

A Literature Review of the Relationship between Organizational Justice and Performance Appraisal Satisfaction

Yi Qin *

Nanjing University of Science and Technology, China

*Corresponding author: Yi Qin, Postgraduate Student, 13770830285@163.com

Abstract

This paper gives a general review of studies on the relationship between organizational justice and performance appraisal satisfaction. It looks back the researches concerning organizational justice and performance appraisal satisfaction respectively, as well as the gradually increasing explorations about their relationship over the recent decade. It finds that the two constructs in different studies are divided into various dimensions, and most studies have confirmed the positive correlation between the different dimensions of the two. However, when it comes to the causal relationship, there is still a doubt. This means there may be a reciprocal causation question, and future research can be committed to fill the gap.

Key words: *organizational justice; performance appraisal satisfaction; dimension; literature review; reciprocal causation*

1 Introduction

Performance appraisal can promote a good communication between different levels in order to more accurately define and review the corporate strategic objective expectations and progress, and its ultimate aim is to increase employees' working efficiency and contributions to the organization's objectives. If the corporate performance appraisal has done a good job, the feedback, guidance and incentives coming from it may help employees maintain and improve their skills, and also overcome all kinds of performance obstacles, which makes employees focus on the performance related to organizational goals.

Unfortunately, due to a series of difficulties from the implementation of the performance appraisal process, many researchers and managers questioned whether the efforts for performance appraisal are worth. Conflicts between the upper and lower levels triggered by performance appraisal have been long-standing. As the recipient of performance feedback, employees often show their discontent to or even resist the performance review process and the feedback received. Therefore, performance appraisal always cannot change the way employees work successfully, or encourage and guide personal development of employees. A survey containing 50,000 respondents shows that only 13% of employees and managers, 6% of the CEOs believe their performance management systems are useful.

Researchers and practitioners have come to realize that the success of performance appraisal process is critical to motivate the development of employees¹, thus performance appraisal process has gradually been viewed as a key part of the strategy by management as well as a tool to link staff ability, behavior and organizational strategic objectives.

If managers expect to use performance appraisal to promote the development of employees and improve employees' performance, they should ensure that employees treat it positively, and are generally satisfied with it. If employees are not content with the fairness of the process of the performance appraisal, they will be less likely to accept or use the results. Only satisfied employees will identify with the appraisal and see it as a useful tool to improve performance and promote development. The positive response from employees and the recognition of the performance appraisal will enhance the understanding between the upper and lower levels, and improve performance. In contrast, disagreement only leads to employees' dissatisfaction with the work, lower organizational commitment and strong intentions to give up².

In the past few years, researchers have proposed a number of factors affecting employees' responses related to performance appraisal. For example, providing more positive feedback in performance appraisal is considered to be a way to improve the performance review process. In addition, researchers also find that the perception of fairness has an impact on the reaction to appraisal. Some other scholars believe that the relationship between the upper and lower levels is also an important factor, since positive subordinate relationship always results in greater employee satisfaction and identification with performance appraisal.

Organizational justice has a positive impact on the achievement of personal value of staff. Relevant studies mainly focus on results satisfaction and job satisfaction. Results satisfaction includes satisfaction with performance appraisal, and it is generally believed that distribution justice has the closest relationship with results satisfaction. Past studies have shown that only when the performance appraisal process achieves the standards of fairness, namely organizational justice as expressed by the majority of scholars, staff will be satisfied. Therefore, this article selects organizational justice from many factors to make a literature review on its relationship with performance appraisal satisfaction.

2 Organizational justice

Equality and fairness are the prototype of organizational justice, which is originally defined by Greenberg (1987) and later scholars have proposed different types of organizational justice. The first is distributive justice, which refers to the fairness of the work-related compensation and it is generally recognized as an important factor affecting appraisal reaction; the second is procedural justice, and it emphasizes the determining factors of justice are not only reflected in the results but also in the implementation of appraisal. Procedural justice is strengthened by the compliance with a predetermined process standard, including unbiased, consistency and

accuracy. In addition, some researchers suggest that considering employees' voice in the appraisal process is also an aspect of procedural justice³. The third is interactional justice. It means employees are fully considered and respected in the course of the appraisal. Furthermore, interactional justice is divided into two sub-categories: informational justice and interpersonal justice. Informational justice is mainly about whether people concerned have received the particular message and explanation or not, such as why some form of program is used or why some way is adopted to allocate; interpersonal justice means when executing the program or determining the outcome, the authority or superiors should treat subordinates politely and respectfully, and take their dignity into account.

The recognition of different dimensions of organizational justice has caused lots of debates and studies on the dimensions of this construct^{3,4}. Some scholars think there is a conceptual confusion between interactional justice and interpersonal justice⁵. Even the distinction between the two original dimensions of organizational justice has been questioned. Cropanzano and Ambrose (2001) indicate that distributive justice and procedural justice may not have a difference as people usually think, because the result and procedure are determined by the angle they are looked upon⁶. Thus, the debate about the concept of organizational justice seems to allow the possibility of the existence of one dimension to four dimensions. Related empirical studies have also reinforced this conclusion, since some studies cannot distinguish between distributive justice and procedural justice, while others support four dimensions. Thurston and McNall (2010) find evidence of four dimensions, but point out the high degree of correlations among them⁴.

3 Performance appraisal satisfaction

Several studies have shown appraisal response plays an important part in forming an organizational preference attitude and increasing the motivation of improving personal performance. Researchers have measured appraisal response in appraisal satisfaction, the motivation of improvement, perceived usefulness and perceived accuracy. After a comprehensive analysis of these effects, some researchers note that the performance appraisal satisfaction is the most frequently used way of response measure, perhaps because it can affect some important outcome variables, such as motivation, commitment and productivity. Lai Wan (2007) believes that the employee satisfaction is an important goal for the organization to pursue, since it is directly related to profits, output, employee retention and customer satisfaction. High satisfaction of employees will create higher customer satisfaction, which can positively influence the performance of the organization. Previous studies distinguish two forms of appraisal satisfaction, one is the satisfaction with the appraisal process, another is the satisfaction with the broader appraisal system.

Some scholars have used three elements of satisfaction concerning performance appraisal. The first one is the satisfaction with rating, performance rating is one of the important

characteristics of the feedback information. It is often the basis for important management decisions, and usually the higher rating will receive a positive response to the appraisal. The second is the satisfaction with appraiser. The third is the satisfaction with appraisal feedback. Feedback is essential since it has potential influence on the employees' reactions of rating. There are comments pointing out that the performance feedback helps improve job satisfaction and working motivation, and many decision-making or career development models have emphasized that the individual understands self-performance situation based on performance feedback. On the basis of the three elements above, some scholars have used the fourth element of satisfaction, namely the satisfaction with the appraisal system.

4 The relationship between organizational justice and performance appraisal satisfaction

Understanding performance appraisal response from the perspective of organizational justice is an influential manner⁴. As it is mentioned above, appraisal satisfaction is the most common way to measure appraisal response. Carrie Dusterhoff et al. (2014) hold that employees will judge the performance appraisal from the perspective of moral legitimacy, so their paper studies the effects of factors including organizational justice on performance appraisal satisfaction from the perspective of moral judgments. They use Kohlberg's theory to divide moral into three grades or six stages and link organizational justice with the fifth stage, then put forward the hypothesis: regardless of other factors, there is a direct relationship between perceived equity and appraisal satisfaction. Using performance appraisal satisfaction as dependent variable and organizational justice as independent variable, they investigate the employees of government departments and prove their point that there is a positive correlation between organizational justice and performance appraisal satisfaction⁷. The main contribution of this paper is that it constructs a framework of moral judgment and treats variables concerning appraisal satisfaction as different aspects of the construct "moral legitimacy", which is a novel theoretical perspective.

A. Palaiologos et al. (2011) study the relationship of organizational justice and employees' performance appraisal satisfaction with the proposed hypothesis: satisfaction with rating and procedural justice are positively correlated; satisfaction with appraiser and feedback are positively correlated with interactional justice⁸. Different from Carrie Dusterhoff et al. (2014) study, this paper takes three dimensions of organizational justice as the dependent variables and the three elements of satisfaction as independent variables. The regression analysis confirm the first hypothesis and partly confirm the second hypothesis. It draws final conclusions: there are positive links between organizational justice and the various elements of performance appraisal satisfaction. There are some contradictions between this paper and previous findings, for example, previous studies have shown that satisfaction with rating only

has an association with distributive justice^{9,10}. Perhaps it is because the study believes that if the performance appraisal process is fair, the results for the organizational goals, such as payment, job promotion will also be fair.

I. M. Jawahar (2007) studies the impacts of four different dimensions of organizational justice on the important aspects of performance appraisal satisfaction, and confirms that on the one hand, distributive justice affects employee satisfaction with performance rating, on the other hand, procedural justice affects employee satisfaction with appraisal system; comparing with interactional justice, procedural justice and distributive justice have greater impacts on the appraisal feedback¹⁰.

Jill Cook et al. (2004) divide procedural justice into system procedural justice and process procedural justice. They find that the former makes the largest contribution to satisfaction, and it should be considered carefully by the management during the performance appraisal system design phase. Process procedural justice makes relatively small contributions. But even though distributive justice contributes a little, still it should be considered¹¹. Therefore, unless meeting all aspects of organizational justice, the organization will not achieve fully effective individual performance.

5 Conclusion

This paper reviews the literature on the association between organizational justice and performance appraisal satisfaction (in particular to employee performance appraisal satisfaction). It finds that studies concerning organizational justice start earlier and the results are more abundant, but there is still some controversy about its division of dimensions. Literature studying the relation of the two has begun to gradually increase in the past decade. In these researches, sometimes organizational justice is served as an explanatory variable, and performance appraisal satisfaction is a dependent variable. Sometimes the situation is the opposite one. That means which one belongs to the antecedents or outcome variable does not seem very obvious. In the description of the limitations of their research, Carrie Dusterhoff et al. (2014) mention that although they view appraisal satisfaction as a dependent variable and other factors as explanatory variables, still they cannot rule out other possible modes⁷. Overall, scholars have generally confirmed the positive correlation between organizational justice and performance appraisal satisfaction, among them, different dimensions of constructs may have different significance of correlation coefficients. However, there seems no literature exploring the reciprocal causation issue in depth, and future research can make more efforts to fill this gap.

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