THE RELATIONSHIP BETWEEN PERFORMANCE APPRAISAL SATISFACTION AND EMPLOYEE OUTCOMES: A STUDY CONDUCTED IN PENINSULAR MALAYSIA

RAJENDRAN VIGNASWARAN
The Relationship between Performance Appraisal Satisfaction and Employee Outcomes: A Study Conducted in Peninsular Malaysia

Rajendran Vignaswaran
Bachelor of Information Technology
University of Malaya
Kuala Lumpur
Malaysia
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To borrow a phrase, writing a story book is simple and easy - all you have to do is sit down at a word processor and open a vein. Working on a research project is not that easy – it would never have been completed without the incredible amount of help and support I received from literally many of my colleagues, fellow classmates, supervisor, family and friends. I would like to thank, without implicating, all of you.

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PREFACE

Employee outcomes in the form of work performance, affective organizational commitment and turnover intention are very crucial to support the overall growth of an organization. Therefore, the management should pay more attention on the level of satisfaction in performance appraisal to ensure that employees are satisfied and will continuously contribute to their organization throughout their employment with the organization.

This study is conducted with the aim to explore the relationship that exists between satisfaction with performance appraisal and employee outcomes, in the form of work performance, affective organizational commitment and turnover intention. In addition to that, the study also tries to examine the influence of intrinsic motivation in mediating the relationship between performance appraisal satisfaction and employee outcomes. Therefore, the management can realise the current state of the employee outcomes in Malaysia and create strategies to improve work performance and affective organizational commitment, thus reducing employees’ turnover intention.

Chapter one will discuss on the background of performance appraisal system in Malaysia, the problem statement, the objectives of the research, the significance of the research and the limitations encountered during the investigation of this research.

Chapter two describes about various reviews on past literatures and excellent work of most prominent researcher that explained about performance appraisal, intrinsic motivation, work performance, affective organizational commitment, turnover intention and their relationship, which lead to the development of the hypotheses.
Chapter three explains the research methodology, data collections and types of data analysis that are going to be carried out in this study.

Chapter four describes the computations of the findings, from the analyses that have been carried out. The relationship between performance appraisal satisfaction and the employee outcomes were identified. The mediating effect of intrinsic motivation on the relationship between performance appraisal satisfaction and the employee outcomes were also analyzed and presented.

Chapter five consists of the discussion and conclusion, based on the findings presented in chapter four. Furthermore, the chapter wraps-up by providing suggestions and recommendations for future investigation within this area of study. The findings from this research are expected to have implication on managers, whereby the management of organizations in Malaysia can use the findings to enhance their employees’ perception towards performance appraisal process and to increase employees’ work performance, affective organizational commitment and intention to stay with the organization.
ABSTRACT

**Purpose** - It is often suggested that in order for performance appraisal to positively influence employee behaviour, employees must experience positive appraisal reactions. The purpose of the present study is to examine the relationship between performance appraisal satisfaction and employee outcomes, in the form of work performance, affective organizational commitment and turnover intention. Furthermore, the influence of intrinsic motivation as a mediating variable was also explored.

**Design/methodology/approach** - Data were collected from 303 employees from many organizations pertaining to several different industries, throughout peninsular Malaysia.

**Findings** - Results from a survey of 303 employees showed that the relationship between performance appraisal satisfaction and employee outcomes in the form of work performance, affective organizational commitment and turnover intention was mediated by employees’ intrinsic motivation.

**Research limitations** - The three most important limitations, which are discussed in more detail in chapter one, are the sample used, which is mainly from the Klang valley, the measurement used in the study and the reliance on self-reported questionnaire data. Consequently, experimental studies are needed to examine causality issues.

**Practical implications** - These results have important managerial implications: in order to obtain positive employee outcomes, organization should provide a performance appraisal platform where employees must report satisfaction with
performance appraisal. Furthermore, managers should create an environment within the organization to enhance employees’ intrinsic motivation and thus their work performance and affective organizational commitment.

**Originality/value** - This study contributes to the knowledge on satisfaction with performance appraisal and the influences on the employee outcomes, an area of research that is almost unexplored in Malaysia.

**Keywords** Performance appraisal, Human resource management, Performance management, Work performance, Intrinsic Motivation, Affective organizational commitment, Turnover intention

**Paper type** Research paper
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<tr>
<td>AOC</td>
<td>Affective Organizational Commitment</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resource</td>
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<tr>
<td>HRM</td>
<td>Human Resource Management</td>
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<td>IM</td>
<td>Intrinsic Motivation</td>
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<tr>
<td>KMO</td>
<td>Kaiser-Meyer-Olkin (SPSS Measures of Sampling Adequacy)</td>
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<tr>
<td>M</td>
<td>Mean</td>
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<tr>
<td>p</td>
<td>The p value tells if the analysis is significant or not (level of significance)</td>
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<tr>
<td>PA</td>
<td>Performance Appraisal</td>
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<td>PAS</td>
<td>Performance Appraisal Satisfaction</td>
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<tr>
<td>r</td>
<td>The r-value indicates strength and direction (±) of the correlation</td>
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<td>Work Performance</td>
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<td>β</td>
<td>Indicate the individual contribution of each predictor to the regression model. A positive value tell that there’s a positive relationship between predictor and the outcome and vice versa.</td>
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CHAPTER 1: INTRODUCTION

The purpose of this study is to explore the relationships between performance appraisal (PA) satisfaction and employee outcomes in the form of work performance, affective organizational commitment and turnover intention in Malaysia. In addition, the study also examines the hypotheses which claim that intrinsic work motivation will mediate the relationship between PA satisfaction and employee outcomes. As far as Malaysia is concerned, there has been very minimal or less empirical research to investigate the relationship between PA satisfaction and employee outcomes, especially in exploring the perception of employee towards PA and whether this perception will have a heavy impact and influence on the employee outcomes, in their respective organization. This study is dedicated to identify a new perspective in PA satisfaction – employee outcomes relationship, which is specifically conducted to address the problems faced by working individuals in Malaysia.

1.1 Performance Appraisal in Malaysia

The implementation of PA in Malaysia has taken place almost a couple of decades ago. The evidence can be found from several articles (e.g. Ahmad & Ali, 2004; Halim, 1996; Kumar, 2005; Poon, 2004; Vance, McClaine, Boje & Stage, 1992) which describe the implementation of performance appraisal in Malaysia. From the review of these articles, PA in Malaysia can be divided into 3 different stages, which is shown in Figure 1.1 below.
The pre-implementation era refers to the years between early 1980s to the year of 1990. In this phase, there were concerns about the implementation of performance appraisal system in Malaysia and the benefits that Malaysians can gain with the implementation of this system. Hence, some researchers conducted feasibility studies to identify the value of the PA system towards our nation. One notable study was by Vance et al., (1992). The authors conducted a general management survey on perceptions of national management style on managers representing diverse industries from countries such as Indonesia, Malaysia and Thailand. The study was based upon the question on “should traditional principles that guide the design and management of performance appraisal systems in Western countries be transferred to the Pacific Rim countries, how the management styles would differ between these countries?” The purpose of the study was to enhance management assignment effectiveness by gaining a clearer understanding of how countries culturally-based management style
differences influence the appropriate design and implementation of performance appraisal systems. The study highlighted that there exist a significant difference in the perceived predominant management styles among United States and the three Pacific Rim countries. Furthermore, the author concluded that the enhanced understanding in the management style differences will help to develop prescriptions for the design of performance appraisal systems within these three countries.

The second stage, which began in early 90s, describes the implementation of PA systems in Malaysia (e.g. Ahmad & Ali, 2004; Halim, 1996). Muhammad Rais, (1995) in his article “Improving the Efficiency of the Public Sector: A Case Study of Malaysia” noted that a common criticism of the public towards the public sector has been the poor quality of service rendered by the client/counter service staff. Thus, in 1992, Malaysia, as part of its administrative reforms efforts, introduced a new performance appraisal system which aims to improve the public sector in achieving higher productivity and service quality. In this system, emphasis is given to performance-based appraisal system which allowed development of action plan to coach and counsel employees on a continuous basis. “The most notable features of the system includes the need to set annual work targets and standards of performance between the manager and subordinate, a mandatory mid-year review of the work performance in relation to the target set, the use of different appraisal forms for different categories of employees according to grades, and the setting up of a Panel on the Coordination of Performance Appraisal and Salary Progression in each ministry/agency to ensure fair, transparent and objective appraisal and the selection of excellent employees for reward and recognition” (Halim, 1996, p.341). The cycle of performance management, appraisal and salary progression under this system is shown in Figure 1.2 below:
The third stage, which is the post-implementation era, discusses the issues in the implementation of the PA system and the effect on job satisfaction, turnover intention and decision making process. Poon (2004) conducted a study in an attempt to examine the effects of perceptions of performance appraisal politics on job satisfaction and turnover intention. The author concluded that “when employees perceived performance ratings to be manipulated for affective reasons such as personal liking

**Source:** Public Service Department, 1996 (as cited in Ahmad & Ali, 2004)

**Figure 1.2**

**Cycle of performance management, appraisal and salary progression**
and for the purpose of punishing employees, they experienced reduced job satisfaction” (Poon, 2004, p.329). Furthermore, these perceptions by the employees do influence the employees’ intention to quit their job, indirectly through reduced job satisfaction. On the other hand, if the employees perceived that performance ratings are manipulated for the purpose of rewarding employees and to promote a positive workgroup climate, their job satisfaction and turnover intention will not be affected (Poon, 2004).

Another notable study which was carried out in the post implementation era would be by Kumar (2005). While Poon (2004) conducted a study to examine the effects of perceived PA politics on certain aspects of employee outcomes, Kumar (2005) conducted a study to explore the issues associated with the key components of PA system, after which it has been implemented in Malaysia. According to the author, in order to conduct an effective and formal PA process, the managers must be well equipped with required rater skills. The study also examines the types of rater training programmes which are available for managers to enhance their rating skills. The author quoted “that the managerial skills necessary to conduct an effective performance appraisal are indeed complex and, yet, highly interrelated and require attention to properly develop” (Kumar, 2005, p.3).

1.2 Problem Statement

In this 21st century, the business environment is becoming increasingly uncertain and dynamic. This trend, which began in the sixties, has accelerated due to environmental forces such as globalization, advances and innovation in technology and changes in the market conditions. In order to survive and sustain in such a competitive
environment, a large number of firms has adopted competence-based management as
an approach to human resource management (HRM). It provides interaction between
human resource systems and a company’s strategy (Meshoulam & Baird, 1987;
Santos, 2000; Schuler & Jackson, 1995). The changes in the business environment
require firms to show greater concern in developing human competence. It plays an
important role to achieve success and have a competitive advantage over their
competitors (Drejer & Riis, 1999). The development of human competences has
several objectives, which includes the process of incorporating required knowledge,
skills and attitude into employees. Thus, the performance management and appraisal
system refers to a function within the HRM which allows firms to develop a
competent workforce.

The important role that PA plays in organizations, especially in HRM practices has
long been recognized (Borman, 1979; Judge & Ferris, 1993; Landy & Farr, 1980). PA
serves a variety of purposes such as providing the basis for making selection
decisions, determining salary increases, and providing a vehicle for feedback between
supervisors and employees. However, most research in this field was directed toward
establishing methods for improving the properties of performance ratings (e.g.
Kumar, 2005; Tziner, Joanis & Murphy, 2000).

During the last ten years, the number of studies which examined the effects of PA
systems on employee has increased (e.g. Kuvaas, 2006; Pettijohn, Pettijohn & Taylor,
2000; Pettijohn, Pettijohn, Taylor & Keillor, 2001). These studies have used several
surveys and questionnaires to assess individuals' reactions to various aspects of the
PA system. The foundation of these researches is that employees' opinions regarding
the PA process are highly critical to the long-term effectiveness and the success of the
system as well.
In one study, Pettijohn, et al., (2001) explored the potential relationship between characteristics of the appraisal process and the resulting level of job satisfaction of salesperson. The findings from the study indicated that more professional management may be required and helpful if management wants its employees to be satisfied. Furthermore, the results revealed that sales employees will experience the greatest levels of satisfaction when fully they understand the criteria used for PA evaluation, agree with the criteria used, feel that the results of the evaluation have an impact on their level of compensation, and believe that the appraisal process is fair.

In another study, Kuvaas (2006) surveyed 593 employees from 64 Norwegian banks regarding their opinions and perceptions of the appraisal process. The study explored the alternate relationships between PA satisfaction and employee outcomes in the form of work performance, affective organizational commitment and turnover intention. Furthermore, the study also examined whether or not intrinsic work motivation will mediate and moderate the relationship between PA satisfaction and employee outcomes. The findings revealed that there was a direct relationship between PA satisfaction and employee outcomes. The results also indicated that the relationship between performance appraisal satisfaction and work performance was both mediated and moderated by employees’ intrinsic work motivation.

There were other studies which revealed that characteristics of performance appraisals and their impact on sales force satisfaction, job satisfaction, organizational commitment (Pettijohn, et al., 2000, 2001). However, in Malaysia, the research in this field is very limited. There were studies to investigate the reaction of employees to various aspects of the appraisal process. Besides the study conducted by Poon (2004), very little is known about the relationship between PA satisfaction and employee outcomes, especially in identifying the effects of PA satisfaction towards the
employees. Furthermore, the findings from the Western context may not be
generalized to the Malaysian context. Subsequently, there are possibilities that the
findings of Western researchers such as Kuvaas (2006) may bear significance in the
Malaysian environment. As stated by Vance et al., (1992), there is a significant
difference in management style between US and the Pacific Rim countries. Bearing
this in mind, this study intends to explore these important relationships, within the
Malaysian context.

In light of the insufficient findings in this area, there are two purposes of the present
research: (1) to explore alternative relationships between PA satisfaction and
employee outcomes in the form of work performance, affective organizational
commitment and turnover intention in Malaysia; and, (2) to examines the hypotheses
which claim that intrinsic work motivation will mediate the relationship between PA
satisfaction and employee outcomes.

1.3. Research Questions

a) Is there a significant relationship between PA satisfaction and employees’
work performance?

b) Is there a significant relationship between PA satisfaction and employees’
affective organizational commitment?

c) Is there a significant relationship between PA satisfaction and employees’
turnover intentions?

d) Does intrinsic motivation mediate the relationship between PA satisfaction
and employee outcomes?
1.4 Objectives of the Research

The objectives of this research are:

a) To determine the relationship between PA satisfaction and employee outcomes in the form of work performance, affective organizational commitment and turnover intentions.

b) To determine if the relationship between PA satisfaction and employee outcomes is mediated by intrinsic motivation.

1.5 Significance of the Research

There has been many research and studies conducted to examine the effect of PA satisfaction on an employee. However, as far Malaysia is concerned, there has been limited, or fewer studies on issues related to the effect of PA satisfaction on employees outcomes such as work performance, affective organizational commitment and turnover intentions. The results and findings from this research would generate new conclusion to enrich the existing literatures on PA in Malaysia.

Furthermore, this research will enhance the understanding on PA and the importance it carries on employee outcomes in Malaysia. The intention of this research is to help organizations in Malaysia to evaluate their existing PA systems, by identifying the perceived satisfaction of employees towards their current PA process that can provide and promote excellent feedback towards their employees thus enhancing employees’ work performance and affective organizational commitment, while reducing employee turnover intentions.
1.6 Limitations of the Study

Although the present study provides useful insights into the outcomes of performance appraisal process, the contributions should be viewed in light of several limitations. First, it is limited by the sample used, which provides a group of employees, mainly from the Klang valley. Such a sample profile has its benefits but also limits the generalizability of the findings.

Second, this study was conducted across a large number of organizations, making it impossible to control for the actual content of the appraisal systems used in the organizations. Therefore, the measure used in the study may not represent all aspects of the performance appraisal process. For example, informal coaching was not discussed, yet coaching is a form of employee control and appraisal (Pettijohn et al., 2000, 2001). A relatively general measure of performance appraisal satisfaction that most likely would be relevant across varying types and forms of appraisal was used in this study.

Third, the data reported in this study were gathered at one point in time, making it impossible to draw inferences of causality or rule out the possibility of reverse causality. Kuvaas (2006) noted that performance appraisal is not only concerned with the performance appraisal process, it will probably be influenced by a range of factors beyond those strictly related to the performance appraisal process.

Fourth, the variables were assessed based on employees' self-reports, which potentially can introduce distortion through self-serving bias. Future research is needed that assesses influence tactics from independent sources such as peers. Since the findings are based on self-report measures, it means that common method variance may be a problem (Podsakoff & Organ, 1986). However, as the study
examined individuals’ perceptions as well as attitudes, self-report was the most appropriate technique to use to collect the data for this study.

There has not been much of a research done in Malaysia, specifically in the area of performance appraisal to find the relationship with the employee outcomes. Therefore, the research was developed based on prior researches which were conducted elsewhere which could not represent the Malaysian context appropriately. This is probably due to the style in management and the Malaysian culture which could have an effect on the implementation of the performance appraisal in Malaysia (Vance et. al, 1992).

This research was carried out particularly in the area of satisfaction with performance appraisal and how it could lead to employees’ work performance, affective organizational commitment and turnover intention. However, the employee work outcomes included in this study is not exhaustive. There are previous literatures which suggest that performance appraisal satisfaction may have influence on job satisfaction (Boles, Madupalli, Rutherford & Wood, 2007; Lambert, 1991), job involvement (Lambert, 1991) and absenteeism (Albion, Fogarty, Machin & Patrick, 2008; Cohen & Golan, 2007).
CHAPTER 2: LITERATURE REVIEW

This chapter briefly describes the meanings, antecedents and consequences of the variables used in this research. Furthermore, literatures were reviewed and based on the reviews, the hypothesis were developed. Finally, the theoretical framework for this research was shown.

2.1 Definitions of Performance Appraisal (PA)

Performance Appraisal - much have we heard of this word yet many failed to understand what it means (Scholtes, 1993). There are various authors, leaders, managers and gurus who have defined PA according to their knowledge. But again, this buzz word appears to be mere a jargon to the ordinary people on the street (Scholtes, 1993). Probably, the differences in the definition of the word itself are due to the scale of impact it has caused to the people, organization, economy and so forth, individually (Kumar, 2005; Pettijohn et al., 2001).

The existence of the PA principles has been observed since early 1900s (Vance et. al, 1992). At that point of time, it was designed to support a top-down, control-oriented style of management. Vance (1992, p.315) noted that PA is a "control system that is used by almost all organizations to specify the behaviour that employees must perform in accordance with the organizational objectives". It enabled corporations to retain control over their employees, develop the employees, individually as well as team centered and involved the employee in setting goals for the organization (Mount, 1983; Vance et. al, 1992). Furthermore, PA served as a “tool for managing the effectiveness and efficiency of employees” (Spicer & Ahmad, 2006, p.214). Coutts
and Schneider (2004, p.67) noted PA as a "vital component of a broader set of human resource practices; it is the mechanism for evaluating the extent to which each employee’s day-to-day performance is linked to the goals established by the organization". Lowenberg and Conrad, (1998), observed similar initiative. These reviews suggested that PA functioned as a tool for administrative purposes within an organization.

On the other hand, some other authors suggested that PA was more of a tool that carried employees’ developmental purposes. Murphy and Cleveland (1995) defined PA system as a tool that accomplished specific goals, such as self-enhancement or improvement of relationships with subordinates. Moreover, PA acts as valuation reference to reward employees, both intrinsically and extrinsically, and thus improve the employees’ performance by continuous communication and feedback between both the employee and the organization (Vance et. al, 1992). Boice and Kleiner (1997, p.197) noted that PA was “most commonly undertaken to let an employee know how his/her performance compares with the supervisor’s expectations and to identify areas that require training or development.

Common to most definitions of PA is the concept of improving performance and developing people, although its use in organizations continues to be varied. Some other definitions of PA are as stated below:

a) PA is defined “as a tool to identify and monitor staff’s competences, as well as taking into account a company’s core competence and external demands” (Ubeda & Santos, 2007, p.110).

b) PA is defined “as a structured formal interaction between a subordinate and his/her superior. It usually embraces of a periodic interview, in which the work
performance of the subordinate is examined and discussed” (Arbaiy & Suradi, 2007, p.195).
c) PA is a "central management process, which means that it needs to be linked to such activities as business planning, clinical audit, etc" (Edmonstone, 1996, p.12).
d) PA is defined "as a tool to achieve a variety of human resource management objectives" (Kumar, 2005, p.1).

Though there are various definitions of PA which exist, it leads to a very similar meaning. For the purpose of this research, PA is defined as a tool used to achieve the following objectives with an organization:

a) to retain control over their employees (e.g. Mount, 1983; Vance et. al, 1992).
b) to involve the employee in setting goals for the organization (e.g. Vance et. al, 1992).
c) to evaluate the extent to which each employee’s day-to-day performance is linked to the goals established by the organization (e.g. Coutts & Schneider, 2004; Lowenberg & Conrad, 1998).
d) to reward employees, both intrinsically and extrinsically (e.g. Vance et. al, 1992).
e) to accomplish specific goals, such as self-enhancement or enhancing relationships with supervisor/subordinates (e.g. Murphy & Cleveland, 1995).
f) to improve the employees’ performance by continuous communication and feedback between both the employee and the organization (e.g. Vance et. al, 1992).
g) to identify areas within an employee that require training or development (e.g. Boice & Kleiner, 1997).
h) to specify the behavior that employees must perform in accordance with the organizational objectives (e.g. Vance et. al, 1992).

2.2 The importance of PA

As noted by Vance et. al, (1992), the existence of PA was visible since the early 1900s. The role of PA and the importance of the process itself have been changing over the years to suit the goals and objectives of organizations. Henderson (as cited in Boice & Kleiner, 1997) noted that PA systems are not generic or easily passed from one company to another; their design and administration had to be tailor-made to match employee and organizational characteristics and qualities.

Generally, PA was incorporated for a number of potential agendas. Edmonstone (1996) noted that some of the agendas that lead to PA procedures being conducted within an organization include:-

a) Improvement in the communication between boss and subordinate through the use of feedback between them.

b) Identification of the scope for performance improvement and the means to achieve this.

c) Identification of individual training and development needs.

d) Identification of the potential of individuals for future promotion, succession planning, or for retention or termination purposes.

e) As the basis for remuneration and reward, on the basis of performance.

f) As a powerful means of managerial control, through the setting of objectives in a hierarchical fashion and a review of success or failure in achieving these.
From the reviews of the literatures, there stages of PA process are noticeable, each with its own importance. First stage of the PA process is about providing direction for the employees. Lawler (as cited in Vance et. al, 1992) noted that PA provides direction for employees’ behavior in-line with the organizational goals where necessary control can be achieved through a clear system of rules and procedures to direct and standardize employee behavior, resulting in predictability and accuracy of performance. Similar idea was noted by Edmonstone (1996).

The second stage practices the evaluation of the employees’ current performance and then reflected, improving both performance and supervisor-employee relationship. Arbaiy and Suradi (2007) noted that performance appraisal system allowed managers to evaluate the management of the effectiveness and efficiency of employees and/or other resources within the organization, thus creating competitive advantages amongst employees. Furthermore, Kane, Bernardin and Wiatrowski (1995) suggest that, in providing feedback, supervisors should allow employees the opportunity to share their insights and evaluations concerning their own performance. Thus, an effective PA feedback seemed to involve, inform, and motivate employees and also create improved supervisor-employee communications (Edmonstone, 1996; Villanova, Bernardin, Dahmus & Sims, 1993).

Finally, the third stage discusses the important role PA plays towards the future development of both the employees and the organization as a whole. This was seen in Arbaiy and Suradi (2007) where the authors noted that PA is conducted to identify strengths and weaknesses, as well as opportunities for improvement and skills development. Moreover, Squires and Adler (1998, p.446) suggest that an appraisal system must not only evaluate what has been accomplished, but also “guide future development, leverage existing strengths, and address skill deficiencies”.

The importance of PA system in Malaysia is summarized by Arbaiy and Suradi (2007). The authors indicated that in the Malaysian Public Services, a PA system that was designed to be a systematic annual process is used to evaluate each staff which involves evaluating employee's set targets, perceived behaviour evaluation and work achievement during the year of evaluation. In this system, each targeted departmental activities, programs and projects were decided upon, in reference to predetermined overall organizational policy and strategies agreed upon at the beginning of the year of evaluation. And, the appraisal focuses upon the integration and achievement of individual targets, behaviour and performance at work as compared to the goals of the organization. Arbaiy and Suradi (2007) also concluded that PA systems are mainly used for judgmental and developmental purposes in order to make good administrative decisions. The similar importance of PA was noted by Coutts and Schneider (2004).

2.3 Definitions of Work Performance

The concept of work performance is however often vaguely defined and poorly understood (Barrick & Ryan, 2003; Murphy, 2002). Work performance is an extremely broad concept that can be easily oversimplified. Work performance can be defined in two ways. The first definition views work performance as a result or consequence of action. In this instance, work performance can be defined as the accomplishment of assigned tasks (Suliman, 2001). Where performance is the deed itself, it may be defined as the actions or behaviours that are relevant to an organization’s goals and that can be scaled (or measured) in terms of an individual's proficiency (or level of contribution) (Suliman, 2001).
Work performance should not be confined to individuals only. It should be considered an outcome of both human and organizational activities (De Waal, 2002). Honiball (2008) noted that work performance is the action or behaviour that is relevant to achieving an organization’s goals (what is actually done), whereas performance management is the process of linking organizational goals to departmental, team and individual goals (guiding or directing what is done). Performance, according to the HAT dictionary, is defined as the act of performing specific tasks, the execution of, or the functions required of a person, and include many attributes. Performance is an activity and the results of the activity; it is a process and a product; a process and an output and behaviour plus accomplishment.

Van der Linde (2005) noted that work performance include both process (carrying out the work) and product (the output), and therefore performance is seen as both performing a service, and the service being performed. The author further noted that in a work setting, the output (product or service) adds value, whereas the process adds cost. “Performance can refer to the performance of an organization (its tasks, duties, goods and services); a department (its tasks, duties, goods and services); a primary process (its tasks and duties in the production of a specific product or service); or a person (the individual's tasks, duties and all goods and services provided)” (Van der Linde, 2005, p. 26). The opportunity to perform is determined by variables external to the individual (Coetzee, 2003). This is confirmed by a study by Matheson (2005) on work performance, which expounds that evaluation of a person's environment, and current or future work, is required to determine work performance.

Work performance is described as the quality and quantity of human output that is necessary to meet work goals and the standards that are required to do a specific job (Ivancevich & Matteson, 1996).
Based on the definition of work performance, it is of value to view the concept of work performance in terms of the systems approach. The system approach is indicated in Figure 2.1. Inputs - personality, knowledge, aptitude, management, the processes in the organization, resources available to do the work, work experience and the environment - will have an effect on work performance (Coetzee, 2003).

**Figure 2.1**

**Work performance in terms of the systems approach**

Work performance can be described as a function of three variables namely knowledge and skills; motivation and workload; tools and climate (Ivancevich & Matteson, 1996). This correlates well with a model of Saville and Holdsworth that has been used to describe the determinants of successful job performance (Saville & Holdsworth, 1998). According to the Saville and Holdsworth Model (1998), competencies are clusters of skills and behaviours that are key to successful performance and, in general terms, these competencies are abilities, motivation, behaviour and knowledge, which the individual contributes to his/her job.

For the purpose of this research, work performance will be defined as the process through which an individual operates to achieve the goals of the organization.

**Source:** Coetzee, 2003
2.4 Definitions of Affective Organizational Commitment

Organizational commitment is conceptualized by Allen and Meyer (1990) into three dimensions: (1) **attitudinal or affective commitment**, which is drawn from positive work experience, (2) **continuance commitment**, which is derived from prior investment and possible cost of leaving the organization, and (3) **normative commitment**, which is loyalty, or sense of obligation to remain attached to the organization. All three dimensions, co-existing simultaneously (Wasti, 2005), point to a psychological attachment to the organization, with normative commitment found to be highly correlated with affective commitment. Moreover, Angle and Lawson (1993) noted that individuals with a positive view of being committed to an organization tend to internalize the organization's values as their own and eventually develop affective commitment to the organization.

While the three dimensions of organizational commitment are important, this research focuses on affective organizational commitment (AOC), in which commitment is considered as an affective or emotional attachment to the organization (Meyer & Allen, 1991). AOC is the highest level of commitment that is said to be the most sought after form of commitment by organization. This form of commitment is the most influential one because employees with high AOC stays in an organization because they want to and not because they have to.

According to Mowday, Steers and Porter (1979), such organizational commitment exists when an individual identifies with the organization (Agarwal & Ramaswami, 1993; Sheldon, 1971), or when an individual has goals that are congruent with organizational goals (Hall, Schneider & Nygren, 1970) or when the individual believes his/her attachment to the organization can bring reward or payment from the
organization. The idea was later referred to as "affective organizational commitment" (Meyer & Allan, 1991). This definition adds an emphasis on intention to put organizational affection into action. The action aspect of organizational commitment is what inspires researchers to predict for this attitude outcomes such as better job performance or lower turnover and absenteeism (e.g. Guzley, 1992; Baugh & Roberts, 1994). Sacrificing and sharing behaviours in the work place are seen as outcomes of commitment as well (Randall, Fedor & Longenecker, 1990). Furthermore, Hsiao and Huang (2007) proposed that the reason of remaining on the job is a key antecedent of affective organizational commitment in personal characteristic based on the motivation theory.

For the purpose of this research, affective organizational commitment will be defined as the personal attachment an employee has towards his/her organization.

2.5 Definitions of Turnover Intentions

Employees’ turnover is a much studied phenomenon. But there is no standard reason why people leave organization. Employee turnover is the rotation of workers around the labor market; between firms, jobs and occupations; and between the states of employment and unemployment (Abassi & Hollman, 2000). The term “turnover” is defined by Price (1977, p.13) as “the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period.” In most cases, turnover is referred as the entire process associated with filling a vacancy. “Each time a position is vacated, either voluntarily or involuntarily, a new employee must be hired and trained; and this replacement cycle is known as turnover” (Price, 1977, p.13). This term is also often
utilized in efforts to measure relationships of employees in an organization as they leave, regardless of reason. Some other definitions of turnover intentions are as stated below:

a) Turnover intentions are the thoughts of the employee regarding voluntarily leaving the organization (Schyns, Torka & Gossling, 2007; Singh, Verbeke & Rhoads, 1996; Whitman, 1999).

b) Turnover intention is an individual own estimated (subjective) probability that they are permanently leaving the organization at some point in the near future (Vandenberg & Nelson, 1999, p.1315).

c) Turnover intentions are conceived as a conscious and deliberate decision to leave the organization (Tett & Meyer, 1993, p.262).

As we can see, most definitions refer to a similar meaning – an employee’s intentions to leave an organization. This study adopts turnover intention in preference to turnover as one of the dependent variable because turnover intention is highly correlated with turnover and the adoption of turnover may have a “survival” bias (inability to gather enough data to conduct a proper and thorough research) and thereby lead to an incorrect conclusion (Hwang & Kuo, 2006). Accordingly, turnover intention was chosen as the better analytical variable in this research.

2.6 Definitions of Intrinsic Motivation

Definitions of intrinsic motivation focus on the perception that one's actions are self-determined. Deci (1975, 1980) defined intrinsic motivation as caused by the underlying need for a sense of competence and self-determination, with self-
determination being the more fundamental of the two. Although these two often co-vary in real-life situations, self-determination is conceptualized to be more fundamental because the acquisition of competence has been found not to be motivating unless it occurs within the context of self-determination (Deci, 1980). Deci and Ryan (1980, p.47) provide an operational definition of intrinsically motivated behaviours as "those that are performed in the absence of any apparent external contingency". In line with this, intrinsic motivation has typically been measured in the social psychology literature by observing behavioural persistence in a free-choice period following the removal of extrinsic rewards.

In the marketing literature, Tyagi (1985) took an expectancy value approach to the measurement of intrinsic motivation, and assessed the valence of six "intrinsic outcomes" for salespeople using a thermometer scale. The outcomes were decided upon, and items relating to each of them created, after interviewing sales managers and salespeople. Although intrinsic motivation is not clearly defined, Tyagi (1985, p.79) refers to job characteristics such as challenge and variety resulting in the job having "high personal meaning" for the individual, and characteristics such as task identity as producing "feelings of doing a worthwhile job". He further noted that these feelings or beliefs result in intrinsic motivation. Tyagi (1985) also suggested that a job offering may likely to induce intrinsic motivation. In more recent studies, intrinsic motivation is defined as the motivation to seek "rewards derived directly from or inherent in the task or job itself-associated with the content of the task or job" (Sujan, 1986; Spiro & Weitz, 1990).

The issue of how intrinsic motivation should be conceptualized appears to be substantially differing between the marketing and the socio-psychological literatures. In particular, the definitions used in the marketing literature do not appear to be
grounded in fundamental processes underlying intrinsic motivation such as the need for competence and self-determination. The Dyer and Parker (as cited by Thakor, 1994, p.116) definition of intrinsic motivation “antedates most of the work on intrinsic motivation by Deci and others, and fails to specify precisely which rewards are being sought from the task by the person who is intrinsically motivated, whereas it is clear from the writings of Deci, among others, that what is being sought is a sense of competence.” Furthermore, Thakor (1994, p.116) noted that the “Tyagi definition seems deficient in that the effects of such job characteristics as challenge and variety on the individual’s intrinsic motivation are probably mediated by the increased feelings of competence experienced by the individual in coping with the job’s variety and challenge”. Vallerand (1997) noted that intrinsic motivation relates to perceptions of pleasure and satisfaction from performing the behaviour.

According to Williams (2008), one of the best definitions of intrinsic motivation is from the book ‘Motivation in Education’ by Pintrich and Schunk. Their definition is simple, and sums up people’s participation in certain activities. Patrick and Schunk (as cited by Williams, 2008) defined intrinsic motivation as the motivation to engage in an activity for its own sake. Furthermore, they noted that people who are intrinsically motivated work on tasks because they find them enjoyable. This desire comes from within, rather than from any external source or extrinsic motivation. Finally, they suggested that the primary motivations for participating in an activity are:-

a) satisfaction in completing a specific task or activity

b) ongoing recognition and praise for contributions (known as Egoboo)

c) giving for the greater good (such as sharing knowledge freely).
The conceptual definition of intrinsic motivation found in the socio-psychological literature (Deci, 1975; Deci & Ryan, 1980; Deci & Porac, 1978; Ryan, Mims & Koestner, 1983) not only appears sound, but also enjoys considerable empirical support, and hence will be the conceptualization followed in this study. For the purpose of this study, intrinsic motivation is defined as that drive born out of a need for competence and self-determination which leads individuals to behave in ways other than those strictly compelled by external contingencies.

2.7 Theoretical Framework

The proposed theoretical framework for this study is as shown in Figure 2.2 below.

2.8 PA Satisfaction with Work Performance

Studies suggest that HR practices affect organizational outcomes by shaping employee behaviours and attitudes (Huselid, 1995). More specifically, these HR practices increase organizational effectiveness by creating conditions where employees become highly involved in the organization and work hard to accomplish organizational goals. HR practices are expected to influence both, organization’s and employee’s performance via the workforce’s ability (e.g. using selective hiring,
training), motivation (e.g. pay for performance by using PA), and opportunity to contribute (e.g. using teams and suggestion systems) (Gerhart, 2005). Furthermore, Korsgaard, Roberson and Klein (1991) noted that PA process offer a number of potential benefits, including improved job performance.

Moreover, PA seems to be a vital component of a broader set of human resource practices; it is the mechanism for evaluating the extent to which each employee’s day-to-day performance is linked to the goals established by the organization (Lowenberg & Conrad, 1998). Studies concluded that PA factors do influence job satisfaction, which, in turn has the potential to lead to higher levels of performance (Babin & Boles, 1996; Brown & Peterson, 1994). Smither (1998) further noted that one factor that contributes to an effective PA system entails ensuring that the system focuses on performance. Therefore, a relationship between HR practices such as PA and work performance would be very obvious.

One of the first steps in developing an effective PA system would be determining the organization’s objectives. These would then be translated into departmental and then individual goals. This allows the employee to know “up front” the standards by which his/her performance will be evaluated. This process involves clarifying the job role, job description and responsibilities – explaining how the role and responsibilities contribute to wider goals, why individual and team performance is important and just what is expected within the current planning period. Objectives developed in this way should be reflective of the organizational goals and provide linkages between employee and organizational performance. Stroul (1987) noted that another critical objective of PA is to provide feedback to foster employee growth and development.
From the literatures, the purpose of goal setting and feedback within PA process is to increase individual performance (Pettijohn et al., 2001). Thus, there could be a positive relation between employee satisfaction with PA and work performance.

Another notable function of PA includes equipping employees with new knowledge and skills. Coyle-Shapiro and Conway (as cited by Kuvaas, 2006) noted that employees’ perceived investment in employee development will lead to employee being obligated to repay the organization via high work performance. These arguments led to the establishment of the first research hypotheses, which state:

_Hypothesis 1: PA satisfaction will positively influence work performance._

**2.9 PA Satisfaction with Affective Organizational Commitment**

PA process help clarify organizational expectations regarding an employee’s activities, actions, and results. "If an employee does not know what he has the authority to decide, what he is expected to accomplish, and how he will be judged, he will hesitate to make decisions and will have to rely on a trial and error approach in meeting the expectations of his superior" (Rizzo, House & Lirtzman, 1970, pg. 154). This relationship is supported by Jaworski and Kohli (1991), who contend that managerial feedback informs salespeople of the expected results and their performance as it pertains to these expectations. This clarity increases focus, which in turn increases performance and satisfaction. Thus, in their clarifying role, PA reviews are often credited with reducing role ambiguity, which leads to higher levels of job satisfaction and affective organizational commitment (Babakus, Cravens, Johnston & Moncrief, 1996).
Kuvaas (2006) noted that PA activities can be used by organizations to communicate organizational strategies, goals and vision to their employees. Moreover, the affective and emotional aspects of super-ordinate goals may capture the ‘hearts’ of employees and give ‘people a cause they can rally around’ (Latham, 2003, pg. 311). Therefore, it is possible for employees to experience higher levels of commitment because PA activities are able to communicate super-ordinate strategies, goals and vision to them. Thus, the employees may become more effectively committed to their organization.

Working competitively involves placing high value on people, considering their experiences, ideas and preferences. Their participation in organizations seems to be necessary because employees and managers have to discuss a company’s objectives together. It is fundamental to consider not only the staff’s specific qualifications needed for the positions in the organizational structure, but also their knowledge, experiences, skills and results for future innovations. These competences, which are identified by PA in all the hierarchical levels of an organization, are important aspects concerning the success of a company’s competitive strategy (Ubeda & Santos, 2007). Levy and Williams (2004) noted that PA activities have potential to increase employees’ perceptions of being valued by the organization, a perception which is central to affective organizational commitment.

Furthermore, Lee and Bruvold (as cited by Kuvaas, 2006) noted that employees will probably show higher affective commitment to the organization if they perceive that PA activities reflects employee’s development. Roberts and Reed (1996) noted that PA satisfaction may be positively related to affective commitment due to the enhance employee participation and perceived clarity of goals within the PA process. Therefore, the following hypothesis is stated:
Hypothesis 2: PA satisfaction will positively influence affective organizational commitment.

2.10 PA Satisfaction with Turnover Intentions

Leader-member exchange is a theory of exchange in leadership which focuses on the relationship between a supervisor and each individual subordinate. This relationship is viewed as dyadic or, in other words, as taking place between the supervisor and each of his/her subordinates separately (Graen & Uhl-Bien, 1995). To a certain extent, the PA process is used to further build the relationship between the supervisors (leaders) and employees (members). PA system allows room for improvement in the communication between boss and subordinate through the use of feedback between them. PA feedback will involve, inform, and motivate employees and also create improved supervisor-employee communications (Villanova et al., 1993), which in turn could enhance the relationship between the supervisor and employees. In empirical studies, leader-member exchange was negatively related to turnover intention (see meta-analysis by Griffeth, Hom & Gaertner, 2000). Therefore, there could possibly be a negative relationship between PA satisfaction and employee turnover intentions.

One factor which affects PA satisfaction is the perceived fairness of the PA evaluation process. “An important element affecting fairness perceptions is judgment based on evidence - raters must be seen to apply performance standards consistently across employees without distortion by external pressure, corruption, or personal biases” (Poon, 2004, p.324). PA evaluations made on the basis of political considerations may violate employees’ due process. Subsequently, Vigoda (2000) noted that when
employees feel unfairly treated, they are likely to react by initially changing their job attitudes, followed in the longer term by responses that are more retaliatory such as quitting. Therefore, on the basis of the preceding arguments and related research evidence, the following hypothesis is stated:

**Hypothesis 3: PA satisfaction will negatively influence turnover intention.**

2.11 Intrinsic Motivation as Mediator

An understanding of intrinsic motivation and its component parts is necessary in order to understand its relationship with employee outcomes. In contrast to extrinsic motivation, which is based on rewards and punishments controlled by the organization (e.g. expectancy theory (Vroom, 1964)), intrinsic motivation is based on positively valued (rewarding) experiences that a person gets directly from their work tasks (Deci, 1975; Deci & Ryan, 1985). These positive experiences serve to get an individual excited, involved, committed, and energized by their work (Thomas & Tymon, 1997). At its heart, intrinsic motivation is about passion and positive feelings that people get from their work. These feelings reinforce and energize employees’ self-management efforts and make work personally fulfilling. Building intrinsic motivation, then, helps to create an upward spiral of positive feelings and experiences (Thomas, 2000). Thomas and Velthouse (1990) argued that intrinsic motivation is the key motivational/psychological component of employee empowerment. Manz (1991) noted that intrinsic motivation enables employees to become self-managing or self-leading, which in turn creates high level of self-knowledge, self-awareness, and personal responsibility (Hall & Moss, 1998). Individuals with high intrinsic motivation will become more self-correcting in response to changing demands from
the environment, without waiting for formal training and development from the organization.

Thomas and Velthouse (1990) research resulted in a comprehensive model of intrinsic motivation consisting of four essential judgments, called “task assessments”, which consist of feelings of meaningfulness, choice, competence, and progress; when combined, the four elements make up the set of intrinsic rewards that are necessary to produce and sustain empowerment (Thomas & Tymon, 1994). Quigley and Tymon (2006) noted that the feeling of meaningfulness occurs when an individual is progressing on a path that they believe is worth their time and energy, in which the purpose or objective that they are pursuing matters to them. They continued to explain that the feeling of progress involves a person’s sense that a task is moving forward and that their activities are really accomplishing something. The feeling of choice occurs when an individual feels free to choose activities that make sense to them and is able to perform them in ways that seem appropriate. Here, the authors noted that the individual feels they are able to use their own judgment and act out of their own understanding of the task. The final component of intrinsic motivation, the feeling of competence, involves whether the individual feels skilful in performing the task activities that they have chosen (Quigley & Tymon, 2006). Based on the review done on PA (earlier part of this chapter), I believe that these four elements of intrinsic motivation are visible in the PA process and activities. For example, PA provides direction for the employees (the feeling of meaningfulness). It allows employees to discuss the activities which are required and performance standards which should be met (the feeling of choice). Furthermore, PA is used to monitor the employee's performance, which are in-line with the goals and objectives set by the department/organization (the feeling of progress). Finally, the feedback from the PA
activities describes the feeling of competence, which is the final component of intrinsic motivation.

From the PA perspective, intrinsic motivation focuses on enriching attitudes, experiences and skills. Earley, Northeaft, Lee and Lituchy (1990) noted that goal setting and feedback are widely believed to affect performance positively through enhancing the motivation necessary for work performance. Accordingly, there could be a possible relationship between PA satisfaction and employee outcomes, which may be mediated by intrinsic motivation.

PA activities such as participation, identification of goals/objectives and feedback may affects satisfaction with PA, which finally may affect employee motivation and productivity (Roberts & Reed, 1996). Moreover, Latham (2003) noted that by using PA systems to communicate and translate strategic visions and goals to employees, employees may experience enhance intrinsic motivation through higher meaningfulness of work. This is based on the argument that superordinate goals have the capacity to convey to employees something in which they can believe (Latham, 2003).

Ganesan and Weitz (as cited by Kuvaas, 2006) found a positive relationship between intrinsic motivation and affective commitment, which suggest that some of the benefits associated with a challenging and interesting job are attributed to the organization. Richer, Blanchard and Vallerand (2002) noted that employees with interesting, enjoyable and exciting jobs have less interest in quitting their job. This is due to the less likeliness to be attracted by extrinsic rewards offered by other organizations. Finally, several studies have reported negative and significant correlations between intrinsic motivation and turnover intentions (e.g. Kuvaas, 2006;
Richer et al., 2002). Therefore, similar consequences are expected in the Malaysian setting, which leads to the exploration of the final hypothesis in the present field study:

**Hypothesis 4: The relationships between:**

a) *PA satisfaction and work performance;*

b) *PA satisfaction and affective commitment; and*

c) *PA satisfaction and turnover intention*

*are mediated by intrinsic motivation.*
CHAPTER 3: RESEARCH METHODOLOGY

In this chapter, the operationalization of the research will be described, after which the actual process followed to conduct the research, will be explained. This study takes the form of a quantitative design. According to Leedy (1993), quantitative research is impersonally experimental, manipulating variables and controlling natural phenomena, by constructing hypotheses and testing them against the hard facts of reality. Christensen (1985) noted that this approach is the most appropriate one to use if the purpose of an investigation is to describe the degree of relationship which exists between the variables.

The empirical part of the research will be discussed in this chapter. The empirical objectives of the study were to explore alternative relationships between performance appraisal satisfaction and employee outcomes in the form of work performance, affective organizational commitment and turnover intention in Malaysia. In addition, the study also examines the hypotheses which claim that intrinsic work motivation will mediate the relationship between PA satisfaction and employee outcomes. This chapter will discuss the sampling, measuring instruments, data gathering and data analysis processes used in the study.

3.1 Population and Sample

Since the concepts that were discussed in the study (performance appraisal, work performance, affective organizational commitment, turnover intentions and intrinsic motivation) are rather complex, in terms of their utilization and applicability, it was decided that only people in organization which conduct formal performance appraisal
would be approached. This would mean that the samples have not only had exposure to these concepts, they may know how it affects them as individuals, their subordinates and possibly the functioning of PA in their entire organization. To ensure that the sample selected did have a formal PA system in his/her organization, the sample were asked beforehand if he/she had encounter formal appraisal system in his/her current organization. As for the questionnaire sent via email, clear instructions were given to the samples - the sample selected was only requested to fill in the questionnaire if he/she had a formal PA system in place.

The method used in sampling is convenience sampling, which is a type of non-probability sampling technique. It is the method most commonly employed in many practical situations. There are several reasons why this sampling technique was chosen. They are:

a) Data can be collected rapidly and inexpensively - quick, convenient and economical.

b) The need of enough data for quick diagnosis of the situation.

c) Time constraint which needs to be addressed.

3.2 Data Collection

A total of 940 questionnaires were distributed - 190 questionnaires were distributed via email and 750 by walk-in survey. Total returned questionnaires were 311 representing a response rate of approximately 33.09 percent. 8 questionnaires were excluded due to missing and incomplete answers. Questionnaire was sent via email to 190 employees who are working in organizations located all over peninsular
Malaysia. The reason it was sent via email is because it could reach a wide geographic area quickly, which could ensure representativeness and generalizability of the findings. Moreover, by sending it via email, the respondents were able to answer the survey at their own pace. To increase the size of the respondents, walk in were also done, especially within Klang valley. A cover letter was attached with the questionnaire to explain the objective of the study and encouraged employees to participate in the study. The completion of these questionnaires was entirely voluntary and responses were anonymous and were treated with strictest confidentiality.

3.3 Measures

All items were measured on a 5-point Likert scale (1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree).

3.3.1 Satisfaction with Performance Appraisal (Independent Variable)

The measure of employees’ satisfaction with performance appraisal was adopted based on prior work by Meyer & Smith (2000). The scale consist of seven items concerning the overall satisfaction with PA activities within an organization (e.g. ‘I am satisfied with the way my organization provides me with feedback’), the adequacy of feedback employees receive (e.g. ‘the feedback I receive on how I do my job is highly relevant’), and employees’ perceptions of their organization’s commitment to conducting developmental performance appraisal (e.g. ‘My organization seems more engaged in providing positive feedback for good performance than criticizing poor
performance’ and ‘I think that my organization attempts to conduct performance appraisal the best possible way’).

3.3.2 Intrinsic Motivation (Mediating Variable)

A commonly used questionnaire (Cameron & Pierce, 1994) was adopted to measure employees’ intrinsic work motivation. The scale consists of six items. Examples of the items include ‘My job is so interesting that it is a motivation in itself’, ‘The tasks that I do at work are enjoyable’ and ‘The tasks that I do at work are themselves representing a driving power in my job’.

3.3.3 Work Performance (Dependent Variable)

Work performance was measured by using six items based on prior measures (e.g. Kuvaas, 2006). Example items are ‘I intentionally expend a great deal of effort in carrying out my job’, ‘I almost always perform better than what can be characterized as acceptable performance’ and ‘The quality of my work is top-notch.’

3.3.4 Affective Organizational Commitment (Dependant Variable)

The measure of affective organizational commitment was adopted based on prior work by Meyer, Allen & Smith (1993). Examples of items are ‘This organization has a great deal of personal meaning for me’, ‘I do not feel a strong sense of belonging to my organization (reversed)’ and ‘I do not feel like ‘part of the family’ at my organization’ (reversed).
3.3.5 Turnover Intention (Dependent Variable)

A commonly used questionnaire (e.g. Meyer & Smith, 2000; Naresh, 2001) was adopted to measure employees’ turnover intentions. The scale consists of five items. Examples of items are such as ‘I will probably look for a new job in the next year’, ‘I do not see much prospects for the future in this organization’ and ‘I often think about quitting my present job.’

3.3.6 Summary of Measures

Each measure used in this study is highly reliable. The Cronbach’s Alpha value for each variable, as reported by previous researchers, is shown in Table 3.1. The lowest reported Cronbach’s Alpha value is 0.75 (work performance) where else the highest reported Cronbach’s Alpha value is 0.93 (performance appraisal satisfaction).

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meyer &amp; Smith (2000)</td>
<td>Performance Appraisal</td>
<td>0.93</td>
</tr>
<tr>
<td>7 items Likert scale</td>
<td>Satisfaction</td>
<td>(Meyer &amp; Smith, 2000)</td>
</tr>
<tr>
<td>Meyer &amp; Smith (2000)</td>
<td>Intrinsic</td>
<td>0.86</td>
</tr>
<tr>
<td>6 items Likert scale</td>
<td>Motivation</td>
<td>(Kuvaas, 2007)</td>
</tr>
<tr>
<td>Kuvaas (2006)</td>
<td>Work</td>
<td>0.75</td>
</tr>
<tr>
<td>6 items Likert scale</td>
<td>Performance</td>
<td>(Kuvaas, 2007)</td>
</tr>
<tr>
<td>Meyer, Allen &amp; Smith (1993)</td>
<td>Affective Organizational</td>
<td>0.81</td>
</tr>
<tr>
<td>6 items Likert scale</td>
<td>Commitment</td>
<td>(Kuvaas, 2007)</td>
</tr>
<tr>
<td>Meyer &amp; Smith (2000)</td>
<td>Turnover</td>
<td>0.92</td>
</tr>
<tr>
<td>5 items Likert scale</td>
<td>Intentions</td>
<td>(Meyer &amp; Smith, 2000)</td>
</tr>
</tbody>
</table>
3.4 Analysis

All statistical analyses will be carried out using the SPSS software, version 16. The analyses that are going to be examined in the study will include:

a) Descriptive analysis - to measure the distribution of the data collected across the demographic, independent, mediating and dependent variables.

b) Factor analysis - to measure whether the questionnaire contributes significantly to the factor which they measure and to group item accordingly to the factor they measure.

c) Reliability analysis - to measure the consistency of the scales used in this study.

d) Correlation analysis – to measure the relationship between performance appraisal satisfaction, intrinsic motivation and work performance, affective organizational commitment and turnover intention.

e) Multiple regression analysis - multiple regression analysis with PA satisfaction as predictor and employee outcomes as the dependent variables, which is used to analyze how much of PA satisfaction will explain employee outcomes in the Malaysian context.

f) Hierarchical multiple regression analysis - the three-step procedure recommended by Baron and Kenny (1986) was used to estimate the effect of intrinsic motivation on the relationship between PA satisfaction and employee outcomes.
3.5 Ethical Considerations

The researcher maintained scientific objectivity throughout the study, recognizing the limitations of his competence. Every person involved in the study was entitled to the right of privacy and dignity of treatment, and no personal harm was caused to subjects in the research. Information obtained was held in strict confidentiality by the researcher. All assistance, collaboration of others and sources from which information was drawn is acknowledged. The following ethical considerations were at the base of this research.

a) Fairness.

b) Honesty.

c) Openness of intent.

d) Disclosure of methods.

e) The ends for which the research was executed.

f) Respect or the integrity of the individuals

g) The obligation of the researcher to guarantee unequivocally individual privacy.

h) Informed willingness on the part of the subjects to participate voluntarily in the research activity.

Finally, all research findings will be presented honestly, without distortion.
CHAPTER 4: RESEARCH FINDINGS

In this chapter, the results of the empirical study are reported. Results are presented in respect of the relationship between satisfaction with performance appraisal and employee outcomes, in the form of work performance, affective organizational commitment and turnover intention, within the Malaysia context. The results will provide the basis for rejection or confirmation of the research hypothesis indicated in chapter 2.

4.1 Introduction

The following empirical aims have been identified:

a) To determine the empirical relationship between performance appraisal satisfaction and employee outcomes.

b) To determine if intrinsic motivation will mediate the relationship between performance appraisal satisfaction and employee outcome.

The hypotheses are as follows:

$H1$: PA satisfaction will positively influence work performance.

$H2$: PA satisfaction will positively influence affective organizational commitment.

$H3$: PA satisfaction will positively negatively influence turnover intention.

$H4$: The relationships between:

a) PA satisfaction and work performance;
b) PA satisfaction and affective commitment; and

c) PA satisfaction and turnover intention

are mediated by intrinsic motivation.

4.2 Frequency Analysis

The samples involved in this present study were 303 individuals who are working in different organizations throughout Malaysia. From the total respondents of 303, there were almost equal distributions of the sample in relation to gender, where 168 respondents were female, while the rest comprised of male respondents. Of the samples, majority of the respondent were from the middle age group (89.8 percent) whereas only a small percentage was from the younger and older group. Majority of the respondents were highly educated, where 66 percent have completed their degree and another 29.7 have even completed their post-graduate studies. Half of the total respondents reported that their position within their firm were at executive level or higher where else 33.1 percent reported that they were at lower level in their organizational hierarchy (Please refer to Figure 4.1). Majority of the sample reported to be middle income earners. This was followed by high income earners. Only 9.9 percent from the total respondent reported to be earning less or equal to RM2000 per month. Furthermore, almost 2/3 of the total respondents noted that they’ve been working in their current organization for less or equal to 5 years where else the remaining respondents has been working in their current organization for more than 5 years. Table 4.1 displays the main characteristics of the sample.
Figure 4.1

Distribution of sample based on job position

Table 4.1

Profile of respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 – 24 years</td>
<td>19</td>
<td>6.3</td>
</tr>
<tr>
<td>25 – 29 years</td>
<td>137</td>
<td>45.2</td>
</tr>
<tr>
<td>30 – 34 years</td>
<td>77</td>
<td>25.4</td>
</tr>
<tr>
<td>35 – 39 years</td>
<td>42</td>
<td>13.9</td>
</tr>
<tr>
<td>40 – 44 years</td>
<td>16</td>
<td>5.3</td>
</tr>
<tr>
<td>45 and above</td>
<td>12</td>
<td>4.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Gender</strong></th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>168</td>
<td>55.4</td>
</tr>
<tr>
<td>Male</td>
<td>135</td>
<td>44.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Education Level</strong></th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary</td>
<td>5</td>
<td>1.7</td>
</tr>
<tr>
<td>Diploma</td>
<td>8</td>
<td>2.6</td>
</tr>
<tr>
<td>Degree</td>
<td>200</td>
<td>66.0</td>
</tr>
<tr>
<td>Post-graduate</td>
<td>90</td>
<td>29.7</td>
</tr>
</tbody>
</table>
### Marital Status

<table>
<thead>
<tr>
<th>Status</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>158</td>
<td>52.1</td>
</tr>
<tr>
<td>Married</td>
<td>143</td>
<td>47.2</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>.7</td>
</tr>
</tbody>
</table>

### Current Job Position

<table>
<thead>
<tr>
<th>Position</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative / Clerical</td>
<td>15</td>
<td>5.0</td>
</tr>
<tr>
<td>Assistant Manager</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>Technician</td>
<td>85</td>
<td>28.1</td>
</tr>
<tr>
<td>Manager</td>
<td>48</td>
<td>15.8</td>
</tr>
<tr>
<td>Executive</td>
<td>29</td>
<td>9.6</td>
</tr>
<tr>
<td>Senior Manager</td>
<td>56</td>
<td>18.5</td>
</tr>
<tr>
<td>Senior Executive</td>
<td>18</td>
<td>5.9</td>
</tr>
<tr>
<td>Others</td>
<td>51</td>
<td>16.8</td>
</tr>
</tbody>
</table>

### Expected Monthly Personal Income

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than RM1,500</td>
<td>16</td>
<td>5.3</td>
</tr>
<tr>
<td>RM1,501 - RM2,000</td>
<td>14</td>
<td>4.6</td>
</tr>
<tr>
<td>RM2,001 - RM2,500</td>
<td>37</td>
<td>12.2</td>
</tr>
<tr>
<td>RM2,501 - RM3,000</td>
<td>35</td>
<td>11.6</td>
</tr>
<tr>
<td>RM3,001 - RM3,500</td>
<td>45</td>
<td>14.9</td>
</tr>
<tr>
<td>RM3,501 - RM4,000</td>
<td>25</td>
<td>8.3</td>
</tr>
<tr>
<td>RM4,001 - RM4,500</td>
<td>47</td>
<td>15.5</td>
</tr>
<tr>
<td>More than RM4,500</td>
<td>84</td>
<td>27.7</td>
</tr>
</tbody>
</table>

### Tenure with Current Employer

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 years</td>
<td>103</td>
<td>34.0</td>
</tr>
<tr>
<td>2 - 5 years</td>
<td>99</td>
<td>32.7</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td>69</td>
<td>22.8</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>32</td>
<td>10.6</td>
</tr>
</tbody>
</table>

## 4.3 Factor and Reliability Analysis

Factor analysis refers to an exploratory form of multivariate analysis that takes a large number of variables or objects and aims to identify a small number of factors that
explain the interrelations among the variables or objects. It is used to determine the number of components in a set of data. These components are then named according to their characteristics allowing a researcher to break down information into statistical groups.

In this study, a principle component analysis was performed on the independent, mediating and dependent variables, individually. Since there were three dependent variables, principle component analyses with Varimax rotation were performed on these variables. The main objective of this analysis is to determine if the items in the questionnaire contribute significantly to the variables which they measure. Furthermore, this analysis was utilized to reduce the data to the required scales. The generally accepted criteria for factor analysis is Eigenvalues of greater than 1.0 and item loading of greater than 0.30 (Coakes & Steeds, 2007). The variable items (questions) that failed to exceed 0.30 were suppressed from consideration. Kaiser (1974) noted that KMO measures sampling adequacy which is greater than 0.5 as acceptable. Furthermore, the Barthlett’ Test of Sphericity is highly significant ($p < 0.001$) and therefore the factor analysis is appropriate.

Cronbach’s alpha was used as a measure of reliability to measure the consistency of the scale. Cronbach's alpha measures how well a set of items (or variables) measures a single uni-dimensional latent construct. When data have a multidimensional structure, Cronbach's alpha will usually be low. Technically speaking, Cronbach's alpha is not a statistical test - it is a coefficient of reliability (or consistency). After factor analysis was carried out, most of the variables showed an acceptable range of reliability. Hair, Black, Babin, Rolph, Anderson and Tatham (2006) noted that reliability coefficients of 0.7 or more are considered adequate.
4.3.1 Factor and Reliability Analysis on Performance Appraisal Satisfaction

As expected, the items for the performance appraisal satisfaction loaded cleanly into one factor, with Eigenvalues greater than 1.0 and the total variance explained was 55.26% of the total variance. KMO measure of sampling adequacy was .884 indicating sufficient inter-correlations while the Bartlett’s Test of Sphericity showed Chi-Square of 927.421 and was statistically significant ($p < 0.001$). Table 4.2 shows the results of the factor analysis conducted on the independent variable.

Table 4.2

<table>
<thead>
<tr>
<th>Performance Appraisal Satisfaction</th>
<th>Component 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am satisfied with the way my organization provides me with feedback</td>
<td>.881</td>
</tr>
<tr>
<td>The feedback I receive on how I do my job is highly relevant</td>
<td>.661</td>
</tr>
<tr>
<td>My organization is good at providing recognition for good performance</td>
<td>.829</td>
</tr>
<tr>
<td>The feedback I receive agrees with what I have actually achieved</td>
<td>.854</td>
</tr>
<tr>
<td>I think that my organization attempts to conduct performance appraisal</td>
<td>.746</td>
</tr>
<tr>
<td>the best possible way</td>
<td></td>
</tr>
<tr>
<td>My organization seems more engaged in providing positive feedback for</td>
<td>.689</td>
</tr>
<tr>
<td>good performance than criticizing poor performance</td>
<td></td>
</tr>
<tr>
<td>Performance appraisal is valuable to me as well as to my organization</td>
<td>.458</td>
</tr>
<tr>
<td>Initial Eigenvalues</td>
<td>3.868</td>
</tr>
<tr>
<td>Percentage of variance</td>
<td>55.26</td>
</tr>
<tr>
<td>Cronbach’s Alpha</td>
<td>0.86</td>
</tr>
</tbody>
</table>

Notes

Extraction Method: Principal Component Analysis.
4.3.2 Factor and Reliability Analysis on Intrinsic Motivation

The items for the intrinsic motivation loaded cleanly into one factor, with Eigenvalues greater than 1.0 and the total variance explained was 69.41% of the total variance. KMO measure of sampling adequacy was .902 indicating sufficient inter-correlations while the Bartlett’s Test of Sphericity showed Chi-Square of 1182.639 and was statistically significant (p < 0.001). Table 4.3 shows the results of the factor analysis conducted on the mediating variable.

Table 4.3

<table>
<thead>
<tr>
<th>Factor analysis on mediating variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Intrinsic Motivation</td>
</tr>
<tr>
<td>The tasks that I do at work are enjoyable</td>
</tr>
<tr>
<td>My job is so interesting that it is a motivation in itself</td>
</tr>
<tr>
<td>The tasks that I do at work are themselves representing a driving power in my job</td>
</tr>
<tr>
<td>My job is meaningful</td>
</tr>
<tr>
<td>I feel lucky being paid for a job I like this much</td>
</tr>
<tr>
<td>The job is like a hobby to me</td>
</tr>
<tr>
<td>Initial Eigenvalues</td>
</tr>
<tr>
<td>Percentage of variance</td>
</tr>
<tr>
<td>Cronbach’s Alpha</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

4.3.3 Factor and Reliability Analysis on Dependent Variables

Table 4.4 shows that result of the factor analysis for the dependent measures. KMO measure of sampling adequacy was .809 indicating sufficient inter-correlations while
the Bartlett’s Test of Sphericity was statistically significant (Chi-Square = 2732.595, p < 0.001). The items for dependent variable loaded into three factors; Turnover Intention, Affective Organizational Commitment and Work Performance, respectively. These results confirm that each of these constructs is uni-dimensional and factorially distinct and that all items used to measure a particular construct loaded on a single factor. Therefore, the final scales were computed by averaging the total items for each variable.

**Table 4.4**

Factor analysis on dependent variables with Varimax rotation

<table>
<thead>
<tr>
<th></th>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Turnover Intention</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I will probably look for a new job in the next year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.885</td>
</tr>
<tr>
<td>I may quit my present job next year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.881</td>
</tr>
<tr>
<td>I will likely actively look for a new job within the next three years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.821</td>
</tr>
<tr>
<td>I often think about quitting my present job</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.811</td>
</tr>
<tr>
<td>I do not see much prospects for the future in this organization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.745</td>
</tr>
<tr>
<td><strong>Work Performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I almost always perform better than what can be characterized as acceptable performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.740</td>
</tr>
<tr>
<td>I often perform better than what can be expected</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.816</td>
</tr>
<tr>
<td>I often expend extra effort in carrying out my job</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.802</td>
</tr>
<tr>
<td>I try to work as hard as possible</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.690</td>
</tr>
<tr>
<td>The quality of my work is top-notch</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.765</td>
</tr>
<tr>
<td>I intentionally expend a great deal of effort in carrying out my job</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.723</td>
</tr>
<tr>
<td><strong>Affective Organizational Commitment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I do not feel “emotionally attached” to this</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.801</td>
</tr>
</tbody>
</table>
‘Table 4.4 continued’

organization
I do not feel a strong sense of belonging to my organization .860
This organization has a great deal of personal meaning for me .638 .323
I really feel as if this organization’s problems are my own .76
I do not feel like “part of the family” at my organization .731
I enjoy discussing my organization with people outside it .77

<table>
<thead>
<tr>
<th>Initial Eigenvalues</th>
<th>4.978</th>
<th>3.626</th>
<th>1.607</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of variance</td>
<td>29.28</td>
<td>21.33</td>
<td>9.451</td>
</tr>
<tr>
<td>Cronbach’s Alpha</td>
<td>0.91</td>
<td>0.85</td>
<td>0.75</td>
</tr>
</tbody>
</table>

Notes

4.4 Descriptive Analysis

In this analysis, mean and standard deviation is used to explain the characteristics of the data. Mean refers to the arithmetic average of the scores and is the most frequently used measure of central tendency. It is calculated by adding up all of the scores and dividing that total by the number of scores. In general, the mean is the preferred measure of central tendency. It is appropriate when the data represent either an interval or a ratio scale and is a more precise, stable index than both the median and the mode.
In probability and statistics, the standard deviation is a measure of the dispersion of a collection of values. It can apply to a probability distribution, a random variable, a population or a data set. The standard deviation remains the most common measure of statistical dispersion, measuring how widely spread the values in a data set are. If many data points are close to the mean, the standard deviation is small; if many data points are far from the mean, then the standard deviation is large. If all data values are equal, then the standard deviation is zero.

In the Table 4.5 below, the descriptive statistics of the variables are presented. Among the dependent variables, work performance was perceived to be the highest ($M = 3.8493$, $SD = 0.49205$) in the Malaysian context. This was followed by turnover intention ($M = 3.1663$, $SD = 0.95767$) and affective organizational commitment ($M = 3.1111$, $SD = 0.61330$). Satisfaction with performance appraisal ($M = 3.3494$, $SD = 0.68674$) and intrinsic motivation ($M = 3.4780$, $SD = 0.77278$) among the employees in Malaysia is moderate. In all variables, standard deviations were noticed to be small ($< 1$), which represents that the data are tightly concentrated to the mean.

**Table 4.5**

Descriptive analysis of the variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAS</td>
<td>3.3494</td>
<td>.68674</td>
</tr>
<tr>
<td>IM</td>
<td>3.4780</td>
<td>.77278</td>
</tr>
<tr>
<td>WP</td>
<td>3.8493</td>
<td>.49205</td>
</tr>
<tr>
<td>AOC</td>
<td>3.1111</td>
<td>.61330</td>
</tr>
<tr>
<td>TI</td>
<td>3.1663</td>
<td>.95767</td>
</tr>
</tbody>
</table>

Notes

PAS = Performance Appraisal Satisfaction, IM = Intrinsic Motivation, TI = Turnover Intention, AOC = Affective Commitment, WP = Work Performance.
4.5 Correlations Analysis

Correlation refers to synonym for association or the relationship between variables. It measures the degree to which two sets of data are related. Higher correlation value indicates stronger relationship between both sets of data. When the correlation is 1 or -1, a perfectly linear positive or negative relationship exists; when the correlation is 0, there is no relationship between the two sets of data.

Coetzee (2003) noted that when considering the correlation between the independent variable (performance appraisal satisfaction) and the dependent variables (work performance, affective organizational commitment and turnover intention), the larger the magnitude of the correlation, the stronger the linear association. The standard correlation coefficient is Pearson's r. which applies primarily to variables distributed more or less along interval or ratio scales of measurement.

Table 4.6 present the inter-correlations among the variables being explored. From the analysis, it is noted that performance appraisal satisfaction is positively yet weakly correlated (r = .162, p < 0.01) with employees’ work performance. On the other hand, performance appraisal satisfaction was positively and highly correlated with affective organizational commitment (r = .580, p < 0.01). However, it was noticed that performance appraisal satisfaction and turnover intentions was negatively correlated (r = -0.504, p < 0.01). It is evident that the subscales for the dependent variables were moderately inter-correlated, indicating a great deal of independence of the three subscales and therefore establishes the discriminant validity of the subscales.
Table 4.6

Correlations among the variables

<table>
<thead>
<tr>
<th></th>
<th>PAS</th>
<th>IM</th>
<th>WP</th>
<th>AOC</th>
<th>TI</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAS</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IM</td>
<td>.554*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WP</td>
<td>.162*</td>
<td>.283**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AOC</td>
<td>.580**</td>
<td>.520**</td>
<td>.137*</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>TI</td>
<td>-.504**</td>
<td>-.460**</td>
<td>.020</td>
<td>-.468**</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes
PAS = Performance Appraisal Satisfaction, IM = Intrinsic Motivation, TI = Turnover Intention, AOC = Affective Commitment, WP = Work Performance.

*p < 0.05; **p < 0.01

4.6 Regression Analysis

Regression is a measure of association between two quantitative variables. This form of statistical test is only possible with interval or ratio data. If an independent variable and a dependent variable are placed on the two axis of a graph with the actual data then scattered on the graph, it is possible to draw a line through the resulting points in a way that minimizes the distance between the points. The resulting line (which may be straight or curved) is a regression line. Any particular value for the dependent variable can then be predicted by multiplying the value of independent variable by the regression coefficient (a number which determines the slope of the line). It helps in predictability; if you know one variable, how well you can predict another.

In this study, the regression analysis was used to test the hypotheses. To test the direct effect hypotheses, the dependent variables were first regressed onto the performance appraisal satisfaction variable. In a second step intrinsic motivation was entered. The
three-step procedure recommended by Baron and Kenny (1986) was used to estimate the mediation hypotheses.

Results from the regression models are presented in Table 4.7 and Table 4.8. The first step of the regression models in Table 4.7 is used to test the direct relationships. These analyses show that performance appraisal satisfaction is positively influenced by work performance ($\beta = .116$, $p < .01$) and affective organizational commitment ($\beta = .518$, $p < .001$). On the other hand, turnover intention ($\beta = -.703$, $p < .001$) was found to negatively influence performance appraisal satisfaction. Thus, all three hypotheses H1, H2 and H3 were accepted.

In the three-step procedure recommended by Baron and Kenny (1986) to test the mediating relationship, first, the independent variable must be significantly associated with the mediating variable. The results in Table 4.8 show that the first criteria is met, where the independent variable is associated with the mediating variable ($\beta = .623$, $p < .001$). Next, the independent variable must be significantly associated with the dependent variables. This condition is also met and is shown in the first step in Table 4.7. Finally, Baron and Kenny (1986) noted that after the mediator is entered in the regression model, the relationship between the independent and dependent variables should either disappear (full mediation) or significantly diminish (partial mediation). This condition is met for all the variables, where the relationship between PAS and work performance is fully mediated by intrinsic motivation where else the relationship between PAS and affective organizational commitment and turnover intention is partially mediated by intrinsic motivation. Thus, Hypotheses H4a, H4b and H4c are accepted.
Table 4.7

Regression results testing the direct and mediation models

<table>
<thead>
<tr>
<th>Variables</th>
<th>Work Performance</th>
<th>Affective Commitment</th>
<th>Turnover Intention</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct Effect</td>
<td>Mediated Effect</td>
<td>Direct Effect</td>
</tr>
<tr>
<td>PAS</td>
<td>.116**</td>
<td>.006</td>
<td>.518***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-.703***</td>
</tr>
<tr>
<td>IM</td>
<td>.177***</td>
<td>.228***</td>
<td></td>
</tr>
<tr>
<td>ΔR²</td>
<td>.054***</td>
<td></td>
<td>.057***</td>
</tr>
<tr>
<td>R²</td>
<td>.026**</td>
<td>.080***</td>
<td>.336***</td>
</tr>
<tr>
<td>F</td>
<td>8.13**</td>
<td>13.064***</td>
<td>152.221***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>102.626***</td>
</tr>
</tbody>
</table>

Notes

PAS = Performance Appraisal Satisfaction, IM = Intrinsic Motivation.
Standardized regression coefficients are shown.
N = 303. *p < .05; **p < .01; ***p < .001.

Table 4.8

Regression results testing performance appraisal satisfaction with intrinsic motivation

<table>
<thead>
<tr>
<th>Variable</th>
<th>Intrinsic Motivation</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAS</td>
<td>.623***</td>
</tr>
<tr>
<td>R²</td>
<td>.307</td>
</tr>
<tr>
<td>F</td>
<td>133.252***</td>
</tr>
</tbody>
</table>

Notes

PAS = Performance Appraisal Satisfaction.
Standardized regression coefficients are shown.
N = 303. ***p < .001.
CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

The purpose of this chapter is to discuss the findings of the research process. Furthermore, several productive suggestions were given to enhance the research within the same field in the future.

5.1 Discussions and Conclusions

The primary objective of this research was to explore the alternate relationships between performance appraisal satisfaction and employee outcomes, in the form of work performance, affective organizational commitment and turnover intention. The key findings indicated that satisfaction with performance appraisal process positively influences employees’ work performance and affective organizational commitment where else negatively influences employees’ turnover intention. Furthermore, the relationship between satisfaction with performance appraisal and work performance was fully mediated by intrinsic motivation where else the relationship between performance appraisal satisfaction and affective organizational commitment and turnover intention are partially mediated by intrinsic motivation. There are several researches in the past which has indicated similar relationships (e.g. Kuvaas, 2006; Levy & Williams, 2004; Pettijohn et al., 2001a; Roberts & Reed, 1996).

This study contributes to this research by providing additional empirical support to the opinion that performance appraisal satisfaction may enhance employees’ work performance and affective commitment thus reducing turnover intention. The findings also highlights that employees must experience positive appraisal reactions in order
for performance appraisal to positively influence employee attitudes and behaviour (Kuvaas, 2006; Murphy & Cleveland, 1995).

Klein and Snell (1994) noted that goal setting in performance appraisal process had a greater impact on attitudinal reactions for poor performers, probably because these employees needed goal setting to clarify what was needed in order to improve performance. This study revealed that there exist a relatively weak relationship between performance appraisal satisfaction and work performance ($\beta = .116, p < .01$), but a moderate and strong relationship with affective organizational commitment ($\beta = .518, p < .001$) and turnover intention ($\beta = -.703, p < .001$), respectively, before intrinsic motivation was included in the regression model. Thus, whereas the ultimate goal of performance appraisal is to improve the effectiveness of employees (Kuvaas, 2006), the findings from this study suggest that it is more effective in influencing attitudes and behavioural intentions (affective organizational commitment and turnover intention) than in increasing work performance. This is because employee work performance is relatively strongly influenced by individual abilities and skills (Sonnentag & Frese, 2002) and constrained by technology and work design (Organ, 1997).

This findings from the mediation analysis indicated that intrinsic motivation are necessary for performance appraisal to positively influence work performance. Furthermore, since intrinsic motivation was a very strong predictor of work performance, one intriguing interpretation is that performance appraisal may not have much effect for the employees who have the greatest need to learn and develop.

Furthermore, the partial mediation by intrinsic motivation on the relationship between performance appraisal satisfaction and affective organizational commitment and
intrinsic motivation indicates that both performance appraisal satisfaction and intrinsic motivation has a substantial effect on these two variables. This is probably due to several components within the PA process, such as continuous feedback and role clarity which could have a more positive impact on employees’ affective organizational commitment and intention to stay. Moreover, the passion and positive feelings towards the work can enhance the employees’ affective organizational commitment while reducing their turnover intention.

5.2 Suggestion for Future Research

An interesting avenue for future research would be to investigate the relationship between performance appraisal satisfaction and different types of performance, namely contextual performance (i.e. behaviours that support the broader organizational, social and psychological environment (Motowidlo & Van Scotter, 1994)), organizational citizenship behaviour (Organ, 1988) and pro-social organizational behaviour (George & Brief, 1992). Future research should also attempt to investigate the effect of performance appraisal satisfaction on other types of employee outcomes such as job satisfaction, job involvement and employee absenteeism.

Future research could also investigate additional factors that may mediate the relationship between performance appraisal satisfaction and employee outcomes. Kuvaa (2006) noted that among several potentially relevant dispositional variables, factors that capture dispositions or preferences toward internal versus external regulation, such as locus of control (Tang, Baldwin & Frost, 1997), need for
independence (Orpen, 1985), autonomy orientation (Lee et al., 2003) and internal ability (Fletcher, 2002), deserve further attention.

Poon (2004) conducted a study in an attempt to examine the effects of perceptions of performance appraisal politics on job satisfaction and turnover intention, within the Malaysian context. Perceptions of performance appraisal politics may have an effect on satisfaction with performance appraisal. Therefore, future research could use Poon’s (2004) model by including intrinsic motivation as the mediating variable to explore the relationship between perceptions of performance appraisal politics and employee outcomes.

Performance appraisal may lead to better compensation and promotion. Therefore, future research could use both intrinsic and extrinsic motivation (promotion, rewards) as mediating variables and/or moderating variables.

Unlike the private sector in Malaysia, Muhammad Rais (1995) noted that a common criticism of the public towards the public sector has been the poor quality of service rendered by the client/counter service staff. This is probably due to the human resource practices within the public sector which could be different than that of those applied in the private sector. Therefore, future research could concentrate on conducting a similar study to explore the differences between performance appraisal satisfaction between the public and the private sectors in Malaysia, thus to measure the differences in the level of impact performance appraisal satisfaction has on employee outcomes within these two sectors.

Future research may include an experimental study, which may be needed to examine causality on the relationships examined in the present study. Furthermore,
experimental studies may also be used to examine the effects of developmental versus evaluative performance appraisal.

5.3 Implications for Managers

Despite the limitations, the results are very encouraging insofar as they support the notion that satisfaction with performance appraisal systems does have significant relationships with important employee outcomes in the organizational context as a whole.

Furthermore, the findings reported may have some interesting implications for managers. First, the positive findings regarding work performance, affective commitment and turnover intention only describe that employees who are satisfied with how performance appraisal is conducted are indulge in higher work performance, more committed and have lower turnover intentions. Thus, in order to obtain such positive outcomes, organization should provide a performance appraisal platform where employees must report satisfaction with performance appraisal. Li and Butler (2004) noted that this can be achieved by having performance appraisal process which is characterized by autonomy support, in which employees are provided with reasons and choices for doing tasks. Moreover, participation or self-reported performance process may increase employees’ satisfaction with the process (Cawley, Keeping & Levy, 1998).

The high number of respondents who reported their performance as above average, provides a strong indication that a better management of expectations is required for the system to be successful. This can be achieved by increasing interactional justice,
giving people greater involvement in the performance management process and training all participants, not just managers, to use feedback more effectively. Increasing involvement in the performance appraisal process can be achieved by ensuring that employees agree work targets jointly with their line manager; having more frequent reviews with leaders and for leaders to ensure that they know enough about their staff and their work to give a fair worth rating.

Furthermore, the present study demonstrates that intrinsic motivation mediates the relationship between performance appraisal satisfaction and employee outcomes in the form of work performance, affective organizational commitment and turnover intention. In apparent recognition of these findings, managers should create high standards for service excellence, establish trust in employees, offer career opportunities, and, where necessary, delegate authority in order to enhance employees’ intrinsic motivation and thus their work performance and affective organizational commitment.

In sum, the present findings contribute to our understanding of the effects of performance appraisal process on the employees’ outcomes in the form of work performance, affective organizational commitment and turnover intention, as well as having implications for human resource managers.
REFERENCES


Dear Sir/Madam,

Greetings!

This survey is conducted as a partial requirement for the completion of the Master of Business Administration, University of Malaya.

The general purpose of this study is to explore alternative relationships between performance appraisal satisfaction and employee outcomes in the form of work performance, affective organizational commitment and turnover intention in Malaysia.

I would like to invite your participation in this survey by filling up the attached questionnaires. All information will be treated with the strictest confidentiality and only the aggregate data will be analysed. In other words, individuals who respond to this questionnaire will not be identified.

The survey will take approximately 5 - 10 minutes and your participation is very much appreciated.

I would really appreciate if you could return the completed questionnaire to the following email address:-

ever_four@yahoo.com

Thank you for your valuable assistance in participating in the survey.

Prepared by,
Rajendran Vignaswaran
Matric No: CGA070065

Supervised by,
Mrs. Sharmila Jayasingam
Faculty of Business & Accountancy
University of Malaya
Section A

The following set of statements describes your general perceptions towards the appraisal process in your current organization. For each statement, please indicate to which extent you feel it is agreeable or disagreeable. Please Tick “X” (or Click) on one answer. There’s no right or wrong answers.

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>I am satisfied with the way my organization provides me with feedback.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>2.</td>
<td>The feedback I receive on how I do my job is highly relevant.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>3.</td>
<td>My organization is good at providing recognition for good performance.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>4.</td>
<td>The feedback I receive agrees with what I have actually achieved.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>5.</td>
<td>I think that my organization attempts to conduct performance appraisal the best possible way.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>6.</td>
<td>My organization seems more engaged in providing positive feedback for good performance than criticizing poor performance.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>7.</td>
<td>Performance appraisal is valuable to me as well as to my organization.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

Section B

The following set of statements describes your feelings towards your current job. For each statement, please indicate to which extent you feel it is agreeable or disagreeable. Please Tick “X” (or Click) on one answer. There’s no right or wrong answers.

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The tasks that I do at work are enjoyable.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>2.</td>
<td>My job is so interesting that it is a motivation in itself.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>3.</td>
<td>The tasks that I do at work are themselves representing a driving power in my job.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>4.</td>
<td>My job is meaningful.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>5.</td>
<td>I feel lucky being paid for a job I like this much.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>6.</td>
<td>The job is like a hobby to me.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>
### Section C

The following set of statements describes your career plans in the near future. For each statement, please indicate to which extent you feel it is agreeable or disagreeable. Please Tick “X” (or Click) on one answer. There’s no right or wrong answers.

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>I will probably look for a new job in the next year.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>2.</td>
<td>I may quit my present job next year.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>3.</td>
<td>I will likely actively look for a new job within the next three years.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>4.</td>
<td>I often think about quitting my present job.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>5.</td>
<td>I do not see much prospects for the future in this organization.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

### Section D

The following set of statements describes your ability to perform your job in your organization. For each statement, please indicate to which extent you feel it is agreeable or disagreeable. Please Tick “X” (or Click) on one answer. There’s no right or wrong answers.

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>I almost always perform better than what can be characterized as acceptable performance.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>2.</td>
<td>I often perform better than what can be expected.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>3.</td>
<td>I often expend extra effort in carrying out my job.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>4.</td>
<td>I try to work as hard as possible.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>5.</td>
<td>The quality of my work is top-notch.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>6.</td>
<td>I intentionally expend a great deal of effort in carrying out my job.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>
The following set of statements describes your general feelings towards your current organization. For each statement, please indicate to which extent you feel it is agreeable or disagreeable. Please **Tick “X” (or Click)** on one answer. There’s no right or wrong answers.

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>I do not feel “emotionally attached” to this organization.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>2.</td>
<td>I do not feel a strong sense of belonging to my organization.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>3.</td>
<td>This organization has a great deal of personal meaning for me.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>4.</td>
<td>I really feel as if this organization’s problems are my own.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>5.</td>
<td>I do not feel like “part of the family” at my organization.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>6.</td>
<td>I enjoy discussing my organization with people outside it.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

You are almost done.

Now, please insert/select your demographic details in the next page...
Section F

Please Tick “X” (or Click) in the box that best describes yourself:

1. Age:
   - □ 20 – 24 years
   - □ 25 – 29 years
   - □ 30 – 34 years
   - □ 35 – 39 years
   - □ 40 – 44 years
   - □ 45 and above

2. Gender:
   - □ Female
   - □ Male

3. Educational Level:
   - □ Secondary
   - □ Diploma
   - □ Degree
   - □ Post-graduate

4. Marital Status:
   - □ Single
   - □ Married
   - □ Others

5. Current Job Position:
   - □ Administrative/Clerical
   - □ Assistant Manager
   - □ Technician
   - □ Manager
   - □ Executive
   - □ Senior Manager
   - □ Senior Executive
   - □ Others (please specify): ________________________

6. Estimated Monthly Personal Income:
   - □ Less than RM1,500
   - □ RM1,501 - RM2,000
   - □ RM2,001 - RM2,500
   - □ RM2,501 - RM3,000
   - □ RM3,001 - RM3,500
   - □ RM3,501 - RM4,000
   - □ RM4,001 - RM4,500
   - □ More than RM4,500

7. How many years have you worked for your current employer?
   - □ Less than 2 years
   - □ 2 - 5 years
   - □ 6 - 10 years
   - □ More than 10 years

Thank you very much for your assistance in completing this questionnaire.

It surely will be of great help to me.

Wish you the very best in your future.