Application of Organisational Justice Theory to Performance Appraisal – a Study Conducted in the Service Sector Enterprises in Kerala

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ABSTRACT

Purpose: Globalisation has now become a very common word. It has been the topic of discussion during the last two decades. What globalisation implies is that a country's economy synchronises with the global economy. As the result, severe competition originated in the market. The firm-to-firm competition forced the companies to enhance their productivity and efficiency. Today, PA is used as a most imperative component of HR practices. It helps to assess the performance of employees based on predetermined standards and it enables the HR department to increase the efficiency of employees as well as the organisation. Greenberg was one to apply the theory of organisational justice to Performance Appraisal (PA). Application Greenberg’s theory in performance appraisal helps to ensure the system of performance appraisal is fair and just. This study was conducted in five sub-sectors of the service sector in Kerala and primary data was collected from employees. The study is used to understand the application of Greenberg theory in service sector enterprises in Kerala to know the level of justice and fairness of PAS.

Methodology: The study was conducted in the service sector in Kerala. The primary data were acquired through a questionnaire. In this study, the different sectors (Financial Services, Tourism and hospitality, Media and entertainment, Telecommunications, Retail) were randomly selected. Organisations conducting a system of employee Performance Appraisal were considered in this study. A total of 543 samples were selected for the study from the five sectors. The samples were selected randomly. The questionnaire was used as a primary data collection tool.

Finding: The results found that, in Kerala, different sectors follow different methods of performance appraisal techniques to their employees. The methods are different from one sector to another. And the study also found that, the employees in the service sector enterprises in Kerala were believed that the performance appraisal system is fair and just. Finally, the study revealed that the private sector PA system is more effective than the public sector. The techniques used in the private sector were more competent than public sector enterprises.

Originality: This is used to conduct the application of organisational justice theory employee performance appraisal in the service sector enterprises in Kerala.

Paper Type: Applied Research

Keywords: Performance Appraisal (PA), Organisational justice theory, Fairness and justice

1. INTRODUCTION:

Greenberg (1986) [1] was one of the first to apply organisational justice theory to PA. He asked fundamental research questions about what makes a PA look fair. He also addressed if what one receives or how a choice is made, or both, makes Performance Appraisal appear fair. He outlined seven criteria that contributed to views of fairness, starting with the two separate ideas of procedural and distributive justice. Supervisors soliciting input before appraisal and using the input during the assessment, two-way communication between supervisor and subordinate during the appraisal interview, an employee's
capacity to dispute or challenge a rating, rater characteristics such as stability in applying standards, and rater familiarity with the work being assessed are among the five procedural categories. The distributitional category included the presence of performance-based ratings as well as payor promotion outcomes based on the ratings.

In the Performance Appraisal framework, Korsgaard and Roberson (1995) [2] investigated the role of subordinate voice (the practice of allowing persons who are impacted by decision access to accessible information significant to the choice) in establishing positive attitudes. The study looked at both instrumental and non-instrumental voices. When direct control is impracticable, the instrumental voice is defined as the sense of not having direct influence over decisions (Thibaut & Walker, 1975) [3].

Systemic, informational, configurational, and interpersonal justice perceptions are included in the proposed paradigm (social-distributive). Employees' opinions of fairness and satisfaction with their institution's performance assessment methods are thus linked to these four primary elements in some manner (models).

Distributive justice deals with results fairness and in Performance Appraisal framework Jawahar (2002) [4]. The next element, procedural justice is related to the perceptions of the fairness of the predetermined standards followed, techniques used for evaluating the performance of employees. The third element is known as interpersonal justice, which handled appraisees' perceptions regarding the behaviour of the supervisor. The fourth element is informational justice; it means giving ratees entire information significant to decisions or evaluation procedure Greenberg (1993) [5] cited by Ikramullah, M. et al. (2011) [6].

2. REVIEW OF LITERATURE:

Performance assessment has caused widespread unhappiness and discontent, making it difficult for practitioners and academics in both the public and commercial sectors to assess its efficacy. As part of the system management and execution process, it is advised that the achievement of a performance appraisal system be evaluated. However, there is a scarcity of research on the estimation of performance assessment in a field setting. According to Murphy and Cleveland (1991) [7], flaws with the existing method for evaluating performance assessment are among the most significant reasoning issues confronting professionals. The numerous psychological, interpersonal, and organizational aspects that determine the efficacy of performance in the workplace have not been effectively explored by traditional ways of assessing performance assessment systems (Mohrman & Lawler, 1983; Cleveland, 1991) [8]. Employee reaction to assessments is a class of objective factors that should be examined in evaluating the performance of a system, according to Murphy & Cleveland (1991). Employee reaction to a performance assessment system, according to Bernardin & Beatty (1984) [9], is typically a stronger indicator of a system's overall viability than more limited psychometric indicators. A performance assessment system can be designed and built in a psychometrically sound manner yet still fail miserably, in reality, owing to user disagreement or lack of acceptability. As a result, the efficiency of a method is largely determined by the perspectives of method users, both assessors and assesses (Roberts, 1990) [10].

According to the research, there are several things to consider while evaluating PA, including employee attitudes regarding variables such as fairness perceptions. The perceived fairness of the performance review and the performance evaluation method, according to Bretz, Milkovich, and Read (1992) [11], is the core PA challenge confronted by businesses. Their findings revealed that the majority of employees believe their performance assessment method is neither exact nor fair. Employees may become dissatisfied with the assessment process if they believe it is political, prejudiced, or unimportant, according to Skarlicki & Fogler (1997) [12].

In general, research has found that views of fairness are influenced by the conclusion (outcome), the processes used to determine those outcomes (procedural), and the technique used to execute and represent the decision-making process (interpersonal). The research and literature in the field of organisational justice are largely referenced in this presentation of the components of fairness. Fairness in the workplace has been extensively researched by scholars working in the field of organisational justice. Organizational justice theory has been used in a wide range of organisational systems, and it provides a theoretical foundation for delving further into the difficulties of performance assessment. Greenberg (1993) was one of the first to apply the organisational justice idea to performance evaluation. His main study issue was what makes a performance evaluation look fair. He looked at whether a fair
appraisal is decided by what one obtains (ratings or other results) or by how it is determined. Greenberg's (1986) findings backed up an earlier study by Landy, Barnes, and Murphy (1978), which found that under specific conditions, employees were more likely to agree with an assessment scheme and perceive that their performance was properly appraised. Regardless of the outcome of the assessments, Landy and Farr (1980) [13] defined excellent evaluation as one that involves specific procedural components.

Taylor, Tracy, Renard, Harrison, and Carroll (1995) [14] demonstrated that the due process model is congruent with the procedural justice theoretical model in their work "Due process in performance appraisal: A quasi-experimental in procedural justice." Another performance assessment-related justice research has discovered links between interactional justice and organisational citizenship (Mohrman, 1989) [15] as well as performance appraisal satisfaction and approbation. A recent study has sought to clarify the literature on organisational justice and incorporate the many aspects linked to performance assessment to define employees' perceptions of fairness in performance appraisal. Greenberg's (1993) 4-factor model for performance evaluation might be a technique to further calculate the complex condition of performance appraisal. Each of the taxonomy's four categories may be utilised to address a different part of a company's performance assessment system. There is insufficient evidence that the 4-factor model can accurately describe employee views of performance appraisal fairness (Thurston, 2001). The projected model consists of the following four kinds of justice perceptions: Systemic (Structural – procedural, Informational (Social - procedural), Configural (Structural - distributive), Interpersonal (Social – distributive).

Three measures were used to assess employees' affective reactions to their most recent performance review, the PAS, and their supervisor. Items adapted from prior research (Tang and Sarsfield - Baldwin) were used to measure these reactions (1996) and are considered parameters of satisfaction with PA (Keeping and Levy, 2001) [16]. These scales were used to examine the level of satisfaction of employees on performance appraisal in various sectors. Thurston & Laurel (2006) have drawn up an integrative framework of organisational justice with social and economic exchange relationships. The framework is applied to appraisals in explaining employees' fairness perception of their appraisal system. Each of the justice dimensions, i.e., distributive, procedural, interactional, and informational is explained in the background of appraisals. They studied effects of the ten processes involved in appraisal implementation that lend a perception of fairness to appraisals: setting standards, assigning raters, appeal procedure, quotable ratings, respect for ratee, the absence of politics, sensitivity, clarifications of expectations, feedback mechanism, and performance reviews that incorporated explanations of outcome decisions. These perceptions were constructs categorised into four justice dimensions. These two researchers acquired the assistance of subject experts to sort out ten items according to four organisational justice constructs. Content validity, item clarity and conceptual distinction between four justice dimensions were ensured through a conformity classification of analysis. A resultant process involving these ten items were subsequently categorised into four dimensions of organisational justice. Procedural justice component: assigning raters, setting standards and designing appeal procedure, Distributive justice component: Equality, decision norms, and absence of political goals, Interpersonal justice component: Ratee’s respect for supervision and display of emotional intelligence that is sensitivity during supervision, Informational justice component: Explaining expectations, providing follow-up, and the illumination of outcome decisions.

According to Akhtar & Khattak (2013) [17], a successful Performance Appraisal system requires a paternalistic organisational culture of trust, open communication, and organisational support that is valued for both work and context performance, with a focus on coaching and mentoring. Employee unhappiness and perceptions of unfairness are exacerbated by individual political interests, a lack of rater training, a disregard for merit, contempt for situational limits, and injustice. Employee involvement in the system's design and execution increases their ownership of the system, resulting in the highest level of acceptability and satisfaction with the appraisals and assessor. The impression of justice and fairness improves as a result of participation and ownership. Based on the study conducted by Getnet, Jabena & Tsegaye (2014) [18] at the University of Gondar, Ethiopia; they have found that the three variables have a moderately high effect on the PA practices so as compared to the other factors like information, procedural & interpersonal fairness elements are taken into account. Another study conducted at the University of Ljubljana conducted a study in NALCO, and it shows that 68 per cent
of employees consider that the Performance Appraisal process is biased and about 59% per cent view it as promoting favouritism. From various literature, the impact of performance appraisal is measured by examining the level of impact on employee commitment and employee skills. These items were considered to examine the impact of performance appraisal in various sectors.

3. PROBLEM OF THE STUDY:
Several studies are conducted in the area of performance evaluation in different sectors. But most of the research is concentrated on a single organisation or a comparison of two enterprises. A comprehensive study is not conducted in the service sector in Kerala. In this study, both private and public sector organisations were selected and tried to find out the level of perception and fairness of performance appraisal based on organisation justice theory.

4. SPECIFIC OBJECTIVES:
(1) To understand the fairness and justice of PA in service sector enterprises in Kerala
(2) To compare the public and private sector differences in the fairness and justice of performance appraisal in service sector enterprises in Kerala

5. METHODOLOGY:
The study was conducted in the service sector in Kerala. The primary data were acquired through a questionnaire. Respondents were asked to react to their role as a ratee in the PAS referred to by the organisations. In this study, the different sectors (Financial Services, Tourism and hospitality, Media and entertainment, Telecommunications, Retail) were randomly selected. Organisations conducting a system of employee Performance Appraisal were considered in this study. A total of 543 samples were selected for the study from the five sectors. The samples were selected randomly. Both primary data and secondary data were used for the study. The primary data was collected through a questionnaire. Essential pilot studies have been carried out at the beginning stage of the research study. The reliability of the questionnaire has been duly checked by executing it to 20 respondents each from two sample units at the time of the pilot study. The very procedures have been repeated among the identical respondents as part of the study after a gap of six months and reliability in their response has been found very high.

Because the variables are scored, the approach utilised in the study is both descriptive and analytical. The study employs both qualitative and quantitative data analysis methodologies. The developed research model was then put to the test in the second step, which involved measuring the contributions and importance of the manifest variables’ route coefficients (Grimm, 2000 [19]). The data is analysed using SPSS version 20 computer application.

- To determine the initial reaction of the respondents to each item in the questionnaire, the mean, standard deviation, percentage, and frequencies were determined. As a result, descriptive statistics were used to assess all of the elements.
- The degree of performance appraisal was investigated using a one-sample Z test.
- An independent Z-test was used to investigate the substantial variation in response between two firms.
- The ANOVA test was performed to see if there were any differences in responses due to demographic factors.
- The Chi-square test was used to determine the relationship between the various parameters and demographic characteristics (Yuan and Bentler, 2004) [20]. The acceptable level of significance was P<.05
- CFA was utilised to investigate the links between the independent and moderating factors, as well as to characterise the theoretical framework's design. This was done with the AMOS 18 programme (Arbuckle, 2006 [21]).
- It is standard practice to utilise a variety of indices to test the model fit when utilising Structural Equation Modeling (SEM).
6. ANALYSIS:

The first objective is to find the level of Systemic justice scales. For this, the respondents are asked 17 questions on a five-point Likert scale under different variables. The responses are scored as 5-Strongly agree, 4- Agree, 3- Neither agree nor disagree, 2 Disagree, 1 for Strongly Disagree. Thus, based on this score we calculate the mean % score $\text{MPS} = \frac{\text{MeanScore} \times 100}{\text{Maximum possible score}}$ of Systemic justice scales. This score is divided into one of the four groups as poor or low if the mean percentage score is less than 35 per cent, average if the mean percentage score is between 35-50 per cent, good or moderate if the mean percentage score lies in the interval 50-75 percentage and excellent or high if the mean percentage score is above 75 per cent. A Z test (one sample) is carried out to check the significance. (Loyd, B. H., & R. R. Abidin. R. R. (1985) [22].

Table 1: Number 02: Mean, SD and z value for Systemic justice scales

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>Mean per cent score</th>
<th>CV</th>
<th>z</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systemic justice scales</td>
<td>543</td>
<td>62.04</td>
<td>10.13</td>
<td>72.99</td>
<td>16.33</td>
<td>-3.935</td>
<td>&lt;0.001</td>
</tr>
</tbody>
</table>

The mean percentage score of the Systemic justice scale is 72.99% which indicate that level of the Systemic justice scale is good or moderate.

$H_0$: The level of the Systemic justice scale is excellent
$H_1$: The level of the Systemic justice scale is good

From the table, the p-value is less than 0.05, so the level of Systemic justice scales is good.

Next, we consider Configural Justice Scales.

Table 2: Number 03: Mean, SD and z value for Configural Justice Scales

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>Mean per cent score</th>
<th>CV</th>
<th>z</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Configural Justice Scales</td>
<td>543</td>
<td>42.83</td>
<td>8.20</td>
<td>71.38</td>
<td>19.16</td>
<td>-6.167</td>
<td>&lt;0.001</td>
</tr>
</tbody>
</table>

The mean percentage score of the Configural justice scale is 71.38% which indicate that level of the Configural justice scale is good or moderate.

$H_0$: The level of the Configural justice scale is excellent
$H_1$: The level of the Configural justice scale is good

From the table the P-value is less than 0.05, so we conclude that the level of the Configural justice scale is good.

Table 3: Number 04: Mean, SD and z value for Interpersonal justice scales

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>Mean per cent score</th>
<th>CV</th>
<th>z</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interpersonal Justice Scales</td>
<td>543</td>
<td>36.75</td>
<td>8.08</td>
<td>73.50</td>
<td>21.98</td>
<td>-2.160</td>
<td>0.031</td>
</tr>
</tbody>
</table>

The mean percentage score of the Interpersonal justice scale is 73.50% which indicate that level of the Interpersonal justice scale is good or moderate.

$H_0$: The level of the Interpersonal justice scale is excellent
$H_1$: The level of the Interpersonal justice scale is good

From the table the P-value is less than 0.05, So we conclude that the level of the Interpersonal justice scale is good.
Table 4: Number 05: Mean, SD and z value for Informational justice scales

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>Mean per cent score</th>
<th>CV</th>
<th>z</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informational Justice Scales</td>
<td>543</td>
<td>62.10</td>
<td>12.23</td>
<td>73.05</td>
<td>19.69</td>
<td>-3.153</td>
<td>0.002</td>
</tr>
</tbody>
</table>

The mean percentage score of the Informational justice scale is 73.05% which indicate that level of the Configural justice scale is good or moderate

H₀:  The level of the Informational justice scale is excellent
H₁:  The level of the Informational justice scale is good

P-value is less than 0.05, so the level of the Informational justice scale is good.

Table 5: Number 06: Public and Private sector comparison

<table>
<thead>
<tr>
<th>Variables</th>
<th>Sector</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>z</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systemic justice scales</td>
<td>Public</td>
<td>210</td>
<td>59.90</td>
<td>6.62</td>
<td>-3.958</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>333</td>
<td>63.39</td>
<td>11.63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Configural Justice Scales</td>
<td>Public</td>
<td>210</td>
<td>41.45</td>
<td>6.20</td>
<td>-3.130</td>
<td>0.002</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>333</td>
<td>43.70</td>
<td>9.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interpersonal Justice Scales</td>
<td>Public</td>
<td>210</td>
<td>37.45</td>
<td>5.47</td>
<td>1.608</td>
<td>0.108</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>333</td>
<td>36.31</td>
<td>9.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informational Justice Scales</td>
<td>Public</td>
<td>210</td>
<td>60.58</td>
<td>10.29</td>
<td>-2.309</td>
<td>0.021</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>333</td>
<td>63.05</td>
<td>13.23</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

7. FINDINGS:

PA is the method used to evaluate the individual performance of employees compared with predetermined standards. In Kerala, different sectors follow different methods of performance appraisal techniques for their employees. The methods are different from one sector to another. In Kerala, both public and private sectors use performance appraisal for assessing the performance of employees. The results exposed that the level of Systemic justice, Configural Justice Scales, Interpersonal justice scale and Informational justice scale is good in the service sector enterprises in Kerala. And the study also found that, the employees in the service sector enterprises in Kerala were believed that the performance appraisal system is fair and just.

In Kerala, the private sector performance appraisal system is more effective than the public sector. The techniques used in the private sector were more competent than public sector enterprises. Based on the study, the private sector employees are believed most compared to the public sector regarding the fairness and justice level. In the case of configural justice, the public sector employees are more satisfied with the fairness level of performance appraisal.

8. DISCUSSION:

In many circumstances, Performance Appraisal may lead to an extreme dissatisfaction component. Employee willingness is one of the success factors in Performance Appraisal. So the management ensures active employee participation in the formulation and implementation of the PAS. And also, the organisations should follow different methods of Performance Appraisal for different levels of employees. It helps the different levels of employees to enhance the level of satisfaction. The anther important component of PA is performance appraisal feedback. Performance appraisal feedback is the essence of PAS. The frequent and continuous feedback will help the organisation to overcome the shortcoming of the existing system of PA. It also facilities an open communication system in the organisation.

The public sector enterprise’s PA is not competent nowadays. Most organisations follow a confidential report system of performance appraisal. So, the public sector organisations must implement the modern method of PA like, 360-degree appraisal, MBO, Balance scorecard, etc. And the appraisal was conducted manually in different organisations. So public enterprises must implement electronic-based
performance appraisal to their employees to ensure the transparency and efficiency of the appraisal method.

9. FUTURE ENACTMENT:

The present research study provides some guidelines for future research study, which are as follows:

- This research was restricted to a few selected service sector enterprises in Kerala. Only a few services sector sub-sectors are selected for the sample survey.
- No studies are conducted in the field of Performance Appraisal exclusively in public sector enterprises in Kerala. From different studies, the private sector enterprises are conducting Performance Appraisals more effectively than the public sector. So, there is a gap in the field.
- The different sectors of the industry are conducting different methods of appraisal. But there are some significant differences in the methods or techniques of Performance Appraisal used by various industries. A comparative study is useful for the identification of the effective method of PA from various methods.

10. CONCLUSION:

Employee PA is a major tool for the evaluation of employee performance and thereby enhances organisational performance. As organisational developmental instruments, PAS is using different organisations in different sectors. Different sectors use various methods of PAS. The study revealed that the Performance Appraisal (PA) is an effective device for organisational effectiveness. The application of the system is not similar in different companies but in general, it acts as a developmental tool for the accomplishment of organisational objectives. The fairness and justice perception of performance appraisal is different from one sector to another.

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