

# Nexus Of Performance Appraisal, Organizational Trust And Organizational Performance: An Empirical Evidence From Academicians

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## ABSTRACT

Every organization, whether public or private, including higher educational institutions, needs effective human resource management. The success of these organizations depends heavily on a few effective human resource management techniques that are widely accepted for the betterment of organizations to achieve the required targets. In recent years, considerable attention has been diverted towards testing the expected association of HRM practices with organizational performance. Despite of all these, there are some other factors, which catalytical role, cannot be ignored in the said association like organizational trust. The organizational trust is one of the additional elements that are thought to be essential to the success of any organization. The main purpose of the current study is to critically examine direct association of performance appraisal (PA) as HR practice with organizational performance as well as indirectly through organizational trust as mediator. Stratified random sampling was used to select 322 respondents from public and private HEIs in Khyber Paktunkhwa (KP). The relationship between these variables was estimated and tested using simple linear regression. The results revealed that Performance Appraisal and Organizational Trust have positive and statistically significant effects on Organizational Performance. In addition, OT also plays statistically significant role in mediating the relationship between Performance Appraisal and Organizational Performance. In light of the above findings, HEIs can enhance their performance by amplifying their HR practices and by fostering trust among their employees.

**Keywords:** Performance Appraisal, Organizational Trust, Organizational Performance.

## I. INTRODUCTION

The management of human resources is crucial for enterprises in the modern world, where globalization is affecting every aspect of life. However, higher education institutions play a truly amazing role in this regard. Higher education institutions are in fact preparing fields for more than just human resources; they are also supplying other spheres of life with professional

skills. In this respect, human resource management (HRM) along with some related strategies is essential for the effectiveness and eventual success of higher educational institutions. Efficiency, effectiveness, responsiveness, and innovativeness are also necessary for organizations to perform well and are seen by scholars as essential elements (Kumar & Gulati, 2010). There are a few intermediary

sources or factors that exist in a related layer that may have an impact on the relationships between organizational performance and HRM practices. The relationship between "HRM practices and organizational performance" may be impacted by a number of factors, the first of which is organizational trust.

For "sustainable development in the current competitive environment," just organizational performance is required. Only acceptable performance levels enable firms to achieve a status or rank that is consistent with global norms. According to prior research, a variety of characteristics influence how well organization performs, organizational efficiency, effectiveness, responsiveness, and innovativeness being among the most important (Ilona & Evelina, 2013). The most important characteristics of an organization's total performance are all its organizational performance characteristics, including its effectiveness, responsiveness, and innovativeness. Comparing actual employee performance with the expected standard for performance is the basic idea of performance appraisals. Employees are encouraged to take various creative actions to improve their performances thanks to the efficient system of performance appraisal, which emphasizes performance deviations (Amin, Rasid, Ismail & Selemani, 2014).

The associated studies also revealed a few ideas that are crucial in linkages involving HRM practices and organizational performance. These ideas serve as a crucial intermediate and eventually determine judgement. Many different ideas have the potential to mediate conflicts. However, the mediating factor in the current study is termed organizational trust. Numerous research demonstrated that the relationship between HRM practices and "organizational performance" has been strongly mediated by organizational trust (Pervaiz, Imran, Arshad, Mobeen & Khan, 2014). In a similar vein, other

research has demonstrated how organizational trust mediates the link between HRM practices and organizational performance. In several studies, HRM practices were also found to be associated with organizational performance through organizational trust. Because of this, the current study carefully examines how organizational trust (mediator) relates to the predictor (Performance Appraisal) and organizational performance in higher educational institutions in Khyber Pakhtunkhwa.

## 2. LITERATURE REVIEW

### 2.1 HRM Practices

Since the finest HRM policies and practices have consistently outperformed the others, it is advised that all organizations and businesses adopt them. There have been many studies looking at the importance of HRM practices, but they tended to concentrate on a few key criteria. Khan (2010) did a review of literature and found five major HRM practices: performance management, remuneration and reward, recruiting and selection, and employee participation.

### Performance appraisal

In order to effectively serve both the interests of the employees and the organization in question, businesses must provide an effective and efficient method of performance evaluation (Khan, Khan, & Khan, 2017). For a fair and transparent performance evaluation system, the researchers offered a variety of methodologies and techniques. The effectiveness of the organizations will consequently improve (Amin, Ismail, Rasid & Selemani, 2014). The performance review is important for the aforementioned workers because it aids in emphasizing the drawbacks and successes of their work. Employees with greater potential are anticipated to display greater performance when their efforts are assessed by the organization to determine whether or not objectives are achieved

in accordance with the standards of otherwise (Sutton, & Watson, 2013).

Organizations rely heavily on performance reviews to assess how hard their staff members are working to complete tasks that have been given to them. The most crucial activity for firms is the appraisal of efforts, which helps them determine how hard their workforces have worked to complete their tasks (Abbas, 2014). To ensure effective performance management and performance evaluation techniques that accurately reflect what the organization requires and what employees really provide, the organization needs the cooperation of its employees (Akinbowale, Lourens & Jinabhai, 2013).

The organization that put out their best efforts are those that succeed in reaching their strategic goals, therefore they make a point of evaluating employee performance at random and contrasting the results with what is expected. The organizations respect and trust of their employees are measured in large part by their ability to perform at a high level, since this will increase the organization's degree of confidence in them and its willingness to recognize them (Wanjala & Kimutai, 2015). According to Hanley (2005), performance evaluation is a more effective method that affects organizational performance, which is evidence for his claim. In conclusion, Ahmed & Shroedrs (2003) and Chang & Chen (2002) found a substantial correlation between organizational success and the performance appraisal procedure. Because it aids in assessing employee performance, which directly impacts organizational performance, performance appraisals are essential for organizational success. Some strategies that are essential to the overall performance and appearance of the organization must be developed by the company and its personnel (Rowland, & Hall, 2012).

### **Organizational Performance**

In order to ensure efficient performance in businesses, the literature identified certain traits connected to performance appraisals. Since performance is the only success component that may ensure an organization's long-term survival and growth, it is a crucial factor in the success of the organization. To ensure that their efforts toward achieving corporate strategic objectives are actually shown, businesses must place a strong emphasis on their performance across a variety of parameters (Delery & Gupta, 2018). The organization's performance is a result of clearly defined metrics tied to the real demonstration of skills needed to carry out the specific tasks (Yashar & Harky, 2018). The fundamental focus of organizational existence is on performance since organizations must maintain their competitiveness in order to survive and grow over the various lengths of time and scales required for enduring success. Organizations must create long-lasting, successful strategies that emphasize the requirements of both the firm and its people in order to achieve success (Mehmood, Awais, Afzal, & Khalid, 2017). To increase organizational effectiveness, businesses also require crucial assistance from their various unit personnel. Performance is based on employee performance because people are an organization's most valuable resource. As a result, managing people's priorities in order to achieve organizational success requires additional skills from the concerned organizations (Engetou, 2017).

### **Organizational Trust**

As a mediator between HRM practices and organizational performance, organizational trust is used in the current study. Organizational trust is a crucial element in the link between the two notions, according to related studies. In terms of interpersonal interactions, trust is a key issue in relationships between coworkers, between employees and supervisors, and between supervisors and management (Pervaiz, Imran,

Arshad, Haq, Mobeen & Khan, 2014). According to the literature, trust helps firms use resources more effectively and efficiently when human resource management strategies are in place and active. Two perspectives on trust are included here, one of which is related to results from an individual and organizational standpoint, and the other of which refers to the strength or weakness of the connection between the two notions (Lazim & Perlis, 2016). In a similar manner, trust influences how different variables are related (predictors & criterion). In order to achieve successful outcomes for organizational activities, trust is always helpful to organizations. Accordingly, trust is the most important factor in predicting organizational performance (Hassan, Toyman, Semerciöz & Aksel, 2012). The improvement of the attitudes and behaviors of employees within firms is greatly aided by good HRM procedures. In a similar vein, organizational trust enhances the value of the relationship between HRM practices and

performance (Hassan, Toyman, Semerciöz & Aksel, 2012). According to the literature, HRM practices can predict organizational performance in a way that is favorable to organizational trust (Lazim & Perlis, 2016).

### Research Hypotheses

A literature survey led to the following hypothesis and theoretical framework.

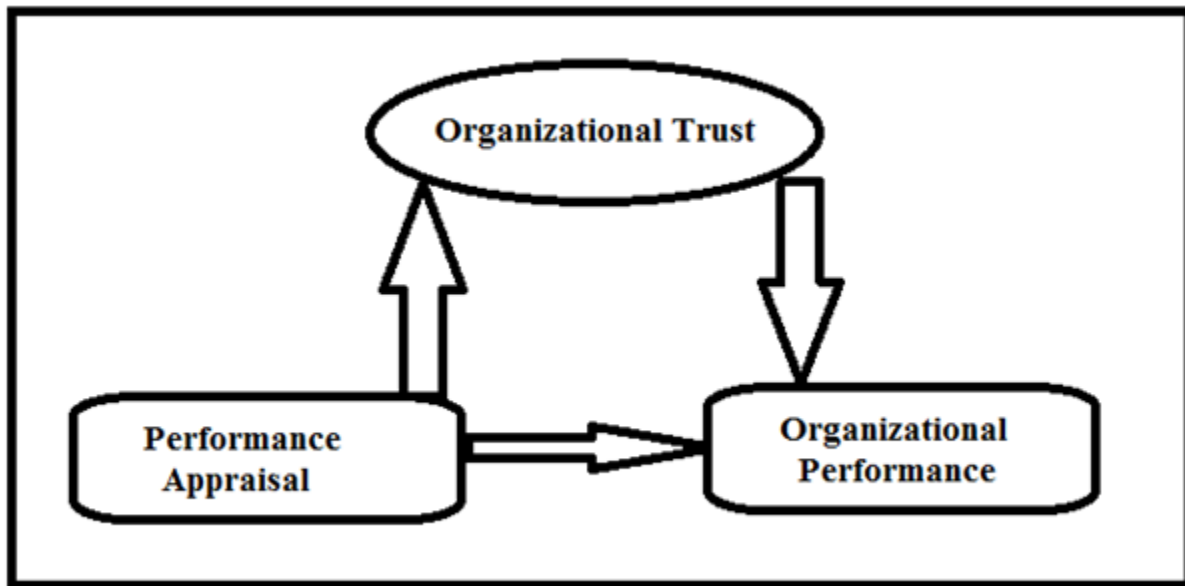
H1 Performance appraisal (PA) is significantly and positively associated with organizational performance (OP).

H2: Performance appraisal (OP) is significantly related with organizational trust (OT).

H3: Organizational Trust (OT) is significantly and positively associated with organizational performance (OP).

H4: The relationship between an Independent Variable Performance Appraisal (PA) and Dependent Variable Organizational Performance (OP) is Mediated by Mediator Organizational Trust (OT).

Figure 1: Proposed Conceptual Framework



### 3. METHODOLOGY

The faculty members of all KP universities, both public as well as private were the population of the study. HEC data showed total 3112 faculty

members in all KP universities. Through stratified random sampling approach 330 faculty members, data were collected. The questionnaire has two sections. First section indicated the

respondent's demographics, whereas the later one dealt with measuring factors. The demographics of the respondents are shown in Table 1.

**Table 1: Demographic characteristics**

<b>Demographics</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Gender</b>		
Male	259	78.5
Female	70	21.2
<b>Age</b>		
25-35	139	42.1
36-45	164	49.7
46-55	19	5.8
56 < above	08	2.4
<b>University</b>		
Public	272	82.4
Private	58	17.6
<b>Education</b>		
Graduation	29	6.8
MS	155	47.0
PhD	142	43
Post-doc	4	1.2
<b>Experience</b>		
1-10 years	239	72.4
11-20	75	22.7
21-30	11	3.3
31-40	5	1.5
<b>Designation</b>		
Lecturer	207	62.7
Assistant Professor	106	32.1
Associate Professor	6	1.8
Professor	11	3.3

### 3.2 Measures

A survey questionnaire was used to collect the data. (1) was used to assess organizational performance, (2) was used to assess organizational trust, and (3) was used to assess performance appraisal (3). A seven-point Likert scale was employed (from strongly disagree to strongly agree).

## 4. RESULTS OF STUDY

### 4.1 Normality of data and common method bias

Skewness and kurtosis values were within the range  $\pm 2$ , showing that the data is normal as recommended by George and Mallery (2010). Being cross sectional in nature of data, may be subject to a common method bias (CMB) problem. To identify CMB, Harmon's one-factor test, is used. Harmon's one-factor test yields 49 percent variance of the first element, which is less than the recommended standard value of 50% by

Podsakoff et al (2003). This suggests that the CMB was not a factor in the current study.

**Table 2 Measurement model**

Construct	Items	FL	CA	CR	AVE	Skewness	Kurtosis	
Organizational Performance			0.951			-0.852	0.186	
	In1	0.712		0.955	0.475			
		In2	0.722					
		In3	0.681					
		In4	0.762					
		In5	0.79					
		In6	0.648					
		OE1	0.745					
		OE2	0.617					
		OE3	0.659					
		OE5	0.298					
		OE6	0.704					
		OEF1	0.727					
		OEF2	0.672					
		OEF3	0.66					
		OEF4	0.701					
		OEF5	0.713					
		OEF6	0.738					
		Resp1	0.639					
		Resp2	0.725					
	Resp3	0.729						
	Resp4	0.744						
	Resp5	0.608						
	Resp6	0.727						
Organizational Trust	OTQ1	0.801	0.928	0.939	0.607	-0.650	-0.212	
		OTQ10	0.778					
		OTQ2	0.85					
		OTQ3	0.782					
		OTQ4	0.759					
		OTQ5	0.847					
		OTQ6	0.777					
		OTQ7	0.679					
		OTQ8	0.762					
		OTQ9	0.745					
Performance Appraisal	AP1	0.784	0.892	0.918	0.65	-0.597	-0.370	
		AP2	0.813					
		AP3	0.84					
		AP4	0.797					

	AP5	0.812				
	AP6	0.79				

#### 4.2 Measurement model

The composite reliability (CR), which indicates internal consistency and reliability, were found to be above the threshold of 0.70 (Hair et al 2010). Factor loadings and THE VALUES OF AVE, which represent Convergent validity, should be larger than 0.70 and 0.50 (Hair et al., 2010). The results of Table 2 shows acceptable convergent validity as the FL and AVE meet the criterion.

Three approaches were used to examine discriminant validity: Fornell and Larcker's (1981) ideas, Hsu and Lin's (2016) cross-loading method, and Henseler et al (2015) (HTMT) method. Table 3 shows good discriminant validity according to Fornell and Larcker's (1981) as the AVE's square root is larger than of all constructs.

Table 3 Correlation

Construct	1	2	3
1. OT	<b>0.789</b>		
2. Org Performance	0.706	<b>0.779</b>	
3. PA	0.749	0.718	<b>0.806</b>

(Note: Diagonal elements and italics are the square roots of the AVE of each construct)

Furthermore, table 4 indicates good discriminant validity as the cross-loadings of other constructs are lower than the FL of each construct.

Table 4 Cross Loadings:

	Organizational Performance	Organizational Trust	Performance Appraisal
Inno1	0.713	0.517	0.442
Inno2	0.729	0.588	0.515
Inno3	0.691	0.561	0.466
Inno4	0.768	0.629	0.53
Inno5	0.784	0.586	0.57
OE1	0.744	0.673	0.672
OE3	0.64	0.444	0.423
OE5	0.703	0.626	0.678
OE6	0.734	0.754	0.681
OEF1	0.662	0.512	0.519
OEF2	0.65	0.448	0.458
OEF3	0.707	0.648	0.552
OEF4	0.716	0.522	0.52
OEF5	0.742	0.649	0.598
OEF6	0.677	0.594	0.587
OTQ1	0.666	0.801	0.676

OTQ10	0.66	0.779	0.69
OTQ2	0.657	0.85	0.717
OTQ3	0.554	0.783	0.59
OTQ4	0.619	0.759	0.584
OTQ5	0.662	0.847	0.656
OTQ6	0.609	0.777	0.683
OTQ7	0.631	0.678	0.517
OTQ8	0.637	0.761	0.604
OTQ9	0.635	0.745	0.631
PAQ1	0.609	0.62	0.783
PAQ2	0.606	0.643	0.812
PAQ3	0.596	0.678	0.839
PAQ4	0.594	0.678	0.798
PAQ5	0.619	0.659	0.812
PAQ6	0.608	0.676	0.79
Resp1	0.651	0.559	0.466
Resp2	0.73	0.533	0.488
Resp3	0.741	0.588	0.512
Resp4	0.748	0.577	0.497
Resp5	0.596	0.402	0.377
Resp6	0.718	0.496	0.431

The results of Table 5 shows good discriminate validity using the HTMT approach, as all the

values in the table are lower than the cut off level of 0.85 (Henseler et al. 2015).

Table 5 HTMT

Construct	OT	OP	PA
OT			
Org Performance	0.841		
PA	0.798	0.827	

Table 6 Hypothesis Results

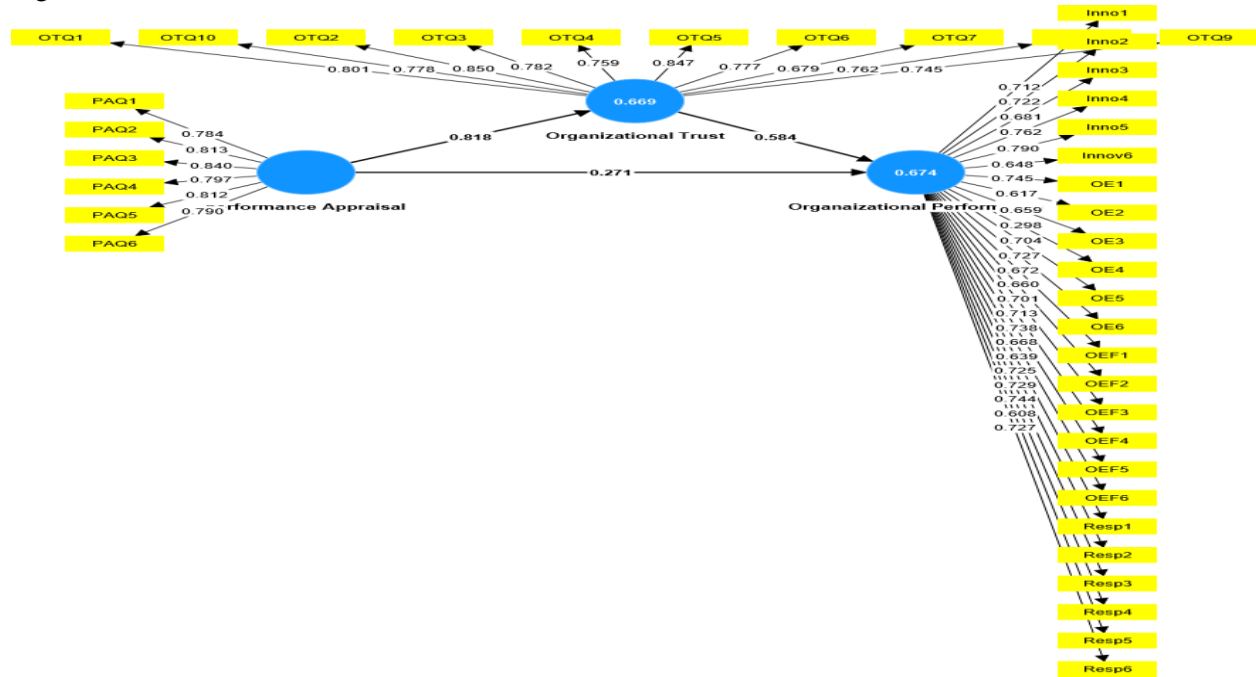
Hypothesis	Relationship	B	T value	P value	Decision
1	OT -> Org Performance	0.584	10.531	0	Accept
2	PA -> OT	0.271	4.651	0	Accept
3	PA -> Org Performance	0.818	33.579	0	Accept
<b>Indirect Effect</b>					
4	PA -> OT -> Org Performance	0.478	10.151	0	Accept



Hypothesis results are given in table 6. The results show that AP ( $\beta = 0.271, p < 1$ ) significantly influence OT, OT ( $\beta = 0.584, p < 1$ ) significantly effects OP, and PA ( $\beta = 0.818, p <$

1) significantly influence OP. Hence, hypothesis 1, 2, and 3 are accepted. The mediating effects of OT ( $\beta = 0.478, p < 1$ ) between AP and OP is also significant.

Figure 2: Model with Results



**DISCUSSION & CONCLUSION**

In the current study, results revealed that there is a positive and significant an association between predictor (performance appraisal), mediator (organizational trust) and criterion variable (organizational performance) in HEIs from public and private sectors of the southern region of KP, Pakistan. 322 teachers are surveyed through questionnaires for data collection. Based upon the results, PA is positively and significantly associated organizational performance, in line with the findings of (Khan, Khan, & Khan, 2017), who concluded that it is the responsibility of the organizations to ensure the effective and efficient system of performance appraisal for the best interest of employees as well as concerned organization. These findings support earlier findings made by Brown and Hewood (2005), who argued that the performance appraisal system's favorable

relationship with increased business productivity is supported by earlier findings. Similar to how they adopt effective tactics for performance evaluation, institutions successfully build employee confidence in their actions, which in turn improves institutional performance (Gilbert, Halliday, Heavey, & Murphy, 2011). However, research shows that organizational trust plays a positive and significant association between the performance appraisal and the criterion variable organizational performance, hence the results proved that organizational trust has a crucial role in predicting organizational performance when HRM procedures are used (Lazim & Perlis, 2016). In addition, trust is a major issue in relation to relationships in organizations, including those among coworkers, between employees and supervisors, and between supervisors and management (Pervaiz, Imran, Arshad, Haq, Mobeen & Khan, 2014).

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