Effectiveness of Performance Appraisal (EPA): Does Distributive Fairness and Employee Participation Matter?: A Conceptual Framework

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Abstract

There has been a great deal of research into performance appraisal, especially concerning the factors that influence the effectiveness of performance appraisal (EPA). Studies suggest that elements such as organizational fairness, organizational politics, and leadership style may contribute to the EPA. Regardless of the evidence of research on these issues, there is paucity of research linking the impact of distributive fairness on the EPA. Moreover, prior studies, similar to this, have reported mixed findings. Accordingly, this study proposes the moderating role of employee participation in the relationship between distributive fairness and the EPA.

Keywords: Performance appraisal, distributive fairness, employee participation, effective performance appraisal

Abstrak


Kata kunci: Penilaian prestasi, keadilan distribusi, penyertaan pekerja, keberkesanan penilaian prestasi

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1.0 INTRODUCTION

Effective appraisals and performance management is important to the success of an organization and the personal advancements of its employees (Christopher, Gregory, Alice & Elizabeth, 2017). Moreover, performance appraisal (PA) is recognized as a critical component of an efficient human resource management (HRM) (Guest, 1997). According to Babagana (2014), HRM involves policies that are intended to boost employees’ commitment. One of such HRM policies is employee performance appraisal which organizes in both the public and private sectors use to assess and manage employee performance (Khedkar, 2015). Ideally, the performance appraisal (PA) process provides clear direction, as well as allows meaningful feedback for employees to participate in their own performance standards and goal setting (Daonnis, 2012).

In addition, it has been argued that the effectiveness of PA is determined by employees’ perceived fairness in the PA process (Salleh, Amin, Muda & Halim, 2013). Moreover, desirable work outcomes such as organizational commitment, job satisfaction, and work performance have been reported to have significant impact towards PA (Idowu, 2017, Kampkotter, 2016; Othman, 2014). Thus, the EPA is very important in order to realize the quality of PA, service, job satisfaction and employee performance (Moradi, Mehrabian & Moeini, 2017; Samarakone, 2010). It has also been argued that the EPA could guarantee the quality of employee PA (Moradi, et al., 2017) which in turn might manifest on the overall employee performance (Harrington & Lee, 2015; Kampkotter, 2016).

However, literature has demonstrated failures of PA systems in organizations which call for a holistic approach to ensure the practice of an EPA system (Ikramullah, Van Prooijen, Iqbal & Ul-Hassan, 2016). Specifically, a few problems hindering the EPA have been reported in numerous studies, for instance, fairness in the PA process (Collins, Mossholder, & Taylor, 2012; Egginton, 2010; Greenberg, 1990; Kim & Rubianty, 2011) and faulty execution of the PA (Meyer, 1991). Other reported issues include lacking of skills or know-how of the appraiser (Fajana, Owoyemi, Elegbede, & Gbajumo-Sheriff, 2011). Unlike the traditional approach, the modern method provides non-exploitation of better, effective, participative and goal-focused PA (Edwards, 1983). Ineffective PA process will result in none or less employee participation (Roberts, 2003; Saad, 2014) because employees see the appraisal process as useless (Wright, 2004), hence employees’ distrust of PA.
Regardless of the above-mentioned empirical research, to date, the debate in the literature around the question of what constitutes the EPA as a human resource (HR) practice is ongoing (DeNisi & Murphy, 2017; Ikramullah et al., 2016; Ismail, Mohamed & Rayee, 2017; Iqbal, Akbar & Budhwar, 2015). Moreover, there has been very little research reported on the EPA and therefore calls for further research (Ikramullah, et al., 2016; Iqbal et al., 2015). Even if there are studies in this regard, Ikramullah, et al. (2016) indicated that these studies have yielded conflicting or inconclusive results, particularly on what makes an effective PA. Prior research has provided only limited evidence so far about the moderating effect of employee participation in the relationship between distributive fairness and performance appraisal; hence, the uniqueness of this study. There are, however, studies on organizational fairness relationships with various contexts, contrary to this study. For instance, Nair & Salleh (2015) had conducted a study to determine the moderating effects of trust between distributive fairness and employee engagement relationship. Also, Wang, Zhao & Thornhill, (2015) used employee participation as a mediator in a study on pay dispersion and organizational innovation. Conversely, Warokka, Gallato, Thamendren and Moorthy’s (2012) study was on organizational fairness in performance appraisal system and work performance with no moderating effect. Therefore, this study aims to examine the interrelationships between employee participation, organizational fairness and the EPA especially among academics. The EPA for academics is very important because not only it will efficiently assist the evaluation of academics performance (Addy & Dzisi, 2014; Heery & Noon, 2008; Hoe, 2008) but also helps to enhance their productivity, effectiveness and performance (Swanepoel, Botha, & Mangonyane, 2014). This study is built upon the extant literature in this field, specifically concerning the ineffectiveness of PA; this study also contributes to the growing body of knowledge and understanding of the EPA among academics, particularly the effects of employee participation in the relationship between organizational fairness and the EPA.

2.0 LITERATURE REVIEW

Performance Appraisal

Review from the extant literature demonstrates divergence among scholars regarding the understanding of performance appraisal as a term or concept (Walsh, 2003). For instance, scholars have ascribed unique terms to the PA construct as “employee appraisal”, “performance review”, “performance evaluation” and, “performance measurement”, among others. Regardless of the diversity, favoring distinct theoretical perspectives, PA scholars apparently concur that it could assists both the organization and employees to identify, assess and develop individuals’ benchmark of performance (Ikramullah, Shah, Khan, Hassan, & Zaman, 2012). Moreover, it has been argued that it is imperative to evaluate employees’ quality with an effective PA system (Shin, 2011), in the sense that organizations exploit PA to achieve organizational effectiveness and competitiveness (Rusli & Sopian, 2013). Giangreco, Carugati, Sebastiano and Al Tamimi (2012) defined PA as prescribed organizational procedure conducted on a systematic basis by comparing individual or group performance on the basis of objective or subjective components. Similarly, it is an assessment process by which supervisors measure employees’ performances and provide them feedback based on their performance (Avazpour, Ebrahimim & Fathi, 2013). Hence, the present study recognizes Giangreco, et al. (2012) and Avazpour, et al.’s definitions of PA as the working definition of the EPA construct.

Arguments exist on the logic behind PA. For instance, on one hand, it attempts to perform two basic functions namely administrative and developmental, while on the other hand, it serves more than two purposes (e.g. Mathis & Jackson, 2004; Apak, Gumuş, Oner, & Gümüş, 2016). Specifically, Jacobs, Thoroughgood and Sawyer (2011) had recognized three key purpose of PA such as motivation, supporting employees and, boosting employee performance. For instance, numerous decisions on matters that stimulate and boost employees’ performance are made on the PA outcomes (Kampkotte, 2016). Accordingly, an efficient performance management is significant as the outcomes of the process can impact both individual and organizational performances (Buller & McEvoy, 2012).

A great deal of studies showed the justification for the EPA and the way they are executed in diverse contexts. For instance, academics’ staff performance was identified as an important determining factor of students’ and institutions’ performances (Kingdon & Teal, 2007). Thus, the evaluation of academics’ staff performance is very important to achieve quality and to obtain a benchmark (Christopher et al., 2017; Rusli & Sopian, 2013). Also, in the context of the Egyptian tourism companies, Saad (2014) reported that majority of firms resorted to the exploitation of PA to boost employees’ performance towards establishing disciplinary, merit pay or promotion decisions. The study also revealed employees of many firms achieve unproductive feedback discussion with not much employee participation.

Literature also indicates that to achieve organizational objectives and enhance service quality, it is part of the responsibilities of supervisors to ensure effective appraisal of employees (Emamzadeh, Vanaky, Dehghan, Salehi, Salsali & Faghihzadeh, 2007). This is important because there is a significant positive relationship between performance and organizational commitment with employees’ understanding of the PA procedures (Bekele, Shigutu & Tensay, 2014). Also, the PA processes affect both organizational commitment and organizational performance (Williams, Christensen, LePere-Schlopp & Silk, 2015). However, it has also been argued that employees’ dissatisfaction with appraisal fairness can lead to negative outcomes (e.g. low commitment levels), thereby negatively affecting employee performance (Dusterhoff, Cunningham & MacGregor, 2014; Wong, Wong & Wong, 2015). Multiple types of organizational fairness have been established in the literature (Colquitt, LePine, Piccolo, Zapata, & Rich, 2012). However, based on equity theory (Adams 1963), organizational fairness consists of three dimensions namely distributive fairness, procedural fairness and interactional fairness (Cheng, 2014; Collins & Mossholder, 2017; Karkoul, et al, 2016; Sharma, Sharma & Agarwal, 2016). Accordingly, for the purpose of this paper, discussion is narrowed on distributive fairness.

Furthermore, employee participation in the PA process has been reported as positively related to the satisfaction with the PA system as well as its perceived fairness and its acceptance (Kampkotte, 2016). However, Saad (2014) reported that during the PA process, many firms achieve unproductive feedback discussion with not much employee participation. The engagement of better, effective, participative, and goal-oriented PA, as opposed to the traditional PA, is embodied with less significant or no participation of employees (Edwards, 1983; McConkie, 1979). Besides, employees participation in achieving organizational objectives by delegating responsibilities to them as well as their involvement goal setting is indispensable (Spitzbart, 2013).
Distributive Fairness

Distributive fairness is founded mainly on a theoretical foundation of equity theory (Adams, 1965) which assumes that individuals usually expect outcomes such as pay increment or promotions based on their efforts and contributions (Cropanzano & Randall, 1993; Karkoulian, Assaker & Hallak, 2016; Phin, 2015; Rio-Lanza, Vazquez-Casielles, & Diaz-Martin, 2009). The theory has been used in different contexts and to explain its relationship in numerous constructs. For instance, reaction to pay decision (Folger & Konovsky, 1989; Novak & Rogan, 2010), organizational commitment, McFarlin & Sweeney (1992), consumption degrowth (Gabriel & Bond, 2019), conflict resolution (Lucas, Strelan, Karremans, Sutton, Najmi & Malik, 2018), and performance appraisal (Leventhal, 1980; Walsh, 2003; Salleh, Amin, Muda & Halim, 2013; Meena, Meena, Vanka & Vanka, 2017; Babagana, Mat & Ibrahim, 2019a & b; Phuong, 2018; Iqbal, Akbar, Budhwar & Shah, 2019), among others. However, this study focuses on performance appraisal distributive fairness to examine its relationship on the EPA.

With respect to performance appraisals, distributive fairness signifies the extent to which outcomes of appraisal are allocated fairly (Saad & Elshaer, 2017), associated with the ratings of performance appraisal earned by employees (Abbas, 2014). Thus, perceptions of equity are fundamental to the notion of distributive fairness (Poppo & Zhou, 2014). Typically, when a party gets rewarded corresponding to the role behavior, such outcome is perceived to be fair (Luo, 2007). Employees generally compare their efforts and outcomes with that of their colleagues to determine if their outcomes are fair (Saad & Elshaer, 2017). Therefore, to ensure the EPA, supervisors ought to be fair and consistent in the rating of subordinates during appraisals. This is consistent with what scholars (Abbas, 2014; Colquitt et al., 2001; Greenberg, 1990; Salleh, et al, 2013; Smither & London, 2009) emphasized as distributive fairness relating to performance appraisal outcomes derivable from appraisal procedures to be fair. Saad and Elshaer (2017) indicated that employees’ perception of distributive unfairness can unfavorably impact job performance with regard to its quality. Moreover, the manner that supervisors appraise subordinates is important because it relates to organizational outcomes such as promotion (Phin, 2015), and this motivates employees and improve employee performance (Buller & McEvoy, 2012; Fletcher, 2001).

Empirical findings on the influence of distributive fairness on PA system, especially towards enhancing its effectiveness are varied. For instance, studies (Ahmed & Sattar, 2018; Jawahar, 2007; Sudin, 2011) established positive and significant relationship between distributive justice and PA system. Similarly, Palaiologos, Papazekos, and Panayotopoulos (2011) also demonstrated a positive relationship between distributive fairness and employee appraisal satisfaction with feedback and ratings in a survey of 11 private Greek commercial companies’ employees. Moreover, in a study of the PA system of a parliamentary secretariat office, Koonmee (2011) reported the distributive justice of the PA system was a significant predictor of satisfaction with the incentives stemming from the PAs. Conversely, Geinet, Jebena and Tsegaye (2014) have conducted research among employees in the University of Gondar to determine the perception of fairness in PA and found nonexistence of significant relationship between distributive fairness and satisfaction towards PA system. Also, Ibeogu and Ozturen (2014) had carried out a similar study among the employees of the banks of Northern Cyprus. They found and reported that there was no significant relationship between perception of distributive justice and satisfaction with the PA system. Additionally, in yet another study, Warokka, Gallato, Thamendren and Moorthy (2012) reported no significant link concerning employee perceptions of distributive fairness of the PA system and work performance. Most recently, studies (Dawud, Pradesa & Afandi, 2018; Krishnan, binti Ahmad & Haron, 2018) revealed different anticipations, thus distributive fairness was not significantly associated with organizational commitment.

Summing up, while the aforementioned studies have made considerable contributions to the growing body of organizational fairness literature by empirically demonstrating the influence of distributive fairness on numerous constructs, nonetheless, it is worth noting that the findings of these studies are varied, and thus, inconsistent. Likewise, some reasons may explain the reasons for these inconsistent findings. Therefore, this study suggests the introduction of a moderator so as to better understand the relationship between distributive fairness and the EPA. However, to determine the extent of relationship between the constructs, this study hypothesizes:

Hypothesis 1: Distributive fairness is positively associated with the EPA.

Employee Participation

HRM and organizational psychology literature suggest the existence of extensive studies to explore the impact of employee participation on numerous constructs. For instance, employee participation and job satisfaction, employee commitment and employee productivity (Bhatti & Qureshi, 2007; Miller & Monge, 1986; Zhu, et al., 2015; Tafvelin, von Thiele Schwarz, Nielsen & Hasson, 2019; Basterretxea & Storey, 2018; Rogiest, Segers & van Witterloostijn, 2018; Noe, Hollenbeck, Gerhart & Wright, 2017; Glavas, 2016), organizational performance (Summers & Hyman, 2005; Wang, Thornhill & Zhao, 2018), industrial democracy (Poole, 2017; Rasmussen, 2009), and PAs (Cawley, et al., 1998; Roberts, 2003; Thomas & Bretz Jr, 1994; Babagana, Mat & Ibrahim, 2019a & b; Rubin & Edwards, 2018; Islami, Mulolli & Mustafa, 2018; Babagana, Mat & Ibrahim, 2018; Rukumba & Iravo, 2019).

Employee participation refers to the way in which the employees’ efforts are exploited to enhance their commitment to the success of an organization (Robbins & Judge, 2009), particularly to indicate employees’ engagement in an organization’s information handling, decision-making and problem-solving events (Wang, et al., 2015). According to the goal-setting theory (Locke & Latham, 1990), organizational goals need to be outlined in clear and specific terms (Ömer, 2016). Proponents of participation in goal-setting argued that employees participation in tasks and goal-setting could support anticipation information explanation (Wooten & Burroughs, 1991), embrace more challenging goals (Latham & Yukl, 1975), improve supervisor support perceptions (Likert, 1967), and thus giving rise to better goal commitment (Erez & Kanfer, 1983). The underlying principle of goal setting theory is that precise, challenging goals will result in greater performance as compared to individuals trying to just “do their best”, (Locke & Latham, 1990). Therefore, employee participation in the PA process by organizations should theoretically able to increase the prospects of revisions in procedures, well-thought-out as suitable and important to be well incorporated into organizational structures (Nielsen & Randall, 2012). Moreover, in the PA process, employee participation is an indispensable component in achieving effectiveness (Saad, 2014).
The present study will integrate employee participation as a potential moderator on the influence of distributive fairness on the EPA. This is because of the inconsistent or inconclusive findings in the aforementioned studies and the impact on the strength of relationships among the variables (Baron & Kenny, 1986; MacKinnon, 2011). Moreover, it is stated that the usefulness of several control mechanisms depends on internal and external contingency variables (Jaworski, 1988; Kura, Shamsudin & Chauhan, 2013). Therefore, suggesting the necessity for a moderator construct.

Accordingly, to better understand the influence of distributive fairness on the EPA, employee participation is suggested as a moderator for this study, upon which might impact on the relationships. Hence, it is hypothesized that:

Hypothesis 2: Employee participation moderates the relationship between distributive fairness and the EPA.

3.0 THEORETICAL FRAMEWORK

Drawing from the empirical evidences in the literature review mentioned above, a proposed research framework for this study showing the moderating role of employee participation on the influence of distributive fairness on EPA is illustrated in Figure 1.

![Figure 1: Research framework](#)

In order to demonstrate the moderating role of employee participation in the relationship between distributive fairness and the EPA, this paper suggests that the level, to which distributive fairness influences EPA, differs based on the level of employee participation. The more employees are encouraged to participate in the PA process, the more effective PA is. Taking into cognizance the empirical support for equity theory and goal-setting theory across different organizational settings, it is suggested that these theories would offer an empirical support for the moderating role of employee participation on the influence of distributive fairness on the EPA.

4.0 CONCLUSION

This paper has suggested the moderating role of employee participation on the relationship between distributive fairness and the EPA as illustrated in Figure 1. The findings of this study will offer insights and understanding to executives and practitioners into the substantial position of distributive fairness and employee participation towards attaining EPA if the suggested framework is validated.

References


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