\beta=.7813$, $t(337)=21.29$, $p<.01$. Finally, the Sobel test is conducted and found mediation on the model ($z=3.2447$, $p=.00$, $K^2=.0213$). Therefore, it is confirmed that trust mediated the relationship between organizational justice and performance appraisal satisfaction among employees in this institution. From the analyses conducted, results revealed that in order to let employees had satisfaction towards performance appraisal, trust played a significant role as a mediator between organizational justice and performance appraisal satisfaction.

5. Conclusions

In sum, the results of this study provided the new knowledge on the mediating role of trust among employees in one of the PHEI in Malaysia. Therefore, H1, H2 and H3 in this institution are fully supported in this study. In the contextual perspective, it can be seen that the direction of the relationship between organizational justice and performance appraisal satisfaction is straightforward (direct). However, at the same time the direction between organizational justice and performance appraisal satisfaction is also mediated by the implication role of trust. The model of trust as mediator based on the findings in this study is presented in Figure 2.
Also, the findings on the relationship between trust and performance appraisal satisfaction was consistent with the results of (22) who found that trust toward supervisors reinforced the link between the positive perception of the performance appraisal and satisfaction among employees from one of the Canadian Bank. In this study, the results regarding the effect of trust on performance appraisal satisfaction showed a significant relationship with F(2, 337)= 396, p<0.01, R²=0.7016 with coefficient β=1.749, t (337)=3.37, p<0.01 (see Table 1).

Practically, detail suggestions the implementation of organizational justice may be channelled to the top management in this institution. Therefore, the top management may aware and can allocate several new efforts to increase the justice level based on four dimensions towards the implementation of performance appraisal satisfaction in this institution. Not only that, the degree of trust should be increased to ensure the high degree of performance appraisal satisfaction among the employees. Therefore, it can be concluded that by increasing the level of justice and trust among employees in this institution, the level of performance appraisal satisfaction among employees in this institution can be enhanced. In order to strengthen the degree of justice among employees in the institution, here are some actions which can be taken by the top management: 1) Employees should be evaluated fairly by considering their responsibilities, amount of experience, education and training that they have; 2) The procedures should follow a standard ruling to all employees, so the decisions can be made with consistency; 3) The manager (superior) should considers the viewpoint of the employees; and 4) The manager (superior) should explains the procedures thoroughly.

Meanwhile, in order to enhance the degree of trust among employees in the institution, here are some actions which can be taken by the top management: 1) To prepare the environment where the employees feel free to discuss their work problems without any fear; 2) The head of department always willing to ‘forgive’ and ‘forget’ if employees make a mistake; 3) The head of department needs to be friendly and approachable; and 4) The head of department should ensure that employees can count on them for help if there are any difficulties with the job.

References