

## EFFECTIVENESS OF COMMUNICATION STYLE IN PERFORMANCE APPRAISAL SYSTEMS

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### ABSTRACT

*According to performance appraisal literature, communication style is often viewed as an essential decision tool that may be used by managers to evaluate and develop employee performance. The ability of appraisers (e.g., immediate boss, manager or supervisor) to properly implement feedback and treatment in allocating performance ratings may have a significant impact on appraises' feelings of procedural justice. The nature of this relationship is interesting, but the role of communication style as an effective predicting variable is given less emphasized in performance appraisal models. Therefore, this study was conducted to examine the effect of communication style in performance appraisal systems on procedural justice using 129 usable questionnaires gathered from employees who work in a Malaysian federal government linked postal company. The outcomes of stepwise regression analysis revealed two important findings: firstly, feedback significantly correlated with procedural justice. Secondly, treatment significantly correlated with procedural justice. Statistically, this result confirms that communication style in performance appraisal systems does act as an important determinant of procedural justice in the organizational sample. In addition, discussion, implications and conclusion are elaborated.*

*Keywords: Feedback, treatment, procedural justice, Malaysia*

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## **1. Introduction**

In an organizational context, performance appraisal is often viewed as an essential decision tool that may be used by managers to provide accurate and reliable data on employee performance (Ismail et al., 2007; Mondy et al., 2009; Poon 2004, Sogra et al., 2009). It is broadly defined as a cyclical process that enable appraisers (i.e., immediate boss and/or supervisor) to yearly evaluate the capability of appraises (i.e., followers) in carrying out duties and responsibilities based on performance criteria set up by their organizations (Cook & Crossman, 2004; Marie, 2003; McCarthy & Garavan, 2001). This performance appraisal is usually used to achieve two main objectives. For a short term objective, it is often used to identify employees' strengths and weaknesses, provide recognition to high performing employees, retain and assess human resources, and update human resource information system (Jawahar, 2006; Walsh & Fisher, 2005). With respect to long term objective, the outcomes of performance appraisal system can be used by management to plan employees' career development, staff motivation programs, staff performance management, and staff attitudinal changes (Ismail et al., 2007; Kavanagh et al., 2007; Noe at. al., 2009; Sabeen & Mehboob, 2008).

In the early development of performance appraisal system, its instrument is designed based on cognitive models to identify, measure, and develop employee performances (Edward et al., 1995; Fletcher & McDowall, 2004; Sabeen & Mehboob, 2008). Under this approach, performance appraisal systems are conducted using single-source feedback, non participation style in decision-making, and boss centered approach where appraisers (e.g., immediate boss, managers and/or supervisors) are given much power and authorities to assess employee performance, identifying employees' strengths and weaknesses, and determining the types of punishment (Erdogan, 2002; Marie, 2003; McCarthy & Garavan, 2001).

In an era of globalization, many organizations have changed the paradigms of performance appraisal from a traditional boss centered to multiple evaluation criteria (Mondy et al., 2009; Sabeen & Mehboob, 2008; Sogra et al., 2009). For example, under this paradigm, performance appraisal systems are viewed as a strategic HR practice where they measure employee performance based on multiple perspectives (e.g., co-worker, customer and suppliers) in order to obtain accurate and reliable information for developing human resources' knowledge, skills, abilities and attitudes (Jawahar, 2006; McCarthy & Garavan, 2001; Erdrokan, 2002). In order to achieve such appraisal system objectives, many scholars, such as Brown and Peterson (1993), Cook and Crossman (2004), and Kavanagh et al. (2007) suggest that communication style is an effective mechanism that can be used by employers to increase transparency, decrease inequality gap among evaluators, and improve

unclear responsibilities and biasness among employees and employers in the organization. Thus, it may motivate employees to support organizational and human resource management's strategies and goals (Cook & Crossman, 2004; Cloutier, & Vilhuber, 2008; Sogra et al., 2009).

Surprisingly, extant research about performance appraisal management reveals that the ability of appraisers and appraisees to properly practice comfortable communication style in allocating performance ratings may lead to an enhanced positive personal outcomes, especially procedural justice (Cloutier, & Vilhuber, 2008; Kavanagh et al., 2007). Although the nature of this relationship is significant, the role of communication style as an important predicting variable is given less emphasized in performance appraisal models (Cloutier, & Vilhuber, 2008; Sogra et al., 2009). Many scholars argue that the role of procedural justice as a predicting variable has been less emphasized because previous studies have much described the characteristics of performance appraisal communication, and neglected to discuss the effect size of communication style in performance appraisal systems on procedural justice in the workplace. As a result, it does not provide sufficient guidelines that may be used by practitioners to formulate effective performance appraisal policies in order to improve employees' perceptions of procedural justice in responsive organizations (Cloutier, & Vilhuber, 2008; Ismail et al., 2007; Sogra et al., 2009). Hence, it motivates the researchers to further investigate the nature of this relationship.

## **2. Objective of the study**

This study has two major objectives: Firstly, to examine the relationship between feedback and procedural justice. Secondly, to examine the relationship between treatment and procedural justice.

## **3. Explanation of the constructs**

This study highlights two important variables: communication style in performance appraisal systems and procedural justice. In a performance appraisal system, communication style consists of two salient characteristics: feedback and treatment (Cook & Crossman, 2004; Kavanagh et al., 2007). Feedback is defined as a key ingredient of management by objective and performance management where individuals usually receive information from one and/or multisources as a result of their behavior. Individuals may easily accept corrective feedback if they receive information from trustworthy and credible sources (e.g., necessary in a particular condition, specific, relevant, timely, sufficient frequent and credible). This feedback may lead to an enhanced positive attitudinal and behavioral outcomes (e.g., performance, satisfaction and commitment) (Cook & Crossman, 2004; Kluger & DeNisi, 1996; Renn & Fedor, 2001; Waldersee & Luthans, 1994). In a performance appraisal system, feedback is often defined as appraisers deliver the information about appraisee performance (e.g., advise, encouragement and warning) whether after, during and/or before conducting formal

and/or informal performance appraisal sessions (Desimone et al., 2002; Marie, 2003; Mondy et al., 2009; Noe et. al., 2009).

Besides that, treatment is often seen as a crucial dimension of interpersonal communication and organizational justice theory, which refer to the style used by appraisers (e.g., manager and/or supervisor) while making decisions or solving problems. Individuals may easily accept decisions if they perceive that their appraisers use comfortable interaction in dealing with their jobs (e.g., respect and accountability). As a result, it may lead to an enhanced positive personal outcomes (e.g., performance, satisfaction and comitment) (McShane & Von Glinow, 2005; Miller, 2001; Roberts & Markel, 2001; Skarlicki & Folger, 1997; Viswesvaran & Ones, 2002). In a performance appraisal system, treatment is often defined as the appraisers use comfortable styles in dealing with appraises (e.g., explanation, discussion, and decision making styles) while conducting formal and/or informal performance appraisal systems (Desimone et al., 2002; Mondy et al., 2009; Murphy & Cleveland, 1995).

Thus, procedural justice is often viewed as individuals perceive fairness about the process and systems used to decide the allocations of outcomes (e.g., resource/reward) (Colquitt et al., 2001; Colquitt et al., 2002; Greenberg, 2003; McShane & Von Glinow, 2005). For example, individuals often make a comparison between their contributions and job procedures in organizations. If employees perceive that their managers properly allocate outcomes using formal rules and regulations, this may lead to an increased feelings of procedural justice in organizations (Greenberg, 2003; McFarlin & Sweeney, 1992; McShane & Von Glinow, 2005; Pettijohn et al., 2001). Within a performance appraisal framework, many scholars think that feedback, treatment and procedural justice are distinct constructs, but strongly interrelated. For example, the ability of appraisers to implement open feedback and comfortable treatment in allocating performance ratings may lead to increased appraises' feelings of justice about the systems (Cloutier, & Vilhuber, 2008; Kavanagh et al., 2007).

#### **4. Literature review**

##### **4.1 Empirical evidence supporting the relationship between communication style in performance appraisal systems and procedural justice.**

Several recent studies used a direct effects model to examine the role of communication style in performance appraisal systems based on different samples, such as 440 employees at different positions (Marie, 2003), 541 employees in merging organizations (Chawla & Kelloway, 2004), 132 employees in international media agencies (Fletcher & McDowall, 2004), 2,377 public sector employees (Kavanagh et al., 2007), and 297 Canadian workers (Cloutier & Vilhuber, 2008). These studies found that the ability of management to properly practice communication openness (i.e.,

open feedback and comfortable treatment) had been a major determinant of procedural justice in organizations (Chawla & Kelloway, 2004; Cloutier & Vilhuber, 2008; Fletcher & McDowall, 2004; Marie, 2003; Kavanagh et al., 2007).

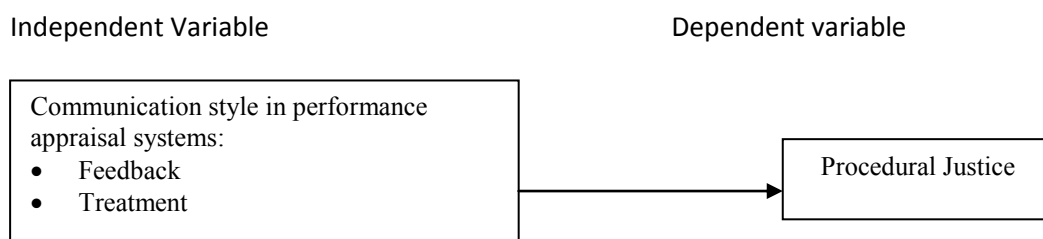
#### 4.2 Theoretical evidence supporting the relationship between communication style in performance appraisal systems and procedural justice.

These findings are consistent with the notion of due-process appraisal system theory, where it suggests three justice characteristics; adequate notice (e.g., explanation, discussion and feedback about performance criteria), fair hearing (e.g., informing performance assessments and their procedures through a formal review session) and judgment based on evidence (e.g., applying consistent performance criteria and honesty and fairness principles, as well as providing better explanations about performance ratings and reward allocations) (Folger & Cropanzano, 1998). Within a performance appraisal framework, the ability of appraisers to provide adequate feedback and practice comfortable treatment based on such justice principles can strongly invoke employees' feelings of justice about the process and systems of conducting performance appraisal systems in organizations (Chawla & Kelloway, 2004; Cloutier & Vilhuber, 2008; Fletcher & McDowall, 2004; Marie, 2003; Kavanagh et al., 2007).

#### 4.3 Conceptual framework and research hypothesis

The literature has been used as a foundation to develop a conceptual framework for this study as shown in Figure 1.

Figure 1. Conceptual framework



Based on the framework, it can be hypothesized that:

H1: There is a positive relationship between feedback and procedural justice.

H2: There is a positive relationship between treatment and procedural justice.

## **5. Methodology**

### **5.1 Research design**

This study used a cross-sectional research design where it allowed the researcher to integrate performance appraisal research literature, the in-depth interviews, the pilot study and the actual survey as a main procedure to gather data for this study. As advocated by many researchers, the use of such methods may gather accurate and less bias data (Sekaran, 2003). This study was conducted at the headquarters of national postal company in East Malaysia, Malaysia. This company is the biggest national provider of mail services in Malaysia. Currently, it has changed its business strategy from a 'traditional postal services' to capture the various customers and marketplace in this country. For example, this company has offered three types of innovations in delivering mail services: firstly, PosMel is offered to provide day-to-day mailing services both general public and retail customers). Secondly, PosLaju is a sole national courier provider. Thirdly, PosNiaga is put forward to heighten the accessibility of the national's postal services via its extensive network of over 700 outlets and Pos Malaysia's transaction portal to reach Malaysians in every corner of the country. In order to stay focused, competitive and continue to connect Malaysians with the broader world, Malaysian post office has constantly invested in identifying, evaluating and maximizing the human capital that may drive the organization and innovate solutions to improve its products and services in order to meet the increasing demands of its customers (About Post Malaysia Berhad, 2010).

At the initial stage of data collection procedure, the interview was conducted based on the guidelines established by Easterby-Smith et al. (1991), and Usunier (1998). Firstly, the researchers designed flexible interview questions which related to three issues: communication style in performance appraisal systems features, and procedural justice facets. Secondly, a purposive sampling technique was used to identify ten managerial staff and experienced supporting staff who have working experienced more than seven years in the organizations. They have adequate knowledge about communication style in performance appraisal systems features, and procedural justice facets that occur in the studied organizations. Thirdly, in-depth interview method was employed to interview 10 managerial staff and experienced supporting staff in order to understand the nature of performance appraisal system in the context of study. Information gathered through the interview method shows that HR managers and/or managers implement performance appraisal systems based on standardized policy and procedures designed by the stakeholder (i.e., Federal Government of Malaysia).

In this appraisal system, immediate bosses (e.g., supervisors, assistant managers or managers) are given major responsibilities to assess the ability of their employees in doing their job by informing the assessment results to employees and later, by sending the assessment reports on each employee to a higher management level. Top management often uses the results of yearly performance appraisals to make decisions about pay raises, horizontal and vertical promotions, and/or disciplinary actions. In the administration of performance appraisal systems, HR managers and/or managers often use feedback and treatment styles as a mechanism to assess and develop employee careers. For example, feedback is often viewed as the immediate boss's way of providing explanations about employees' weaknesses and strengths in doing their job, as well as hearing comments and suggestions from subordinates. Treatment is often related to the way the immediate bosses deal with their subordinates while determining performance ratings. A careful observation of the in-depth interview results reveals that the ability of immediate bosses to properly interact with their employees through such communication styles may strongly enhance employees' feelings of justice about the process and systems of appraising employee performance in the organization.

Fourthly, the results of this interview method were constantly compared to the related literature review in order to clearly understand the particular phenomena under study and put the research results in a proper context. Further, the results of the comparison process were used as a guideline to develop the content of survey questionnaires for the pilot study. Next, a pilot study was conducted by discussing the survey questionnaires with the interviewed employees. Their views were used to verify the content and overall format of survey questionnaires for an actual study. Back translation techniques were used to translate the survey questionnaires into English and Malay languages in order to increase the validity and reliability of research findings. Many scholars advocate that using such methods in designing survey questionnaires may gather accurate data, decrease bias and increase the quality of data being collected (Hulland, 1999; Wright, 1996).

## **5.2 Measures**

The survey questionnaires had three sections. Firstly, the feedback section had 9 items and the treatment section had 4 items that were developed based on performance appraisal literature (Cook & Crossman, 2004; Jawahar, 2006; Sabeen & Mehboob, 2008; Sogra et al., 2009). Secondly, procedural justice had 15 items that were modified from procedural justice related performance appraisal literature (Cloutier, & Vilhuber, 2008; Fletcher & McDowall, 2004; Greenberg, 1986, Kavanagh et al., 2007). All items were measured using a 7-item scale ranging from 'strongly disagree/dissatisfied' (1) to 'strongly agree/satisfied' (7). Demographics variables (e.g., age, educations, position, length of service and salary) were used as controlling variables because this study focused on individual attitudes.

### **5.3 Unit of analysis and sampling**

The population for this study is about 10,000 employees who work in the Malaysian post offices (Pos Malaysia Berhad Company Profile, 2009). The location of this study was a Malaysian federal government linked postal company, Malaysia. At the initial stage of data collection, the researchers met HR managers of the studied organization to get his opinion about the rules for distributing survey questionnaires in their organizations. After considering the organizational rules, a quota sampling was used to determine the number of sample size based on the period of study and budget constraints, that is 300 employees. Next, survey questionnaires were distributed to 300 employees using a convenient sampling technique because the list of registered employees was not given to the researchers and this situation did not allow the researchers to choose randomly respondents in the organizations. Of the total number, 129 usable questionnaires were returned to the researchers, yielding 43% response rate. Participants answered these questionnaires based on their own consent and on a voluntarily basis. Statistically, the number of this sample met the requirements of inferential statistics (Sekaran, 2003), this could be properly analysed to produce valid and reliable research findings.

### **5.4 Data analysis**

The Statistical Package for Social Science (SPSS) version 16.0 was used to analyse the data from the questionnaire. Firstly, Exploratory Factor Analysis (EFA) was used to assess the validity and reliability of measurement scales (Nunally & Bernstein, 1994; Hair et al, 1998). Relying on the guidelines set up by these statisticians, a factor analysis with direct oblimin rotation was first done for all the items that represented each research variable, and this was followed by other tests, that is, Kaiser-Mayer-Olkin Test (KMO), Bartlett's Test of Sphericity (BTS), Eigenvalue, variance explained and Cronbach Alpha ( $\alpha$ ). Secondly, Pearson Correlation ( $r$ ) analysis and descriptive statistics were conducted to analyze the constructs and the usefulness of the data set (Tabachnick & Fidell, 2001; Yaacob, 2008). Finally, stepwise regression analysis was used to assess the direct relationship between variables as well as show the causal relationship and the nature of relationship between variables. Stepwise regression can accurately quantify the magnitude and direction of many independent variables and one dependent variable (Aiken et al., 1991; Berenson & Levine, 1992; Foster et al., 1998). In this regression analysis, standardized coefficients (standardized beta) were used for all analyses (Jaccard et al., 1990).



## 6. Findings

### 6.1 Respondent characteristics

In terms of sample profile, Table 1 shows that most respondents were males (76.7%), ages between 18 to 25 years old (29.5%), MCE/SPM holders (53.5%), the length of service from 2 to 5 years (25.6%), and non-management group (54.3%).

**Table 1. Respondents' characteristic (N=129)**

Respondent Characteristics	Sub-Profile	Percentage
Gender	Male	76.7
	Female	23.3
Age	18-25 years old	29.5
	26-35 years old	28.7
	36-45 years old	15.5
	More than 46 years old	26.4
Education	Degree and Diploma	11.6
	HSC/STPM	9.3
	MCE/SPM	53.5
	LCE/PMR	25.6
Length of Service	<1 year	14
	2-5 years	25.6
	6-9 years	17.8
	10-15 years	8.5
	16-20 years	7.0
	>21 years	27.1
Position	Management Group	45.7
	Non-Management Group	54.3

Note:

HSC/STPM: Sijil Tinggi Persekolahan Malaysia/Malaysian Higher School Certificate

MCE/SPM: Sijil Pelajaran Malaysia/Malaysian Certificate of Education

LCE/PMR: Peperiksaan Menengah Rendah/Lower Certificate of Education

## 6.2 Validity and reliability analyses

Table 2 shows that the factor analysis with direct oblimin rotation was done for four variables with 28 items. After that, Kaiser-Mayer-Olkin Test (KMO) which is a measure of sampling adequacy was conducted for each variable and the results indicated that it was acceptable. Relying on Hair et al. (2006) and Nunally & Bernstein's (1994) guideline, these statistical analyses showed that (1) all research variables exceeded the minimum standard of Kaiser-Meyer-Olkin's value of 0.5, were significant in Bartlett's Test of Sphericity, (2) all research variables had Eigenvalues larger than 1, (3) the items for each research variable exceeded Factor Loadings of 0.50 (Hair et al., 1998), and (4) all research variables exceeded the acceptable standard of Reliability Analysis of 0.70 (Nunally & Bernstein, 1994). These statistical results confirmed the validity and reliability of measurement scales used for this study as shown in Table 2.

**Table 2. Validity and reliability analyses for measurement scales**

Variable	Item	Factor Loading	Kaiser Meyer Olkin	Bartlett's Test of Sphericity	Eigenvalue	Variance Explained	Cronbach Alpha
Feedback	9	.57 to .70	.88	721.53	5.34	59.29	.91
Treatment	4	.67 to .82	.69	268.63	2.80	70.01	.86
Procedural Justice	15	.53 to .81	.90	1.293	8.31	55.41	.94

## 6.3 Analysis of the constructs

Table 3 shows that the mean values for each variable are between 4.9 and 5.2, indicating the levels of feedback, treatment, procedural justice and job satisfaction ranging from high (4) to highest level (7). The correlation coefficients between the independent variable (i.e., feedback and treatment) and the dependent variable (e.g., job satisfaction and procedural justice) were less than 0.90, indicating the data are not affected by serious colinearity problem. These correlations also provide further evidence of validity and reliability for measurement scales used in this research (Hair et al., 1998).

**Table 3. Means, standard deviations and correlation between variables**

Variables	Mean	Standard Deviation	Pearson Correlation Coefficients		
			1	2	3
1. Feedback	5.1	1.2	1		
2. Treatment	4.9	1.4	.50**	1	
3. Procedural Justice	5.2	1.1	.71**	.56**	1

Note: Significant at \*\* $p < 0.01$  Reliability estimation is shown in a diagonal (Value 1).

#### **6.4 Outcomes of testing H1 and H2**

Table 4 shows the results of testing hypotheses using a hierarchical regression analysis. It shows that demographic variables were entered in Step 1 and then followed by entering independent variable (feedback and treatment) in Step 2. Procedural justice was used as the dependent variable. An examination of multicollinearity in the table shows that the tolerance values for the relationships between communication style in performance appraisal systems (i.e., feedback and treatment) and procedural justice were .95 and .96, respectively. These tolerance values were more than tolerance value of 0.20 (as a rule of thumb), indicating the variables were not affected by multicollinearity problem (Fox, 1991; Tabachnick & Fidell, 2001).

**Table 4. Results of stepwise regression analysis**

Variable	Dependent Variable (Procedural Justice)	
	Step 1	Step 2
<u>Controlling Variable</u>		
Gender	.09	-.05
Age	-.12	-.10
Position	-.01	.07
Education	.06	.16*
Length of Service	-.10	-.20
<u>Independent Variable</u>		
Feedback		<b>.58***</b>
Treatment		<b>.28***</b>
R <sup>2</sup>	.01	.58
Adjusted R Square	-.03	.56
R Square Change	.01	.57
F	.34	.34
F Change	23.78***	81.27***

Note: Significant at \*p<.05;\*\*p<.01;\*\*\*p<.001

Table 4 shows the results of stepwise regression analysis were summarised in the three steps. Step 1 showed that demographic variables were not found to be significant predictors of procedural justice, accounting for 1 percent of the variance in dependent variable. Step 2 revealed that feedback and treatment were found to be significant predictors of procedural justice ( $\beta=0.58$ ,  $p<0.001$ ;  $\beta=0.28$ ,  $p<0.001$ , respectively), accounting for 58 percent of the variance in dependent variable. Statistically, this result sends a signal that communication style in performance appraisal systems does act as an effective determinant of procedural justice in the organizational sample.

## 7. Discussion and implications

This study shows that communication style in performance appraisal systems does act as an important determinant of procedural justice in the studied organization. In the organizational contexts, appraisers (i.e., HR manager, immediate bosses and/or supervisors) conduct performance appraisal systems based on the organization's policies and rules. As a business entity, appraisers actively use communication openness as a mean to increase employees' understanding and decrease

their misjudgments about the appraisal systems. For example, appraisers often provide informal and/or formal feedback to employees through face-to-face and group discussions, as well as use comfortable treatments (e.g., show respect and accountability) when dealing with their appraisees' complaints and demands. According to the interviewed respondents, these communication practices have increased employees' feelings of justice about the procedures of allocating performance ratings, and this feeling may lead to an increased procedural justice in the organization.

The implications of this study can be divided into three major aspects: theoretical contribution, robustness of research methodology and practical contribution. In terms of theoretical perspective, the findings of this study show two important findings: firstly, feedback has been an important determinant of procedural justice. Secondly, treatment has been an important determinant of procedural justice. This result is consistent with studies by Chawla and Kelloway (2004), Fletcher and McDowall (2004), Kavanagh et al. (2007) and Cloutier and Vilhuber (2008).

With respect to the robustness of research methodology, the survey questionnaires used in this study met the acceptable standards of validity and reliability analyses, this could lead to the accurate and reliable findings. Regarding on the practical contributions, the findings of this study may be used as guidelines by management to improve the design and administration of performance appraisal systems. In order to achieve such objectives, management needs to consider the following aspects: firstly, improve performance appraisal training content and methods for appraisers and appraisees in order to help appraisers and appraisees to understand, respect and obey the policies, rules, and work cultures practiced in the organizations. Secondly, revisit the clarity of job content and job procedures in order to decrease errors in assessing employee performance. Finally, adjust the type, level and/or amount of pay according to employee performance may capture competent employees' hearts and minds to sacrifice their time and efforts in order to meet their job targets. If such suggestions are heavily considered, this may motivate employees to enhance positive personal outcomes such as commitment, performance and good work ethics in executing jobs.

## **8. Conclusion**

This study proposed a conceptual framework based on the performance appraisal research literature. The measurement scales used in this study met the acceptable standards of validity and reliability analyses. The outcomes of stepwise regression analysis confirmed that communication style in performance appraisal systems (i.e., feedback and treatment) significantly correlated with procedural justice, therefore H1 and H2 were fully supported. This result indicates that communication style in performance appraisal systems acts as an important determinant of procedural justice in the studied organization. These findings have supported and broadened performance appraisal research literature mostly published in Western organizational settings.

Therefore, current research and practice within performance appraisal models needs to consider feedback and treatment as critical components in performance appraisal systems. These findings further suggest that the ability of appraisers to implement open feedback and comfortable treatment in allocating performance ratings will strongly increase positive subsequent personal outcomes (e.g., commitment, satisfaction, performance and thus good moral values). Thus, these positive outcomes may lead to maintained and achieved organizational and human resource management's strategies and goals.

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