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# **PROCEDURAL JUSTICE AS A MODERATOR IN THE RELATIONSHIP BETWEEN PERFORMANCE APPRAISAL COMMUNICATION AND JOB SATISFACTION**

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## **ABSTRACT**

This study was conducted to examine the effect of performance appraisal communication (i.e., feedback and interactional style) and procedural justice on job satisfaction using 150 usable questionnaires collected from employees who work in a national post office, Sarawak, Malaysia. The results of exploratory factor analysis confirmed that the measurement scales used in this study satisfactorily met the standards of validity and reliability analyses. Further, the outcomes of hierarchical regression analysis showed that interaction between procedural justice and performance appraisal communication (i.e., feedback and interactional style) significantly correlated with job satisfaction. Statistically, this result confirms that procedural justice does act as a moderating variable in the relationship between performance appraisal communication and job satisfaction in the studied organization. In addition, discussion, implications and conclusion are elaborated.

**KEY WORDS:** Performance appraisal communication, procedural justice, job satisfaction

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## **BACKGROUND OF THE STUDY**

Malaysian post office is the biggest national provider of mail services in Malaysia. Currently, it has changed its business strategy from a 'traditional postal services' to capture the various customers and marketplace in this country. For example, this company has offered three types of innovations in delivering mail services: PosMel (providing day-to-day mailing services both general public and retail customers), PosLaju (being the sole national courier provider), and PosNiaga (heightening the accessibility of the national's postal services via its extensive network of over 700 outlets and Pos Malaysia's transaction portal to reach Malaysians in every corner of the country). In order to stay focused, competitive and continue to connect Malaysians with the broader world, Malaysian post office has constantly invested in identifying, evaluating and maximizing the human capital that may drive the organization and innovate solutions to improve its products and services in order to meet the increasing demands of its customers (About Post Malaysia Berhad, 2010). In this study, a national post office in Sarawak, Malaysia is used as a case study.

In order to understand the nature of performance appraisal system, the in-depth interview method was conducted involving 10 managerial staff and experienced supporting staff who work in the organization. Information gathered through the interview method shows that HR managers and/or managers implement performance appraisal systems based on broad policy and procedures designed by the stakeholder (i.e., Federal Government of Malaysia). In this appraisal system, immediate bosses (e.g., supervisors, assistant managers or managers) are given major responsibilities to assess the ability of their employees in doing their job by informing the assessment results to employees and later, by sending the assessment reports on each employee to a higher management level. Top management often uses the results of yearly performance appraisals to make decisions about pay raises, horizontal and vertical promotions, and/or disciplinary actions. In the administration of performance appraisal systems, HR managers and/or managers often use feedback and interaction methods as a mechanism to assess and

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develop employee careers. For example, feedback is often viewed as the immediate boss's way of providing explanations about employees' weaknesses and strengths in doing their job, as well as hearing comments and suggestions from subordinates. Interaction is often related to the styles of the way the immediate bosses treat their subordinates while determining performance ratings. If the immediate bosses is able to properly practice such communication techniques, this will strongly invoke employees' feelings of justice about the process and systems of appraising employee performance.

A careful observation of the in-depth interview results reveals that effect of performance appraisal communication on job satisfaction is not consistent if employees perceive that their managers (appraisers) able or not able to practice justice principles in the process of allocating performance ratings to all employees. For example, when employees perceive that their managers can implement comfortable communication style and interaction styles in the process and systems of allocating performance rating, this will strongly invoke employees' feelings of procedural justice. As a result, it may lead to greater job satisfaction in the workplace. However the nature of such relationships is interesting, little is known about the moderating role of procedural justice because of the paucity of performance appraisal research literature in Malaysia (Ismail et al., 2007).

## **EXPOSITION OF THE PROBLEM**

In the early 20<sup>th</sup> century, performance appraisal has emerged as an imperative function of human resource development and management (Fletcher & McDowall, 2004; Fletcher, 2001). It is often viewed as a cyclical process where appraisers (i.e., immediate boss and/or supervisor) yearly evaluate the capability of appraises (i.e., followers) in carrying out duties and responsibilities based on performance standards set up by their organizations (Cook & Crossman, 2004; McCarthy & Garavan, 2001; Murphy & Cleveland, 1995). The main advantage of using such performance appraisal systems is usually used to identify employees' strengths and weaknesses, provide

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recognition to high performing employees, retain and assess human resources, and update human resource information system This information system can be used by management to plan employees' career development, staff motivation programs, staff performance management, and staff attitudinal changes (Kavanagh et al., 2007; McCarthy & Garavan, 2001; Noe, et al., 2009; Walsh & Fisher, 2005).

Traditionally, many employers design performance appraisal instruments based on cognitive models to identify, measure, and develop employee performance (Edward et al., 1995; Fletcher & McDowall, 2004; Sabeen & Mehboob, 2008). Under this management thought, performance appraisal systems are conducted using single-source feedback, non participation style in decision-making, and boss centered approach where appraisers (e.g., immediate boss, managers and/or supervisors) are given much power and authorities to assess employee performance, identifying employees' strengths and weaknesses, and determining the types of punishment (Edward et al., 1995; Endrogan, 2002; McCarthy & Garavan, 2001).

In an era of global competition, many organizations have shifted the paradigms of performance appraisal from a traditional boss centered to multiple evaluation criteria. For example, under this paradigm, performance appraisal systems are viewed as a strategic HR practice where they measure employee performance based on multiple perspectives (e.g., co-worker, customer and suppliers) in order to obtain accurate and reliable information for developing human resources' knowledge, skills, abilities and attitudes (Cardy & Dobbins, 1994; McCarthy & Garavan, 2001; Endrogan, 2002). Many scholars, such as Brown and Peterson (1993), Cook and Crossman (2004), and Kavanagh, Benson and Brown (2007) think that implementation of such appraisal systems will help employers to increase transparency and decrease inequality gap among evaluators, unclear responsibilities and biasness among employees and employers in the organization. Thus, it may motivate employees to support organizational and human resource management's strategies and goals (Cook & Crossman, 2004; Cloutier, & Vilhuber, 2008; Marchington & Wilkinson, 1996).

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Performance appraisal communication is a segment of performance appraisal management where it consists of two salient features: feedback and interaction (Cook & Crossman, 2004; Kavanagh, Benson & Brown, 2007). Many scholars, such as Waldersee and Luthans (1994), Kluger and DeNisi (1996), Renn and Fedor (2001), and Cook and Crossman (2004) state that feedback is a key ingredient of management by objective and performance management where individuals usually receive information from one and/or multisources as a result of their behavior. Individuals may easily accept corrective feedback if they receive information from trustworthy and credible sources (e.g., necessary in a particular condition, specific, relevant, timely, sufficient frequent and credible). This feedback may lead to an enhanced positive attitudinal and behavioral outcomes (e.g., performance, satisfaction and commitment). In a performance appraisal system, feedback is often defined as appraisers deliver the information about appraisee performance (e.g., advise, encouragement and warning) whether after, during and/or before conducting formal and/or informal performance appraisal sessions (Desimone et al., 2002; Mondy et al., 2009; Murphy & Cleveland, 1995).

Besides that, organizational behavior scholars, such as Skarlicki & Folger (1997), Miller (2001), Roberts & Markel (2001), Viswesvaran & Ones (2002), and McShane and Von Glinow (2005) state that interactional style is a key element of interpersonal communication and organizational justice theory, which refer to the style used by decision makers in treating individuals while making decisions or solving problems. Individuals may easily accept particular interactional styles if they perceive that their employers use comfortable treatments in dealing with their job (e.g., respect and accountability). This interactional style may lead to an enhanced positive attitudinal and behavioral outcomes (e.g., performance, satisfaction and commitment). In a performance appraisal system, interactional style is often defined as the appraisers use comfortable styles in dealing with appraisees (e.g., explanation, discussion, and decision making styles) while conducting

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formal and/or informal performance appraisal systems (Desimone et al., 2002; Mondy et al., 2009; Murphy & Cleveland, 1995).

Recent studies in this area shows that the ability of appraisers and appraises to properly practice comfortable communication style in performance appraisal systems may give a significant impact on individual attitudes and behaviours, especially job satisfaction (Cloutier, & Vilhuber, 2008; Endrogan, 2002; Kavanagh, Benson & Brown, 2007). According to an organizational behaviour perspective, job satisfaction is often related to a general attitude of the workers about their job and different aspects of their jobs (Ambrose et al., 2008; Postrel, 1999), the affective and cognitive attitudes held by employees concerning various aspects of their work (McShane and Von Glinow, 2005; Weiss and Cropanzano, 1996; Wong et al., 1998), and positive feelings resulting from the pleasure of employees derive from the job (Locke, 1976; Jo & Shim, 2005; Maathis and Jackson, 2000). Within a performance appraisal system, the ability of appraisers to provide adequate feedback and use comfortable interactional style in allocating performance ratings may lead to an enhanced job satisfaction in organizations (Fletcher & William, 1996; Pettijohn et al., 2001). Although this finding is significant, it does not sufficiently explain about why and how effect of performance appraisal communication on job satisfaction is not consistent in different organizational situations (Cloutier, & Vilhuber, 2008; Endrogan, 2002; Kavanagh et al., 2007).

Surprisingly, a thorough review of such relationships reveals that effect of performance appraisal communication on job satisfaction is not consistent if perceptions of procedural justice are present in organizations (Sabeen & Mehboob, 2008; Sogra et al., 2009). Many scholars, such as Folger (1987), Folger and Cropanzano (1998), Colquitt, Conlon, Wesson, Porter and Ng (2001), Colquitt, Noe, and Jackson, (2002), Greenberg (1986, 2003), and McShane and Von Glinow (2005) generally view procedural justice as perceives fairness about the process and systems used to decide the allocations of outcomes (e.g., resource/reward). For example, individuals often make a comparison between their contributions and job procedures in



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organizations. If employees perceive that their employers allocate outcomes using formal rules and regulations, this may lead to an increased feelings of procedural justice in organizations (Greenberg, 2003; McFarlin & Sweeney, 1992; McShane & Von Glinow, 2005; Pettijohn et al., 2001).

Within a performance appraisal framework, many scholars think that feedback, interactional style, procedural justice and job satisfaction are distinct constructs, but highly interrelated. For example, the ability of appraisers to properly provide feedback and use comfortable interactional style in allocating performance ratings will strongly invoke appraisers' perceptions of procedural justice. As a result, it may lead to a greater job satisfaction in organizations (Fletcher & McDowall, 2004; Sabeen & Mehboob, 2008; Sogra et al., 2009). Although the nature of this relationship is interesting, little is known about the moderating effect of procedural justice in performance appraisal models (Cloutier, & Vilhuber, 2008; Sogra et al., 2009). Many scholars argue that the moderating effect of procedural justice is less emphasized in previous studies because they have much described the performance appraisal characteristics, and neglected the role of human affective in influencing the effect of performance appraisal communication on individual attitudes and behaviors in the workplace (Keeping & Levy, 2000; Sabeen & Mehboob, 2008; Sogra et al., 2009). Hence, it motivates the researchers to further explore the nature of this relationship.

## **OBJECTIVE OF THE STUDY**

This study has two major objectives: Firstly, to examine the moderating effect of procedural justice in the relationship between feedback and job satisfaction. Secondly, to examine the moderating effect of procedural justice in the relationship between interactional style and job satisfaction.

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## **LITERATURE REVIEW RELATIONSHIP BETWEEN PERFORMANCE APPRAISAL COMMUNICATION, PROCEDURAL JUSTICE AND JOB SATISFACTION**

Recent studies used an indirect effects model to investigate the role of communication in performance appraisal systems using different samples, such as 132 employees in international media agencies (Fletcher & McDowall, 2004), 500 participants from eighteen private banks of Rawalpindi, Pakistan (Sabeen & Mehboob, 2008), and 67 executive MBA students selected from the four business schools in Bangladesh (Sogra et al., 2009). These studies found that employees who perceived justice about the ability of appraisers (e.g., immediate boss, manager and/or supervisor) to practice comfortable communication styles (i.e., open feedback and approachable interactional style) in allocating performance ratings had been an important determinant of job satisfaction in the organizations (Fletcher & McDowall, 2004; Sabeen & Mehboob, 2008; Sogra et al., 2009).

These findings are consistent with the notion of procedural justice theories. For example, Folger & Cropanzano (1998) suggest three justice characteristics; adequate notice (e.g., explanation, discussion and feedback about performance criteria), fair hearing (e.g., informing performance assessments and their procedures through a formal review session) and judgment based on evidence (e.g., applying consistent performance criteria and honesty and fairness principles, as well as providing better explanations about performance ratings and reward allocations). Within a performance appraisal framework, the ability of appraisers (e.g., managers) to provide feedback and practice interactional style based on such justice principles can strongly invoke job satisfaction if employees have perceived justice about the performance appraisal systems (Fletcher & McDowall, 2004; Sabeen & Mehboob, 2008; Sogra et al., 2009).

The literature has been used as a foundation to develop a conceptual framework for this study as shown in Figure 1.



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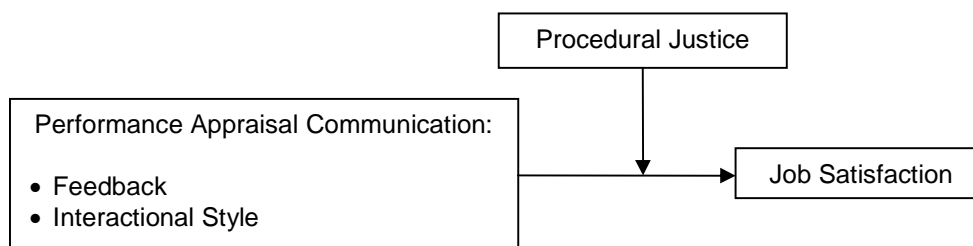
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**Figure 1. Conceptual framework**



Based on the framework, it can be hypothesized that:

H1: Procedural justice positively moderates the relationship between feedback and job satisfaction.

H2: Procedural justice positively moderates the relationship between interactional style and job satisfaction.

## METHODOLOGY: RESEARCH DESIGN

This study used a cross-sectional research design where it allowed the researcher to integrate performance appraisal research literature, the in-depth interviews, the pilot study and the actual survey as a main procedure to gather data for this study. As advocated by many researchers, the use of such methods may gather accurate and less bias data (Sekaran, 2003). This study was conducted at the headquarters of Post Office in Kuching, Sarawak, Malaysia. At the initial stage of data collection procedure, the interview was conducted based on the guidelines established by Easterby-Smith, Thorpe & Lowe (1991), and Usunier (1998).

Firstly, the researchers designed flexible interview questions which related to three issues: performance appraisal communication features, procedural justice characteristics, and job satisfaction facets. Secondly, a purposive sampling technique was used to identify ten managerial

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staff and experienced supporting staff who have working experienced more than seven years in the organizations. They have adequate knowledge about performance appraisal communication features, procedural justice characteristics, and job satisfaction facets that occur in the studied organizations. Thirdly, in-depth interview method was used to interview the participants in order to understand their perceptions about performance appraisal communication (i.e., feedback and interactional style), procedural justice and job satisfaction, as well as effect of procedural justice on job satisfaction, and effect of performance appraisal communication on job satisfaction via its impact upon procedural justice. Fourthly, information gathered from such interviews was categorized and constantly compared to the related literature review in order to understand clearly the particular phenomena under study and put the research results in a proper context. Further, the results of the triangulated process were used as a guideline to develop the content of survey questionnaires for a pilot study.

Next, a pilot study was conducted by discussing the survey questionnaires with the interviewed employees. Their views were used to verify the content and overall format of survey questionnaires for an actual study. Back translation techniques were used to translate the survey questionnaires into English and Malay languages in order to increase the validity and reliability of research findings. Many scholars advocate that using such methods in designing survey questionnaires may gather accurate data, decrease bias and increase the quality of data being collected (Hulland, 1999; Wright, 1996).

## **MEASURES**

The survey questionnaires had three sections. Firstly, the feedback section had three items and the interaction section had three items that were developed based on performance appraisal literature (Cook & Crossman, 2004). Secondly, procedural justice had three items that were modified from organizational justice literature (Bies & Moag, 1986; Greenberg, 1986 and Fletcher & McDowall, 2004). Finally, job satisfaction was measured using three items that were modified from

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Warr, Cook, and Wall's job satisfaction scale (Warr et al., 1979). All items were measured using a 7-item scale ranging from 'strongly disagree/dissatisfied' (1) to 'strongly agree/satisfied' (7). Demographics variables (e.g., age, educations, position, length of service and salary) were used as controlling variables because this study focused on individual attitudes.

## **UNIT OF ANALYSIS AND SAMPLING**

The population for this study is about 10,000 employees who work in the Malaysian post offices (POS MALAYSIA BERHAD COMPANY PROFILE, 2009). In this study, a national post office in Sarawak, Malaysia was used as a case study. At the initial stage of survey method, the researchers met HR managers of the studied organization to get his opinion about the rules for distributing survey questionnaires in their organizations. After considering the organizational rules, a quota sampling was used to determine the number of sample size based on the period of study and budget constraints, that is 300 employees. Next, survey questionnaires were distributed to 300 employees using a convenient sampling technique because the list of registered employees was not given to the researchers and this situation did not allow the researchers to choose randomly respondents in the organizations. Of the total number, 150 usable questionnaires were returned to the researchers, yielding 50% response rate. Participants answered these questionnaires based on their own consent and on a voluntarily basis. Statistically, the number of this sample met the requirements of inferential statistics (Sekaran, 2003), this could be properly analysed to produce valid and reliable research findings.

## **DATA ANALYSIS**

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The Statistical Package for Social Science (SPSS) version 16.0 was used to analyse the data from the questionnaire. Firstly, Exploratory Factor Analysis (EFA) was used to assess the validity and reliability of measurement scales (Nunally & Bernstein, 1994; Hair et al, 1998). Relying on the guidelines set up by these statisticians, a factor analysis with direct oblimin rotation was first done for all the items that represented each research variable, and this was followed by other tests, that is, Kaiser-Mayer-Olkin Test (KMO), Bartlett's Test of Sphericity (BTS), Eigenvalue, variance explained and Cronbach Alpha ( $\alpha$ ). Secondly, Pearson Correlation ( $r$ ) analysis and descriptive statistics were conducted to analyze the constructs and the usefulness of the data set (Tabachnick & Fidell, 2001; Yaacob, 2008).

Finally, moderating effects are a type of interaction where the strength of the relationship between an independent variable and a dependent variable is changed when other variables are present. Pearson Correlation analysis was unable to determine the moderating role of distributive justice in the hypothesized model. A moderated multiple regression analysis (as recommended by Cohen, 1993) was used to test the influence of procedural justice in the relationship between performance appraisal communication and job satisfaction. This procedure stresses the development of a multiplicative term, which is used to encompass the interaction effect, and to calculate two  $R^2$ s, one for the equation, which includes only main effects (main-effect model) and the other for a three-term equation (product-term model), which includes both the main and interaction effects. This technique may separate the component parts of the product term from the term itself to account for the complex combination of variance due to main and interaction effects. Standardized coefficients (standardized beta) were used for all analyses. Results of an interaction are evident when the relationship between interacting terms and the dependent variable is significant. The fact that the significant main effects of predictor variables and moderator variables simultaneously exist in analysis it does not affect the moderator hypothesis and is significant to interpret the interaction term (Baron & Kenny, 1986). In this regression analysis,

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standardized coefficients (standardized beta) were used for all analyses  
(Jaccard et al., 1990).

## FINDINGS: RESPONDENTS' CHARACTERISTICS

In terms of sample profile, Table 1 shows that most respondents were males (76%), ages between 26 to 35 years old (30.7%), SPM holders (30.8%), the length of service from 2 to 5 years, and non-management group (56.7%).

**Table 1. Respondents' Characteristic (N=150)**

Respondent Characteristics	Sub-Profile	Percentage
Gender	Male	24
	Female	76
Age	18-25 years olds	29.3
	26-35 years old	30.7
	36-45 years old	15.3
	More than 46 years old	24.7
Education	Degree	9.3
	Diploma	11.2
	STPM	30.8
	SPM	35.5
	PMR	13.1
Length of Service	Less than 1 year	15.0
	2-5 years	54.2
	6-9 years	26.2
	10-13 years	1.9
	14-17 years	2.8
Position	Management Group	43.3
	Non-Management Group	56.7

Note: STPM: Malaysian Higher School Certificate

SPM: Malaysian Certificate of Education

PMR: Lower Certificate of Education

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## VALIDITY AND RELIABILITY ANALYSES FOR THE MEASUREMENT SCALES

Table 2 and Table 3 show that the factor analysis with direct oblimin rotation was done for four variables with 12 items. After that, Kaiser-Mayer-Olkin Test (KMO) which is a measure of sampling adequacy was conducted for each variable and the results indicated that it was acceptable. Relying on Hair et al. (2006) and Nunally & Bernstein's (1994) guideline, these statistical analyses showed that (1) all research variables exceeded the minimum standard of Kaiser-Meyer-Olkin's value of 0.6, were significant in Bartlett's Test of Sphericity, (2) all research variables had Eigenvalues larger than 1, (3) the items for each research variable exceeded Factor Loadings of 0.40 (Hair et al., 1998), and (4) all research variables exceeded the acceptable standard of Reliability Analysis of 0.70 (Nunally & Bernstein, 1994). These statistical results confirmed the validity and reliability of measurement scales used for this study as shown in Table 2 and Table 3.

**Table 2. Item Validity**

Variable	Item	Component			
		1	2	3	4
Feedback	1. My supervisor clearly explains about the allocation of performance scores.	.84			
	2. My supervisor clearly explains the guidelines for evaluating employee performance.	.85			
	3. My supervisor praises my job performance.	.82			
Interactional Style	1. My supervisor allow me to give opinions about the performance appraisal system.				.88
	2. Union is allowed to give suggestions about the performance appraisal system.				.80
	3. I am given opportunities to question performance appraisal decisions.				.46
Procedural Justice	1. My supervisor gathers accurate information to make performance appraisal decisions.			.93	
	2. My supervisor explain the guidelines used in performance appraisal system.			.89	
	3. My supervisor assesses my performance			.75	



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	based on my ability in the workplace.				
Job Satisfaction	1. Relationship between management and employees.		.84		
	2. Opportunity to get better promotion.		.91		
	3. Management pays more attention on my suggestions		.82		

**Table 3. Validity and Reliability Analyses for Measurement Scales**

Variable	Item	Factor Loading	Kaiser Meyer Olkin	Barlett's Test of Spehericity	Eigenvalue	Variance Explained	Cronbach Alpha
Feedback	3	.88 to .85	.72	296.32, p=0.000	2.50	83.42	.90
Interactional Style	3	.46 to .88	.72	208.58, p=0.000	2.34	78.15	.86
Procedural Justice	3	.75 to .93	.73	275.06 p=0.000	2.48	82.74	.90
Job Satisfaction	3	.82 to .91	.72	185.24, p=0.000	2.29	76.31	.84

## ANALYSIS OF THE CONSTRUCTS

Table 3 shows that the mean values for each variable are between 4.70 and 4.98, indicating the levels of feedback, interactional style, procedural justice and job satisfactions ranging from high (4) to highest level (7). The correlation coefficients between the independent variable (i.e., feedback and interactional style) and moderating variable (i.e., procedural justice), and between the independent variable (i.e., feedback and interactional style) and the dependent variable (e.g., job satisfaction) were less than 0.90, indicating the data are not affected by serious colinearity problem. These correlations also provide further evidence of validity and reliability for measurement scales used in this research (Hair et al., 1998).

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**Table 3. Means, standard deviations and correlation between variables**

Variables	Mean	Standard Deviation	Pearson Correlation Coefficients			
			1	2	3	4
1. Feedback	4.90	1.57	(1)			
2. Interactional style	4.96	1.52	0.73 **	(1)		
3. Procedural Justice	4.98	1.56	0.63 **	0.54 **	(1)	
4. Job Satisfaction	4.70	1.47	0.34 **	0.33 **	0.45 **	(1)

Note: Significant at \*\*p<0.01 Reliability estimation is shown in a diagonal (Value 1).

## OUTCOMES OF TESTING HYPOTHESIS 1 AND HYPOTHESIS 2

Table 4 shows the results of testing hypotheses using a hierarchical regression analysis. It shows that demographic variables were entered in Step 1 and then followed by entering independent variable (feedback and interactional style) in Step 2, and moderating variable (procedural justice) in Step 3. Job satisfaction was used as the dependent variable. An examination of multicollinearity in the Table 4 shows that the tolerance values for the relationships: (1) between feedback and job satisfaction was 0.94, and (2) between interactional style and job satisfaction was .97. While, the tolerance values for the relationships: (1) between the feedback, procedural justice and job satisfaction were 0.95, and (2) between the interactional style, procedural justice and job satisfaction were 0.98. These tolerance values were more than tolerance value of 0.20 (as a rule of thumb), indicating the variables were not affected by multicollinearity problem (Fox, 1991; Tabachnick & Fidell, 2001).

**Table 4. Results of hierarchical regression analysis**

Variable	Dependent Variable (Job Satisfaction)		
	Step 1	Step 2	Step 3
Controlling Variable Gender	0.10	-0.00	-0.04

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Position	-0.24*	-0.14	-0.11
Age	0.32	0.34*	0.25
Education	0.15	0.15	0.17
Length of Service	-0.50**	-0.50**	-0.45**
<u>Independent Variable</u>			
Feedback		0.04	-0.68**
Interactional style		0.17	0.86**
Procedural Justice		0.31**	0.36
<u>Moderating Variable</u>			
Feedback x Procedural Justice			1.37**
Interactional Style x Procedural Justice			-1.36**
R <sup>2</sup>	0.08	0.28	0.33
Adjusted R Square	0.05	0.24	0.28
R Square Change	0.08	0.20	0.05
F	2.40*	6.79***	6.91***
F change R Square	2.40	13.10	5.62

Note: Significant at \*p<.05;\*\*p<.01;\*\*\*p<.001

Table 4 shows the results of hierarchical regression analysis were summarised in the three steps. Step 1 showed that position and length of service were found to be significant predictors of job satisfaction ( $\beta = -.24$ ,  $p < 0.05$ ;  $\beta = -.50$ ,  $p < 0.01$ , respectively), accounting for 8 percent of the variance in dependent variable. Step 2 displayed that feedback and interactional style were not found to be significant predictor of job satisfaction ( $\beta = .04$ ,  $p > 0.05$ ;  $\beta = .17$ ,  $p > 0.05$ , respectively), accounting for 28 percent of the variance in dependent variable. Step 3 (after the inclusion of performance appraisal communication features) revealed two important findings: firstly, the interaction between feedback and procedural justice significantly correlated with job satisfaction ( $\beta = 1.37$ ,  $p < 0.01$ ), therefore H1 was supported. Secondly, the interaction between interactional style and procedural justice significantly correlated with job satisfaction ( $\beta = -1.36$ ,  $p < 0.01$ ), therefore H2 was supported. In terms of explanatory power, the inclusion of procedural justice in Step 3 had explained 39 percent of the variance in dependent variable. This result explains that the inclusion of procedural justice in Step 3 did not change the previous significant relationship between performance appraisal communication (i.e., feedback and interactional style) and job satisfaction in Step 2 ( $\beta = 0.04$ ,  $p > 0.05$ ;  $\beta = 0.17$ ,  $p > 0.05$ , respectively) to

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non significant in Step 3 ( $\beta=0.68$ ,  $p<0.01$ ;  $\beta=0.86$ ,  $p<0.01$ , respectively), but the strength of such relationships was decreased. Statistically, this result sends a signal that procedural justice does act as a partial moderating variable in the relationship between performance appraisal communication and job satisfaction in the studied organization.

## **DISCUSSION AND IMPLICATIONS**

This study shows that procedural justice does act as a partial moderating variable in the relationship between performance appraisal communication and job satisfaction in the studied organization. In the organizational contexts, appraisers (i.e., HR manager, immediate bosses and/or supervisors) conduct performance appraisal systems based on the organization's policies and rules. As a business entity, appraisers actively use communication openness as a mean to increase employees' understanding and decrease their misjudgments about the appraisal systems. For example, appraisers often provide informal and/or formal feedback to employees through face-to-face and group discussions, as well as use comfortable treatments (e.g., show respect and accountability) when dealing with their appraises' complaints and demands. According to interviewed respondents, these communication practices have increased employees' feelings of justice about the procedures of allocating performance ratings and this may lead to an increased job satisfaction in the organization.

The implications of this study can be divided into three major aspects: theoretical contribution, robustness of research methodology and practical contribution. In terms of theoretical perspective, the findings of this study show that procedural justice has moderated the effect of performance appraisal communication (i.e., feedback and interactional style) on job satisfaction. This result is consistent with studies by Fletcher and McDowall, 2004; Kavanagh, Benson and Brown, 2007; Cloutier and Vilhuber, 2008).

With respect to the robustness of research methodology, the survey questionnaires used in this study satisfactorily met the standards of

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validity and reliability analyses, this could lead to the productions of accurate and reliable findings. Regarding on the practical contributions, the findings of this study may be used as guidelines by employers to improve the design and administration of performance appraisal systems. Improvements can be done in the following areas: firstly, design a customised management-training program based on the organization's strategy and goals. For example, by properly implementing such training programs may help employees to understand, respect and obey the policies, rules, and work cultures practiced in the organizations. Secondly, change in recruitment and selection policies to suit with current organizational changes. For example, recruiting knowledgeable and experience people to hold important positions are very important because they may create the various types of creative performance appraisal systems in organizations. Finally, review pay distribution rules according to external organizational changes. For example, by appropriately increasing the type, level and/or amount of reward to high performing employees may capture their hearts and minds to sacrifice their time and efforts to meet the interests of organization. If such suggestions are heavily considered, this will motivate employees to increase positive attitudinal and behavioural outcomes (e.g., commitment, performance and good work ethics). Thus, these positive outcomes can motivate employees to increase organizational competitiveness in a global economy.

## **CONCLUSION**

This study developed a conceptual framework based on the performance appraisal research literature. The measurement scales used in this study satisfactorily met the standards of validity and reliability analyses. The outcomes of hierarchical regression analysis confirmed that procedural justice did act as a partial moderating variable in the performance appraisal communication and job satisfaction in the studied organization. The results from this study have supported performance appraisal literature mostly published in Western organizational settings. Therefore, current research and practice within performance appraisal models needs to consider perceptions of

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procedural justice as a critical aspect in performance appraisal systems. These findings further suggest that integration of procedural justice with performance appraisal process will increase positive subsequent personal outcomes (e.g., commitment, satisfaction, and thus performance). Thus, these positive outcomes may motivate employees to support organizational and human resource management's strategies and goals.

The conclusion drawn from the results of this study should consider the following limitations. Firstly, the data was only taken once during the duration of this study. Therefore, it did not capture the developmental issues such as intra-individual change and restrictions of making inference to participants and/or causal connections between variables of interest. Secondly, this study only examines the relationship between latent variables and the conclusion drawn from this study does not specify the relationship between specific indicators for the independent variable, moderating variable and dependent variable. Thirdly, this study only focused on particular elements of performance appraisal communication and neglected other important factors (e.g., performance criteria, participation, leadership style, and political behavior (Sabeen & Mehboob, 2008; Sogra et al., 2009; Tahir Suliman, 2007; Thurston & McNall, 2010). Fourthly, other performance appraisal outcomes (e.g., job satisfaction, job commitment, performance and turnover) that are significant for organizations and employees are not discussed in this study (Kreitner & Kinicki, 1998; McShane & Von Glinow, 2005; Poon, 2004). Fifthly, although a substantial amount of variance in dependent measures explained by the significant predictors is identified, there are still a number of unexplainable factors that can be incorporated to identify the causal relationship among variables and their relative explanatory power (Tabachnick & Fidell, 2001). Finally, the sample for this study was taken using a convenient sampling technique in a single public organization. These limitations may decrease the ability of generalizing the results of this study to other organizational settings.

The conceptual and methodology limitations of this study need to be considered when designing future research. Firstly, the organizational



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and personal characteristics that act as a potential variable and can influence the effectiveness of performance appraisal communication should be further explored. If organizational and personal characteristics are used in research, this may provide meaningful perspectives for understanding the individual differences and similarities that affect employee outcomes. Secondly, the weaknesses of cross-sectional research design may be overcome if longitudinal studies are used to collect data and describe the patterns of change and the direction and magnitude of causal relationships between variables of interest. Thirdly, the findings of this study may produce different results if this study is done in more than one organization. Fourthly, as an extension of the procedural justice, other theoretical constructs of organizational justice (i.e., interactional justice and distributive justice) needs to be considered because they have been widely recognized as an important link between performance appraisal and employee outcomes (Colquitt et al., 2001; Colquitt et al., 2002; Salimaki & Jansen, 2010; Thurston & McNall, 2010). The importance of these issues needs to be further elaborated in future studies.

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