

### **Excellence Performance Management for Excellence Achievement: A Study of a Private Bank in Sri Lanka**

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#### **Abstract**

*The objective of the study is to ascertain the effectiveness of the Performance Appraisal System (PAS) and to examine whether it has a direct bearing on the level of employee job performance. The research methodology involved the collection of data from a sample of performance appraisal reports and Special Performance Appraisal Reports of Junior Executive Assistant (JEA) of a leading commercial bank in Sri Lanka for the past two years. The data were analyzed to ascertain the manner in which ratings had been awarded. A questionnaire survey was also conducted among JEAs, their Reporting Officers and Superior Officers to ascertain their views regarding the key aspects of the existing Performance Appraisal System at the bank.*

*The study shows that a majority of the JEAs had expressed their satisfaction about the existing PAS. However, a key finding of the study is that there is a high degree of leniency being adopted by Reporting Officers when they assign ratings on Performance Appraisal Reviews. The collected data supported the hypothesis which was tested during the study. It was quite clear that there were several areas in which improvements are needed in order to strengthen the existing PAS. It is the researcher's view that most of these areas could be improved with appropriate training so as to bring about uniformity in the PAS and also to further strengthen this process which is a key component of the bank's human resources policy.*

#### **Introduction**

The banking sector of Sri Lanka consists of 23 Licensed Commercial Banks (LCBs) and 14 Licensed Specialized Banks (LSBs). These institutions perform a pivotal role in the economy. The total assets of Sri Lankan financial institutions annually increased by 16 percent, and amounted to Rs. 4,323 Billion in 2007, which was 1.21 times the GDP. The licensed banking sector (LCBs and LSBs) accounted for 58 percent of total financial institution assets and continued to hold the dominant position in the financial sector. The LCBs accounted for 49

percent of the total financial assets, while the LSBs accounted for 9 percent (CBSL, 2007).

Banks continue to invest in human capital development and implement effective human resource practices and policies to develop and build an efficient work force aligned around new business priorities. They ensure that their employees are developing the skills and knowledge required for the success of the bank. The proper assessment of the performance of its employees is, therefore, important to any bank. Different banks implement their own Performance Appraisal Systems (PAS) in order to assess the level of performance of their employees.

The purpose of this study is to ascertain the degree of effectiveness of the Performance Appraisal System of the Junior Executive Assistants (JEAs) of a private bank in Sri Lanka. In this regard it is considered relevant to mention that JEAs account for the highest percentage of selected commercial bank's Non Executive staff, and 59 percent of the bank's total staff. The JEAs are permanent employees who are assigned to perform important duties mostly in front office areas, where there is a high degree of interaction with customers.

### **Statement of the Problem**

JEAs represent 37 percent of the non-executive staff at the selected sample and perform important job responsibilities, mostly in the front office areas. In accordance with the organization's human resource policy, their performance is conducted at the end of each year mainly for the purpose of granting their annual increment. The present Performance Appraisal Reviews (PAR) are also used for the purpose of identifying strengths/weaknesses of JEAs who possess the necessary potential to be promoted to higher grades in the future.

However, towards the latter part of 2003 when the Research & Development Department of the Bank carried out a Staff Satisfaction Survey, by administering a randomly selected sample from which the information was collected, it was revealed that all grades of employees from JEOs to Grade V Executives Officers had indicated Performance Appraisals as an area of

concern. All of them had expressed that there was room for improvement in the present PAS.

In a similar Staff Satisfaction Survey conducted in 2005, the following had been some of the findings:

- a) 50 percent had indicated that they did not receive proper feedback on the Performance Appraisal conducted.
- b) 37 percent felt that their Reporting Officers (ROs) were not professionally competent to carry out the Performance Appraisals.
- c) 50% of the employees who responded to the Survey were of the opinion that certain aspects of their work performance merited higher ratings than what had been awarded.
- d) 49% had opined that though they had accomplished the objectives agreed upon at the beginning of the year, ROs had overlooked unlisted objectives.

Therefore, the problem can be viewed as the failure to carry out proper assessments of the performance of job holders, which ultimately results in strained relationships between Job Holders and their ROs. Furthermore, it is assumed that when Job Holders' aspirations are not fulfilled, such a situation could adversely affect the organization. In view of the fact that employees have a fundamental right to know how effective they are at their work place, it is also considered important to ascertain whether the organization has adopted the most appropriate PAS to evaluate the performance of JEAs.

The research question is, to what extent does the PAS of JEAs at the bank satisfy the purpose of the PAS, with particular reference to the operational excellence of the bank and aspirations of the job holders?

### **Objectives of the Study**

- a) To assess the effectiveness of the existing PAS applicable to JEAs and its impact on the operational excellence of bank.
- b) To assess the impact of the existing PAS applicable to JEAs on their job performance.

- c) To assess the usability of the existing PAS applicable to JEAs by their reporting officers as a performance enhancement.

### **Significance of the Study**

It is a well known fact that the success of any organization will depend mostly on the contributions made by each and every employee. Accordingly, organizations should have suitable mechanisms in place for assessing the performance of their employees. As regards the bank, it has already been mentioned that JEAs constitute 36 percent of the total staff cadre and that they perform duties in the front office areas of the bank. The JEAs are considered the real operational staff of a bank. The role played by JEAs is considered critically important as they perform job responsibilities in several key departments and form the backbone of the operational areas. Therefore, it is considered important to ascertain the degree of effectiveness of the present PAS applicable to JEAs.

### **Literature Review**

Dealing with the subject of "appraising and managing performance," Gary Dessler (2005) has defined Performance Appraisal as a means of evaluating an employee's current or past performance relative to the person's performance standards. Dealing with the appraisal process, he states that appraisal involves (a) setting work standards, (b) assessing the employee's actual performance relative to these standards, and (c) providing feedback to the employee with the aim of motivating that person to eliminate deficiencies or to continue to perform above par.

The performance appraisal is also known as employee appraisal, and is a method by which the job performance of an employee is evaluated, generally in terms of quality, quantity, cost and time. The literature search revealed that performance appraisal also serves as a part of career development. Whilst mentioning that performance appraisals are regular reviews of employee performance within organizations, it points out that performance appraisals are generally aimed at (a) giving feedback on performance to employees, (b) identifying employee training needs, (c) documenting criteria used to allocate

organizational rewards, (d) forming a basis for personnel decisions - salary increases, promotions, disciplinary actions, (e) providing an opportunity for organizational diagnosis and development, (f) facilitating communication between employee and administrator, and (g) validating selection techniques and human resource policies to meet statutory requirements.

Michael Armstrong (2006) has highlighted some interesting material on the subject of Performance Appraisals. He explains that there is a clear difference between Performance Appraisal and Performance Management, claiming that they are sometimes assumed to be the same. Dealing with the significant differences between the two, Armstrong (2006) defines performance appraisal as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting. In contrast, performance management is defined as a continuous and much wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges, and focuses on the future.

Another interesting fact is that performance appraisal has been discredited because it has too often been operated as a top-down and largely bureaucratic system by the human resource department rather than by line managers. Armstrong (2006) states that it has been perceived by many commentators such as Townley (1989) as a means of exercising managerial control and that Performance Appraisal tended to be backward looking, concentrating on what had gone wrong, rather than looking forward to future development needs.

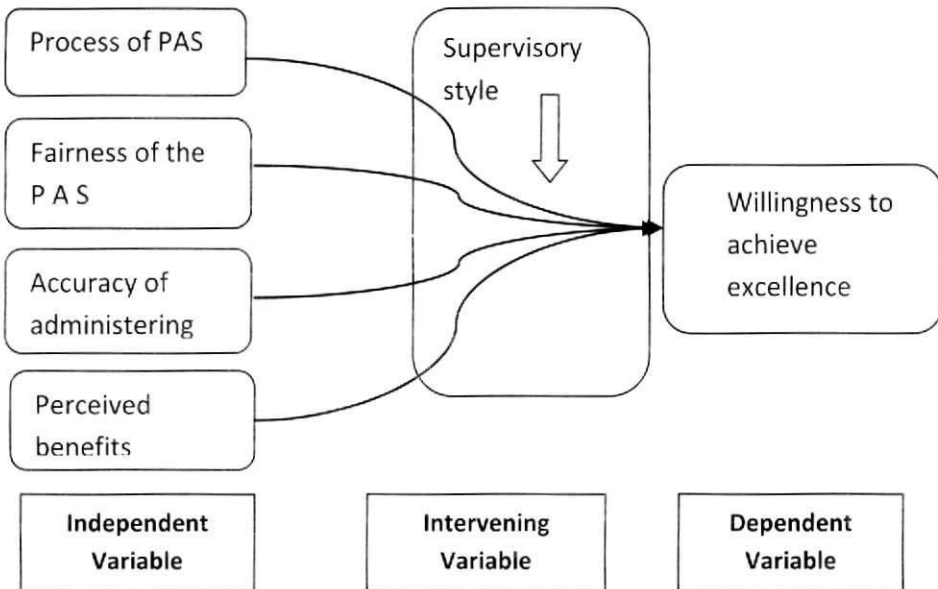
According to Rao (2006) performance management is a continuous process while appraisals are periodic activities. He identifies management as a dynamic process and appraisals as static. He too opines that appraisals are a part of performance management. Rao states that if the management involves improvements, the moment we assess where we stand, there is an appraisal taking place and that without some form of appraisal management becomes difficult. The interesting point is that performance management with performance appraisal should lead to improvement in performance. However, he states that in most organizations, performance appraisals have led to a decline in performance. He concludes by stating that performance

management systems with an appraisal built into them should mean improved performance, better motivated people and competent people.

**Conceptual Framework of the Study**

This study will attempt to examine whether the expectations illustrated in Figure 1, for which the PRS is currently being used, are being met:

**Figure 1** Conceptual framework of PAS and WAE



As illustrated above under the conceptual framework, process, fairness, accuracy and economic benefits facilitated by the supervisory style enable JEAs to willingly exert extra efforts to derive the achievement of operational excellence. Accordingly, process, fairness, accuracy and perceived economic benefits of the PAS will be the independent variables while the willingness by JEAs to exert extra effort to achieve operational excellence is considered the dependent variable. It is assumed that this is facilitated by the supervisory

style of the Reporting Officer (RO), which is recognized as the intervening variable.

### **Effectiveness of Performance Appraisal**

Performance appraisal is one of the popular concepts among the multinational and local companies. The concept has been defined by DeVries et al., (1981) as the process which allows firms to measure and consequently evaluate an employee's achievements and behavior over a certain period of time. The basic purpose of using performance appraisal techniques within an organization is to align the employee's efforts with the overall objective of the firm.

There has been widespread discussion within the academic circles as to how to define the performance. Drawing upon Briscoe & Schuler (2004), performance can be viewed as a combination of several variables, such as motivation, ability, working conditions and expectations. It has been established that there are certain factors that would affect employees' performance more than others. These factors, according to Dowling et al (1999), include the compensation package; the nature of task; support from higher management; the working environment and the overall corporate culture.

The problem is not limited to formal performance management appraisal systems. Organizations encourage, even urge, their managers to talk informally with their employees about their performance on an ongoing basis. However, managers still report that they are uncomfortable in giving feedback and discussing performance with their employees, especially when poor performance is a factor. Consequently, they avoid uncomfortable situations.

### **Acceptability of the PAS Process**

Bowman (1999) points out that the technique used in the appraisal process is not particularly important. He suggests that we acknowledge the human nature of the appraisal process—a process shaped by human cognitive processes and one, therefore, subject to bias. Murphy and Cleveland (1991) argue that an obsession with validity and reliability has led researchers away from examining other important issues in the performance appraisal process. They proposed

that “reaction criteria” such as the perceived fairness or accuracy of the system limit the effectiveness of any appraisal system. Second, “practicality criteria” include widely recognized issues of time commitment, cost, and political acceptability. A third “decision process criteria” leads to the level of acceptance of the system by organizational members and the system’s ability to facilitate organizational decisions. Taken together, these three sets of criteria significantly influence the success or failure of any performance appraisal process, the process having direct impact on how the appraisal process is conducted including things such as accountability or supervisor–subordinate relationships.

Havard (2004) recommends that those with the remit to design and implement a performance appraisal process should make an estimate of the current pattern of relationships. If there is evidence of productive working relationships between appraisers and appraisees, he states that designers need to predict whether introducing appraisal or modifications to an existing process will support rather than disrupt those relationships. Designers are also advised by Havard to predict whether the appraisal process will help turn problematic relationships into productive ones, or exacerbate existing difficulties in working relationships.

*H<sub>1</sub>: Acceptability of the Performance Appraisal System Process positively correlated to the Willingness to achieve excellence.*

### **Fairness of the PAS**

In the literature survey, fairness has already been defined as an ability of an appraiser to avoid biases, prejudices and subjectivity when assigning ratings and using a common yardstick to assess all the appraisees in a just and equitable manner, in order to ensure that Performance Appraisals are administered in a uniform manner at all work locations. Either over assessment or depriving an appraisee from getting the rating he or she truly deserves will adversely affect the purpose of conducting a performance appraisal, and defeats the concept of fairness. The level of fairness is further indicated by an appraiser’s ability to justify each and every rating given with acceptable and



plausible reasoning. The measurement of fairness will be evidenced by the appraisee accepting the ratings as credible and the appraiser not leaving room for grievances or confrontations in respect of ratings awarded.

Fairness ranges from consistency in personnel actions and fair market practices to adherence to the various laws governing the workplace. The concept of due process requires that a small business follow its own rules and policies. Employees must be treated in the same manner when it comes to personnel issues. Each worker should have an equal chance to perform at his or her best. The key to healthy work relations is managing communications within the firm. Most of the communication will flow as orders and instructions to employees. Nevertheless, communicating honesty and fairness is a two-way process. It is difficult for employees to be intelligent and enthusiastic team workers if they do not know the reasons behind orders and instructions.

*H<sub>2</sub>: Fairness of the Performance Appraisal System positively correlated to the Willingness to achieve excellence.*

### **Accuracy of Administering PAS**

Accuracy in relation to performance appraisal means carrying out this exercise in an error free manner and in strict conformity with the laid down procedures of the organization concerned. Under the literature survey, the common error appraisers committed during appraisals were listed with reference to Saunders (2000). The degree of correctness in documenting the factual position regarding appraiser's performance during the period of the appraisal will be the indicator. The unqualified acceptance by an appraisee of the ratings and comments, made by the Reporting Officer in the relevant Performance Appraisal Review, will be a good measurement of accuracy.

Whenever there is any doubt concerning the amount of information to share with employees, experience indicates that too much of information is better than little information. Never lie to workers about human relations issues. Institutional memory is long term; any deceit will be remembered for many years. Note that employees talk with each other, and inconsistencies will be

detected quickly and brought to the surface -- frequently to one's embarrassment.

*H<sub>3</sub>: Accuracy of Administering Performance Appraisal System positively correlated to the Willingness to achieve excellence.*

### **Perceived Economics Benefits**

Perceived economic benefits could be referred to as anything monetary or otherwise which the appraisee will be entitled to receive in addition to the wages and salary. These may include performance related benefits such as Employee Share Ownership Schemes, incentive schemes, and prospects of promotion. How the employee perceives benefit trends would accrue through the PAS, will be the variable, while the indicator will be the level of performance attained through the PAS and the achievement of goals set during a defined period. The quantum of benefits received through the PAS will be the measurement.

*H<sub>4</sub>: Perceived economic benefits of the Performance Appraisal System positively correlated to the Willingness to achieve excellence.*

### **Reporting Officer's Supervisory Style**

The conceptual framework has identified Reporting Officer's supervisory style as the concept of the intervening variable. The variable of this concept will be the degree of commitment those supervised by him display in order to perform their duties up to the standards expected of them by the organization. The harmonious working relationship which is brought about between the RO and the JEA together with coaching and development efforts of the RO are indicators of this concept. One of the measurements of this concept will be the employee's feedback regarding un-biasness of the RO through the response to the relevant questionnaire while another will be the time RO spends on coaching and development.

A new line of research has emerged acknowledging the importance of employee and supervisor acceptance of the performance appraisal process.

Roberts and Pavlak (1996) found that human resource (HR) professionals understand the importance of acceptance to the success of the appraisal process. In their study, 89 percent of respondents recognized that employee acceptance of the appraisal process was either very important or essential, and 98 percent of respondents felt supervisor commitment was very important or essential.

Training in the system has been linked with attitudes toward the appraisal process (Martin & Bartol, 1998; Roberts, 1992; Roberts & Pavlak, 1996). Participation, two-way communication, and goal setting have also been found to be significant in predicting attitudes toward performance appraisal (Bobko & Colella, 1994; Nathan et al., 1991; Roberts, 1992; Roberts&Pavlak, 1996). Supervisors' attitudes toward the appraisal system are also influenced by practical issues, such as the ease of administration and the length and complexity of the form (Longenecker & Fink, 1999; Roberts, 1992). Similarly, employees are expected to be rated on items actually related to the work they do; hence, relevance is important (Gabris & Ihrke, 2000; Roberts, 1992).

*H<sub>5</sub>. Willingness to achieve excellence positively correlated to process, fairness, accuracy and perceived benefits by mediating the supervisory style.*

### **Willingness to Excel**

The concept of operational excellence is considered the dependent variable in the conceptual framework. While the achievement of operational excellence will be the variable, the degree of achievement of operational excellence will be the indicator. Any positive feedback received from customers to the Customer Satisfaction Surveys will be the measurement. It can be stated that willingness of the employees to exert an extra effort to achieve operational excellence, will lead to customer satisfaction and the effectiveness in which they perform their duties. Volume of business transactions concluded within a given period, number of new business clients attracted, ability to retain existing clientele and improvement in profitability can be considered as other acceptable measurements of the chosen dependent variable.

Most studies have ignored the fact that performance appraisal is just one incident in the ongoing relationship between supervisor and employee. When viewed from this broader perspective, it seems clear that whatever occurs in the appraisal process is conditioned by the nature of the interpersonal relationship between the two parties. Key to that relationship is trust. Indeed, two recent studies (Hedge & Teachout, 2000; Reinke & Baldwin, 2001) have found links between trust and attitudes toward performance appraisal.

As illustrated in the conceptual framework, the ultimate objective of a PAS will be to get the employees of the organization to willingly exert an extra effort to make it excellent. In regard to the achievement of excellence, Havard suggests that seven pillars of performance management need to be in place to contribute to an organization being excellent. They are:

- **Clarity about organization's purpose and direction:** expressed in language that people and teams at different levels can understand.
- **Clear understanding by individuals and teams:** about what they are expected to do and deliver, i.e. which bit of the organizational jigsaw they represent.
- **Aspiration:** Mechanisms to help people recognize that continuous improvement is essential, not just desirable, and to know what excellence is.
- **Support:** Mechanisms to encourage and support performance, enabling individuals to gain self confidence to recognize their own potential and training needs: Supervisors and Managers who know how to motivate their people and are able to coach.
- **Feedback loops:** so that people and teams know how they perform in relation to the expectations: this is where appraisal fits in as well as less structured ongoing day-to-day feedback from managers, colleagues, customers.
- **Recognition:** ways of rewarding and recognizing people which are not all about pay.
- **Renewal:** the energy and enthusiasm to start all over again because the other six features have proved valuable to those involved.

This study attempts to prove that when employees perceive that the PAS has the ingredients of both fairness and accuracy and also provides economic benefits, they are able to perform better, thereby achieving operational excellence.

### **Research Methodology**

It is intended to confine the study to Performance Appraisals conducted by Reporting Officers (RO) from different Branches/Departments within the last 02 years on approximately 120 JEAs. 30percent of this sample will be drawn from the JEAs attached to CBC's Head Office, while JEAs assigned to branch offices would represent the balance 70%. In accordance with the Human Resource Policy of CBC, JEAs with a total of 4 years of experience are eligible to be considered for promotion to the Grade of JEOs.

In this regard, it is considered relevant to mention that the Junior Executive Assistant(JEA), numbering 1,396, represent nearly 36% of CBC's total employee cadre. JEAs report to either Executive Officers or JEOs. For this purpose, the HR Department provides data extracted from PARs completed in 2008 and 2009 (2 years) of 15 JEAs attached to the Head Office and another 35 attached to various branches of the Bank. All these JEAs had completed at least two years of service at CBC. Face to face interviews were conducted with a few Executive Officers of the Human Resources (HR) Department in order to ascertain as to how Performance Appraisals of JEAs are being conducted at present. The procedure, which is being practiced at present, involves several steps and can be enumerated as follows:

In order to ensure that the annual salary increments of JEAs are granted on time, Performance Appraisal interviews applicable to them are conducted in advance. The RO, who is usually an Executive Officer, is required to conduct the Performance Appraisal Interview of the JEA and gives his ratings against each of the following areas observed/competencies: job performance, customer orientation and courtesy, relationships with people, thinking style, feelings and emotions, energy, attendance and punctuality, marketing activities, and special contributions.

These seven areas facilitate ROs to assign a score for each competency on a scale which has six standards and varies between outstanding and unsatisfactory. The RO is required to indicate a specific final rating in the par. It has been mentioned in pars, that the final rating should be assigned in accordance with the guidelines given. The completed par is sent to the HR department for appropriate action.

A structured questionnaire was circulated among a probability cluster sample of 120 Junior Executive Assistants in order to ascertain their views about the current Performance Appraisal System. This cluster sample includes 62 JEAs performing duties in various branches, while the remaining 34 respondents perform duties in various departments of CBC's Head Office. Responded rate was 80% of the sample. The questionnaire consisted of 20 question statements. The question statements were developed using five point scales from strongly disagree to strongly agree.

To test the process of PAS, three items of the process have been evaluated. Employees and supervisors were asked to rate the importance of each of the items to their job performance review on a scale of 1 to 5. To measure fairness, a scale comprising six questions was used. These examined the realistic and achievable task; adequate time for preparation and interview; notable achievements and place to resolve any disputes. Mechanisms to pay high performers and potential for career opportunities have been included to evaluate the accuracy of administering PAS. The benefits were measured by using three statements which include rating reflects on performance, career progression and annual increments. To measure supervisor style, two set of questions were included. The good performers receive benefits and are compensated through performance appraisal. To assess the impact of PAS on willingness to achieve excellence, three questions have been used to test the performance throughout the period.

### **Analysis and Findings**

#### **Existing Performance Appraisal System**

An analysis of data obtained from PARs of JEAs attached to the bank revealed that most of the competencies and attributes assessed had merited Superior ratings. These superior ratings accounted for a total of 58% for 2008 and 2009, the time period which this research focused on. Nearly 10% of the ratings fell under the outstanding category, which is the best score an employee could secure. 32% of the appraisees had fallen to the category of good rank. For both years, only a single employee had secured an adequate rating for written communication, which is one of the competencies being subjected for evaluation. Marginal or unsatisfactory ratings had not been awarded to a single employee in respect of any of the competencies evaluated.

During each and every annual Performance Appraisal interview, the ROs grant a Final Rating to the Job Holder, based on the latter's performance during the appraisal period. An analysis was also carried out to ascertain what final ratings have been awarded to the JEOs whose PARs for 2008 and 2009 have been perused. According to the scale, Outstanding and Good final ratings had been assigned on 5 and 7 PARs respectively. In accordance with the rating, 67% of PARs carried Superior Final Ratings and none of the PARs carried Final Ratings which were Adequate, Marginal or Unsatisfactory.

In these PARs, a similar pattern of ratings was observed in respect of areas observed/competencies, with 63% of the sample having Superior ratings. As percentages, Outstanding and Good ratings were 6% and 31% respectively - a similar trend observed in respect of ratings noticed in the PARs of JEAs attached to Head Office. A majority or 64% of the final Ratings in these PARs belonged to the category of Superior, while 30% of the PARs had obtained Good ratings. Only a handful or 6% of the reports carried Outstanding Final Ratings.

#### **Empirical Results of Study**

The findings of the descriptive analysis and correlation analysis are presented in table 1 and 2 respectively. The findings given in Table 1 show that the most

important impediment to PAS is the Process of PAS, which has the highest mean value of 4.06. This reflects that Process having direct impact on how the appraisal process is conducted, including aspects such as accountability and the level of acceptance of the system. The second most important factor of the PAS appears to be Fairness. The mean value of fairness is 3.6. This implies that the task that has been given is realistic and achievable. The mean score for Accuracy of the PAS is 3.38 which indicates that this exercise has been carried out in an error-free manner and in strict conformity with the laid down procedures of the organization concerned. Economic benefits had a mean value of 3.42. It implies that the average incentive schemes connected to PAS is being practiced. Finally, a mediating variable measures whether the supervisory style has influenced PAS and has had an effect on WAE. It has been given a mean value of 3.63. It reflects that the good performers receive benefits through performance. Additionally, the supervisors' attitudes towards the appraisal system are also influenced by practical issues.

**Table 1** The descriptive statistics of PAS

| <b>Variables</b>        | <b>Mean</b> | <b>SD</b> |
|-------------------------|-------------|-----------|
| Process of PAS          | 4.06        | 0.44      |
| Fairness of PAS         | 3.61        | 0.51      |
| Accuracy of PAS         | 3.39        | 0.64      |
| Benefits of PAS         | 3.42        | 0.63      |
| Supervisor style of PAS | 3.63        | 0.70      |

Source: Survey data

To determine if any correlation exists between the PAS and WAE, the correlation analysis has been used (See Table 2). In addition to the above, using partial correlation, the mediating effect of supervisory style on relationship between PAS and WAE has been analyzed.



The result of the correlation analysis reveals that the process of PAS was found to be strongly associated with WAE. All correlation coefficients are positive and highly significant, indicating that higher practice of HRM is linked to greater WAE. A similar pattern was found with regard to the relationship between fairness, accuracy and benefits of PAS and WAE. These findings indicate a strong relationship between PAS and WAE. Employees perceive that the PAS has the ingredients of process, fairness, accuracy and also provides economic benefits; they are able to perform better, thereby achieving operational excellence.

**Table 2** The correlations of PAS and WAE

| Independent Variables | Willingness | P-values |
|-----------------------|-------------|----------|
| Process               | 0.523       | 0.000    |
| Fairness              | 0.461       | 0.000    |
| Accuracy              | 0.344       | 0.001    |
| Benefits              | 0.535       | 0.000    |

Source: Survey data

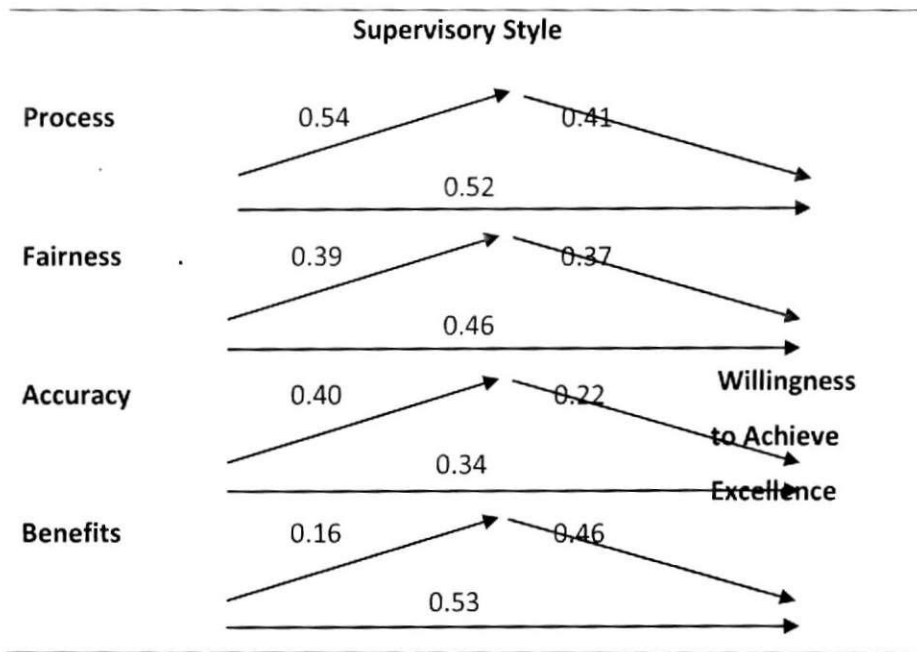
Perhaps, the most noticeable pattern evident is the relative stability of employee attitudes towards their supervisors, their experience, job satisfaction, as well as their attitudes towards the PAS. Moreover, these patterns may be even more impressive when a supervisory style controls the PAS and WAE.

**The Mediating Effect of the Supervisory Style**

The analysis of data reveals that partial correlation between process of PAS and willingness to achieve excellence is 0.41 which is less than the correlation when the effect of supervisory style is not controlled (0.52). In terms of variance, the

value of  $R^2$  for the partial correlation is 0.16, which means that the process of PAS can now account for only 16% of the variance in willingness to achieve excellence. When the effect of the supervisory style was not controlled, the process of PAS shared 27% of the variation in willingness to achieve excellence and so the inclusion of supervisory style has diminished the amount of variation in willingness to achieve excellence shared by process of PAS. This clearly indicates that the supervisory style has a mediation effect on the relationship between the process of PAS and WAE.

**Table 3** The correlations of PAS and WAE by Mediating Supervisory Style



Source: survey data

The partial correlation values between the other two independent variables (fairness of the PAS and accuracy of administrating) and the dependent variable (willingness) are 0.37 and 0.22, respectively. These values are lower than the correlation between fairness of PAS and willingness to achieve excellence (0.46) and between accuracy of administrating to achieve excellence (0.34) without

the controlling effect of supervisory style. These findings clearly indicate that there is a mediation effect of the supervisory style between fairness of PAS and WAE and also between accuracy of administrating and WAE. However, the partial correlation reported between perceived benefits and WAE (after controlling supervisory stile) is 0.46 slightly lower than the correlation (0.53) between the said two variables without controlling the supervisory style. Hence, the supervisory style can be said to slightly mediate the relationship between perceived benefits and WAE.

Supervisors, in other words, are more interested in the practical utility of the form than in the interpersonal issues surrounding the performance appraisal system. This may be a form of avoidance, but it points to a problem in the appraisal process. Unwillingness or inability on the part of the supervisor to acknowledge the importance of interpersonal issues could lead to misunderstandings and conflict in the PAS. In conclusion, as a part of the training program on the performance appraisal systems, HR Managers need to place their focus on process, fairness, accuracy, benefits and understanding of supervisor influence.

### **Conclusions and Recommendations**

The findings suggest that one cannot easily separate the supervisory style and PAS, if the employee perceives that the supervisory rate is poor. In such circumstance, it is highly unlikely that the employees perform well. However, a valid performance appraisal system is important, because it is useful for legal purposes and organizational improvement. But as Heneman (1992) stipulates that what may be equally important is the perception on the part of employees that PAS is a valid and a useful measure of performance.

Even if PAS is based on a sound process, fairness, accuracy and benefits, the supervisory style has a major influence on WAE. It remains true that credible supervisory style goes a long way in ensuring that the PAS achieves its intended tasks. In other words, the employees need to feel that their supervisors are managerially credible. These same credible leaders are perceived as agents of change, as persons willing to take risks, and as persons who learn by doing. Highly motivated supervisors are more likely to accept human resource system

such as PAS. So how might practicing managers use this information to improve their performance appraisal system?

Our findings have practical implications for HR managers and organizations. We provide evidence of a direct link between PAS and willingness to achieve excellence. Although the supervisory style is likely to influence performance of the firm, a committed and satisfied workforce is the foundation of a firm's ability to compete in today's business. HR managers and line managers should pay more attention to the process of implementation when introducing PAS into their firms because PAS could encourage positive work attitudes among their employees.

In addition, equal attention should be given to the role of the supervisory style when implementing PAS because such processes reinforce the perception of fair procedures and result in positive attitudes. We found that a well-designed PAS is important in shaping the fairness perceptions experienced by employees. The idiosyncratic variations in arrangements between managers and employees, such as performance-related pay, signal that there are significant pay differentials within the firms, which may not cause negative responses if the firm has a well-designed PAS in place. Therefore, organizations should require their line managers to attend training courses on fair decision-making processes and incorporate the views of HR managers as well as those of employees in PAS.

In conclusion, this study contributes to the literature on HRM, Process of the PAS, Fairness of the PAS, Accuracy of PAS, Perceived benefits and the supervisory style. It is clear that PAS is effective in Process of the PAS, Fairness of the PAS, Accuracy of PAS, Perceived benefits which are controlled by supervisory style of performance assessment. The weak support for the contingency perspective suggests that PAS is important in shaping employee attitudes and willingness to achieve excellence regardless of the mediating factor. Future research is needed to explore the role of supervisors and the style of supervisors as these profoundly influence employee performance.

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