

Employee Satisfaction with Performance Evaluations

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ABSTRACT

There are some organizations that have a formal evaluation process and some that do not. This study was done on a southern not-for-profit electric utility company that does not have a formal evaluation process. The employees of this organization were surveyed to determine their satisfaction level with the current process and whether or not there is a need for a more formal and feedback driven evaluation process. The scales used include: leadership style, organizational support, trust, commitment, job satisfaction, and satisfaction with the performance appraisal system. A model of the satisfaction with the process is tested. Implications for managers, limitations, and future research are discussed.

INTRODUCTION

Performance appraisals have been shown to be an effective tool to increase trust (Nyhan, 2000; Hubbell & Chory-Assad, 2005), commitment (Meyer, Paunonen, Gellatly, Goffin, & Jackson, 1989; Buck & Watson, 2002), and job satisfaction (Harris, Winskowski, & Engdahl, 2007; Lau, Wong, & Eggleton, 2008) in the workplace. Workers perceived support from supervisors has been shown to be positively related to leadership (Podsakoff, Mackenzie, & Bommer, 1996; Rhoades & Eisenberger, 2002; Matzler, Kepler, Schwarz, Deutinger, & Harms, 2008), trust (Eisenberger, Cummings, Armeli, & Lynch, 1997), commitment (Eisenberger et al.,

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1997; Rhoades, Eisenberger, & Armeli, 2001; Rhoades & Eisenberger, 2002), and job satisfaction (Rhoades et al., 2001). This study looks at a model of satisfaction with a performance appraisal system. It is theorized that leadership style will have a positive effect on perceived support, trust, commitment, and job satisfaction which in turn will effect the satisfaction of the process of performance evaluations.

Some organizations have formal evaluations and others do not. An organization that currently does not have a formal evaluation process was chosen as the sample for this study. At the present time there is no real evaluation process in the sample. Once every year all the employees meet with their supervisors and are given their annual increase in salary with very little comments and/or feedback on their performance or the reasoning behind their raise. This process is not beneficial to the organization or the employees because there is no tool to help employee development and growth. However, the company hired a consultant firm to design a more formal evaluation process. A focus group met with a representative from the consultant firm to determine the key competencies that should be included in the new evaluation process and these were presented to upper management and staff for approval. After these were approved, the consultant firm created an evaluation software program for the company. A presentation was given to every employee informing them of the new evaluation process being developed and employees who would be completing evaluations were trained on the software. The presentation was on the importance of an evaluation process, the benefits, common fears, and an explanation of how the competencies being evaluated came from a focus group of fellow peers and staff members. All supervisors who were completing evaluations did a preliminary evaluation of their subordinates, which were then submitted to upper management for review and approval. This process was done to help determine inconsistencies and as mock trial for the real

evaluations. There were inconsistencies among the evaluations and upper management could not come to agreement on correcting them so the new process was suspended.

The current evaluation process at this organization is lacking because the employees are not receiving any constructive feedback or praise, therefore they have no solid proof of where they stand, their strengths, or their weaknesses. Due to this concern, the employees were surveyed to determine their satisfaction level with the current process and whether or not there is a need for a more formal and feedback driven evaluation process (see Appendix). The purpose of this study is to determine how satisfied employees are with their current evaluation process.

LITERATURE REVIEW

Leadership

There are five components of leadership (Bass, 1985). Three are seen as transformational and include: charismatic leadership, individualized consideration, and intellectual stimulation. The other two are transactional and include: contingent reward and management-by-exception (Bass, 1985; Bycio, Allen, & Hackett, 1995; Podsakoff et al., 1996; MacKenzie, Podsakoff, & Rich, 2001). Transformational leadership inspires employees to perform based on their values and goals, whereas transactional leadership involves performing based on reward and punishment (Bycio et al., 1995; Podsakoff et al., 1996; MacKenzie et al., 2001; Matzler et al., 2008). Transformational leaders tend to be more proactive and transactional leaders tend to be more reactive (MacKenzie et al., 2001). The effectiveness of a leader has a positive relationship with transformational leadership, whereas it has a negative relation to management-by-exception (manager only gets involved when there is a problem) (Bycio et al., 1995). Transformational leadership augments transactional leadership in terms of employee performance and satisfaction

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and it is charismatic leadership (level of faith, respect, and inspiration employees have in their leaders) that is responsible for the augmentation (Bycio et al., 1995; Podsakoff et al., 1996; MacKenzie et al., 2001).

Trust and role-ambiguity are influenced by both transactional and transformational leadership (MacKenzie et al., 2001). The transactional leadership behavior, contingent reward, has a positive impact on citizenship behaviors like helping behavior and sportsmanship and on the other hand, decreases role ambiguity (MacKenzie et al., 2001). Contingent reward and punishment can be beneficial when it is administered correctly because it helps to reduce role ambiguity, therefore this should be a leader behavior in addition to transformational leadership behaviors (MacKenzie et al., 2001). Leaders who go overboard with intellectual stimulation tend to reduce role ambiguity, satisfaction, and perceived trust, which in turn will decrease citizenship behavior and role conflict (Podsakoff et al., 1996; MacKenzie et al., 2001). Leaders who offer individualized support to their employees will increase trust, perceived support, performance, satisfaction, role clarity, citizenship behaviors, and civic virtue (Podsakoff et al., 1996). Articulating a vision has a positive relationship with employee satisfaction, commitment, role clarity, and sportsmanship, however, it has no relation to trust and helping behaviors (Podsakoff et al., 1996).

There are many transformational leadership behaviors including: evaluation and problem-solving, offering appropriate feedback, articulating a vision, good communications skills, impression management or being a good role model, empowering employees, individualized support, high performance expectations, and intellectual stimulation (Bycio et al., 1995; Podsakoff et al., 1996; MacKenzie et al., 2001; Matzler et al., 2008). A strong positive relationship exists between performance and transformational leadership (Bycio et al., 1995;

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Podsakoff et al., 1996; MacKenzie et al., 2001; Matzler et al., 2008). Transformational leaders inspire employees to perform above what is required of them and reduce stress and/or burnout (Bycio et al., 1995; Podsakoff et al., 1996; MacKenzie et al., 2001; Matzler et al., 2008). If management desires innovation, a transformational leadership style is appropriate because it intrinsically motivates employees, increases perceived support, and increases employee performance (Matzler et al., 2008). There is a positive relationship between transformational leadership and organizational commitment (Bycio et al., 1995). Having a transformational leader will influence an employee's affective commitment, therefore decreasing turnover intent (Bycio et al., 1995). However, of the three types of organizational commitment, affective commitment has the strongest relationship with transformational leadership over continuance and normative commitment (Bycio et al., 1995).

Perceived Organizational Support

Perceived organizational support has been studied by many (Rhoades et al., 2001; Eisenberger et al., 1997; Rhoades & Eisenberger, 2002). Employees who perceive organizational support are normally satisfied with their job, have a positive attitude and/or mood, and have less stress symptoms (Rhoades & Eisenberger, 2002). Job satisfaction and perceived organizational support are related, but employees can distinguish between them (Eisenberger et al., 1997). The distinction between the two is because organizational support concerns the intent of the organization and job satisfaction concerns the different aspects of the job (Eisenberger et al., 1997).

There is a social exchange (reciprocated treatment) and psychological contract between organizations and employees (Rhoades et al., 2001; Eisenberger et al., 1997). Job experiences that employees feel are high discretion conditions (controlled by the organization) and are

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favorable are more positively related to perceived organizational support than experiences that are low discretion conditions (organization has little control) (Eisenberger et al., 1997). When favorable treatment exists, trusts in and perceived support by the organization is positively impacted (Eisenberger et al., 1997). If employees feel the organization does not support them, there is an increase withdrawal behavior (Rhoades et al., 2001).

Fairness or procedural justice has the strongest relationship with perceived organizational support (Rhoades & Eisenberger, 2002). Employees may view fairness as a voluntary or discretionary act that is controlled by the organization (Rhoades et al., 2001). Procedural, distributive, and interactional justice are equally related to perceived organizational support and when employees see all three types of justice as being fair they feel the organization values their contributions and cares for them. (Rhoades & Eisenberger, 2002).

Perceived organizational support is important to employee commitment (Rhoades et al., 2001). Perceived organizational support is associated with and is a mediator of the relationship between affective commitment and the following favorable work conditions: rewards, managerial support, and fairness. (Rhoades et al., 2001; Rhoades & Eisenberger, 2002).

Organizational support leads to affective commitment (Rhoades et al., 2001). Employees determine organizational support and commitment to the organization based on the accumulation of different work experiences that are seen as being under the voluntary control of the organization (Rhoades et al., 2001). When employees perceive organizational support they believe the organization values their contribution and cares about them there is an increase in affective commitment and performance, therefore decreasing voluntary turnover. (Rhoades et al., 2001; Eisenberger et al., 1997; Rhoades & Eisenberger, 2002). Managerial support is also

positively related to perceived organizational support because supervisors are viewed as being representatives of the organization (Rhoades & Eisenberger, 2002).

Trust

Trust in organizations helps to facilitate relationships, commitment to the organization, employee motivation, and cooperation within the organization (Hubbell & Chory-Assad, 2005). In addition trust helps to increase the length of time an employee will stay with a company because they are more committed and motivated (Hubbell & Chory-Assad, 2005). There are two types of trust, managerial and organizational trust (Hubbell & Chory-Assad, 2005; Perry & Mankin, 2007; & Tan & Lim, 2009). Procedural justice has been found to be related to trust (Hubbell & Chory-Assad, 2005). It has also been found that trust acts as a predictor of job satisfaction and when there is little trust, employees report less satisfaction (Hubbell & Chory-Assad, 2005). Procedural justice is the strongest predictor of both forms managerial and organizational trust (Hubbell & Chory-Assad, 2005). Interaction during an evaluation does not predict trust in managers, but the fairness of the procedures of the evaluation is a predictor of trust (Hubbell & Chory-Assad, 2005). However, past studies have found a relationship between interaction during evaluations and building trust in managers (Hubbell & Chory-Assad, 2005).

Trust also includes empowering employees, offering feedback, and collective decision making (Nyhan, 2000). In order for managerial trust to exist there must be confidence on a mutual level between supervisors and their subordinates that the other is fair and ethical (Nyhan, 2000). A manager's style and personal values effect trust by employees (Perry & Mankin, 2007). Styles which enhance the perception of empathy, fairness, honesty, and mutual values have a positive impact on the level of trust (Perry & Mankin, 2007). Managerial trust and organizational trust are not significantly related suggesting that trust in ones manager can be independent of

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trust in the organization (Perry & Mankin, 2007). Although both types of trust were found to be independent on each other, job satisfaction tended to be higher when employees have trust in both their managers and the organization (Perry & Mankin, 2007).

Trust in one's fellow co-workers has an impact in trusting the organization and such trust leads to organizational commitment and higher levels of performance (Tan & Lim, 2009). When a person trusts a fellow employee of equal standing they are willing to be vulnerable to that employee's behaviors and actions for which they can not control (Tan & Lim, 2009). Trust in the organization is defined in the same manner that trust in co-workers is and is the willingness to trust the organization's behaviors and actions for which they can not control (Tan & Lim, 2009). Trust has three elements: ability (competence, know how, and skill), benevolence (good intentions and positive orientation), and integrity (values are deemed acceptable) (Tan & Lim, 2009). Only benevolence and integrity are found to be significantly related to trust in co-workers (Tan & Lim, 2009). This may not always be the case in some situations. One possible case could be in a team setting where there is no form of structured control and the success of the team is based on the knowledge and ability of its team members (Tan & Lim, 2009).

Commitment

Employees who are committed to an organization identify with the organization, feel they are involved with the organization, and have a felt sense of loyalty to the organization (Dale & Fox, 2008). Organizational commitment increases both motivation and performance (Buck & Watson, 2002; Dale & Fox, 2008; Giffords, 2003; Meyer, Paunonen, Gellatly, Goffin, & Jackson, 1989). When commitment exists there is a reduction in withdrawal behaviors such as absenteeism, tardiness, and voluntary turnover (Buck & Watson, 2002; Dale & Fox, 2008; Giffords, 2003; Meyer et al., 1989). Human resource management practices affect an employee's

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level of organizational commitment and voluntary turnover (Buck & Watson, 2002). Commitment to the organization and/or profession is impacted by organizational auspice meaning public, non-for-profit, and proprietary organizations (Giffords, 2003). Employees who work for public companies have reported less commitment to their organization and profession than employees who work for non-for-profit and proprietary institutions (Giffords, 2003).

There are three forms of organizational commitment: affective commitment (emotional attachment with organization), continuance commitment (perceived cost of leaving or having to stay with an organization), and normative commitment (obligation to stay with an organization) (Buck & Watson, 2002; Dale & Fox, 2008; Giffords, 2003; Meyer et al., 1989). There is more value in commitment that is due to identifying with the organization and being involved than there is in commitment that is due to the perceived cost of going elsewhere (Meyer et al., 1989). Job performance and affective commitment are positively related, but job performance and continuance commitment has a negative relationship, therefore it is the type of commitment that determines the value of that commitment to the organization (Meyer et al., 1989). When people are committed based on continuance commitment there is a reduction in turnover, yet performance may suffer because if they are only staying due to the cost of leaving they will only be motivated to perform at the standard that is required and no more (Meyer et al., 1989). Although more difficult, it is important and in the best interest of the organization to focus on the development of affective commitment because employees will be motivated to both stay with the organization and work toward making it a success (Meyer et al., 1989). Some job conditions that help to foster affective commitment in employees include: knowledge of expectations, challenging work, role clarity, and input into to decision (Meyer et al., 1989).

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Leader style and organizational commitment are related (Dale & Fox, 2008). Leadership style impacts voluntary turnover and the level of stress in employees, therefore managers should be aware that their behavior and/or style have an impact on the level of organizational commitment (Dale & Fox, 2008). Leadership style can increase or decrease work stress, which has a negative impact on organizational commitment (Dale & Fox, 2008). In order to decrease employee stress leaders should provide structure, let employees know where they fit in the scheme of things, and define the standard and expectations clearly (Dale & Fox, 2008). Organizational commitment is positively affected when employees perceive leader consideration (favorable social interaction and good two-way communication) (Dale & Fox, 2008). The favorable actions of supervisors may be perceived as those of the organization because supervisors are viewed as representatives of the organization and may foster commitment to the organization, especially when supervisor actions are perceived as being similar to the values of the employees (Dale & Fox, 2008).

Job Satisfaction

There have been many studies done on job satisfaction (Harris et al., 2007; Lau et al., 2008; Perry & Mankin, 2007; Witt & Wilson, 2001). One common theme among the study of job satisfaction is how perceived fairness and/or equity effect job satisfaction (Lau et al., 2008; Witt & Wilson, 2001). Among the things that effect job satisfaction is the perceived fairness of performance appraisals (Lau et al., 2008). When the effects of distributive fairness (rewards and compensation), trust in manager, and organizational commitment are taken together they provide good explanations for perceived procedural fairness (Lau et al., 2008). However, non-outcome-based effects thru trust in manager and organizational commitment were much stronger than outcome-based (distributive fairness) effects (Lau et al., 2008).

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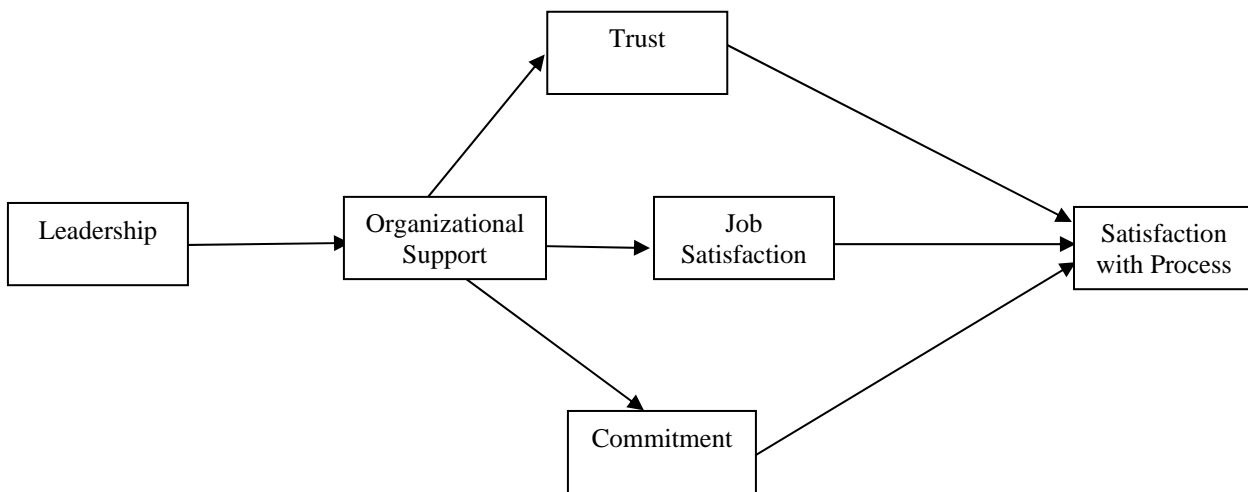
Equity (equality and perceived fairness) is a determinant of extra-role behaviors (employees who help co-workers, are accepting of change and inconvenience, have positive attitudes, and are committed to the organization and its resources), but only when employees are satisfied in their jobs (Witt & Wilson, 2001). Job satisfaction moderates the relationship between equity and extra-role behavior (Witt & Wilson, 2001). Employees who have the perception of equity and are satisfied with their job are more likely to act in a manner that demonstrates extra-role behavior (Witt & Wilson, 2001).

Social support, a form of organizational support, can increase satisfaction at work by helping worker's emotional state and consequently improving their social behavior (Harris et al., 2007). Types of social support are career mentoring, coaching, collegial support, and task support (Harris et al., 2007). Career mentoring and task support are predictors of job satisfaction, while coaching and collegial support are not (Harris et al., 2007). A form of career mentoring is the use of performance evaluations and when employees feel they are successful in their jobs based on the feedback they receive they tend to have increased job satisfaction (Harris et al., 2007).

Figure 1 is a hypothesized model that shows the relationships previously discussed. Satisfaction with the process of evaluations are hypothesized to be directly a function of trust, commitment, and overall job satisfaction. Trust, commitment and perceived support are hypothesized to be a direct result of a transformational leadership style. While this may seem to be a comprehensive model it has a distinctly exchange based perspective. Having an exclusively exchange based perspective leaves out other constructs which may be germane, such as social identity or affective dimensions.

FIGURE 1

Hypothesized Model



METHODS

Sample

Surveys were completed by 101 of 157 full time employees of a southern non-for-profit electric utility provider for a 64% response rate. The employees departments include Upper Management and/or Staff, Cashiers, Customer Service, Billing, Accounting, Energy Management/Marketing, Human Resource, Warehouse, Metering, Construction, System Control, Servicemen, Information System, Investigation, and Engineering. The population was selected because every full time employee in the sample was included in the new evaluation process.

Procedure

The survey instrument was passed out to the respondents to complete and turn in the same working day. When the surveys were complete the respondents were told to bring them to a

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central location and turn them into the surveyor. They put the completed surveys into an envelope so that their answers would remain anonymous. When they turned in the survey, they were given a HECK Coupon that was provided by the company for their efforts. This was a tool to motivate the respondent's participation. They earn Heck Coupons through out the year and can turn them in at the end of the year for a prize; the more they have the better the prize.

Variables

Demographic information was collected which included gender, status, and tenure. *Performance appraisal system* was measured using items that were developed to fit the sample. There were 7 items used to measure the *Performance appraisal system*. The items include "A performance appraisal system that offers more feedback on my performance would be better than the annual reviews I have received in the past." and "I would like a more structured performance appraisal system than what I have had in the past." 10 items were adapted from Churchill Ford, and Walker (1974) to measure *Job satisfaction*. Respondents were asked to indicate their level of satisfaction with items that included "Frequency of evaluations," "Connection between pay and performance," and "Influence over decisions that affect you." *Trust* was measured by 4 items, adapted from Nyhan (2000). Items consisted of "I have confidence that my supervisor is technically competent at the critical elements of his/her job." and "I feel I can tell my supervisor anything about my job." There were four items used to measure *Commitment*, adapted and modified from Nyhan (2000) and included "I feel like "part of the family" at HEC." and "I would be very happy to spend the rest of my career with HEC." *Organizational support* was measured by 9 items adapted and modified from Eisenberger, Huntington, Hutchison, and Sowa (1986). Items consisted of "HEC strongly considers my goals and values." and "HEC cares about my opinions." *Transformational leadership and Transactional leadership behaviors*, four

transformational and three transactional items were adapted from Bass, Avolio, and Jung (1995).

The items included “My supervisor displays a sense of power and confidence.” And “My supervisor provides me with assistance in exchange for my efforts.”

RESULTS

An analysis of the measurement model was conducted after replacing the missing data. The analysis was done using principal component analysis and confirmatory factor analysis. A sample of the results of the factor loadings are shown in Table 1. The results suggest that there is adequate differentiation in the factor loadings because none of the variables measured the same construct. Structural Equation Modeling (SEM), AMOS 7.0 (Arbuckle, 2006) was used to evaluate the hypothesized and alternative models.

TABLE 1

Factor Analysis of the Study Items

	OS	TL/TA	PAS	JS	T	C
OS7	.95					
OS4	.83					
OS6	.80					
OS8	.77					
OS10	.73					
OS2	.73					
OS9	.68					
OS3	.67					
OS5	.66					
OS1	.47					
TA3		-.81				
TA1		-.41				
TA2		-.80				
TL3		-.74				
TL1		-.73				
TL2		-.39				
TL4		-.51				
PAS2			.92			

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PAS3	.89			
PAS1	.84			
PAS5	.84			
PAS4	.75			
PAS6	.70			
PAS7	.68			
JS1		.75		
JS2		.24		
JS4		.72		
JS3		.65		
JS7		.52		
JS5		.48		
JS6		.17		
JS10		.12		
JS8		.21		
JS9		.27		
T2			-.78	
T1			-.78	
T3			-.77	
T4			-.67	
C3				.63
C2				.20
C4				.61
C1				.39

Extraction Method: Maximum Likelihood, with an Oblimin with Kaiser Normalization.

TABLE 2

Confirmatory Factor Analysis of the Measurement Model

Factors	χ^2	df	$\Delta\chi^2$	RMSEA	IFI	TLI	CFI
1.	1219.93	252		.20	.49	.38	.48
3.	864.9	322	335.03*	.13	.72	.66	.71
5.	555.2	246	309.7*	.11	.84	.80	.83
6.	418.9	243	136.3*	.08	.91	.88	.91

Using SEM (Bryne, 2001) several alternative models were ran and evaluated. First, a single factor model was run to see if there was any common method bias (Podsakoff & Organ, 1986). The single factor model showed little common method bias among the variables

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(RSMEA, .20). Next, a 3 factor model was ran by using leadership as the first factor, combining the organizational support, trust, and commitment intermediate variables as the second factor (L, OS, T, C), and job satisfaction, the outcome variable, as the third factor (JS). There was significant improvement compared to the single factor model (RMSEA, .13, significant to $<.001$). A five factor model was developed by separating out the intermediate variables, PS, T, and C, and further significant improvement was seen (RMSEA, .11). Finally, the full six factor model was developed and resulted with an even more significant improvement of a .08 RMSEA. This model was found to be satisfactory based on the criteria from Bryne (2001).

The means, standard deviations, correlation, and Cronbach alpha matrix of study variables are presented in Table 3 and the internal validity of the study variables (Cronbach Alpha) is displayed on the diagonal in the table. Of the 101 respondents 46% were female and the other 54% were male. The majority of the sample were employees who only receive evaluations (72%), while the remaining were in some type of supervisory position and both receive and administer evaluations. The majority of the sample had been with the company for only 1-5 years (46%), the next group was 10-15 years (20%), the next two groups 5-10 and over 15 years (16%), and the lowest tenure group worked there less than a year (2%). In the demographic variables there is a slight correlation among tenure and status. A relationship between the length of time a person has worked for a company and their status is not surprising and was not considered a major concern. Transformational leadership and transactional leadership are significantly correlated and is consistent with the theoretical development of this model because as was stated earlier transformational leadership augments transactional leadership. Trust is significantly correlated with leadership and there is also significant

correlation between organizational support and commitment. The correlations suggest the hypothesized model is justified.

TABLE 3

Means, Standard Deviations, Correlations, and Alpha's of Study Variables

	Mean	s.d.	Gender	Status	Tenure	PAS	JS	T	C	OS	TL	TA
Gender												
Status	1.28	.45	.01									
Tenure	3.04	1.19	-.10	.35**								
PAS	2.57	.93	-.26**	-.18	-.19	.94						
JS	2.05	.56	-.11	-.15	.12	-.09	.85					
T	1.58	.77	-.07	-.12	.08	.02	.44**	.90				
C	1.88	.77	-.18	-.2.*	.02	.27**	.47**	.33**	.82			
OS	2.19	.81	-.20*	-.24*	.06	.21*	.60**	.47**	.76**	.96		
TL	1.85	.79	.04	-.17	.09	-.03	.49**	.74**	.38**	.52**	.91	
TA	1.85	.83	.03	-.13	.07	-.01	.44**	.72**	.37**	.50**	.89**	.89

** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed). The Cronbach alpha for each scale is shown on the diagonal.

A number of hierarchical regressions were then run to help identify structural equation models. The results of the hierarchical regression suggest that the hypothesized model fits to the data set (Table 4). For the Structural Equation Model results of the hypothesized and alternative models see Table 5. The structural equation hypothesized model showed adequate fit to the data ($\chi^2=272.2$, $df=163$). The standardized beta weights for the hypothesized model are shown in Figure 2. Alternative models were then tested to determine if there is a better model that fits the data. The first alternative model tested organizational support and as a partial mediator and showed significant improvement in the model fit to the data ($\chi^2=231.8$, $df=161$). Therefore, another alternative was ran to test job satisfaction as a partial mediator and no significant improvement was shown in the model fit to the data ($\chi^2=230.6$, $df=160$). The results of the

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structural equation model show that alternative 1 is the best model fit to the data. The standardized beta weights for alternative 1 model are shown in Figure 3.

TABLE 4

Hierarchical Regression of Study Variables against Transformational Leadership Style

Step 1	Beta				
	(Constant)	3.90			
	Gender	.05	.09	.10	.10
	Status	-.24**	-.08	-.08	-.06
	Tenure	.17	.05	.05	.03
	PAS AVE	-.03	.01	-.01	-.02
Step 2	JSAVE	.20	.57***	.51***	.26***
Step 3	CAVE	-.07		.10	.03
Step 4	TAVE	.58			.60***
Step 5	OSAVE	.19			.19*

*** p< .01; ** p< .05; * p< .10

TABLE 5

Structural Equation Models

Model	χ^2	df	$\Delta\chi^2$	RMSEA	IFI	TLI	CFI
Hypothesized	272.2	163		.082	.94	.92	.93
Alt1 - Best	231.8	161	40.4**	.066	.96	.94	.96
Alt. 2	230.6	160	1.2	.067	.96	.94	.96

Alternative 1 tested organizational support as a partial mediator

Alternative 2 tested job satisfaction as a partial mediator

FIGURE 2

Structural Equation results of the Hypothesized model

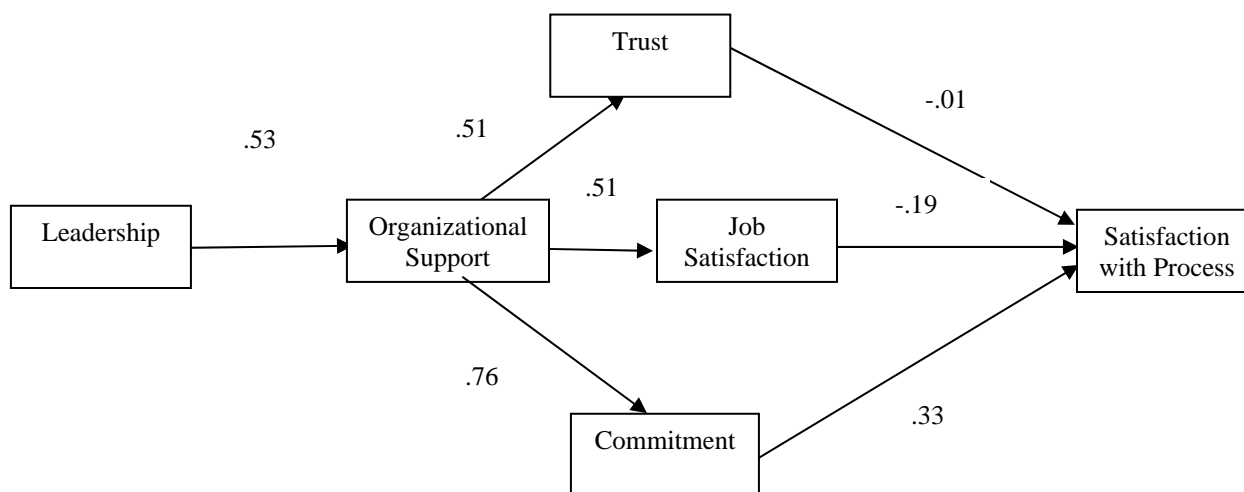
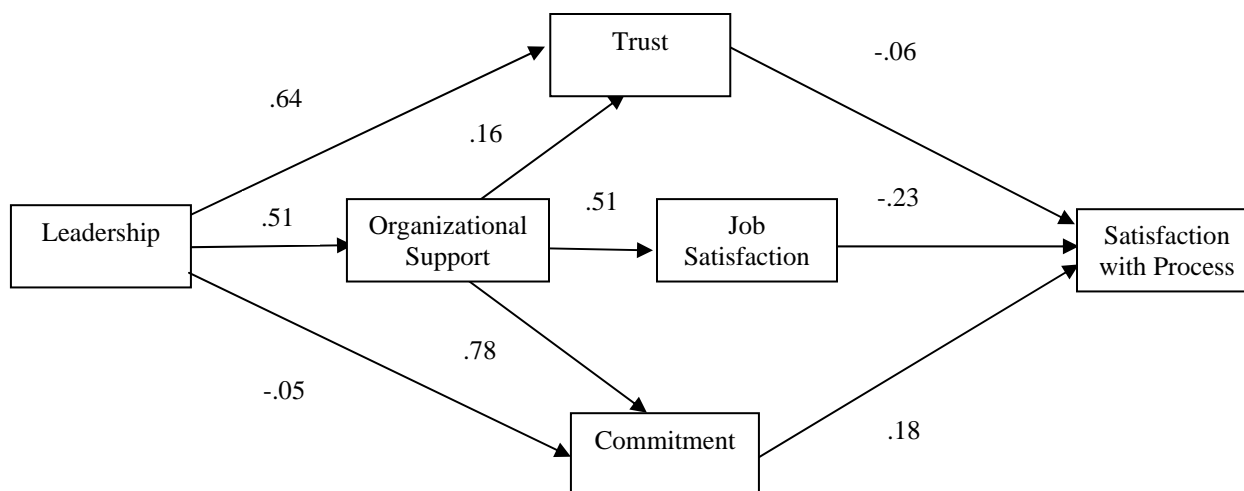


FIGURE 3

Structural equation results of the Alternative 1 – Best Model



MANAGERIAL IMPLICATION AND LIMITATIONS

The results of this study show that the employees of this particular electric utility company are not currently satisfied with the current evaluation process. They want a process that is more formal and feedback driven. A more structured and formal process would help to increase job satisfaction, trust, commitment, and perceived organizational support. It would also help employees to better understand what is expected of them and be able to develop and grow based on the feedback they are given. An evaluation process that expresses expectations and is fair would help to increase role clarity, job satisfaction, and commitment to the company. Evaluation processes are perceived as discretionary acts of the company and one that offers good feedback, development and growth opportunities, and is fair would help to increase trust and perceived organizational support. Leadership style also impacts satisfaction with the evaluation process, perceived organizational support, trust, commitment, and job satisfaction. A manager should strive to lead with a transformational style in order to increase employee performance and satisfaction.

Although support was found for the hypothesized model, there are some limitations. First, the study is based on survey administered at one company and generalization to others is unknown. Second, the *Performance appraisal system* scale has not been previously used and was developed to fit the sample in this particular study. Although this scale is not a documented scale, for this data the internal consistency (measured by Cronbach's alpha) is good (.94). Finally, the data are cross sectional (a single snap shot in time); therefore one has to be careful in interpreting any causality.

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APPENDIX

Appendix 1: Survey Instrument



Coastal Carolina University

Dear Employees,

I am a Coastal Carolina University MBA student conducting a research project on the satisfaction of the annual review process at Horry Electric Cooperative, Inc. related to job satisfaction, trust, commitment, perceived support, and leadership.

Your cooperation is important to the study and is greatly appreciated. The survey will take approximately 5-10 minutes to complete. All responses are anonymous and strictly confidential. You do not need to provide your name. There is no right or wrong answers to these questions. **All individual surveys will be shredded once compiled and only the final research paper and presentation will be presented to the management of Horry Electric Cooperative, Inc.**

Please note once you have completed the survey you will be given a HECK coupon.

Sincerely,
Courtnei Day

I have read the above information and by checking this line, I agree to have my answers included in this survey ____.

I do not desire to complete this survey ____.

Demographic information: Please circle the one that applies to you.

What is your gender? Participation in Performance
Evaluations?

Male

Received Only

Female

Administered and Received

How long have you worked for HEC?

Less than 1 year

1-5 years

5-10 years

10-15 years

More than 15 years

Employee Satisfaction with Performance Evaluations

Performance Appraisal System: Please indicate the degree of your agreement or disagreement with each of the following statements.

	Strongly Dis-Agree			Strongly Agree		
I feel a more structured performance appraisal system would help my future performance.	1	2	3	4	5	6
A performance appraisal system would help me do a better job.	1	2	3	4	5	6
A performance appraisal system would help me to better understand what my company expects of me.	1	2	3	4	5	6
A performance appraisal system that offers more feedback on my performance would be better than the annual reviews I have received in the past.	1	2	3	4	5	6
A performance appraisal system would help me to set goals.	1	2	3	4	5	6
A performance appraisal system would help to better compare my performance to others.	1	2	3	4	5	6
I would like a more structured performance appraisal system than what I have had in the past.	1	2	3	4	5	6

Job satisfaction: Please indicate your level of satisfaction with each of the following statements.

	Very Un- Satisfied			Very Un- Satisfied			Slightly Satisfied	Slightly Satisfied
Satisfied	Satisfied	Satisfied						
Salary	1	2	3	4	5	6		
Benefits	1	2	3	4	5	6		
Frequency of evaluations	1	2	3	4	5	6		

Employee Satisfaction with Performance Evaluations

Connection between pay and performance	1	2	3	4	5	6
Workload	1	2	3	4	5	6
Physical working environment	1	2	3	4	5	6
Opportunity for advancement	1	2	3	4	5	6
Job Security	1	2	3	4	5	6
Influence over decisions that affect you	1	2	3	4	5	6
Your co-workers	1	2	3	4	5	6

Trust: Please indicate the degree of your agreement or disagreement with each of the following statements.

	Strongly Slightly Disagree	Dis- Agree	Strongly Agree	Slightly Agree		
I have confidence that my supervisor is technically competent at the critical elements of his/her job.	1	2	3	4	5	6
When my supervisor tells me something, I can rely on what he/she tells me.	1	2	3	4	5	6
My supervisor will back me up in a pinch.	1	2	3	4	5	6
I feel I can tell my supervisor anything about my job.	1	2	3	4	5	6

Commitment: Please indicate the degree of your agreement or disagreement with each of the following statements.

	Strongly Slightly Disagree	Dis- Agree	Strongly Agree	Slightly Agree		
I feel like “part of the family” at HEC.	1	2	3	4	5	6

Employee Satisfaction with Performance Evaluations

I would be very happy to spend the rest of my career with HEC.	1	2	3	4	5	6
I enjoy discussing HEC with people outside of it.	1	2	3	4	5	6
I really feel as if HEC's problems are my own.	1	2	3	4	5	6

Organizational Support: Please indicate the degree of your agreement or disagreement with each of the following statements.

				Strongly Slightly Agree	Dis- Agree	Strongly Agree	
Disagree	agree	Disagree					
HEC strongly considers my goals and values.	1	2	3	4	5	6	
HEC considers my best interest when it makes decisions that affect me.	1	2	3	4	5	6	
Help is available from HEC when I have a problem.	1	2	3	4	5	6	
HEC really cares about my well being.	1	2	3	4	5	6	
HEC is willing to extend itself in order to help me perform my job to the best of my ability.	1	2	3	4	5	6	
HEC cares about my general satisfaction at work.	1	2	3	4	5	6	
HEC shows concern for me.	1	2	3	4	5	6	
HEC cares about my opinion.	1	2	3	4	5	6	
HEC takes pride in my accomplishments at work.	1	2	3	4	5	6	
HEC takes pride in my accomplishments outside of work.	1	2	3	4	5	6	

Employee Satisfaction with Performance Evaluations

Leadership: Please indicate the degree of your agreement or disagreement with each of the following statements.

	Disagree	agree	Disagree	Strongly		Slightly	
				Slightly	Dis-	Strongly	
				Agree	Agree	Agree	
My Supervisor...							
Specifies the importance of having a strong sense of purpose.	1	2	3	4	5	6	
Goes beyond self-interest for the good of the group.	1	2	3	4	5	6	
Articulates a compelling vision of the future.	1	2	3	4	5	6	
Displays a sense of power and confidence.	1	2	3	4	5	6	
Provides me with assistance in exchange for my efforts.	1	2	3	4	5	6	
Discusses in specific terms who is responsible for Meeting performance targets.	1	2	3	4	5	6	
Expresses satisfaction when I meet expectations.	1	2	3	4	5	6	