



Faculty of Technology Management and Technopreneurship

**PERFORMANCE APPRAISAL EFFECT ON
ORGANIZATIONAL PERFORMANCE
THROUGH EMPLOYEE SATISFACTION IN
UAE OIL AND GAS COMPANIES**

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

Aisha Salem Mohamed AlKhyeli

Doctor of Philosophy

2025

**PERFORMANCE APPRAISAL EFFECT ON ORGANIZATIONAL
PERFORMANCE THROUGH EMPLOYEE SATISFACTION IN UAE OIL AND
GAS COMPANIES**

AISHA SALEM MOHAMED ALKHYELI

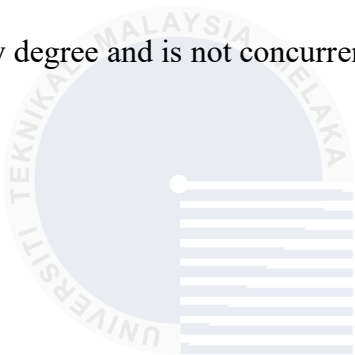


UNIVERSITI TEKNIKAL MALAYSIA MELAKA

2025

DECLARATION

I declare that this thesis entitled “Performance Appraisal Effect On Organizational Performance Through Employee Satisfaction in UAE Oil and Gas Companies” is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in the candidature of any other degree.



اونيورسيٲى ٲيكنيكل مليسيا ملاك

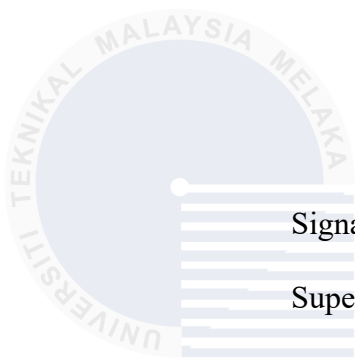
Signature :

UNIVERSITI TEKNIKAL MALAYSIA MELAKA
Name : AISHA SALEM MOHAMED ALKHYELI

Date : 10 JULY 2025

APPROVAL

I hereby declare that I have read this thesis, and this thesis is sufficient in terms of scope and quality for the award of Doctor of Philosophy.



Signature

:

Supervisor Name

:

DR. HAZMILAH BINTI HASAN

Date

:

20 JULY 2025

اونيورسيتي تيكنيكل مليسيا ملاك

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

DEDICATION

I want to dedicate my highest acknowledgment to my mother, father, and beloved family for always being with me through all the hardships of my study by giving consistent support and encouragement.



ABSTRACT

All of the well-known traditional tasks are carried out by the human resources department, which also incorporates contemporary HR practices through the use of information technology resources. However, the importance of the current human resource forecast's concern on hiring practices to meet the objectives of the intended company has been downplayed. In order to determine how satisfied its employees are, the HRM department must design and implement a system for measuring employee satisfaction. Employee satisfaction with the current performance review process should also be ascertained through a survey. Employee satisfaction, assessment, and organizational performance are all strongly linked. With the increased competition among the oil and gas companies in UAE, maintaining optimal organizational performance have become inevitable. Performance appraisal is one of the most significant aspects of ensuring optimal and positive organizational performance. Performance appraisal not only aid the organization to align the individual and organizational goals, support employee development and assess their performance but it also contributes in improving employee satisfaction. The present study aimed to assess the practices of performance appraisal in oil and gas companies within UAE with four objectives namely, to analyse the effect of performance appraisal on organizational performance, to examine the effect of performance appraisal on employee satisfaction, to examine the effect of employee satisfaction on organizational performance and to investigate the mediation effect of employee satisfaction in the relationship between performance appraisal and organizational performance. For this purpose, the researcher has implemented a quantitative research design to assess the cause and relationship among variables. 374 questionnaires were disbursed to collect data from the oil and gas companies in UAE. Results depicted a significant relationship between performance appraisal and organizational performance and between employee satisfaction and organizational performance. Employee satisfaction was also a significant mediator between performance appraisal and organizational performance. The present study holds greater theoretical and practical implications. This study enhances the growing body of literature regarding the concerned and studied associations among variables. Practically, the management of oil and gas companies of UAE can also gain insights regarding the way through which performance appraisal can contribute to an improved organizational outcome. Moreover, different policies can also be designed to enhance employee satisfaction.

ABSTRAK

KESAN PENILAIAN PRESTASI TERHADAP PRESTASI ORGANISASI MELALUI KEPUASAN PEKERJA DI SYARIKAT MINYAK DAN GAS DI UAE

Semua tugas tradisional yang terkenal dijalankan oleh jabatan sumber manusia, yang juga menggabungkan amalan Sumber Manusia kontemporari melalui penggunaan sumber teknologi maklumat. Walau bagaimanapun, kepentingan ramalan sumber manusia semasa mengenai amalan pengambilan pekerja untuk memenuhi objektif syarikat yang dimaksudkan telah diremehkan. Untuk menentukan sejauh mana kepuasan pekerjanya, jabatan Pengurusan Sumber Manusia mesti mereka-bentuk dan melaksanakan sistem untuk mengukur kepuasan pekerja. Kepuasan pekerja terhadap proses semakan prestasi semasa juga harus dipastikan melalui tinjauan. Kepuasan pekerja, penilaian dan prestasi organisasi semuanya berkait rapat. Dengan peningkatan persaingan di kalangan syarikat minyak dan gas di UAE, mengekalkan prestasi organisasi yang optimum telah menjadi sesuatu yang tidak dapat dielakkan. Penilaian prestasi adalah salah satu aspek yang paling penting untuk memastikan prestasi organisasi yang optimum dan positif. Penilaian prestasi bukan sahaja membantu organisasi untuk menyelaraskan matlamat individu dan organisasi, menyokong pembangunan pekerja dan menilai prestasi mereka tetapi ia juga menyumbang dalam meningkatkan kepuasan pekerja. Kajian ini bertujuan untuk menilai amalan penilaian prestasi dalam syarikat minyak dan gas di UAE dengan empat objektif iaitu, untuk menganalisis kesan penilaian prestasi terhadap prestasi organisasi, untuk mengkaji kesan penilaian prestasi terhadap kepuasan pekerja, untuk mengkaji kesan kepuasan pekerja terhadap prestasi organisasi dan untuk menyiasat kesan pengantaraan kepuasan pekerja dalam hubungan antara penilaian prestasi organisasi. Untuk tujuan ini, pengkaji telah melaksanakan reka bentuk kajian kuantitatif untuk menilai punca dan hubungan antara pemboleh ubah. 374 soal selidik telah dikeluarkan untuk mengumpul data daripada syarikat minyak dan gas di UAE. Keputusan menggambarkan perkaitan yang signifikan antara penilaian prestasi dan prestasi organisasi. Kepuasan pekerja juga adalah pengantara yang signifikan antara penilaian prestasi dan prestasi organisasi. Kajian ini mempunyai implikasi teori dan praktikal yang lebih besar. Kajian ini meningkatkan badan literatur yang semakin meningkat mengenai persatuan yang berkenaan dan dikaji antara pemboleh ubah. Secara praktikalnya, pengurusan syarikat minyak dan gas UAE juga boleh mendapatkan cerapan tentang cara penilaian prestasi boleh menyumbang kepada hasil organisasi yang lebih baik. Selain itu, dasar yang berbeza juga boleh direka bentuk untuk meningkatkan kepuasan pekerja.

ACKNOWLEDGEMENTS

First and foremost, I would like to thank my main supervisor Dr. Hazmilah Binti Hasan, Faculty of Technology and Technopreneurship, Universiti Teknikal Malaysia Melaka, for her continuous support during my Ph.D. study and related research, patience, motivation, and knowledge. Her guidance helped me in the research and writing this thesis.

I also would like to thank my co-supervisor of this research for her advice and suggestions in evaluation. Particularly, I also express my most incredible gratitude to all the lecturers at UTeM for their willingness to help me out in this research. They have always been open whenever I run into a trouble spot or have a question about my research.

Special gratitude to my colleagues and my workplaces for supporting me through their encouragement and honest comments on my research. Special thanks to all my colleagues, my beloved mother, father and siblings for their moral support in completing this degree. Lastly, thank you to everyone who had been associated to the crucial parts of realization of this project

TABLE OF CONTENTS

	PAGE
DECLARATION	
APPROVAL	
DEDICATION	
ABSTRACT	i
ABSTRAK	II
ACKNOWLEDGEMENTS	III
TABLE OF CONTENTS	IV
LIST OF TABLES	VII
LIST OF FIGURES	IX
LIST OF ABBREVIATIONS	X
LIST OF PUBLICATIONS	XI
 CHAPTER 1	 1
1. INTRODUCTION	1
1.1 Background of the study	1
1.1.1 Human resource management	3
1.1.2 Organisational performance	6
1.1.3 Performance appraisal	7
1.1.4 Constituents of performance appraisal	9
1.2 Statement of the problem	11
1.3 Purpose of the study	14
1.4 Research objectives	14
1.5 Research questions	15
1.6 Scope of the study	15
1.7 Significance of the study	16
1.8 Operational Definition of Terms	18
1.8.1 Performance appraisal constructs: Definition and Source	18
1.8.2 Employee satisfaction constructs: Definition and Source	19
1.8.3 Organisational performance: Definition and Source	20
1.9 Organisation of the thesis	21
1.10 Summary	22
 2. LITERATURE REVIEW	 23
2.1 Introduction	23
2.2 Human resource management	24
2.3 Performance appraisal	24
2.4 Performance appraisal process	26
2.5 Performance appraisal methods	32
2.6 Factors of performance appraisal	34
2.6.1 Job knowledge	34
2.6.2 Job skill level	35
2.6.3 Job execution	36

2.6.4	Employee initiative	37
2.6.5	Customer orientation	38
2.6.6	Team work	38
2.6.7	Compliance to policies and practices	40
2.7	Issues of the performance appraisal	41
2.8	Benefits of performance appraisal practices	45
2.9	Employee satisfaction	47
2.10	Organisational performance	50
2.11	Theoretical background	52
2.12	Relational literature and hypotheses development	55
2.12.1	Relationship between performance appraisal and employee satisfaction	55
2.12.2	Relationship between performance appraisal and organizational performance	58
2.12.3	Association between employee satisfaction and organizational performance	59
2.12.4	Mediating impact of employee satisfaction between the nexus of performance appraisal and organizational performance	61
2.13	Summary	63
3.	RESEARCH METHODOLOGY	65
3.1	Introduction	65
3.2	Research methodology	66
3.3	Research philosophy	67
3.4	Research approach	70
3.5	Research design	71
3.5.1	Nature of study and source of data	76
3.5.2	Population of the study	77
3.5.3	The samples	77
3.5.4	Sampling technique	78
3.5.5	Sample size	79
3.6	Instrumentation	80
3.7	Pilot study	81
3.7.1	Pilot study results and discussion	82
3.8	Test of validity and reliability	84
3.8.1	Validity	84
3.8.2	Reliability	85
3.8.3	Questionnaire constructs	86
3.8.4	Likert scale	86
3.9	Data collection	87
3.10	Data analysis	88
3.11	Summary	89
4.	RESULTS	90
4.1	Introduction	90
4.2	Response rate	90
4.3	Profile of Respondents	91
4.4	Variables coding	93

4.5	Primary analysis	94
4.5.1	Data screening	94
4.5.1.1	Missing values Treatment	94
4.5.1.2	Multivariate Outliers	95
4.5.1.3	Data Normality	95
4.6	Descriptive analysis	97
4.6.1	Performance Appraisal	97
4.6.2	Employee Satisfaction	99
4.6.3	Organizational Performance	101
4.7	Statistical Assumption	103
4.7.1	Assessment of Measurement Model	103
4.7.2	Composite Reliability and Internal Consistency	104
4.7.3	Loading Factor	105
4.7.4	Convergent Validity	107
4.7.5	Discriminant Validity	107
4.7.5.1	Fornell and Lacker Criterion	108
4.7.5.2	Cross Loading	109
4.7.5.3	Heterotrait-Monotrait Ratio	110
4.8	Structural model assessment (inner model)	111
4.8.1	Path analysis	111
4.8.2	Valuation of the coefficient of determination (R^2)	114
4.8.3	Assessment of the effect size (f^2)	115
4.9	Mediating Variable Analysis	115
4.9.1	Mediating Alalysis (PA → ES → OP)	116
4.10	Summary	118
5.	CONCLUSION, DISCUSSION AND RECOMMENDATIONS	119
5.1	Research summary	119
5.2	Discussion	121
5.2.1	Objective 1: To analyze the effect of performance appraisal on organizational performance	122
5.2.2	Objective 2: To examine the effect of performance appraisal on employee satisfaction	128
5.2.3	Objective 3: To investigate the mediation effect of employee satisfaction in the relationship of performance appraisal and organizational performance	130
5.3	Research contributions	132
5.3.1	Theoretical contributions	132
5.3.2	Practical contributions	133
5.3.2.1	Implications for decision makers and consultants	135
5.3.2.2	Implications for Managers	137
5.3.2.3	Implications for Government	139
5.4	Limitations and future research	141
5.5	Conclusion	142
	REFERENCES	143

LIST OF TABLES

TABLE	TITLE	PAGE
	Table 2.1: Performance Appraisal: construct and source	44
	Table 2.2: Employee Satisfaction: construct and source	50
	Table 2.3: Organizational Performance: construct and source	52
	Table 3.1: Cronbach's alpha internal consistency range	86
	Table 4.1: Response rate.....	91
	Table 4.2: Profile of respondents.....	92
	Table 4.3: Data coding.....	94
	Table 4.4: Missing values.....	95
	Table 4.5: Descriptive Statistics	96
	Table 4.6: Descriptive Analysis Performance Appraisal	98
	Table 4.7: Employee satisfaction.....	101
	Table 4.8: Organizational Performance	102
	Table 4.9: Internal Consistency Measures	104
	Table 4.10: Loading Factor	105
	Table 4.11: Path analysis	107
	Table 4.12: Fornell-Larcker criterion	108
	Table 4.13: Cross loadings	109
	Table 4.14: HTMT ratio	110

Table 4.15 : Path Analysis	113
Table 4.16 :R-square of endogenous constructs	115
Table 4.17: Effect size	115
Table 4.18:Direct and Indirect paths (PA-ES-OP)	117
Table 4.19: Summary of the results	118



LIST OF FIGURES

FIGURE	TITLE	PAGE
	Figure 2.1:Proposed Research framework.....	55
	Figure 3.1: Research process	75
	Figure 4.1: Measurement model assessment	106
	Figure 4.2: Structural model assessment	113

اونيورسيتي تېكنيكل مليسيا ملاك

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

LIST OF ABBREVIATIONS



ES	-	Employee Satisfaction
HRM	-	Human Resource Management
O and G	-	Oil and Gas companies
OP	-	Organizational Performance
PA	-	Performance Appraisal
UAE	-	United Arab Emirates

LIST OF PUBLICATIONS



CHAPTER 1

INTRODUCTION

1.1 Background of the study

Human Resource Management is a critical functional area in any type of organizational setup (Anwar and Abdullah, 2021). It plays a key role in the success of the organizations whether it is business or non-business. The fact is that people are the source of all productive efforts. Organizational performance depends on the performance of individual members. If the effort and energy of every single individual are coordinated and directed towards the realization of the organizational goals, the synergy so created would well be ingrained in the organizational culture and climate. The dynamic relationship between environmental elements and human resources is a defining feature of contemporary organisational settings (Mahapatro, 2021). An organization is a basic form of assemblage of human beings bonding together for mutual benefit. It indicates that the organisational performance of the public organisations evaluated is influenced by their financial, human, and other resources (Elbanna and Abdel-Maksoud, 2020). Consequently, and inevitably, an organization is made or unmade by the quality and behaviour of its people. The distinguishing factor of an organization is undoubted, the ability of its human resources to take up to challenges and utilize its vast potential to

deliver the desired results. The ever-changing nature of the marketplace in which organisations operate means that managerial responsibilities are more challenging and the accomplishment of organisational goals and objectives is of utmost importance (Al Aina and Atan, 2020). It is a known fact that the effective use of all other resources such as land, capital, materials, and equipment depends on the capability of human resources. This view of human resource management is developmental in its core content. Based on this perception that human beings are considered central to the organization and who contribute towards the organisational effectiveness. Their knowledge, skill and commitment are the factors determining the productivity and organisational competitiveness (Moustafa et al., 2020).

Effective and efficient organizations are not build merely on investment and return. But they are made upon the quality of the workforce and its commitment to the organizational objectives. Investment is necessary to attract, train and retain superior human capital. Human Resources (HR) constitute the most valuable asset in any organisation with a developmental perspective. It contends that employee-based resources only provide a competitive advantage when they complement other organisational competencies and allow the company to efficiently coordinate their usage (Collins, 2021). It is a fact that the relative performances of economies and industries are critically linked to quality of human contribution. Even the achievements from the intervention are closely linked to its interface with human factor. Thus, it seems that there is a direct relationship between employee performance and organisational performance vis-a-vis organisational achievements. Becoming the market leader with the largest market share and profitability is a company's most prized goal (Olutoye and Asikhia, 2022). This can be achieved only through attaining a remarkable competitive advantage

by means of efficient and effective organisational performance. Thus, it is the duty of the organisation to recognise and motivate good performers. This is needed for maintaining the competitive advantage in-tact. It is also needed to measure the employee performance objectively and systematically. A well-established performance appraisal system is a *sin qua non* for this purpose.

In summary, information processing, availability, and leverage all have a significant impact on how well an organisation articulates its interests, determines its corporate interests, and operates efficiently. Regarding the calibration of organisational performance in the post-liberalization and post-globalization phases, the glaring absence of advanced measuring measures and instruments, frameworks, paradigms, and approaches appears to paint a bleak picture (Gupta et al., 2023). It is also relevant to understand the relationship between employee performance and performance appraisal system vis-à-vis the latter's effect on the employee performance. In this context it is proposed to undertake a serious study in this direction on the organisational performance of the global oil and gas industry UAE especially in relation with the performance appraisal system. Here it is relevant to present briefly the concepts of human resource management, organisational performance and performance appraisal.

1.1.1 Human resource management

Human resource management is a process of bringing people and organizations together so that the objectives and targets of each other can be met. The role of managers in the area of human resource is shifting from that of a controller and screener to the role of a planner and a change agent. An employee must establish a balance between their willingness to accomplish the work and their ability to complete the task at hand. This

balance may result in increased production and reduced inefficiencies. When employees are motivated, an organization's output and productivity can increase (Jumady and Lilla, 2021). Human resource (HR) leaders are the new corporate heroes today. The dynamics of HR has evolved and new techniques and principles have been introduced. Therefore, it is only possible to present a strong financial and report of operational activity when the relationships among team members are well-maintained. Over the years, highly skilled and knowledge based jobs are on the increase while low skilled jobs are on declining. Thus it becomes necessary for future skill mapping through appropriate HRM interventions (Santana and Cobo, 2020).

Human Resource Management (HRM) is defined as a strategic and coherent approach to the management of an organization's most valued assets, the people working there who individually and collectively contribute to the achievement of its objectives. Human resource is a function in organizations designed to maximize employee performance in service of their employer's strategic objectives. Employee engagement benefits from human resource management (HRM) strategies and practices. However, it is unclear when theoretical processes mediate and explain the link between HRM and employee engagement. HRM activities or systems of practices are most important for fostering the engagement of employees (Saks, 2022). HR departments and units in organizations are typically responsible for a number of activities, including employee recruitment, training and development, performance appraisal, and rewarding. Human resource is also concerned with industrial relations, that is, the balancing of organizational practices with regulations arising from collective bargaining and governmental laws. The entire body of inherent abilities leads to learned knowledge, and skills represented by the talents and aptitude of the employed persons, as well as the creative abilities, knowledge,

and skills of an organization's work force (Liu et al., 2020). “Human Resource management is the systematic control of a network of inter related processes affecting and involving all members of an organization” (Berhil et al., 2020). The field of human resource is on the cutting edge of major social change. In today’s highly complex environment, the programme developed and the decision made by human resource professional profoundly impact the business firm’s profit and effectiveness, Human resource management is a systematic control of a network of interrelated processes affecting and involving all members of an organisation. The implementation is a dynamic process involving several actors that starts with a new practice's approval and ends with its routinisation. This is different from process-driven implementation effectiveness (Trullen et al., 2020). Thus, the theme of human resource management is built on four fundamental principles. The first principle is human resource is the most valuable asset for an organisation and their effective management is the key to the success of organisation. The second one is organisational success is to be achieved if the human resource policies and procedures of the enterprise are closely linked with, and make a major contribution to the accomplishment of corporate objectives and strategic plans. The third one is the corporate culture and values, organisational climate and managerial behaviour that stem from the culture will exert a major influence on the achievement of excellence; the culture must therefore be managed. And the fourth one is human resource management is concerned with integration which means getting all the members of the organisation involved and working together with a sense of common purpose (Salas-Vallina et al., 2021).

Dimensions or sub-functions of human resource management are integrated together to form the platform of human resource management in an organisation. These

are interconnected and interacted at multi-levels to form an effective human resource management system. These dimensions are usually classified into six on the basis of their nature and purpose. They are Human Resource Planning, Recruitment and Selection, Training and Development, Performance Management, Compensation Management and Employee Relationship Management. These are briefly described in the following section.

1.1.2 Organisational performance

Performance management is a process used to manage organisational performance, the methodology that drive some of the processes and metrics used to measure individual and organisational performance against standard performance. Performance standards are the bench mark against with the performance measured. It is defined as a continuous process of identifying, measuring and developing the performance of individual employees and teams and aligning performance with the strategic goals of the enterprise. It provides a high-level knowledge of what to focus on during this alignment, which can be helpful in tackling transdisciplinary concerns given the difficulties in aligning function-based assessments and rewards to a business process perspective (Shafagatova and Van Looy, 2021). The benefits of the performance management system have got much importance for evaluating the employee performance. The system has its own dynamic to facilitate the HR decision making more effectively. The system has its inherent capability to make the employees understanding about their performance in relation to the organisational expectation. It functions as a platform for upholding employees' integrity as well as a tool for growth. Giving HR decision-makers a legal foundation is one of the performance management system's other significant benefits (van Dun and Wilderom, 2021).

The concept of performance has gained momentum in the management literature due to its pervasive influence in all walks of human endeavours. Performance is a subjective perception of the real situation which tries to explain the multitude of critical reflection on the concept and its assessing instrument. Various authorities have approached the concept in varying dimensions. The fact is that the concept of organisational performance is that confounded with dictums such as productivity, efficiency, effectiveness, economy, earning capacity, profitability and competitiveness. Thus, the term performance is focused to explain the quality and quantity of achievements related to the declared objectives (Urdan and Kaplan, 2020).

Thus, it can be concluded that the organizational performance is the result of performance of the employees individually and collectively to achieve the organizational objectives effectively and efficiently. It is important to compare the performance outcome with the plans and performance, and there should be less variation between the two (Murphy, 2020). It can be said to be the performance is efficient and effective. Efficiency is a subjective factor which is the result and reflection of capability and competitiveness of employees and organization. Effectiveness is an objective term which counts the achievements of outcome in relation to the objectives set. Enhancing organisational performance will enable the organisation to effectively achieve its goals, hence all organisational efforts should be focused on this direction (Osiyevskyy et al., 2020).

1.1.3 Performance appraisal

Performance appraisal (PA) is also known as employee evaluation, merit rating or employee assessment. It is a systematic process of appraising an employee's current and

past performance relative to his or her performance parameters. The employee's performance should be based on organizational expectations and employee's actual performance (Alsuwaidi et al., 2021). The idea that performance evaluation improves employee's performance is not a new one but it is seen in the roots of development of mankind. PA may be used to support the workforce in maintaining its efficacy and capacities. In general, PA could be a useful strategy for enhancing employee performance and inspiring individuals, giving businesses an edge over competitors (Al-Jedaia and Mehrez, 2020). Each person is motivated when he is told about his actual performance and accepts what were his or her previous mistakes. Performance appraisal process may be held annually or monthly as per need of the organization.

Virtually all organizations have some methods for appraising their employees. Performance Appraisal is one of the oldest, natural and most universal practices of Management. The basic purpose of performance appraisal is to evaluate the behaviour of employees along with their performance. It aims to align the individual performance with the goals of an organization. However, expertise in this area ensures efficient evaluation of performance and effective management of human resource (Na-Nan et al., 2020). It helps both the employers and employees to understand the responsibility in the organization. Performance appraisal system is focused to integrate the expectations with performance which gives a total clarity between the appraiser and appraisee.

It is meant that performance appraisal is a systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future. Performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semi-annual) in which the work performance of the subordinate is examined