

Surveying the Influence of Performance Measurement on Employees' Job Satisfaction (Evidence from Iran)

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Abstract

Nowadays human resources are the most important factors to gain competitive advantage and managers try to maintain these resources utilizing various tools. One of these tools is job satisfaction which is achievable in different methods. In the research, the influence of performance management on job satisfaction was considered. For measuring performance management three main dimensions include "performance formulation", "performance management execution" and "performance appraisal and control" were utilized. Statistical society contains 107 employees of National Olympic Academy which decreased into 93 one applying sampling formula. The research is applicable from goal view and descriptive from data collection. Also data gathering method is library and fieldwork. For this mean, a questionnaire includes 40 questions was designed and after proving its validity and reliability distributed among participants. The results of applying Chi Square and Friedman test illustrated that performance management and its dimensions affect significantly on job satisfaction. Meanwhile "performance management execution" was selected as the most important one. Finally by using Binomial test the current situations of variables were surveyed in which all of them apart from "performance appraisal and control" were placed in favorable levels.

Keywords: Performance Management, Job Satisfaction, Performance Formulation, Performance Management Execution, Performance Appraisal and Control

Introduction

Assessment of employees' performance is one of the common practices in almost every organization, a necessary phenomenon for the better performance of employees and the organizations. For better performance of the organizations satisfied employees play a vital role. Seldon, Ingraham & Jacobson, (2001) reported that more than 90 percent of bigger organizations use performance appraisal system and more than 75 percent are scheduled annually. Employee satisfaction is considered a key to organizational success. Khan (2007) defines employee satisfaction with job as how well one's personal expectations at work are in line with outcomes. Malik, Bibi and Rahim (2010) state that people enjoy working, and strive to work in those organizations that provide positive work environment where they feel they are making difference and where most people in the organization are proficient and pulling together to move the organization forward. The organizations in this regard are struggling hard to keep their valued employees satisfied. Malik, Saleem and Ahmad (2010) explained employee satisfaction with work as the degree to which an employee likes his or her job. In simple words it can be said as the likeness to the job that motivates the employees to be present at their work places and carry out tasks to accomplish goals. Whereas employee performance appraisal system can be better understood as Alternate words used for this concept may be employee appraisal, performance review, career development discussion etc. Anthony, Perrewe and Kacmar (1996) state that a performance appraisal system must be well defined, corporately supported and monitored. It must also be widely communicated and focused towards achieving corporate objectives. A performance appraisal system must be integrated as part of a performance management system aligned toward achieving corporate goals (Schneier, Shaw & Beattie, 1991; Marchant, 1999). Coens and Jenkins (2000) suggest that performance appraisal is a mandated process in which, for a specified period of time, all or a group of an employee's work behaviors or traits are individually rated, judged, or described by a rater and the results are kept by the organization.

Literature review

Performance management is defined in many ways and in literature many definitions can be found. One of the possible definitions is that performance management is a process where executives, managers and supervisors work together to combine employee performances with organizational goals (Ivancevich, 2001). Performance management is also defined as the process that puts together aims, performances and development in a unique system, where the main goal is to assure that employee performances support strategic goals of the organization (Dessler, 2005; Jakšić, 2011). All definitions lead to the conclusion that employee performances are correlated to the organizational performances, because „realization appraisal is the control mechanism which doesn't only give feedback to individuals, but also enables the organization to create a picture of how the things are going ahead“. In the Oxford dictionary the definition of performances can be found: Performances. Activity of realization or something realized...The conduct of a demand, obligation or purpose, etc. Realization, doing, completion, fulfilling... Realization of everything that is considered or given“ (Oxford English Dictionary, 1989; Jaksic, 2012). The outcomes of employee performance management are, among others, keeping the best employees, and identification of the worse workers. It is also emphasized that one of the significant outcomes and impacts of employee performance management is the level of employee satisfaction in organizations. Links between HRM, performance measurement and overall results of companies, including the ones connected with employee satisfaction are presented in next diagram. (Pauwe, 2004). Different theories may help to understand the relation between performance management and job satisfaction. Research in cognitive psychology shows that measurable and challenging goals help to align individuals' and companies' goals leading to higher levels of motivation and, hence, employees' work effort (Locke and Latham, 2002). Furthermore, goal-setting theory implies that the level of goal achievement is closely related to employee satisfaction. Frequently, organizations link goal achievement to remuneration systems such as performance-related pay. Previous studies have shown that performance-related pay is associated with higher levels of overall (job) satisfaction (Heywood & Wei, 2006; Green & Heywood, 2008). In a recent paper, Bryson et al. (2012) empirically investigate the relationship between piece-rate, team-incentive, or profit-sharing schemes and job satisfaction and show that workers under PRP schemes are more satisfied with their job, controlling for wage levels as well as individual, business unit, and country fixed effects. Previous research has broadly analyzed the impact of the social context of performance management on employee reactions to these appraisals (Levy & Williams, 2004; Pichler, 2012). One dimension focuses on the rater-ratee relationship comprising topics such as supervisor support, trust, rating accuracy, and reliability as a precondition for the acceptance and usefulness of formal appraisal systems. Rating distortions, which are very prominent in organizations (Kane et al., 1995; Moers, 2005), lead to less acceptance among employees and decrease the economic incentives to provide effort (Prendergast & Topel, 1996). These rating distortions may have very different reasons including strategic incentives of the raters such as favoritism or punishment (Poon, 2004) or interpersonal motives (see, for instance, Murphy and Cleveland, 1991, 1995). Furthermore, it has been shown that raters' personality traits influence overall rating decisions (Krzystofiak et al., 1988). Other contextual factors include, for instance, employees' satisfaction with the performance management process as a whole, the performance appraisal feedback, or employees' evaluations of the perceived quality, justice, and fairness of the performance appraisal regime (Greenberg, 1986; Nathan et al. 1991; Blau, 1999; Pettijohn et al., 2001; Jawahar, 2006; Kuvaas, 2006; Lau et al., 2008; Sommer & Kulkarni, 2012; Gupta & Kumar, 2013). Furthermore, employee participation in the performance management process is positively related to the satisfaction with the performance management system, perceived fairness, and acceptance of such a practice (Cawley et al., 1998). Brown et al. (2010) analyze the relationship between performance management quality measured by clarity, communication, trust, and fairness of the performance management process and job satisfaction and commitment based on a sample of more than 2,300 Australian non-managerial employees of a large public sector organization. They find that employees who report a low performance management quality (lowest levels of trust in supervisor, poor communication, lack of clarity about expectations, perception of a less fair performance management process) also report lower levels of job satisfaction and commitment.

Conceptual framework and hypotheses

Figure 1 presents the effect of performance management consist of performance management formulation, performance management execution and performance management measurement on job satisfaction. In

the model, performance management and its dimensions are independent variables and job satisfaction is dependent one.

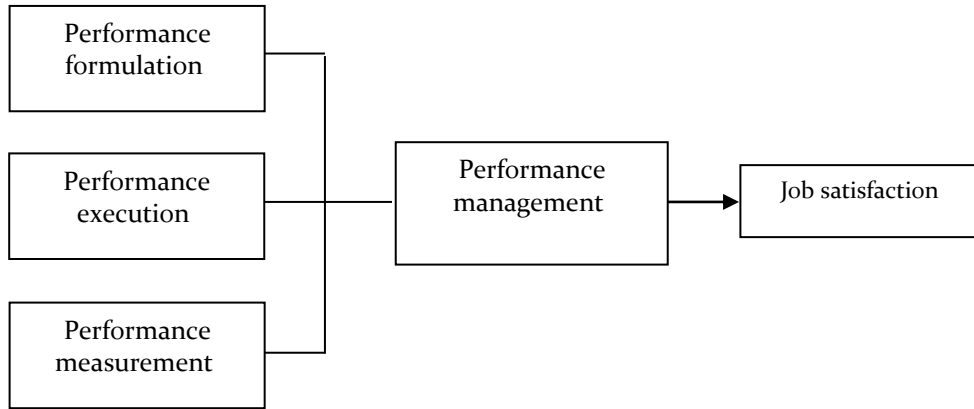


Figure 1: conceptual framework

- 1. Performance management affect significantly and positively on job satisfaction.
- 1.1. Performance management formulation affect significantly and positively on job satisfaction.
- 1.2. Performance management execution affect significantly and positively on job satisfaction.
- 1.3. Performance management measurement affect significantly and positively on job satisfaction.

Research methodology

Samples for this research were chosen from 107 employees of National Olympic Academy in Tehran/ Iran which decreased into 93 ones applying sampling formula. Current study can be considered as a descriptive survey if to view from data collection aspect and as an applied research if to investigate the goals of the study. To collect the data library method (to refer to books, articles, libraries, etc..) and fieldworks (questionnaire) was being used. The questionnaire was designed with 40 questions and then distributed within the samples (participants). To analyze the data SPSS 19 was used. The management experts were being asked to evaluate the validity of questionnaires. For this mean, the questionnaires were given to some professors and experts in management, and after their modifications were being applied and they confirmed it, the questionnaires were given to the participants. For assessing questionnaire validity we asked for experts' opinions and to determine the questionnaires' reliability, the 'Cronbach Alfa technique' was applied. For this purpose, 35 people were chosen by random (from the participants) and the questionnaires were given to them. The 'Cronbach Alfa' values performance management, performance management formulation, performance management execution and performance management measurements were calculated 0.835, 0.824, 0.877 and 0.811 accordingly. As the reliability results calculated above the reasonable threshold (0.7), reliability of questionnaire was confirmed.

Data Analysis

Kolmogorov-Smirnov

First of all for data analyzing, we used Kolmogorov-Smirnov test to identify the statistical society normality. The results are presented in table 1:

Table 1. Kolmogorov-Smirnov test result

Variables	sig	Results
Performance management	0.021	Abnormal
Performance formulation	0.012	Abnormal
Performance execution	0.000	Abnormal
Performance measurement	0.035	Abnormal

As table 1 shows all calculated amounts are more than 0.05, so the normality of statistical society was rejected. Therefore for analyzing data, some nonparametric tests were used.

Chi Square test

To survey the relationship between performance management and its dimensions with job satisfaction, Chi Square test was applied.

Table 2. Chi Square test result

Variables	sig	Standard	Results
Performance management with job satisfaction	0.022	0.05	Significant and positive correlation
Performance formulation with job satisfaction	0.000	0.05	Significant and positive correlation
Performance execution with job satisfaction	0.014	0.05	Significant and positive correlation
Performance measurement with job	0.016	0.05	Significant and positive correlation

Table 2 illustrates that there are significant and positive correlations between performance management and its dimensions with job satisfaction.

To survey the influence of performance management and its dimensions on job satisfaction Friedman test was applied.

Table 3. Friedman test result

Variables	sig	Standard error	Results
Performance management on job satisfaction	0.000	0.05	Significant influence
Performance formulation on job satisfaction	0.021	0.05	Significant influence
Performance execution on job satisfaction	0.000	0.05	Significant influence
Performance measurement on job satisfaction	0.000	0.05	Significant influence

Table 3 illustrates that performance management and its dimensions affect significantly and positively on job satisfaction. Also Entropy technique was utilized to rank performance management dimensions.

Table 4. Entropy technique result

Variables	Weight	Rank
Performance formulation	0.33	2
Performance execution	0.37	1
Performance measurement	0.29	3

The results stated that performance execution is the most important one. And finally to measure current situations of the variables, Binomial test was applied.

Table 5. Binomial test result

Variables	Sig	Test prop.	Test observ.	Results
Performance management	0.000	0.5	0.55	Favorable level
Performance formulation	0.000		0.64	Favorable level
Performance execution	0.031		0.70	Favorable level
Performance measurement	0.000		0.42	Unfavorable level

Table 5 illustrates that all variables apart from performance measurement were placed in high levels.

Conclusion and suggestions

The current research with the purpose of surveying the influence of performance management on job satisfaction was done in a sample includes 93 employees of National Olympic Academy. The results showed that performance management and its dimensions affect significantly and positively on job satisfaction that performance execution was selected as the most important one.

Attending to the results manager in National Olympic Academy are advised to:

- Employees' cooperation in defining performance plans from managers' sides
- Obvious definition of employees' performance criteria in their performance plans
- Organization's commitment to employees' performance measurement
- Offering the results of performance measurement to employees
- Utilizing fair and just appraisers for performance measurement
- Applying 360 degrees performance measurement
- Considering performance measurement results on their outputs like rewards and conservatives
- Considering performance measurement results on their promotion plans
- Considering performance measurement results on their educational courses

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