

PERFORMANCE APPRAISAL WITH JOB SATISFACTION AND QUALITY OF
SUPERVISOR – EMPLOYEE AS A MODERATOR VARIABLE IN
SYARIKAT AIR MALACCA BERHAD (SAMB)

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I / We* hereby declare that have read this work and in
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DECLARATION

“I admit that this report is the result of my own work except summary and each of them that I have explained the sources”

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DEDICATION

I would like to dedicate the appreciation for my beloved families, lecturers and friends.

ACKNOWLEDGEMENT

First of all, I am thankful to The Almighty God for establishing me to complete this research study. Without His consent, I would never complete my final year project.

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ABSTRACT

The aim of the research is to determine whether performance appraisal relation with employee job satisfaction. Performance appraisal have four indicators which is clarify of performance expectation, level of communication between supervisor and employee, trust in supervisor, and fairness of performance appraisal process. Besides that, the study will also identify the relation of quality of supervisor – employee as a moderating variable between performance appraisal with job satisfaction. In addition, this study is also giving some recommendation on improving the relationship between supervisor and employee in an organization. The research study used quantitative method as a research instrument. Descriptive statistics was used to analyze the respondent characteristics while reliability test, factor analysis, and regression analysis was used to analyze the data for this study. In findings, relation between performance appraisal with job satisfaction was analyzed through Pearson Correlation simple regression and found that there is significant relation between those variables. Then, the multiple regressions were used to test the moderator variable and the outcome revealed that there is positive significant having a moderator variable between performance appraisal and job satisfaction. Lastly, researcher gives suggestion on how to improve the relationship of supervisor – employee such as provide actionable suggestion to employee, clarify the performance expectation on both sides of employer and employee, good communicator, loyal to employee, and treating the employee fairly throughout the performance appraisal where it can increase the level of job satisfaction among employees in Syarikat Air Malacca Berhad (SAMB).

Keywords: Performance Appraisal, Job Satisfaction, Quality of Supervisor – Employee.

ABSTRAK

Tujuan kajian penyelidikan ini ialah untuk mengenalpasti hubungan diantara penilaian prestasi dengan kepuasan pekerja-pekerja di Syarikat Air Melaka Berhad (SAMB). Penilaian prestasi mempunyai empat penunjuk seperti menjelaskan jangkaan prestasi, tahap komunikasi antara penyelia dan pekerja, tahap kepercayaan diantara penyelia, dan keadilan dalam proses penilain prestasi. Selain itu, kajian ini juga akan mekenalpasti hubungan kualiti penyelia – pekerja sebagai satu pemboleh ubah diantara penilaian prestasi dengan kepuasan kerja di syarikat tersebut. Tambahan pula, kajian ini juga memberi cadangan untuk membaiki hubungan antara penyelia dan pekerja dalam sesebuah organisasi. Pelajaran kajian ini telah menggunakan kaedah kuantitatif sebagai satu alat penyelidikan manakala statistik perihalan digunakan untuk analisis seperti ciri-ciri responden. Ujian reliabiti, analysis faktor, dan analisis regresi telah digunakan untuk menganalisis data dalam kajian ini. Hasil dalam kajian ini telah mengemukakan hubungan penting diantara penilaian dengan kepuasan kerja melalui Pearson Correlation Regresi. Selain itu, Multiple regresi digunakan untuk menguji pemboleh ubah moderator sebagai pemboleh ubah tengah dalam kajian ini dan hasilnya telah mendedahkan bahawa terdapat positif hubungan diantara penilaian prestasi dengan kepuasan kerja. Akhir sekali, kajian penyelidikan ini telah memberi cadangan untuk meningkatkan hubungan penyelia – pekerja seperti memberi cadangan-cadangan yang memberi kesan kepada pekerja, menjelaskan jangkaan prestasi kepada kedua-dua pihak iaitu penyelia dan pekerja, berkomunikasi yang baik, setia kepada pekerja, dan penyelia perlu adil dalam seluruh penilaian prestasi di mana ia boleh menambah tahap kepuasan di kalangan pekerja di Syarikat Air Melaka Berhad (SAMB).

Kata Kunci: Penilain Prestasi, Kepuasan Kerja, Kualiti Penyelia – Pekerja.

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CHAPTER 1

INTRODUCTION

In this chapter, the background of study will be describing on what is the research about, problem statement that states in the research question, research objectives as a focus for this research, scope and the importance of the study that is significant for all. As we know, performance appraisal is used to solve the review process of the existing problem that normally a formidable and cumbersome task in an organization. The purpose for guiding performance appraisal is to provide employees with feedback about their work performance based on the standard that established in the job description and analysis which is effective and efficiency. So, employee can identify their satisfaction level on particular job that they done in the organization. The scope of this research is to achieve the relation of performance appraisal which can improve the employee's job satisfaction at the workplace that enhances success in an organization.

1.1 Background of the Study

In context of Human Resource Management, assessing the outcomes of Performance Appraisals has become one of the most emphasize concerns among human resource managers or supervisors, policy makers and decision makers in an organization. This is because human resource managers want to see the impacts through the performance appraisal that the employee having and subsequently to the organizations too. This indeed helps the human resources managers to identifying the variables which it can be positive or negative that affect employee behaviours and leaving devising in performance appraisal strategies (Balakrishnan, 2007).

Performance appraisal is a vital component of a broader set of human resource practices which it is the mechanism for evaluating the extent to which each employee's day-to-day performance is linked to the goals that establishes by an organization (Coutts & Schneider 2004). The performance appraisal also known as formal, structure system, and evaluating en employee's which related to their job responsibilities. However, the outcome is to discover everything about the employee's current perform at the workplace and then they can improve their performance level more effectively in the future. Consequently, it can benefit to the employees, as well as the organization and the society too.

This research will conduct in Syarikat Air Malacca Berhad (SAMB) in Malacca, Malaysia. This company play a significant role in Water Management Malacca State and also responsible in care service and clean water distribution in this state. In addition, Syarikat Air Malacca Berhad (SAMB) is one of the private companies which more focus on performance management and become a strategic essential tool that needed at most organizations with a minimum long term of total cost in a highly competitive environment. Besides, this company also give more priority on performance appraisal which known as the most critical HRM tools to evaluate the employee's performance based on job performance at the workplace where employee can satisfy with the particular job description.

Syarikat Air Malacca Berhad (SAMB) also centralized a system of performance appraisal which can help them to identify an existing problem clearly and improve better the employee's performance at the workplace and increase their motivation through rewards and recognition system, as well as the prepare skill development training program for supervisors to develop more. The Performance Appraisal process will be analyzed through the employee's performance in comparison with the standards that already set by the Human Resource Manager for the performance of that particular job description. Furthermore, supervisor also play an important role in this process is used to determine an employee performing level in an organization, and they are able to communicates and get positive feedback from the employees. It also provides valuable input for the training and development that needs for the employees who can improve their weakness area in particular issues.

Based on researcher Dechev, Z (2010) was mentioned that the most winning organizations in the 21st century will be those to focus on integrated HR processes and system where it become more vital that include personnel related areas such as job design, resource planning, performance appraisal, recruitment, selection, compensations, and employee relations. The Human Resource Manager in Syarikat Air Malacca Berhad (SAMB) Company also mentioned that performance appraisal is one of the most critical evaluations which bring the global success in performance appraisal. Besides, the assumption of the corporate management is shows that the performance appraisal makes people to be really engaged in the business of the organization too.

Therefore, the present study is intended to determine the relationship between Performance Appraisal with employee's job satisfaction which directly helps to increase the level of productivity of employees as well as the organization too. Besides, this study also will determine about the relationship between supervisor and employee as a moderating variable between Performance Appraisal which is independent variable towards job satisfaction is dependent variable. This research will conduct the project at Syarikat Air Malacca Berhad (SAMB).

1.2 Research Question

According to Boswell and Boudreau (2002) mentioned that performance appraisal is considered as one of the Human Resources Management (HRM) strategies in an organization. It is also one of the most complex and contentious HRM techniques that organization endeavour to apply effectively in order to improve employee's job satisfaction level and organization performance. Moreover, Performance Appraisal positively contributes in enhancing the Organizational Commitment (OC) that lead to a competitive advantage if it is undertaken effectively, fairly, and honestly (Catano, 2007).

According to Human Resource Manager in Syarikat Air Malacca Berhad (SAMB) stated that performance appraisal and employee's job satisfaction are two areas that pose challenges for supervisors and it may give impact to organization too. The organization used performance appraisal to measure employee performance outcomes with its own challenges which are usually unforeseen and it affect the employee's job satisfaction level. The Human Resources Manager said that the employee job satisfaction level will affect if the performance appraisal and threaten the supervisor – employee relationship is not in good quality in the organization. This study was conducted in order to identify the relation between performance appraisal with job satisfaction and quality of supervisor – employee as a moderator variable in Syarikat Air Malacca Berhad (SAMB). Research questions constructed as below:

1. What is the relation between performance appraisals with job satisfaction?
2. What is the relation of quality of supervisor – employee between performance appraisal with job satisfaction?
3. How supervisor and employee relationship can be improve to increase employee's job satisfaction?

1.3 Research Objectives

The research objective are outlined as below,

1. To determine the relation of performance appraisal with the job satisfaction.
2. To identify the relation of quality of supervisor – employee between performance appraisal with job satisfaction.
3. To identify the improvement of the relationship of supervisor and employee to increase the job satisfaction.

1.4 Scope and Limitation of the Study

The scope of this research is to determine the influence of performance appraisal towards employee's job satisfaction level in an organization. This research will be conducted in one of the private company which is Syarikat Air Malacca Berhad (SAMB). It was established one of the famous private water management company in Malaysia and they have a few branches in this state. The focus of this research will be at Head Quarters which is Syarikat Air Malacca located at Jalan Hang Tuah, Malacca. Moreover, the respondents for this study will be the employees from this company only.

1.5 Significance of the Study

The best performance appraisals can create a bond between the organization and employee's job satisfaction level at the workplace. This research will help employees to identify their level of the job satisfaction within the organization that they gain through the Performance Appraisal. The result from the employees that based on this research will be valuable for the supervisor to identify their weakness area through performance appraisal which can improve better to have a good relationship with employees. In addition, this research also will help the employees to have a clear understanding on their role and responsibility which enable to achieve the goal setting in an organization. Meanwhile, this research also will be useful for the students who want to do any studies or research regarding on performance appraisal and job satisfaction.

CHAPTER 2

LITERATURE REVIEW

The literature review was described about the definition, purpose and significant of the Performance Appraisal in the organization. Performance Appraisal is an essential tool that used in Human Resource Department and it may give a large impact of employee's on their job satisfaction level when the performance of employees is being practiced in the organization which in turn impacts how the employee feels towards on his or her organization. So, this study found that the employee role in performance appraisal is an important role which increases the level of their job satisfaction. This study also defined that there is a relation between performance appraisals with job satisfaction. The outcome from performance appraisal will give mutual benefits to increase the level of job satisfaction as well as it help to increase the organization productivity too. This research was constructing a theoretical framework that describes detail about the independent variables which is the performance appraisal that depends on dependent variables which is the job satisfaction and quality of supervisor-employee known as moderating variable. There are four indicators of performance appraisal that need to evaluate is clarify of performance expectation, level of communication between supervisor and employee, trust in supervisor, and fairness of performance appraisal process towards job satisfaction.

2.1 Performance Appraisal

Performance appraisal is considered to encourage employees in consequent performance cycle (Heneman & Wemer, 2005). There is an increase use of performance appraisal process (Dechev, 2010) which is mostly motivated by an organizational need to have an effect on employee' attitude, behaviours, as well as organizational performance too. The outcome will be establishment on objectives that set at the beginning of the assessment cycle which is help employees to bring out their obvious performance goals view, the supervising of performance during the assessment which help the poor performers and also support to provide the high-quality performance in an organization. The capacity to achieve these positive outcomes will be in function of the performance appraisal experience (Darehzereshki, 2013).

Performance appraisal is a process by which a supervisor evaluates and judges the work performance of an employee (Walsh, et., al. 2003). Performance appraisal system includes the processes and procedures that include implementation, managing, and communication. Through this process, the supervisor can identify what employees learning about themselves, knowledge of employee's and how they contribute it to achieve the goal setting in the management. Other than that, performance appraisal is an effective process which improves in the accuracy of employee performance and establishing relationship between performances on tasks and has a clear potential for reward. So, the outcome from the performance appraisal which is use of evaluation of feedback to improve performance, employee turnover, increased motivation, and existence of feelings of equity among employees will increase the employee in their job satisfaction.

According Roberts (2003) stated that participatory performance appraisal is an important component of a fair and ethical evaluation of an employee's performance in the organization. Employee will satisfy with their job and accept with the performance appraisal strongly when they possess a meaningful role in the process. This process will measure and improve the performance of the employee. An appraisal should be done in

a systematic way within a time period where the appraiser evaluates the employee on present job and identify their potential for a better job. During appraisals, employee and the management are able to interact freely and share thought and the challenges that the employee faced at the workplace. It helps both supervisor and employee have a good relationship between them meanwhile it will increase the job satisfaction of the employees at the workplace.

The performance appraisal is a different things to different people where it defined as an evaluation of an employee's job performance to measure on how effectively their employee is performing at their job (Becton, et., al., 2007). The traditional format of this process is there is a meeting with supervisor and employee annually or twice a year ago where the supervisor can determine the employee's performance in an organization. This assessment will help the supervisor to identify the employee achievement in particular job description. In addition, there is a form to evaluate the employee where it provides for the supervisor to fill out and go over the employee.

According to Margulies, et., al. (2004) was explained that there are have some purpose for companies to conduct performance appraisals which the researcher point out the pinpointing specific behaviour or job performance that should be discontinued or reinforced, servings as an employee development and coaching tool, providing a realistic assessment for an employee's readiness for promotion and lastly serving as the basis for awarding merit pay for the employees based on their performance. These objectives of performance appraisal will improve the efficiency of an organization by attempting to mobilize the best possible efforts from the employees. According to Atiomo (2000) agree that the performance appraisal is always thought of in relation to one specific purpose which is pay which includes the fact serve to identify the training needs, improve the present employee performance, improving communication and motivation, and it aid in pay determination to increase the level of employee in their job satisfaction.

Performance appraisal is a most significant and indispensable tool for an organization where it can provide information in decision making based on various personnel aspects of employees such as promotions and merit increases (Obisi, 2011). It also helps the supervisor to measure the performance that links with the information that they gather and decision making processes which provides an effectiveness judgment for the employees such as in recruiting, selection, training, and compensation. There is a valid performance data of employee performance which is accurate, timely, and standardized based on goal setting will increase the consistency of promotion and compensation policies towards an employee through this process.

The most significant benefit of performance appraisal is there is a rare chance for a supervisor and employee to have time for a one-to-one discussion about the issues that might be addressed at the workplace. The supervisor and employee will have a good relationship and high communication level if their performance appraisal is conducted properly and timely. Other than that, this appraisal also offers a valuable opportunity for an employee to focus on work activities where they can identify the problem existing and encourage the employee to have a training which helps to improve their weakness to have a better future performance.

2.1.1 Clarify of Performance Expectation

Clarify of performance expectation which shows the scope to which employees are familiar with the purpose and role of the performance appraisal and its play in shaping an employee's fate within the organization and the performance appraisal process (Brown, et., al., 2010). All employees must involve in the performance appraisal where they can understand the organizational goals about what is expected from them and what they will expect for achieving their performance goals. It enhances the employee to satisfy with their job at the workplace. Other than that, supervisor also should train on various aspects like supervision skills, conflict resolution, coaching and counselling,

setting performance expectation, and on how they provide feedback to the employees. This training will equip the supervisor with expertise and knowledge that they required and making decision during the evaluation of the performance appraisal.

According to Greene, a senior Consultant with Human Resource Partners was mentioned that clarifying performance expectation should be made on both side of the supervisor and employee relationship. The research was shown that the process of communicating employer expectations and understanding employee expectation is one of the clear links to reduced turnover, and increased productivity, as well as increase level of employee job satisfaction in an organization. In other words, the research also defined that well-communicated expectations result will be grater in job satisfaction when compare with employees whose expectation remain unspoken. It will ensure the employee work hard and stay on the job longer in an organization.

The most significant factor in setting performance expectations will come direct from the supervisor where the guidance, feedback, and encouragement required for employee based on their job performance to measure with actual performance at the workplace. According Lee (2005) mentioned that feedback should be provided on a continuous basis which includes daily, weekly, or monthly review during the performance appraisal. It shows employee will have a better understanding based on their job performance with performance expectation, responsibilities which encourage them to work longer in an organization.

Performance expectation and standards are defining a target or purpose to accomplish the goal setting in an organization which enables employees to achieve and improve those goals. In addition, goal setting is the one of the most important factor in performance appraisal which can contribute to higher performance of employees. So, the employees will have better understand on what they need to achieve in order to full fill the objective that set by the management. Those goals will perceive as difficult to achieve in order to get a better performance as well as increase the employee's job