

Performance Appraisal Fairness & Its Outcomes: A Study of Indian Banks

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This study examines fairness perceptions of performance appraisals in the fast changing Indian banking sector. The mediating role of performance appraisal satisfaction on the relationship between justice perceptions and job satisfaction has been investigated using a cross-sectional study with 340 respondents. The findings highlight that satisfaction with the appraisal process is guided by perceptions of fairness and this further impacts the job satisfaction. The findings emphasize the importance of employee perceptions and consequent reactions that shape employee outcomes versus the intent and design of HR systems. For ensuring success of the HR systems organizations need to incorporate regular assessments of employee perceptions and reactions as despite best efforts employee perceptions can vary from management intent.

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Introduction

Considerable research has been done on the effects of justice perceptions in the organizational setting and identified various positive and negative outcomes of fairness (Colquitt et.al, 2013). However more studies are required to examine the fairness in the performance appraisal context to leverage performance in organizations as perceived fairness is a more important goal for employee satisfaction with the appraisal process (DeNisi & Sonesh, 2011). Researches have argued that to fully examine the influence of HRM practices on employee behavior it is important to study employee perceptions instead of intentions of managers and organizations provided in reports and statements. Employee perceptions of aims and impacts of policies and practices may vary considerably from the management's perceptions (Nishii et.al, 2008). The intention with which HR policies and practices are designed may not be reflected in their implementation and employee perceptions are shaped by their personal experiences of the implemented policies and not the intention. Thus, research focus needs to shift from exam-

ining HR processes-performance relationships to examining employee perceptions of HR systems that have consequences which further influence organizational performance (Kinnie et al, 2005; Nishii et al, 2008).

Very few studies have examined the performance appraisals in the Indian scenario (Amba-Rao et al., 2000; Gupta & Kumar, 2012; Sharma, Budhwar & Varma, 2008; Dhiman & Maheshwari, 2013) and findings from these studies further emphasize the need for more research to understand perceptions of performance appraisals and their outcomes in India. This is more accentuated in the Indian banking sector which in the wake of competitive dynamics of the global market faces multifarious challenges like sustaining and improving profitability, increasing operational effectiveness and increasing customer base. As banks have undergone changes in response to the dynamic external environment their HR practices are challenged to attract and retain talent. As performance appraisal is a key HR practice this study aims to examine employee perceptions of fairness of appraisals in Indian banks. Furthermore, research needs to examine mechanisms through which perceptions of HRM practices influence employee outcomes and specifically to integrate the mediating role of satisfaction in HR practice-behavior relationships. According to Palaiologoa, Papazekos and Panayotopoulou (2011) satisfaction is one of the most important goals to achieve as it influences profitability, productivity and other employee outcomes. Also as justice is an emotion laden experience (Cropanzano et al. 2000), experience of

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unfairness in the appraisal process would lead to negative emotional states and fairness would lead to positive states like satisfaction with the process. These reactions would effect the outcomes of justice like attitudes and behaviors. This study examines the fairness perceptions of appraisals of employees, the resultant affective reactions of satisfaction and its effects on job satisfaction. While previous research has examined effects of fairness perceptions on positive outcomes like job satisfaction, organizational commitment, pro-social behavior etc, however, not much research has examined the fairness perceptions in the appraisal context. Previous researches on appraisals in India have examined the influence of firm ownership on appraisals or direct effect of appraisal justice on employee engagement. Thus, gaps remain in examining fairness perceptions of appraisals, its effect on employee outcomes and the mediating role of affect. This study attempts to fill this gap and examines this relationship in the fast changing banking sector in the Indian economy, where rapid changes in the HR practices make it necessary to examine the employee perceptions and reactions towards the same for identifying ways to improve employee productivity and leverage high performance.

Indian Banking Industry

Sharma, Budhwar and Varma (2008) note that Indian organizations have been

forced to revisit their HR systems in response to globalization. The banking sector in India underwent significant improvements due to liberalization process in the early 1990s. The transformation under the aegis of banking and financial sector reforms resulted in the entry of new private sector banks in the banking industry on the recommendations of the Narasimhan Committee in 1991. Banks faced challenges both at the internal as well as external fronts to remain profitable with booming technology and establishing an international presence in competition with global banks necessitated overhauling HR policies and practices to meet challenges of workforce planning, training, performance evaluations, compensation and attracting and retaining talent (Leeladhar, 2006).

Previous researches on HR practices of Indian banks have identified the differences between public and private sector banks in terms of structure, operations, efficiency, background and culture. The public sector banks are regulated by the government, have a wide network of branches, largely concentrated in the rural and semi-urban areas as these were primarily established to meet the goals of socio-economic responsibilities while profitability remained a secondary goal. In contrast the private sector banks are not regulated by the government, are mainly concentrated in urban and metropolitan areas and work towards profitability (Bajpai & Srivastava, 2004). Furthermore, private banks have grown aggressively in a short span of time, by using highly competitive and innovative strategies and information technology.

Kumar (2000) found that organizational climate of new private sector banks and foreign banks in India are perceived as significantly better when compared with public sector banks. The difference was seen on leadership, motivation, communication, interaction-influence, decision making, goal setting, and control processes. Recent SWOT analysis of private banks (Singh & Kohli, 2006) revealed that new generation banks ('new' private sector banks) are different from the traditional players (public sector banks and 'old private sector banks') in terms of good infrastructure, efficient payment systems, lesser bureaucracy and better at innovating new products.

It is important for organizations to identify factors that influence employee motivation and enhance their productivity.

Kumar & Sreeramulu (2007) in their study compared employee productivity and employee cost ratios between the traditional banks (public sector and old private sector banks) and modern banks (foreign and new private sector banks) from 1997 to 2008. The results indicated that the performance of the modern banks is superior to the traditional banks and since researchers have identified employee productivity as an indicator of motivation (Kovach, 1980) it is important for organizations to identify factors that influence employee motivation and enhance their productivity. Performance appraisal is one such process in an organization, as appraisals are pivotal in vari-

ous employee related decisions such as promotions, transfers, retention and employee development. Besides generating feedback on performance for employees, it also validates the selection and hiring procedures, influences employee-supervisor understanding and organizational culture (Mallinger & Cummings, 1986).

Performance Appraisal & Justice

Performance Appraisals are used by most organizations (Carroll & Schneier, 1982; Locker & Teel, 1988) to improve efficiency, however, the structure, implementation and purposes of appraisals may differ from one organization to another depending on the specifications of a particular job and the unique organizational needs. Many early studies have focused on the design of performance appraisals attempting to improve issues of reliability and validity “analogous to the psychometric process of constructing a test” (Thurston & McNall, 2010). The goal for most of the earlier research was to develop more accurate measures of performance for appraisals (DeNisi & Sonesh, 2011) with the basic assumption underlying this test approach being a rational judgment process which is consistent with the nature of work and managerial decision making (Thurston & McNall, 2010). However, the pursuit of this goal has resulted in problems in the area of performance appraisals as regardless of accuracy of ratings, if the procedures used for generating ratings are unclear, ratings would be perceived as unfair. Employees would not be motivated to change their behavior in accordance with the feedback based on the ratings (DeNisi & Sonesh, 2011).

Thus, to enhance effectiveness of appraisal it is important to look at employee perceptions of the appraisal which will be guided by personal experiences of their appraisal interviews versus focusing on design and rating aspects. Kinnie et al. (2005) argue that the main question about designing appropriate HR policies is how these policies are perceived which also draws attention to their implementation and not the intent behind these policies. Kehoe and Wright (2010) further argue that researches examining performance –HR practice relationships are oversimplifying these relationships, it is important to focus on employee perceptions of HR practices which impact attitudinal and behavioral outcomes. Khilji et al (2006) and Palaiologos et al (2011) argue that employee satisfaction is the missing piece between HR practices-performance debate and organizations should focus on making employees satisfied with the appraisal systems.

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Recent researchers have argued that an important goal in the appraisal process is the perceived fairness (DeNisi & Sonesh, 2011; Thurston & McNall, 2010; Gupta & Kumar, 2012). Reactions of organizational members (both raters and ratees) such as, system’s perceived fairness, perceived utility and satisfaction (Mohrman et. al, 1989) have emerged as

important factors that influence appraisal effectiveness. Bretz et al (1992) indicated that most important performance appraisal issue faced by organizations is the perceived fairness of the performance appraisal system. Well-implemented appraisals motivate employees to bring improvements to their performance (Erdogan, 2002). Thus, it becomes imperative to look in to those 'fairness' factors to provide inputs that would make the appraisal system successful and effective in the Indian banking sector.

Impact of Organizational Justice

Perception of fairness holds an important place in organizations as it prevents negative consequences like theft, sabotage, withdrawal and other disruptive behaviors and enhances positive outcomes like citizenship behavior, organizational commitment and job satisfaction. Alexander and Ruderman (1987) in their study demonstrated that both procedural and distributive measures were significantly related to measures of job satisfaction, evaluation of supervisor, conflict/harmony, trust in management, and turnover intention. Studies have found that all the four forms of justice (i.e. distributive, procedural, interpersonal and informational) are strongly related to several organizational outcomes like job satisfaction, organizational commitment, evaluation of authority, organizational citizenship behavior, withdrawal and performance (Colquitt et.al., 2001; Mcfarlin & Sweeney, 1995; Cohen-Charash & Spector, 2001).

Literature has integrated the four justice dimensions to the performance ap-

praisal process with perceptions of fairness arising from consideration of the outcomes received as distributive fairness and the procedural fairness which refers to the fairness of policies or processes used to make decisions related to outcomes. Interpersonal justice reflects the degree of politeness, dignity and respect with which subordinates are treated by supervisors during the appraisal process. Informational justice reflects the information provided to subordinates about why procedures are implemented the way they are. (Smither, 1998; Thurston & McNall, 2010; Gupta & Kumar, 2012). A fair performance appraisal system leads to positive affective reactions like, performance appraisal satisfaction (Cook & Crossman, 2004; Walsh, 2003) and work-related attitudes like job satisfaction and organizational commitment (Blau, 1999; Kuvaas, 2006) and employee engagement (Gupta & Kumar, 2012). Work adaptation models (Hulin, Roznowski & Hachiya, 1985; Hulin, 1991) provide that individuals' perceptions influence their affective reactions which in turn shape their attitudes.

The above literature highlights the importance of fairness perceptions of performance appraisals in influencing various employee outcomes in the organizational setting. However, the need remains for more research to examine the fairness perceptions of performance appraisal in the Indian context. Amba-Rao et al. (2000) highlighted that research on performance appraisal is quite underemphasized in the Indian managerial practices and more work needs to be done to integrate appraisals into a per-

formance oriented HR system. Their study reported performance appraisal practices were influenced by firm ownership, which further reaffirms that perceptions of appraisal practices and reactions to the same need to be explored more in the Indian setting. Gupta and Kumar (2012) have examined effects of justice perceptions of appraisals on employee engagement, however, no mediators like affective reactions were examined which could have explained the relationship better.

Perceptions of appraisal practices and reactions to the same need to be explored more in the Indian setting.

This study focuses on the appraisal processes in Indian banks and examines the effect of justice perceptions of appraisals on employee attitudes, namely job satisfaction. Post globalization banks in India are facing challenges both externally and internally and to overcome these they have undergone vast changes in the strategies, structure, processes etc. However employee perceptions of both new and old processes need to be examined to identify concerns and ways to making the workforce more motivated. Thus, this study uses the four structure framework of organizational justice applying it to the specific context of performance appraisals in the Indian banking industry. While previous research has already identified justice as an important predictor of employee attitudes like job satisfaction, this is further extended here by studying the effects of fairness in the

appraisal context on job satisfaction of employees. Furthermore, this relationship would be mediated by performance appraisal satisfaction as perceptions of fairness shall result in affective reactions of satisfaction which would influence job satisfaction.

Hypothesis: Performance appraisal satisfaction will mediate the relationship between organizational justice (of performance appraisal systems) and job satisfaction.

Hypothesis 1a: Performance appraisal satisfaction would mediate the relationship between procedural justice and job satisfaction.

Hypothesis 1b; Performance appraisal satisfaction would mediate the relationship between distributive justice and job satisfaction.

Hypothesis 1c: Performance appraisal satisfaction would mediate the relationship between interactional justice and job satisfaction.

Hypothesis 1d: Performance appraisal satisfaction would mediate the relationship between informational justice and job satisfaction.

Measurement of Fairness Perception

A cross sectional study was conducted and data was collected using the survey questionnaire from middle level managers (measuring their justice perceptions, satisfaction with the performance appraisal mechanism and job satisfaction).

The four factor model of justice proposed by Greenberg (1993) has been applied in the performance appraisal framework by Thurston and McNall (2010). The 56 item scale was used from Walsh (2003), however for the present study 4 factors model of justice was used (Thurston & McNall, 2010) instead of the 9 sub-scales provided by Walsh. The present study made slight modifications. For example, wording of the questions was modified to suit the present context, e.g. the term performance appraisal system was used in the place of performance planning and review (PPR) system. Also, all items were modified to fit into the 5-point Likert-scale format (1 = strongly disagree – 5 = strongly agree). Item no 46 and 47 are reverse coded and 3 items with low inter-item correlations were dropped from distributive justice scale. The alpha coefficient for the four justice dimensions are: procedural justice 0.89, information justice 0.87, distributive justice 0.79, interpersonal justice 0.89.

Job Satisfaction

Job satisfaction is measured through the five faceted job diagnostic survey (JDS) (Hackman & Oldham, 1975). It has been measured on a five point scale with 5 = strongly agree; 4 = agree; 3 = neither agree nor disagree; 2 = disagree; and, 1 = strongly disagree. The scale has an alpha coefficient of 0.71.

Performance Appraisal Satisfaction

The affective reactions of the employees towards their appraisal have

been measured by the items modified from scales by Tang and Sarsfield-Baldwin (1996) and Taylor et al (1995). Seven items have been taken for this study. Items 4 and 5 are reverse coded. It has been measured on a five point scale with 5 = strongly agree; 4 = agree; 3 = neither agree nor disagree; 2 = disagree; and, 1 = strongly disagree. The Cronbach's alpha of this scale was 0.70.

Sample Organizations

The sample consisted of 340 bank employees from two banks belonging to Public and Private Sectors respectively. Various Public and Private Sector Banks were approached to participate in this study. Final permission to contact and collect data from the respondents was given by two banks only. Both these banks are leading banks in their respective sectors with head offices in Mumbai and have multiple branches across the globe. In total 340 bank employees from both the banks serving at the middle-level management participated in the study. Participants were personally approached, and for this purpose, different branches of the selected banks were visited. The idea behind the inclusion of employees belonging to middle-level management is that they comprise more than 60 per cent of the bank population (based on information received from HR); hence in a way they act as representative of the majority in the banks. Also, they are the front-line managers having good exposure of the bank practices. Apart from this, at this level of management, we expected to find more diverse population in

terms of age and tenure. This premise gives us the scope to look at the relationship among variables from a broader perspective (e.g. age wise and tenure-wise differences can be studied at the same level of functioning).

Table 1 Demographic Profile of the Respondents: Total Sample

Particulars		Male(N=246)	Female(N=94)	Overall(N=340)
Age (in years)	25-40	131 (53.25%)	57 (60.6%)	188 (55.2%)
	40-50	83 (33.73%)	28 (29.78%)	111 (32.64%)
	50-60	32 (13.0%)	09 (9.5%)	41 (12.05%)
Mean Age (in years)				40.20
Marital Status	Single	50 (20.3%)	21 (22.34%)	71 (20.88%)
	Married	196 (79.67%)	73 (77.65%)	269 (79.11%)
Organizational Tenure	1-4 years	15 (2.3%)	13 (8.06%)	28 (8.23%)
	5-8 years	45 (21.4%)	19 (17.74%)	64 (18.82%)
	9 years or more	186 (79.19%)	62 (74.19%)	248 (72.94%)
Mean Organizational Tenure (in years)				15.06

Results

Analysis showed a positive correlation between procedural justice, distributive justice, informational justice, interactional justice, job satisfaction and performance appraisal satisfaction. The

mean, standard deviation and coefficients of correlation can be seen in Table 2. The correlation coefficients were lower than 0.8 (Field, 2009) the threshold for the likelihood of multi-collinearity hence the measures were appropriate for further regression analysis.

Table 2 Mean, Standard Deviation & Correlations between the Variables

	Mean	SD	1	2	3	4	5	6
Job satisfaction	49.69	6.51	(.71)					
Performance appraisal satisfaction	23.53	3.47	.631**	(.70)				
Procedural justice	34.22	7.79	.765**	.750**	(.89)			
Informational justice	32.22	7.02	.617**	.670**	.760**	(.87)		
Distributive justice	16.88	4.07	.339**	.418**	.456**	.648**	(.79)	
Interpersonal justice.	17.29	3.31	.189**	.180**	.204**	.270**	.340**	(.89)

Note:**p<.01; alpha coefficients in parentheses

Hayes’s (2013) conditional process analysis was used to test the mediating role of performance appraisal satisfaction with age and tenure as control variables. The unstandardized beta coefficients of the direct and indirect effects and the bootstrap confidence intervals are

presented in the Tables 3-5. In the first mediation analysis (Table 3) there is a significant positive association between procedural fairness of appraisals satisfaction ($\beta=0.18, p<.01$) and a significant positive relationship between performance appraisal satisfaction and job sat-

Table 3 Regression Results for Testing Mediation of PAS on the Relationship between Procedural Justice & Job satisfaction

	Performance appraisal satisfaction (mediator)		Job satisfaction (Dependent)	
	β	t	β	t
Procedural Justice	0.18	20.99**	.33	10.32**
Performance appraisal satisfaction (PAS)			.53	3.93**
Age	.01	.22	-.35	-3.92**
Tenure	.04	1.06	.16	1.80
	R ² =.58 F(3,336)=156.27**		R ² =.64 F(4,335)=153.38 **	
Indirect effect of Procedural justice on Job satisfaction	Effect	Boot SE	Boot LLCI	Boot ULCI
Performance Appraisal satisfaction	.09	.03	.04	.15

Note. Unstandardized beta coefficients are reported. Bootstrap sample size=5,000. 95% confidence interval is reported. *p<.05, **p<.01

Table 4 Regression Results for Testing Mediation of PAS on the Relationship between Informational Justice & Job Satisfaction

	Performance appraisal satisfaction (mediator)		Job satisfaction (Dependent)	
	β	t	β	t
Informational Justice	0.16	16.12**	.248	.132**
Performance appraisal satisfaction (PAS)		.917.36**		
Age	-.05	-1.28	-.43	-4.66**
Tenure	.03	.75	.13	1.34
	R ² =.45F(3,336)=93.88**		R ² =.61 F(4,335)=131.73 **	
Indirect effect of Informational justice on Job satisfaction	Effect	Boot SE	Boot LLCI	Boot ULCI
Performance Appraisal satisfaction	.15	.02	.10	.20

Note. Unstandardized beta coefficients are reported. Bootstrap sample size=5,000. 95% confidence interval is reported. *p<.05, **p<.01

isfaction ($\beta=0.53, p<.01$)¹. The indirect effect of performance appraisal satisfac-

tion was statistically significant (Boot indirect effect=0.09, Boot SE=0.03 and Bootstrap confidence interval: 0.04 to 0.15). These findings support the hypothesis that performance appraisal satisfaction mediates the relationship between procedural justice of performance ap-

¹ Hayes (2013: 170-72) argues for abandoning concepts of complete and partial mediation as establishing some variable completely mediates the effect of X on Y says nothing about other possible mediators.

praisal and job satisfaction. The second mediation analysis (Table 4) showed a significant positive association between informational justice and performance appraisal satisfaction ($\beta=0.16, p<.01$) and a significant positive relationship between performance appraisal satisfaction and job satisfaction ($\beta=0.91, p<.01$) and informational justice and job satisfaction ($\beta=0.24, p<.01$). The indirect effect was found statistically significant (Boot effect coefficient=0.15, BootSE=0.02, Boot confidence interval=0.10 to 0.20). The third mediation analysis (Table 5) shows a positive association between distributive justice and performance appraisal satisfaction ($\beta=0.23, p<.01$) and significant positive relationship between performance appraisal satisfaction and job satisfaction ($\beta=1.33, p<.01$) and distributive justice and job satisfaction ($\beta=0.27, p<.01$). The indirect effect was found statistically significant (Boot effect coefficient=0.30, BootSE=0.04, Boot confidence interval=0.22 to 0.40). The fourth mediation (Table 6) shows a positive association between interactional justice and performance appraisal satisfaction ($\beta=0.09, p<.01$) and a significant positive relationship between performance appraisal satisfaction and job satisfaction ($\beta=1.47, p<.01$) and interpersonal justice and job satisfaction ($\beta=0.20, p<.01$). The indirect effect was found statistically significant (Boot effect coefficient=0.14,

BootSE=0.04, Boot confidence interval=0.06 to 0.21). These findings support the hypothesis that the effect of organizational justice (in the context of performance appraisals) on job satisfaction is mediated by the satisfaction with the performance appraisals.

On examining the R^2 values we find that procedural justice causes the highest variance, 58% in performance appraisal satisfaction, followed by informational justice 45% and distributive justice 23% and least variance by interpersonal justice at 8%. On job satisfaction highest variance occurs with procedural justice and performance appraisal satisfaction at 64% followed by informational justice and performance appraisal satisfaction 61%. Hence, procedural justice and informational justice have stronger influence on job satisfaction and the affective reaction of satisfaction mediates the effects on job satisfaction. As a covariate age was found to significantly affect job satisfaction but tenure did not affect job satisfaction at all.

Discussion & Conclusions

The results of this study confirmed our hypothesis that process appraisal satisfaction mediates the effects of justice perceptions on job satisfaction of employees in the Indian banking industry. The findings highlight that employees' percep-

The effect of organizational justice on job satisfaction is mediated by the satisfaction with the performance appraisals.

Process appraisal satisfaction mediates the effects of justice perceptions on job satisfaction of employees in the Indian banking industry.

Table 5 Regression Results for Testing Mediation of PAS on the Relationship between Distributive Justice & Job Satisfaction

	Performance appraisal satisfaction (mediator)		Job satisfaction (Dependent)	
	β	t	β	t
Distributive Justice	0.23	9.16**	.27	4.91**
Performance appraisal satisfaction (PAS)			1.33	12.16**
Age	-.21	-4.42**	-.58	-5.96**
Tenure	.18	3.60**	.28	2.73**
	R ² =.23 F(3,336)=33.04**		R ² =.56 F(4,335)=109.13 **	
Indirect effect of Distributive justice on Job satisfaction				
Performance Appraisal Satisfaction	Effect	Boot SE	Boot LLCI	Boot ULCI
	.30	.04	.22	.40

Note. Unstandardized beta coefficients are reported. Bootstrap sample size=5,000. 95% confidence interval is reported. *p<.05, **p<.01

Table 6 Regression Results for Testing Mediation of PAS on the Relationship between Interpersonal Justice & Job Satisfaction

	Performance appraisal satisfaction (mediator)		Job satisfaction (Dependent)	
	β	t	β	t
Interpersonal Justice	0.09	4.05**	.20	4.51**
Performance appraisal satisfaction (PAS)			1.47	14.62**
Age	-.21	-4.06**	-.58	-5.92**
Tenure	.19	3.56**	.29	2.79**
	R ² =.08 F(3,336)=9.74**		R ² =.56 F(4,335)=107.11 **	
Indirect Effect of Interpersonal Justice on Job Satisfaction				
Performance Appraisal Satisfaction	Effect	Boot SE	Boot LLCI	Boot ULCI
	.14	.04	.06	.21

Note. Unstandardized beta coefficients are reported. Bootstrap sample size=5,000. 95% confidence interval is reported. *p<.05, **p<.01

tion of appraisals results in satisfaction of employees and employee attitudes are shaped not by how HR policies are intended but by their personal experiences of the implemented appraisals (Kinnie et al., 2005). These findings support the research which stresses on satisfaction as a crucial goal for organizations (Palaiologos et al., 2011; Khilji et al.,

2000). The findings also show that procedural justice and informational justice are stronger predictors of both appraisal satisfaction and job satisfaction which is similar to the findings by Gupta and Kumar (2012) who found informational justice as a significant predictor of employee engagement in the Indian setting. Clarity in procedures is important be-

cause uncertainty acts as a proxy for 'unfairness' and is therefore to be avoided (Lind & Van den Bose, 2002). Clear expectations remove ambiguities and navigate employees towards their goals. In the presence of clear expectations/goals, employees would increase their effort and would perceive more reward-effort instrumentality (i.e. efforts would lead to rewards) which would subsequently lead to employees' satisfaction with the performance appraisal system (Miceli, Jung, Near & Greenberger, 1991; Heneman, Greenberger & Strasser, 1988). Furthermore, the prospect of expressing one's opinion, regardless of actual influence over the decisions made, enhances perceptions of procedural justice (Tyler, Rasinski & Spodick, 1985) and fair procedures increase the likelihood of receiving fair outcomes. Hence perceptions of procedural fairness contribute significantly to satisfaction (Folger & Konovsky, 1989).

These findings highlight the important role played by fairness perceptions of the performance appraisal in shaping attitudes of employees. Satisfaction with the appraisal process is the missing piece between implemented HR practices and the attitudes that influence employee performance. Clarifying expectations, feedback, explanations of the decision process and opportunities of appeal are some of the appraisal aspects important in influencing fairness perceptions and reactions of employees in the Indian banks studied. The findings of this study have implications for researchers and industry. The study examined the fairness of appraisal processes in the fast changing banking sector in the

Indian economy, an area relatively unexplored by researchers. It was found that an important context for establishing fairness is the appraisal process and attention needs to be paid to perceptions and reactions and not just on the design and final ratings and evaluations that performance appraisals provide. The study filled a gap in the literature by examining mechanisms that shape outcomes of justice in the appraisal context. Indian banks need to pay attention to various aspects of appraisal processes like design, implementation and employee reactions. Employee perceptions should be routinely examined to develop policies that result in higher employee productivity.

Indian banks need to pay attention to various aspects of appraisal processes like design, implementation and employee reactions.

There are some limitations of this work as well, the methodology used was a cross-sectional study hence reliance on self-report data which does limit making strong causal statements about the results. A longitudinal design would help improve the strength of causal statements. Due to inability of the researchers to get permission to collect data from more banks in India, the study is restricted to two banks only hence the limitations on the generalizability of the conclusions. Studying employee perceptions across all the banks in India would provide deep insights into employee behavior and attitudes across the industry. Future researchers could also incorporate other sources of information like actual perfor-

mance ratings, perceptions of employers that would provide various sources of information etc.

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