COMMUNICATION OPENNESS IN PERFORMANCE APPRAISAL SYSTEMS ENHANCING JOB SATISFACTION

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Abstract: *The aim of this paper is to investigate the relationship between communication openness in performance appraisal systems and job satisfaction. A survey method was employed to gather data from employees who have worked in a privatized postal company in Sarawak, Malaysia. SmartPLS version 2.0 was used to determine the validity and reliability of instrument and test the research hypotheses. The outcomes of SmartPLS path model showed that explanation and feedback were positively and significantly related to job satisfaction. This result confirms that the ability of appraisers to clearly explain the performance appraisal practices and adequately provide feedback in determining performance scores have been important predictors of appraises' job satisfaction in the studied organization. Further, this study provides discussion, implications and conclusion.*
Keywords: *Explanation, feedback, job satisfaction*

1. INTRODUCTION

Performance appraisal is a vital issue in management (Bacal, 2012; Daft, 2012), human resource management (Dessler, 2013; Mondy & Mondy, 2012), and organizational behaviour (George & Jones, 2012; Kreitner & Kinicki, 2013). It is often designed by employers to assess the ability of employees in performing duties and responsibilities, recording employee assessment results and providing solutions to enhance employee performance in organizations (Daft, 2012; Mondy & Mondy, 2014; Sabeen & Mehboob, 2008). Results of this appraisal system will usually be used by employers to build employees' strengths and minimize deficiencies, plan employees' career development, provide better recognitions to high performing employees, and make decisions about staff services such as promotion, demotion, termination, layoffs and/or

transfer (Kavanagh *et al.,* 2007; Mondy & Mondy, 2014; Noe *et al.,* 2014; Walsh & Fisher, 2005).

A recent literature on organizational management highlights that the design and administration of performance appraisal systems is much affected by employers' thoughts, namely classical management approach and contemporary management approach (Jabeen, 2011; Mondy & Mondy, 2014). In the early of industrial revolution in North America and European countries, the design of performance appraisal systems are much affected by a classical management approach as upheld by Taylor's (1856 to 1915) scientific management, Fayol's (1841 to 1925) administrative principles, and Weber's (1864 to 1920) bureaucratic organization. This classical approach emphasizes more on evaluating employee productivity based on objective measurements (Daft, 2012; Muchinsky, 2006). Under a performance appraisal based classical management approach, the nature of performance measurements is usually conducted using single-source feedback, non-participation style in decision-making, and boss centred approach. For example, appraisers (e.g., managers and/or supervisors) are given much power and authorities to assess employee abilities, identifying employees' strengths and weaknesses, determining the types of punishment and neglecting developmental aspects of employees (Daft, 2012; Erdogan, 2002; McCarthy & Garavan, 2001). Many scholars view that implementation of this appraisal system only suitable to measure employee productivity in organizations that operate in stable and less competition environments (Daft, 2012; Ismail *et al.,* 2013).

In an era of globalization, many employers have shifted the paradigms of performance appraisal from a single ratter to multiple ratter perspectives in order to obtain accurate and reliable information about employee performance (Daft, 2012; Erdogan, 2002; Noe *et al.,* 2014). This new appraisal system is strongly designed based on a contemporary management approach as upheld by humanistic perspective (i.e. human relations movement, human resources view, and behavioural sciences), system thinking and contingency view (Daft, 2012; Mondy & Mondy, 2014). This management approach gives more attention on the role of human needs, behaviour and attitudes, effect of interrelationship between subsystems in an organization, and adaptability with different situations as important factors in determining the effectiveness of management techniques (Daft, 2012). Under this management approach, the nature of performance appraisal systems allows appraisers to promote communication openness as an important instrument to increase transparency and decrease inequality gap among appraisers, as well as decrease unclear responsibilities and biasness among appraises and appraisers in determining employee scores. Further, this appraisal practice may lead employees to support organizational and human resource management's strategies and goals (Cloutier, & Vilhuber, 2008; Daft, 2012; Mondy & Mondy, 2014; Noe *et al*., 2014).

A review of the workplace performance management literature shows that communication openness in performance appraisal systems consists of two effective components: explanation and feedback (Cook & Crossman, 2004; Kavanagh *et al.,* 2007; Mondy &d Mondy, 2014; Noe *et al.,* 2014). Explanation is usually practiced by appraisers to deliver information about the goals, policies and procedures of the performance appraisal system using electronic and printed media to employees who work

in different job categories. The ability of appraises to clearly understand about the appraisal systems may enhance their appreciations about the process and systems of allocating performance scores, and motivate them to strongly support the implementation of appraisal systems in the workplace (Atiomo, 2000; Mondy & Mondy, 2014; Noe *et al.,* 2014; Obisi, 2011). Conversely, feedback is often practiced by appraisers to tell about appraises' performance scores, listen appraises' voices and justifications, discuss the appraisal outcomes and provide constructive advices to appraises about possible areas for improvement, problems that must be solved, and new responsibilities to be undertaken and involve appraises in setting up performance goals in an environment of respect and encouragement. The ability of appraises to clearly understand and accept the value of feedback that they receive from their appraisers may strongly motivate them to support the implementation of performance appraisal systems in organizations (Mondy & Mondy, 2014; Noe *et al.,* 2014**).**

Interestingly, recent studies in the workplace performance appraisal highlight that the ability of appraisers to properly implement communication openness in managing performance appraisal systems may have a significant impact on appraises' attitudes and behaviour, especially job satisfaction (Cloutier, & Vilhuber, 2008; Kavanagh *et al.,* 2007). According to an organizational behaviour perspective, job satisfaction is often related to employees' affective and/or cognitive attitudes about overall job and/or job facets may lead to induce their enjoyable feelings in organizations (Ambrose *et al.,* 2008; Judge *et al.,* 2009; Locke, 1976; McShane & Von Glinow, 2005; Maathis & Jackson, 2014).

Within a performance appraisal model, many scholars think that explanation, feedback and job satisfaction are different, but strongly interconnected concepts. For example, the ability of appraisers to clearly explain and adequately provide feedback in determining employees' performance scores can lead to an enhanced job satisfaction in the workplace (Sabeen & Mehboob, 2008; Sogra *et al.,* 2009). Although the nature of this relationship is interesting, not much is known about the role of communication openness as an important predicting variable in the workplace performance appraisal model (Cloutie & Vilhuber, 2008; Sogra *et al.*, 2009). Many scholars argue that the predicting variable of communication openness is given less attention in the previous studies because they have much described the general characteristics of communication openness, employed a simple correlation method to assess general respondent attitudes toward specific communication openness styles, and neglected to measure the magnitude and nature of the relationship between communication openness and appraises' attitudes and behavior in responsive organizations (Obisi, 2011; Sabeen & Mehboob, 2008; Sogra *et al.,* 2009). Therefore, this situation encourages the researchers to further discover the nature of this relationship.

PURPOSE OF THE STUDY

This study has twofold objectives: first, is to examine the relationship between explanation and job satisfaction. Second, is to examine the relationship between feedback and job satisfaction.

2.   LITERATURE REVIEW

The role of communication openness as important predictor of job satisfaction is consistent with the notion of organizational behaviour theory. For example, Vroom's (1964) expectancy theory explains that a person who understands the value of outcome that he/she receive may result in positive behaviour. Besides that, Bies and Moag (1986) interactional justice theory suggests that a person heavily concerns about good or bad treatment that he/she receives from another person may affect his/her feelings of justice. The essence of these theories suggest that perceive high value of outcome and fair treatment will exist if appraisers able to clearly explain about the performance appraisal systems and adequately provide feedback in determining performance scores. The essence of these theories had gained strong support from performance appraisal research literature. For example, several extant studies were done using a direct effects model to investigate communication openness based on different samples, such as perceptions of 70 managers of the manufacturing organizations listed in Indonesian Capital Market Directory (Lau & Sholihin, 2005), perceptions of 77 staff at the faculty of medicine in UZ (Ndambakuwa & Jacob, 2006), perceptions of 2,377 public sector employees (Kavanagh *et al.,* 2007), perceptions of 297 Canadian workers (Cloutier & Vilhuber, 2008), perceptions of 229 workers of public listed companies in Klang Valley, Malaysia (Sudin, 2011) and perceptions of 133 employees of multinational companies in Malaysia (Darehzereshki, 2013). Outcomes of these studies found that perceived value of outcome and perceived fair treatment had increased when the appraisers able to clearly giving explanations about the appraisal system goals, policies and procedures, as well as adequately providing feedback in determining employee performance scores. As a result, it could lead to enhanced appraises' job satisfaction in the organizations (Cloutier & Vilhuber, 2008; Darehzereshki, 2013; Kavanagh *et al.,* 2007; Lau & Sholihin, 2005; Ndambakuwa & Jacob, 2006; Sudin, 2011). Based on the literature, it was hypothesized that:

H1:   There is a positive relationship between explanation and job satisfaction.
H2:   There is a positive relationship between feedback and job satisfaction.

3.   MATERIALS AND METHOD

This study used a cross-sectional research design where it allowed the researchers to integrate performance appraisal research literature, the pilot study and the actual survey as a main procedure to gather data for this study. The main advantage of using this method may gather accurate data, less bias data and quality data (Sekaran & Bougie, 2010; Zikmund *et al.,* 2010). This study was conducted in a privatized postal company in Sarawak, Malaysia. The name of this company is kept anonymous for confidential reasons. The core business of this company is to provide day-to-day mailing services, courier and postal services for general public and retail customers. In order to maintain its competitiveness in a global economy, this company has implemented a performance appraisal related reward as a mean to improve organization and employee performance. Under this appraisal system, management employees (i.e., managers and supervisors) are exposed with proper technical and human skill courses in order to enhance their abilities

in communicating with employees who have different backgrounds that work in the various job categories. The ability of managers to clearly explain about the performance goals, policies and procedures and adequately provide feedback in determining performance scores are viewed as critical factors in attracting, retaining and motivating employees to maintain and support the organizational strategy and goals in an era of knowledge based economy. The achievement of this appraisal system is not recorded empirically and this situation has provided an opportunity to further explore its impact on employee outcomes in the organization.

At the initial stage of data collection, the survey questionnaire was drafted based on the information gathered from the workplace performance appraisal literature. Next, the pilot study was conducted by discussing the survey questionnaire with 10 managerial staff and experienced supporting staff who had worked in the organization. Their views were used to verify the content and overall format of survey questionnaire for an actual study. Hence, a back translation technique was employed to translate the survey questionnaires into English and Malay versions in order to increase the validity and reliability of research findings (Lovelock *et al.,* 2004; Sekaran & Bougie, 2010).

The survey questionnaire consisted of three sections. Firstly, explanation had 4 items and feedback had 3 items that were developed based on the workplace performance appraisal literature (Brown *et al*., 2010; Cook & Crossman, 2004). The dimensions used to measure explanation are clarification, praise, advice and rapport. Secondly, The dimensions used to measure feedback are suggestion, support, attention, and discussion. Finally, job satisfaction was measured using 5 items that were modified from Warr, Cook, and Wall's (1979) job satisfaction scale. The dimensions used to measure job satisfaction are supervision, job security, recognition, opportunity to use abilities in doing job, and promotion. All items were measured using a 7-item scale ranging from 'strongly disagree/dissatisfied' (1) to 'strongly agree/satisfied' (7). Demographic variables were used as controlling variables because this study focused on employee attitudes.

The unit of analysis for this study is employees who work in the organization. A convenient sampling technique was employed to distribute 300 survey questionnaires to employees who were ready to participate in this study. This sampling technique was chosen because the list of registered employees was not given to the researchers because of confidential reasons and this situation did not allow the researchers to choose randomly participants in the organizations. Of the total number, 129 usable questionnaires were returned to the researchers, yielding 43% response rate. Participants answered these questionnaires based on their own consent and on a voluntarily basis. This figure met the requirements of inferential statistics, therefore it could be properly analyzed to produce valid and reliable research findings (Hair *et al*., 2010; Sekaran & Bougie, 2010).

The SmartPLS version 2.0 as recommended by Henseler *et al*. (2009) was employed to analyse the validity and reliability of instrument and test the research hypotheses. This statistical package is used because it can to produce latent variable scores, avoid small sample size problems, estimate every complex model with many latent and manifest variables, handle hassle-stringent assumptions about the distribution of variables and error terms, and test both reflective and formative measurement models

(Henseler *et al.,* 2009). The procedure of data analysis is: first, confirmatory factor analysis was used to assess the validity and reliability of instrument. Second, Pearson correlation analysis was employed to estimate the validity and reliability of constructs, and descriptive statistics were employed to measure the level of constructs. Third, test the hypothesized model. The outcomes of this test will clearly show the significant relationship between the independent variable and dependent variable if the value of t statistic larger than 1.96 (Henseler *et al.,* 2009). Then, a global fit measure is conducted to validate the adequacy of PLS path model globally based on Wetzels *et al.'s* (2009) global fit measure. The value of R2 is used as an indicator of the overall predictive strength of the model. The value of R^2 is considered as follows; 0.19 (weak), 0.33 (moderate) and 0.67 (substantial) (Chin, 1998; Henseler *et al.,* 2009). Further, a global fit measure is conducted to validate the adequacy of PLS path model globally based on Wetzels *et al.'s* (2009) global fit measure. This result confirms that the PLS path model has better explaining power in comparison with the baseline values (GoF small=0.1, GoF medium=0.25, GoF large=0.36). If the results of testing hypothesized model greater than the cut-off value of 0.36 for large effect sizes of R², showing that it adequately support the PLS path model globally.

4.   RESULTS

Table 1 shows that most respondents were males (76.7%), aged between 26 to 35 years old (29.5%), SPM holders (53.5%), served more than 18 years (27.1%), and non-management employees (54.3%).

Table 1 Respondents' characteristic (N=129)

Respondent Characteristics	Sub-Profile	Percentage
Gender	Male	76.7
	Female	23.3
Age	18-25 years olds	29.5
	26-35 years old	28.7
	36-45 years old	15.5
	More than 46 years old	26.4
Education	Diploma	11.6
	STPM	9.3
	SPM	53.5
	PMR	25.6
	< 1 year	14.0
Length of Service	2-5 years	25.6
	6-9 years	17.8
	10-13 years	8.5
	14-17 years	7.0
	> 18 years	27.1
Position	Management Group	45.7
	Non-Management Group	54.3

Note: STPM: Malaysian Higher School Certificate
SPM: Malaysian Certificate of Education
PMR: Lower Certificate of Education

The confirmatory factor analysis was conducted to determine the validity and reliability of instrument. Table 2 shows the results of convergent and discriminant validity analyses. All constructs had the values of AVE larger than 0.5, indicating that they met the acceptable standard of convergent validity (Barclay *et al.,* 1995; Fornell & Larcker, 1981; Henseler *et al.,* 2009). Besides that, all constructs had the values of √ AVE in diagonal were greater than the squared correlation with other constructs in off diagonal, showing that all constructs met the acceptable standard of discriminant validity (Henseler *et al.,* 2009; Yang, 2009).

Table 2 The results of convergent and discriminant validity analyses

Variable	AVE	Explanation	Feedback	Job Satisfaction
Explanation	0.7200	0.8485		
Feedback	0.7725	0.6953	0.8789	
Job Satisfaction	0.6352	0.5731	0.5149	0.7970

Table 3 shows the factor loadings and cross loadings for different constructs. The correlation between items and factors had higher loadings than other items in the different constructs, as well as the loadings of variables were greater than 0.7 in their own constructs in the model are considered adequate (Henseler *et al.,* 2009). In sum, the validity of measurement model met the criteria.

Table 3 The results of factor loadings and cross loadings for different constructs

Construct/ Item	Explanation	Feedback	Job Satisfaction
Explanation			
b1	**0.875669**		
b2	**0.901223**		
b3	**0.849555**		
b7	**0.761224**		
Feedback			
b8		**0.889669**	
b9		**0.899210**	
b11		**0.847040**	
Job Satisfaction			
f3			**0.764096**
f4			**0.798345**
f8			**0.865447**
f9			**0.822733**
f20			**0.727280**

Table 4 shows the results of reliability analysis for the instrument. The values of composite reliability and Cronbach's Alpha were greater than 0.8, indicating that the instrument used in this study had high internal consistency (Henseler *et al.,* 2009; Nunally & Bernstein, 1994).

Table 4 Composite reliability and Cronbach's alpha

Construct	Composite Reliability	Cronbach Alpha
Explanation	0.911100	0.869392
Feedback	0.910565	0.852856

Job Satisfaction	0.896645	0.855193

Table 5 shows the results of Pearson correlation analysis and descriptive statistics. The means for all variables are from 5.1 to 5.3, showing that the levels of explanation, feedback and job satisfaction are ranging from high (4) to highest level (7). The correlation coefficients for the relationship between the independent variable (i.e., communication and treatment) and the dependent variable (i.e., job satisfaction) were less than .90, indicating the data were not affected by serious collinearity problem. Hence, all the constructs had value 1 that were shown in a diagonal, showing that these constructs met the requirements of reliability standard (Hair *et al.,* 2010; Nunally and Bernstein, 1994). Thus, these statistical results provide further evidence of validity and reliability for the constructs used in this study.
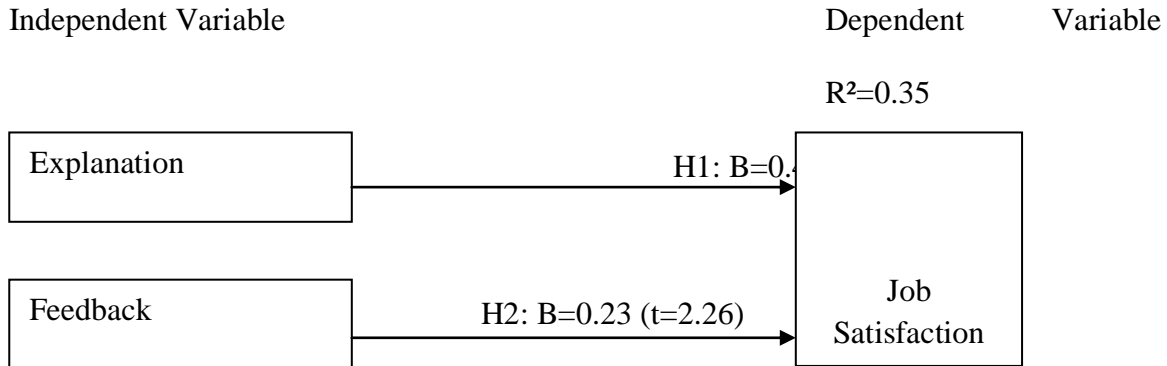
Table 5. Pearson correlation analysis and descriptive statistics

Variable	Mean	Standard Deviation	Pearson Correlation Coefficients		
			1	2	3
1. Explanation	5.2	1.3	1		
2. Feedback	5.1	1.3	.77[**]	1	
3. Job Satisfaction	5.3	1.1	.57[**]	.52[**]	1

Note: Significant at *p<0.05;**p< 0.01   Reliability estimation is showed in a diagonal

Figure 1 presents the outcomes of testing a direct effects model using SmartPLS. It showed that the inclusion of explanation and feedback in the analysis had explained 35 percent of the variance in job satisfaction. Specifically, the result of testing this model displayed that explanation was positively and significantly related to job satisfaction ($\beta=0.42$; t=3.91; $\beta=0.23$; t=2.26, respectively), therefore H1 and H2 were supported. This result demonstrates that communication openness does act as an important predictor of job satisfaction in the hypothesized model.

Figure 2 The outcomes of SmartPLS Path Model Show on the relationship between communication openness in performance appraisal systems and job satisfaction

Independent Variable   Dependent   Variable

R²=0.35

Explanation	→	H1: B=0.4	Job Satisfaction
Feedback	→	H2: B=0.23 (t=2.26)	

Note: Significant at *t >1.96

In order to determine a global fit PLS path model, we carried out a global fit measure (GoF) based on Wetzels et al.'s (2009) guideline as follows: GoF=SQRT{MEAN (Communality of Endogenous) x MEAN (R^2)}=0.50, indicating that it exceeds the cut-off value of 0.36 for large effect sizes of R^2. This result confirms that the PLS path model has better explaining power in comparison with the baseline values (GoF small=0.1, GoF medium=0.25, GoF large=0.36). It provides strong support to validate the PLS model globally (Wetzels et al., 2009).

5.   DISCUSSION

This study shows that communication openness in performance appraisal systems does act as an important predictor of job satisfaction in the studied organization. In the context of this study, appraisers (i.e., managers and/or supervisors) implement performance appraisal systems based on their organization's policies and rules. According to majority respondents, the levels of explanation, feedback and job satisfaction are highly practiced in their organizations. This situation explains that the ability of appraisers to clearly explain about performance appraisal goals, policies and procedures, as well as adequately provide feedback in determining performance scores may lead to an enhanced appraises' job satisfaction in the organization.

The implications of this study can be divided into three major categories: theoretical contribution, robustness of research methodology and practical contribution. In terms of theoretical perspective, the findings of this study show that explanation and feedback have been important predictors of job satisfaction in the studied organization. This result also has supported and broadened studies by Lau and Sholihin (2005), Ndambakuwa and Jacob (2006), Kavanagh *et al.* (2007), Cloutier and Vilhuber (2008), and Sudin (2011) and Darehzereshki (2013).

With respect to the robustness of research methodology, the survey questionnaires used in this study met the acceptable standards of validity and reliability analyses, this could lead to the production of accurate and reliable research findings. Regarding on the practical contributions, the findings of this study may be used as guidelines by management to improve the administration of performance appraisal systems in organizations. In order to achieve these objectives, some improvements need to be done in the particular aspects: firstly, training content and methods should be customized according to the organizational strategy and goals may help employees to understand, respect and obey the policies, rules, and work cultures practiced in the organizations. Secondly, recruitment and selection policies should give a priority to hire knowledgeable and experience people to hold management positions and their expertise may be used to coach junior managers and/or supervisors in planning and implementing performance appraisal systems in organizations. Finally, level of pay for individual and group performance should be revised based on external organizational competitiveness may help to capture employees' hearts and minds, as well as encourage them in achieving the interests of their organizations. If such suggestions are given attention this may strongly motivate employees to appreciate and support their performance appraisal goals.

6.   CONCLUSIONS

This study suggested a conceptual framework based on the workplace performance appraisal research literature. The instrument used in this study met the acceptable standards of validity and reliability analyses. The outcomes of SmartPLS path model generally confirmed that the implementation of communication openness in performance appraisal systems does act as an important predictor of job satisfaction in the studied organization. This result also has supported and broadened the workplace performance appraisal literature mostly published in Western countries. Therefore, current research and practice within the performance management model needs to consider explanation and feedback as crucial elements in the workplace performance appraisal domain. These findings further suggest that the ability of appraisers to clearly explain the performance appraisal goals, policies and procedures, as well as positively and constructively provide feedback in determining performance scores will strongly induce positive subsequent employee attitudes and behavior (e.g., justice, commitment, performance, ethics, trust and teamwork). Thus, these positive outcomes may lead to maintained and enhanced organizational growth and competitiveness in an era of globalization.

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