

# Human resource management – critical analysis

Business



Human Resource Management – Critical Analysis of a Current Hrm Issue – Employees' Perception of Fairness of Performance Appraisal Systems BY samhu007007 Human resource management Individual Minor Paper (Critical analysis of a current HRM issue) Introduction This thesis aims to identify how employees' perceived Justice (or fairness) of performance appraisals influence their effectiveness and usefulness for an organization's performance management system by critically evaluating the existing knowledge of appraisal provided by researchers.

It contains an analysis of similarities and differences in the points of view presented by researchers and an explanation of why these similarities and differences are influential. Next, it provides a discussion of HRM's role in the management of this particular issue. This thesis also attempts to move beyond the narrow strictures in which performance appraisal is presently conceptualized, explores gaps in researches and wider issues relating to performance management, and provides important implications for other organizations.

Performance appraisal is a human resource management tool that evaluates the quality of a worker's performance, and it has received much attention for more than seven decades. Employees' perceived Justice of performance appraisals has been identified as an important criterion in Judging the effectiveness of their organization (Kavanagh, Benson, and Brown 2007).

Many researchers have begun undertaking studies on this issue from very early periods such as Jacobs, Kafry, and Zedeck in 1980.

However, these researches may seem to be lacking of persuasion because they are old results with limited resources and deficient theoretical basis.

This thesis explores the fairness issue of organizations' performance appraisals based on a series of previous research findings which ranged from 2000 to 2010, but some of them are inevitably established on findings before this period. In addition, not all literatures are Australian studies.

Critical analysis of the literature under review In recent years, performance appraisal has been transformed from performance- monitoring into performance-development tools with three functions (Erdogan 2002, Froydis 2010):

- \* To provide adequate feedback to support employee development.

- \* To serve as a basis for modifying or changing behaviors to produce more effective

This transformation has taken place because performance appraisals had been perceived as biased and unfair (Fletcher 2004).

Therefore, several researchers suggested that fairness has been identified as the most important aspect of employees' responses to them (Erodgan 2002, Nurse 2005, Kuvaas 2006). Their examination of a cross-section of workers' perceptions of the process of performance appraisals was motivated by the need to determine whether they believed that they experienced fair outcomes from performance appraisals, and whether its usage was seen to contribute toward their career advancement. Another similarity that most research findings have is that they explored larger range of factors which influence perceived Justice of employees.

It includes system characteristics, rater behaviors, contextual factors such as organizational culture and interpersonal exchanges before the performance appraisals, and performance ratings.

The inclusion of different categories of perceptions emphasizes the importance of considering a broad range of factors influencing employees' perceived justice in performance appraisals. In addition, it has been suggested that employees have higher job motivation and job satisfaction when they perceived performance appraisals as fair and trustworthy (Pettijohn E Pettijohn S & Michael d'Amico 2001, Froydis 2010).

It is believed that when appraisals provide clear criteria, the criteria meet with employees' approval, and the appraisals are perceived as fair and used in determining rewards, employee motivation and job satisfaction increases. Although contents of these studies were covered in various industries and different types of cultures, values, beliefs, and behaviors in different nations, most of the findings agreed that perceived justice of employees on performance appraisals significantly influences the successfulness of the process.

However, what should be aware is that perceived fairness of performance appraisals and key factors influencing this perception vary very much on the basis of different organizational environment, because developing an effective performance appraisal system that can be employed by management to assess employees is an endeavor that involves several difficulties. The first difficulty is the inherent problem of finding a measurement

approach for a large number of people in a variety of jobs in different industries.

The second difficulty is the undeniable dislike that most people have of being evaluated. The third difficulty is that many researches have been conducted in this area but only few identified different emphasis in developing a good performance appraisal system with different organizational culture values. HRM's role in management Based on these difficulties, what should an organization's human resource management (HRM) system do to improve the effectiveness and efficiency of their performance appraisal process should be taken into account.

Fairness issues concern the methods, mechanisms, and processes used to determine outcomes (Robert and Jennifer 2009). Perceptions of Justice reflect an appraisal of the process by which an allocation decision is made.

Therefore, the presence or absence of organizational outcomes. Hedge and Teachout (2000) focused on the construct of acceptability as the measure that they expected to best capture reactions to performance appraisals, and suggested that user acceptance may be the critical criterion for determining the successful use of any performance appraisal system.

They also compared raters and appraisees on the acceptability of rating forms, and found that the raters had more favorable perceptions than did the appraisees. As discussed, performance ratings and raters' behaviors are influential factors of employees' perceived fairness of performance appraisal system. Therefore, HRM system in an organization should put more attention on developing an effective performance rating process and standardizing

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raters' behaviors to ensure that fairness exists in both the measurement approach and the people who conduct it.

From the perspective of appraisees, training becomes very important because it allows employees to acquire the skills necessary for excellent performance. Hence, it might be expected that employees with excellent performance would be less resistant to being appraised, and thus, to be more willing to accept the performance appraisal system. Gaps in the literature Gaps in research are identified as well.

Literatures cited in this thesis published in the last 10 years during which performance appraisal system was getting to be perfect compared with that in early 80 and 90s. Effectiveness and acceptability of appraisal systems within organizations is critical to assess performance evaluation methodologies that have been adopted correspondingly.

According to previous research, criteria for evaluating any system of performance appraisal include three categories: utilization criteria, qualitative criteria, and quantitative criteria.

The basic idea is that regardless of the impetus of the appraisal (i. e. , to serve the organization's or individual's goals), the rater should be trained in the methodology and the purposes of evaluation made explicit. Such training should enhance commitment to the rating and subsequently result in better evaluations. Generally, appraisees' perception of fairness of appraisal systems depends on how effective their systems are, how transparent their processes are, and how clear the setting of performance criteria is.

However, rapid and discontinuous change within organizations, flatter organizational structures, self-managing groups, combined with looser business relationships have emphasized the importance of training for incumbents connected with business objectives as one of the most crucial criteria in determining the fairness and acceptability of their performance appraisal systems. Implications and future research directions Through the analysis above, several important implications and future research directions for many organizations which have formal appraisal systems can be summarized.

First, as fairness of performance appraisal has been linked to the acceptance of decisions of the appraisal process, it is possible that decisions such as pay adjustments, promotions, and terminations will be met with higher levels of acceptance of these decisions thereby enhancing the effectiveness of the fairness is likely to result in more positive organizational attitudes such as Job satisfaction, career development, and organizational commitment.

Third, an appraisal should not be viewed as an end in itself, but rather as an important process within a broader performance management system that links organizational objectives, day- to-day performance, professional development, and rewards and incentives. Consequently, all the implications would help to justify the investment in training both raters and appraisees in the process required to improve the perceived justice of the performance appraisal system.

Conclusion Performance appraisals arguably benefit both their organizations and their employees, and can provide individual feedback and collated

organizational data which can be used for HR planning and program evaluation purposes. It is the basic premise of this thesis that, in terms of successful use of a performance appraisal system, users' perceived Justice of the system maybe the critical criterion. Starting with looking into similarities and differences in the points of view presented in last ten years studies, some of the ideas (i. e. transformation of functions of performance ppraisals; key factors influencing employees' perceived Justice) were tied together to examine the research on performance appraisal fairness issue of HRM. In addition, emphasis of key factors varies due to problems of different industries, cultural values, and behaviors, which result in emerge of difficulties in developing effective performance appraisal systems.

In order to cope with these difficulties, HRM plays a crucial role in the management of this issue (i. e. , developing effective performance rating process; training incumbents).