

**“A STUDY ON THE EFFECT OF FACETS OF PERFORMANCE  
APPRAISAL SYSTEM ON EMPLOYEE TRUST AND THE EFFECT OF  
EMPLOYEE TRUST ON OCB”**

## **RESEARCH ABSTRACT**

Employee trust for organization is very essential when it comes to the effectiveness of the employees in an organization. An effective practice of performance appraisal systems may provide an opportunity to build trust in organizations. Trust can influence the amount of organizational citizenship behaviour that an employee exhibits in the organization. This study was conducted on a sample of 151 IT employees to analyse the effect of perceived accuracy and outcome instrumentality of performance appraisal system on employee trust for organization and the effect of employee trust for organization on the organizational citizenship behaviour. Further, we are also analysing whether trust acts as a mediator between performance appraisal system and organizational citizenship behaviour. It was seen that perceived accuracy and outcome instrumentality of performance appraisal system has a positive effect on their trust and also positive relation between trust and organizational citizenship behaviour. The mediation effect of trust on the relationship between performance appraisal system and organizational citizenship behaviour was not much significant.

# **CHAPTER 1: INTRODUCTION**

## **1.1 Relevance of the study**

Employee trust for organization is very important when it comes to the effectiveness of the employees in an organization. Recognition of the significance of trust in organizations has increased dramatically in the last few years, demonstrated by plenty of published work making an effort to comprehend the phenomenon from a range of perspectives. These perspectives have given way various discussions among the human resource scholars regarding the importance of employee trust for their organization. Trust for employees (Whitney, 1994), trust for management (Mishra, 1996; Robinson, 1996), and interorganizational trust (Gulati, 1995) have all been studied in recent scholarly literature. Many other works discuss the importance of trust for the occurrence of some other relevant phenomena namely negotiation and group process even without examining the real nature and determinants of trust.

## **1.2 Background of the study**

The effective use of performance appraisal systems may provide an opportunity to build trust in organizations. Trust can influence the amount of organizational citizenship behaviour that an employee exhibits in the organization. A study conducted on a sample of 151 IT employees to analyse the effect of perceived accuracy and outcome instrumentality of performance appraisal system on employee trust for organization. Further this study also analyses the effect of employee trust for organization on the organizational citizenship behaviour. In this study we are also analysing whether trust acts as a mediator between performance appraisal system and organizational citizenship behaviour.

### **1.3 Objectives of the study**

#### **GENERAL**

To study the effect of performance appraisal system on employee trust for organization and the effect of employee trust on organizational citizenship behavior.

#### **SPECIFIC**

1. To study the relationship between perceived accuracy of performance appraisal system and employee trust for organization.
2. To study the relationship between outcome instrumentality of performance appraisal system and employee trust for organization.
3. To examine the relationship between employee trust and organizational citizenship behavior.
4. Trust mediates the effect of outcome instrumentality on organizational citizenship behavior.
5. Trust mediates the effect of perceived accuracy on organizational citizenship behaviour.

### **1.4 Research Question**

Is employee trust for organization related to performance appraisal system and OCB?

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 Theory**

#### **TRUST**

*Trust* has become an important topic of inquiry in a variety of disciplines, including management, ethics, sociology, psychology, and economics. Although this multidisciplinary perspective has created a breadth that strengthens the trust literature (Bigley & Pearce, 1998; Rousseau, Sitkin, Burt, & Camerer, 1998), it also has created confusion about the definition and conceptualization of the trust construct. For example, some scholars view trust as a behavioural intention (Mayer, Davis, & Schoorman, 1995; Mc-Knight, Cummings, & Chervany, 1998; Rousseau et al., 1998) or an internal action, similar to choosing, judging, or preferring (e.g., Lewis & Weigert, 1985; Riker, 1971). The study of trust has been hampered by its status as a first-degree construct. Calder (1977) has suggested that the study of topics such as trust, which "belong to the world of everyday explanation," (p. 182) leads to a proliferation of approaches to understanding them, because there are numerous connotations of the terms involved. Consequently, although trust has been recognized as important from many organizational perspectives, a number of diverse and somewhat conflicting definitions and approaches have developed. One example of the approaches that have developed is the sociological approach (e.g., Lewis & Weigert, 1985), in which trust is viewed as a characteristic of the social fabric that facilitates interactions among parties. This approach may be helpful in understanding how a more widespread level of trust among various individuals in a social system can improve the system's ability to function. However, using such an approach, one cannot identify specific actions a particular party might undertake in order to become more trusted by a given other or

others. Hence, its utility for the current purposes is limited. A recent framework that appears to be promising as a theoretical foundation for understanding the development of trust defines trust as a willingness to be vulnerable to the actions of another party (Mayer, Davis, & Schoorman, 1995). This conceptualization differentiates trust itself from its outcomes, which are various types of risk-taking in the relationship with the trustee (i.e., to-be-trusted party). Trust defined in this manner does not involve risk per se, but is a willingness to engage in risk-taking with the focal party.

Such outcomes could include cooperation, sharing sensitive information, and voluntarily allowing the trustee control over issues that are important to the trustor (i.e., trusting party). This conceptualization of trust also separates trust from its antecedents. It holds that a trustor will be willing to be vulnerable to another party based both on the trustor's propensity to trust other people in general, and on the trustor's perception that the particular trustee is trustworthy.

Trust can be defined as 'the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party' (Mayer et al., 1995). There are three main facets of trust (Whitener et al.,1998): first, trust in another person reflects a person's expectation or belief that the exchange partner will act benevolently; secondly, trust involves the willingness to be vulnerable and risk that the other person may not fulfill the expectations; and thirdly, trust involves a certain level of dependency which means that a person is affected by the actions of others. Hence, in workplace relationships, employees will feel safer and more positive about their managers and peers when they believe that their leaders and peers are trustworthy. In

contrast, low levels of trust lead to psychologically distressing situations, as leaders or peers may have power over important aspects of one's job (Dirks & Ferrin, 2002). As a consequence, trust should have a strong and direct effect on employee satisfaction.

Rotter (1967) defined trust as ' . . . an expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied upon' Trust in the supervisor is seen as pivotal for leader effectiveness and work unit productivity Moreover, the leader's behaviour is fundamental in determining the level of interpersonal trust in a work unit. These supervisor behaviours include those often used to delineate higher-quality exchanges, i.e. sharing appropriate information, allowing mutuality of influence, and not abusing the vulnerability of others. Trust is a relationship of reliance. A trusted party is presumed to seek to fulfill policies, ethical codes, law and their previous promises. Trust does not need to involve belief in the good character, vices, or morals of the other party. Persons engaged in a criminal activity usually trust each other to some extent. Also, trust does not need to include an action that you and the other party are mutually engaged in. Trust is a prediction of reliance on an action, based on what a party knows about the other party. Trust is a statement about what is otherwise unknown.

Studies on the effects of trust (Dirks & Ferrin, 2001) have found that it leads to more positive workplace attitudes (e.g. employee satisfaction and commitment), workplace behaviors (e.g. knowledge sharing, organizational citizenship behavior) and performance outcomes (e.g. individual performance, group performance and business-unit performance). Trust enables cooperative behavior, promotes network-based forms of organization, reduces conflicts, decreases transaction costs, facilitates rapid formulation of ad hoc work groups and promotes

effective responses to crises (Rousseau et al., 1998). Trust can be defined as a person's willingness to depend on another person's actions that involve opportunism (Williams, 2001; Zand, 1972). By sharing a brand new idea with a team member, one is willing to risk the ownership of the idea. Trusting an individual means "the probability that he or she will perform an action that is beneficial or at least not detrimental to us is high enough for us to consider engaging in some form of cooperation with him.

### **PERFORMANCE APPRAISAL**

Because of the pivotal role that performance appraisal plays in managing human resources (Cardy & Dobbins, 1994), there has been a great deal of research conducted to understand appraisals. Murphy and Cleveland (1991) noted that much of this research has focused on such issues as appraisal formats and minimizing bias from raters. One of the issues that they suggested that warrants further attention is the criteria by which appraisal systems are judged. They suggested that one such research area that needs to be addressed is the reactions of the ratees to the appraisal system. Murphy and Cleveland proposed that research should seek to understand how appraisal accuracy affects reactions to the appraisal. Cardy and Dobbins (1994) mirrored this sentiment and argued that such perceptual reactions to the appraisal system are clearly important to the appraisal system's operational effectiveness.

Along similar lines, Cummings (1983) speculated on the effect that the performance appraisal process can have on employee trust for the organization. He hypothesized that the use of self-appraisal in the performance evaluation system should be positively associated with trust. Further, he proposed that if the results of appraisals are fed back to appraisees, trust will be



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In light of these researchers' arguments, it makes sense to consider the effect of the performance appraisal system on trust for management. In an organization that has merit based pay and promotion, perceptions of the performance appraisal system are tantamount. In the performance of their jobs, employees make themselves vulnerable to the organization when they expend effort on their jobs. If an employee expends extra effort in order to reduce product defects or to formulate suggestions about how to improve quality, the employee is dependent upon the appraisal system to detect the increased contribution. If the system fails to be sensitive to the extra contribution, the employee will not receive economic benefits for the labor. This should

lower the employee's level of trust for those in the organization responsible for the flawed appraisal system. Conversely, when the appraisal system is seen to clearly reflect the employee's performance, trust for those responsible for the appraisal system should be enhanced.

Murphy and Cleveland (1991) suggested that the acceptability of the performance appraisal system to both raters and ratees is important to the system's effectiveness. They pointed out that acceptance by ratees "is a function of both the process and the outcomes of performance appraisal". On the issue of process, they suggested that both the extent to which the dimensions being rated are considered relevant to the job and the raters' ability to provide well informed assessments about performance are important. In the present article this is termed *perceived accuracy*, defined as the extent to which the appraisal system is perceived to accurately tap into relevant behaviours that employees see as contributing value to the organization.

The second acceptability issue in this research, which is due in part to the former issue, is whether the economic outcomes that employees seek are seen as outcomes of higher performance. Critical to the employees is the extent to which the appraisal system allows recognition of and rewards for their contributions. This is referred to in this article as *outcome instrumentality* (Vroom, 1964). The end result of a system wherein the appraisals are not accurate reflections of contributions to the organization is that recognition and rewards that are based on the appraisals would not, in the employees' eyes, be linked with true performance.

One avenue of assessing the impact of a human resource system on trust or trustworthiness is to measure the impact of changing the system on the perceptual and attitudinal variables. In light of

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Employee performance appraisal is an effective way to determine the performance of the employees in an organization. In the traditional appraisal system, the paper-based appraisal system causes a lot of manual work, is time-consuming, not secure, not flexible, difficult to analyze the performance and see the trend of performance improvement of the employee. There is a web-based performance appraisal system developed, which provides a secure and easy way to perform the appraisal. In this system, the competencies are flexible and can be customized according to the specific job responsibility. Our system is goal-orientated as it calculates the objective scores. The system is connected to the database which is easily accessible. The first stage of our system is the 'Selection Stage' in which the managers and employees can select the competencies and objectives that they want to evaluate for performance appraisal according to the job positions. The second stage is the 'Appraisal/Evaluation Stage' where managers can rate the employees according to different priority levels of competencies and objectives. Moreover, at this stage, employees can perform self-evaluation and 360-degree evaluation for their colleagues, 11

subordinates and managers. The final stage is the 'Development Planning Stage' where the managers and employees can compare their appraisal results, discuss and plan for future training or further steps for reaching the objectives and improving employee's competencies. From user testing, the system was found to be more efficient compared to the traditional appraisal system in the issues like: help evaluate the true abilities of employees, help employees understand organizational goals, and provide fast and effective feedback. The users found the system easy to understand and use and were more satisfied with the overall effectiveness of the system

Fletcher (1997) found that 80% of organizations reported dissatisfaction with their appraisal processes. However, effective performance appraisal systems help to create a motivated and committed workforce. In many organizations performance appraisal is not used to guide development. In general terms a line manager may meet with an employee once per year to review a performance appraisal form, often without input or self-appraisal from the employee being appraised. Once the form is complete, it is often used by senior managers to determine remuneration (bonus/salary) or promotion. This decision is then communicated to the employee, questions are answered, and the appraisal is concluded. There are several facets of the performance appraisal process currently in use that are intrinsically linked to motivation; job satisfaction; and the design and measurement of work undertaken. These should be examined to identify areas for improvement required to meet currently accepted best practice standards. Motivation may be viewed as "an intervening process or an individual state of an organism that impels it or drives it to action. In this sense motivation is an energizer of behaviour. A performance appraisal process should be seen as an 'energizer of behaviour', providing rather than reducing motivation which is seen as inextricably linked to job satisfaction.

Performance appraisal should not be viewed as a stand-alone activity; it should form part of the overall process of recruitment; selection; goal setting; individual and organization performance measurement; and feedback into the organization's training strategy. A clear definition of measurable performance objectives and the appraisal process should be provided to all employees. Measurable objectives may include 'results' or 'behaviours' clearly relevant to performing the job. Individual performance objectives should be clearly linked to wider organisation objectives. Organisation objectives should be translated into departmental or work group objectives, and finally into individual objectives clearly related to individual position descriptions, the knowledge, skills and abilities (KSAs) required to perform the role, and the organisation and management of work in the case of team objectives. Within such a framework performance appraisal has a higher acceptability. The focus of performance measures should be upon things an individual can control and develop; therefore it is essential that appraisal objectives relate to performance relevant behaviour and results rather than personality or other personal attributes. Underpinning this process is job analysis; in this instance it is vital that the redesign and reorganization of work and associated job analysis should take place in conjunction with the development of a new performance appraisal system.

Traditionally, performance appraisal has been a one-sided process where a supervisor rates/appraises a subordinate. It is however suggested best practice to use more than one rater, which should include the individual themselves. Multiple rater systems also assist in the identification and reduction of bias related to age, race or gender and 'halo' or 'horns' effect. Involving the individual appraisee in the rating process is encouraged, ideally through the completion of a pre-appraisal that can be discussed with the appraiser and expanded upon in

terms of KSA development objectives . Inclusion of the appraisee also allows for a shift in emphasis from a ‘backward looking’ judgment of behaviour to date, to a ‘forward looking’ performance development & coaching process. An appraisal meeting should involve a balanced review of positive and negative performance; discussion of no more than two development needs; an opportunity for the appraisee to state their opinion; and communication and feedback that extends beyond the formal meeting. If these points are not addressed, the process may be counterproductive. The use of 360 degree performance appraisal includes performance ratings of from the appraisee, managers, colleagues, and often customers. Although 360 degree appraisal has many advantages, due to its complexity, and financial/time cost when used on a large scale; it is not suggested as best practice in this instance. Any rating scale used should be carefully designed to reduce sources of error such as central tendency error; whereby a rater tends to mark at the centre of the scale (3 out of 5 for example) across the board regardless of actual performance. For this reason the use of any five-point rating scale in an appraisal instrument is considered poor practice and may lead not only to misleading overall ratings of performance, but to issues of ratees perceiving being rated as ‘satisfactory’ as negative All raters within the organisation should also be trained to use a common frame-of-reference when conducting appraisals, including providing them with sample behaviours relevant to each point of the scale used. Such training has proved very effective in increasing rater accuracy .Training should also be provided in the delivery of negative feedback. If employees are to modify their behaviour as a result of negative feedback, appraisers should deliver it in a credible, ‘high quality’ and considerate manner. The alternative is resistance to modify behaviour and a perception of the appraisal process as being of little use Constructive negative feedback should always be provided as soon as possible after the event warranting the feedback, this allows for inappropriate

behaviours to be quickly modified. Negative feedback should not be saved up for an annual or bi-annual appraisal, nothing in a performance appraisal interview should come as a surprise. Although formal appraisal meetings often take place at set time intervals, it is best practice to ensure that feedback relating to performance against objectives, and progress towards goals is provided on an ongoing basis. As stated earlier, this has clear implications for levels of motivation and commitment to achieve goals.

Leaving long periods between appraisals or feedback also has implications for the accuracy of the appraisal overall it is essential to consider the issues of motivation, and recommendations for best practice discussed above when seeking to develop an effective and well received performance appraisal system. To ensure the ongoing success of the system, it is best practice to gain feedback from employees on a regular basis. Measuring human performance has long been of interest to researchers and practitioners (Avery & Murphy, 1998, Bernardin & Beatty, 1984, and Hyde, 2001). One process in measuring and evaluating human capital that has received much attention in the literature is performance appraisal (Avery and Murphy, 1998). Performance appraisal research has three general streams (Bretz, et al. 1992). First, research has focused on developing and honing instruments to more accurately and objectively measure human performance (for examples see Tznier et al. 2001, Tznier, et al., 1993). Second, research has focused on supervisor and employee characteristics as sources of potential and actual bias in the performance appraisal ratings (Cleveland & Murphy, 1992; Dewberry, 2001; Ford et al., 1986; Feldman 1981). And third, research has focused on the uses and types of performance appraisal systems within organizations (Scott & Einstein, 2001, and Lam & Schaubroeck, 1999). Literature to date has helped organizations adopt more efficient and effective performance



appraisal systems. It has helped administrators understand the challenges with objectively measuring behavior as well as some of the pitfalls associated with employee and supervisor bias in administering performance appraisals.

In order to capture the effectiveness of the performance appraisal process it is important to look at the performance appraisal interview and those involved. The supervisor and the employee are typically the two individuals involved in the interview. In capturing what leads to a successful performance appraisal interview there are supervisor and employee characteristics that must be taken into consideration. It is clear that in order to get the desired results the organization must develop, evaluate and reward the desired behaviors. In determining the dependent variable in performance appraisal research, it is important to view the performance appraisal system through the intentions of those who established and administer the performance appraisal system. Therefore, in establishing the dependent variable in a study of performance appraisal system effectiveness, the dependent variable should be the desired outcome of the performance appraisal process. The dependent variable should be unique to each performance appraisal system. Regardless of the number or mixture of desired outcomes, it is important to recognize that the dependent variable will vary between systems and between organizations. But in each case, the dependent variable should be the intended result of the performance appraisal system as outlined by those who established and administer the performance appraisal system.

One of the primary purposes of formal performance appraisals is to provide clear, performance-based feedback to employees (Carroll and Schneier, 1982; Ilgen et al., 1979; Larson, 1984). Almost 45 years ago, Maier (1958) highlighted the crucial role of appraisal feedback in the performance appraisal process. Indeed, the significance of feedback to the appraisal process as

well as to the broader management process has been widely acknowledged (Bernardin and Beatty, 1984; Ilgen et al., 1979; Lawler, 1994; Murphy and Cleveland, 1995). For instance, from the organization's point of view, feedback keeps both its members' behaviour directed toward desired goals and stimulates and maintains high levels of effort (Lawler, 1994; Vroom, 1964). From the individual's point of view, feedback satisfies a need for information about the extent to which personal goals are met (Nadler, 1977), as well as a need for social comparison information about one's relative performance (Festinger, 1954).

Second, feedback potentially can influence future performance (Ilgen et al., 1979; Kluger and DeNisi, 1996). Third, it is believed to play a significant role in the development of job and organizational attitudes (Ilgen et al., 1981; Taylor et al., 1984). Thus, feedback is not only important to individuals but also to organizations because of its potential influence on employee performance and a variety of attitudes and behaviours of interest to organizations. Whether these benefits actually accrue may well depend on how feedback recipients react to the feedback. Indeed, reactions to feedback are presumed to indicate overall system viability (Bernardin and Beatty, 1984; Cardy and Dobbins, 1994; Carroll and Schneier, 1982) and to influence future job performance (Kluger and DeNisi, 1996), as well as job and organizational attitudes (Taylor et al., 1984). Because reactions to feedback potentially influence a variety of outcomes, it is important to empirically verify if these potential benefits in fact accrue and also to investigate factors influencing reactions to appraisal feedback. Given this apparent significance of studying reactions, many researchers have bemoaned the relative lack of research on employees' reactions to appraisals (Banks and Murphy, 1985; Bernardin and Villanova, 1986), so much so that, Murphy and Cleveland (1995: 310) referred to reaction criteria as the "neglected criteria" of

performance appraisal research. Satisfaction with appraisal feedback is one of the most consequential of the reactions to appraisal feedback (Dorfman et al., 1986; Giles and Mossholder, 1990; Keeping and Levy, 2000). For instance, several researchers (Giles and Mossholder, 1990; Organ, 1988) have asserted that using satisfaction as a measure of employees' reactions affords a broader indicator of reactions to appraisal feedback than more specific cognitively oriented criteria. In fact, cognitively oriented measures, such as perceived utility and perceived accuracy, are positively related to satisfaction with appraisal feedback (Keeping and Levy, 2000). In addition, because appraisals form the basis of several important decisions, satisfaction with feedback signifies recognition, status, and future prospects within the organization. Thus, more favourable attitudes about reward contingencies develop when satisfaction with feedback is high than when it is low. These various psychological implications of satisfaction with feedback make it a significant determinant of future behaviour and job and organizational attitudes (Taylore et al., 1984).

Performance appraisal (PA) is among the most important human resource practices. PA has increasingly become part of a more strategic approach to integrating HR activities and business policies and may now be seen as a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards. Thus, both practice and research have moved away from a narrow focus on psychometric and evaluation issues to developmental PA (e.g., Fletcher, 2001; Lefkowitz, 2000; Levy and Will) which may be defined as any effort concerned with enriching attitudes, experiences, and skills that improves the effectiveness of employees (Boswell and Boudreau, 2002). Still, many organizations express dissatisfaction with their appraisal schemes (Fletcher,

1997). According to Fletcher (2001), this may signal a lack of success of PA as a mechanism for developing and motivating people. There is general consensus among PA researchers and practitioners that assessment of appraisal reactions is important (Keeping and Levy, 2000). For instance, it is frequently argued that in order for PA.

To positively influence employee behaviour and future development, employees must experience positive appraisal reactions. If not, any appraisal system will be doomed to failure (see, e.g. Cardy and Dobbins, 1994; Murphy and Cleveland, 1995). Still, even though PA satisfaction is the most frequently measured appraisal reaction (Giles and Mossholder, 1990; Keeping and Levy, 2000), and there is extensive research on factors that contribute to PA satisfaction or other reactions (Levy and Williams, 2004), there is a lack of empirical evidence on why and how satisfaction with PA matters. Despite the rhetoric of developmental PA and its impact on motivation, commitment, withdrawal behaviour and work performance, such relationships are mostly assumed rather than tested. For instance, in their recent review of PA research, Levy and Williams (2004) called for more field research on the relationship between PA reactions and employee attitudes and behaviour. The purpose of this study is to explore alternative relationships between PA satisfaction and employee outcomes in the form of affective organizational commitment. Goal setting and feedback are key PA activities in organizations (Earley et al., 1990; Fletcher, 2001; Neubert, 1998). Since an important purpose of goal setting and feedback is to increase individual performance we may expect that employee satisfaction with performance appraisal would be positively related to work performance (Pettijohn et al., 2001a; Roberts and Reed, 1996). Even though there is a complex relationship between feedback intervention and performance, meta-analyses suggest that the overall effect is positive (Guzzo et

al., 1985; Kluger and DeNisi, 1996). Similarly, although the relationship between goal setting and performance is moderated by several factors (Locke and Latham, 2002), goal setting theory has proved to be among the most robust and useful theories in organizational science (Neubert, 1998). Moreover, because PA often includes equipping employees with new knowledge and skills, it may also contribute to employees' perceived investment in employee development. Using a social exchange lens (e.g., Coyle-Shapiro and Conway, 2004; Eisenberger et al., 1990; Lee and Bruvold, 2003), employees who believe their organization is committed to providing them with developmental activities may feel an obligation to 'repay' the organization through high work performance. Finally, indirect support for a PA satisfaction–work performance relationship is obtained from studies reporting a positive relationship between PA satisfaction and overall job satisfaction (Blau, 1999; Ellickson, 2002; Pettijohn et al., 2001a, 2001b; Roberts and Reed, 1996), since job satisfaction is positively related to performance in meta-reviews (Judge et al., 2001). Therefore one way organizations can engage in developmental PA is using PA activities to communicate organizational strategies, goals and vision. Latham (2003) called attention to the affective and emotional aspects of superordinate goals and argued that such goals may capture the 'hearts' of employees and give 'people a cause they can rally around'. Thus, to the extent that PA is able to communicate superordinate strategies, goals and vision, employees should experience higher levels of commitment to superordinate organizational goals and, therefore, become more affectively committed to their organization. Moreover, developmental PA is also about increasing employees' perceptions of being valued and being part of an organizational team (Levy and Williams, 2004), perceptions that are central to affective commitment. Also, if PA satisfaction reflects perceived investment in employee development, employees will probably reciprocate by way of higher affective commitment to the organization

(Lee and Bruvold, 2003). Finally, research on sales people suggests that organizational commitment is positively associated with the use of explicit evaluative criteria and openness to discussing the appraisal (Pettijohn et al., 2001a) and negatively related to role ambiguity (Babakus et al., 1996). And, since PA satisfaction is enhanced by employee participation and perceived clarity of goals (Roberts and Reed, 1996), it may also be positively related to affective commitment.

## **ORGANIZATIONAL CITIZENSHIP BEHAVIOR**

**Organizational Citizenship Behaviors(OCBs)** are a special type of work behavior that are defined as individual behaviors that are beneficial to the organization and are discretionary, not directly or explicitly recognized by the formal reward system. These behaviors are rather a matter of personal choice, such that their omissions are not generally understood as punishable. OCBs are thought to have an important impact on the effectiveness and efficiency of work teams and organizations, therefore contributing to the overall productivity of the organization. OCBs are thought to have an important impact on the effectiveness and efficiency of work teams and organizations, thereby affecting the overall productivity of the organization. Given the importance of the OCB in influencing the organization's and employees' performance, it makes sense to study in depth regarding the extent of impact OCB can have on the performance of employees. The study is aimed at providing an insight as to how OCB influences employee performance among restaurant employees and how the work status of employees influences this relationship between OCB and employee performance.

OCB categorizes into four types: personal industry, loyal boosterism, individual initiative, and personal helping. Personal industry represents the extent to which an individual performs tasks beyond the call of duty. Employees who spontaneously work overtime, put in extra hours on a project, or volunteer to take on new projects are engaging in personal industry. Loyal boosterism represents the promotion of firm image to outsiders. An employee who spontaneously compliments his employer to a member of another firm, a friend, or any stakeholder displays loyal boosterism behavior. Interpersonal helping entails a co-worker assisting another in the organization resulting, either directly or indirectly, in enhanced individual job performance ultimately contributing to organizational functioning. Individual initiative represents communicating with others in the organization to improve individual and group performance. OCBs are thought to have an important impact on the effectiveness and efficiency of work teams and organizations, therefore contributing to the overall productivity of the organization. OCBs may contribute to organizational success by: (a) enhancing co-worker and managerial productivity; (b) freeing up resources so they can be used for more productive purposes; (c) reducing the need to devote scarce resources to purely maintenance functions; (d) helping to coordinate activities both within and across work groups; (e) strengthening the organization's ability to attract and retain the best employees; (f) increasing the stability of the organization's performance; and (g) enabling the organization to adapt more effectively to environmental changes.

Derived from Katz's (1964) notion of extra-role behaviors, OCBs have been defined as "individual behaviors that are discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promote the effective functioning of an organization"

(Organ, 1988, p.4). Despite the proliferation of research in this area, debate continues over the precise definition or the operationalization of the OCB. This is partly because most OCB research has focused on understanding the relationship between OCB and other construct rather than defining the nature of the construct itself. Notwithstanding, a distinguishing feature is that supervisors cannot require or force their subordinates to perform OCBs. Similarly employees do not or cannot expect any kind of systematic reward for this behavior. However as Organ has noted, supervisors do not regularly take into account and reward OCB both directly and indirectly (eg: preferential treatment, performance rating, promotions etc). Another important assertion, especially in Organ's (1988) founding work on OCB, is that these behaviors are often internally motivated arising from and sustained by an individual's intrinsic need for a sense of achievement, competence, belonging, or affiliation.

OCB has been gaining importance in today's era of competition and with the emergence of many MNC's. Every organization management desires that its employees display high OCB. These behavior benefits the organization as a whole. In such a scenario the citizenship characteristics in a person are welcome to any organization. The benefit of OCB is not to a single party but it fosters an overall development of the organization. This study will make it clear that OCB and organizational identification are positively related. In today's context the work behavior exhibited by human beings that is beyond the reach of traditional measures of job performance but holds promise for long term organizational process is receiving increasing theoretical attention as the challenge of global competition highlights the importance of organizational innovation, flexibility, productivity and responsiveness to changing external conditions.



A number of taxonomies of Organization Citizenship Behaviors are to be found, for example Bolino (1999) reports a five dimensional scale incorporating

1. Altruism
2. Generalized compliance
3. Sportsmanship
4. Courtesy and
5. Civic virtue
6. And a four dimensional profile encompassing
7. Interpersonal helping
8. Personal industry
9. Individual initiative
10. Loyalty

Organizational Citizenship Behavior occur when calculative commitment gives way to affective commitment (Ashforth and Humphrey, 1995). This arises when individual organizational relationship becomes suffused with affect over time so that a narrow contractual perspective (economic exchange) gives way to a sense of trust, concern for others and more open ended and diffuse commitment (Social exchange) (Ashforth 1993 and Organ, 1990 in Ashforth and Humphrey, 1995). Organizational Citizenship Behaviors are believed to facilitate organizational performance and to contribute to organizational and group effectiveness because it is well recognized that organizations reap significant benefits from having employees who are willing to go above and beyond the required role behavior, there may be situations. However in which it is desirable to have employees conceptualize their jobs broadly so that they engage in certain

organizationally functional behaviors without feeling that they are doing something extra. For eg. When employees helping others is critical to getting a job done effectively, it might be problematic. If supervisors have to depend on employees willingness to encourage employees to see helping others as in role in order to ensure more consistent performance. It might be valuable therefore for managers to understand the subtle social and psychological factors that influence employee's perception of their job responsibilities.

According to Morrison (1994) an important function may be to reduce the perception that's not my job with respect to activities that are critical but not formally enforced. However this is no easy task since employees and their managers have different ideas on defining various behaviors as in- role or extra-role, and consequently how broadly they define the employees job responsibilities Morrison (1994) states that one determinant of how broadly employees define their jobs is affective commitment. High affective commitment means that an employee perceives his or her employment as being based on a relational exchange. He or she will thus tend to define his or her job obligations in a broad and flexible manner, indication high perceived job breadth. This viewpoint is quite different from what is traditionally regarded as organizational citizenship behavior and commitment relationship. Instead of believing that commitment leads employees to exceed their job requirements, Morrison (1994) proposes that commitment changes the way in which employees define job requirements. Extra role behavior is more likely to be seen as in role behavior and part of one's job.

According to Inkeles (1969) as qoted by Van Dyne and Graham (1994) the organizational citizenship Behavior construct consists of three categories, namely 25

1. They increase performance so that fewer resources are needed
2. They improve coordination within the work groups reducing frustration and effectiveness
3. They enhance image giving the impression of the organization as an attractive place to work.

Work behavior that is in some way beyond the reach of traditional measures of the job performance that holds out the promise of long term organizational success is receiving increasing attention as the challenge of global competition highlights the importance of organizational innovation, flexibility, productive and responsiveness to changing external conditions. The terms that are generally used to describe such behavior includes OCB (Graham, 1991) and extra role behavior (Van Dyne and Cummings, 1990). According to Organ(1988) as quoted by Becker and Randall (1994), OCB represents individual behavior that's discretionary, not directly or explicitly recognized by formal reward system, and promotes the effective functioning of the organization he further states that it can be conceptualized as a subtle dimension of job performance composed of extra role behaviors. OCB are vital for productivity because organizations cannot forecast through stated job description the entire spectrum of subordinate behaviors needed for achieving goals. An organizations success is thus dependent on employee's willingness to do more than what their official job description outline. A common theme of these conceptualizations is an attempt to identify work behaviors that contributes to organizational effectiveness but which is often not used to assess job performance. This means that job performance is assessed by referring to in-role and extra-role behavior. A critical difference between these two kinds of behavior is the extent to which others reward the behavior and impose sanctions if it is absent. Both in-role and extra-role behaviors may be intrinsically rewarding. However the former is more likely to be linked to extrinsic rewards and 26

sanctions. (1) Obedience (2) Loyalty and (3) Participation. Obedience involves respect for orderly structures and processes. It reflects employee's acceptance of necessity for a desirability of rational rules and regulations governing organization structure, job descriptions and personal policies. Loyalty includes serving the interest of the community as a whole and the values it embodies. In an organization loyalty is identification with & allegiance to an organization leaders and the organization as a whole. Transcending the interest of the individuals, work group and departments. It also includes defending the organization against threats contributing to its good reputation and cooperating with others to serve the interest of the whole.

Participation entails active and responsible involvement in community self-governance and keeping oneself well informed about the issues affecting the community as well as exchanging information and ideas with other people. In an organizational context it refers to interest in organizational affairs and taking responsibility for organizational governance. It also includes attending non obligatory meetings, sharing informed opinions and new ideas with others and being willing to compact group think. When an employee engages in obedience, loyalty and participation activities as outlined above, he or she displays commitment to the organization. Not only does such a person do more than what is expected from him or her but does not expect to be rewarded for it.

The relationship between commitment and OCB can be best explained by stating that OCB are displayed by employees to demonstrate their level of commitment to the organization. Commitment should thus be seen as a certain state of mind which leads to the display of certain behaviors. A number of researchers have investigated the concept of employee commitment, the definition being that it is an individual's belief in acceptance of the goals and values of the 27

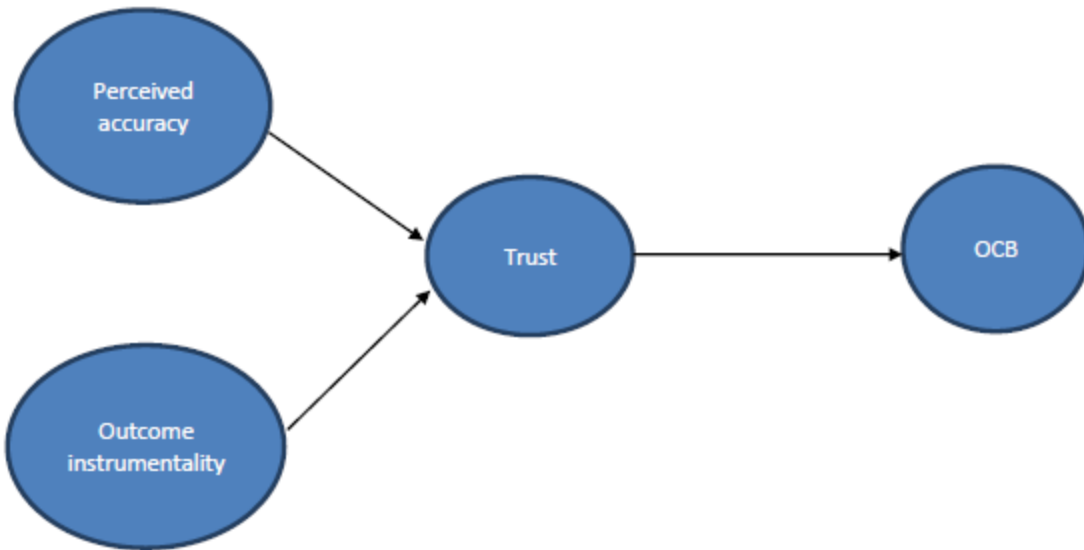
organization a willingness to work hard on its behalf and a strong desire to remain in it (Leonge, Furnham and Cooper 1996, Levi and Williams 1998 Mayer and Schoorman, 1998.) According to Moorman (1991) OCB is defined as work related behaviors that are discretionary not related to the formal organizations reward systems and promote the effective functioning of the organization (Organ 1998). The above definition of commitment and OCB both refer to internal forces driving work related behavior that contributes to the success of the organization for the purpose of the study commitment more specifically affective commitment and OCB will be regarded as one and the same thing.

Because OCB include such a wide variety of behaviors, Podsakoff and MacKenzie (1989) grouped them into the following five categories.

1. Altruism: the extent to which an employee is prepared to help co-workers with their worked and work-related problems.
2. Courtesy: the extent to which an employee helps to prevent others problems by advance consultation, information and respect for other's needs.
3. Sportsmanship: a willingness to accept minor frustrations and inconveniences without fuss or complaint.
4. Conscientiousness: the extent to which an employee obeys organizational rules, regulation and procedure.
5. Civic virtue: responsible and constructive involvement and participation in issues confronting the group and organization

## 2.2 Research Model

*FIGURE 1: RESEARCH MODEL*



## 2.3 Hypothesis

**H1:** Perceived accuracy of performance appraisal system is positively related to employee trust for organization.

**H2:** Outcome instrumentality of performance appraisal system is positively related to employee trust for organization.

**H3:** Employee trust for organization has a positive relation to organizational citizenship behaviour.

**H4:** Trust mediates the effect of perceived accuracy on organizational citizenship behaviour.

**H5:** Trust mediates the effect of outcome instrumentality on organizational citizenship behaviour.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 Research Design**

#### **TYPE OF STUDY**

Explanatory

### **3.2 Sampling design**

#### **POPULATION**

IT employees

#### **SAMPLE SIZE**

151

#### **SAMPLING TECHNIQUE**

Convenience Sampling

#### **SOURCE OF DATA**

Primary Data: Survey using Questionnaire

### **3.3 Variables of the study and their measurement**

#### **TRUST**

##### **THEORETICAL DEFINITION**

Trust is defined as the willingness to be vulnerable to the actions of another party (Mayer, Davis, & Schoorman, 1995).

## OPERATIONAL DEFINITION

Employee Trust for organization can be measured by analyzing whether employees are willing to allow top management to interfere in their issues without monitoring the actions of the top management

Trust will be measured using a 4-item scale used by Schoorman (1996a).

## PERFORMANCE APPRAISAL SYSTEM

### THEORETICAL DEFINITION

**Perceived Accuracy:** The extent to which the appraisal system is perceived to accurately tap into relevant behaviors that employees see as contributing value to the organization.

**Outcome Instrumentality:** The extent to which the appraisal system allows recognition of and rewards for their contributions.

### OPERATIONAL DEFINITION

**Perceived Accuracy:** Perceived Accuracy can be measured by analyzing the performance appraisal mechanisms and determining whether it is considering the accurate measures of each aspect of the employees which affect their performance appraisal.

**Outcome Instrumentality:** This could be measured by determining whether the pay raises or hikes received by the employees are purely based on the outcome or performance they demonstrate in their work.

Performance appraisal system will be measured using an 8-item questionnaire for perceived accuracy and a 3-item questionnaire for outcome instrumentality by Mayer and Davis (1999)



## **ORGANIZATIONAL CITIZENSHIP BEHAVIOR**

### THEORETICAL DEFINITION

**Organizational Citizenship Behaviors(OCBs)** are a special type of work behavior that are defined as individual behaviors that are beneficial to the organization and are discretionary, not directly or explicitly recognized by the formal reward system.

### OPERATIONAL DEFINITION

OCB consist of non-obligatory, informally influenced behaviors. OCB categorizes into four types: personal industry, loyal boosterism, individual initiative, and personal helping. **Personal industry** represents the extent to which an individual performs tasks beyond the call of duty. Employees who spontaneously work overtime, put in extra hours on a project, or volunteer to take on new projects are engaging in personal industry. **Loyal boosterism** represents the promotion of firm image to outsiders. An employee who spontaneously compliments his employer to a member of another firm, a friend, or any stakeholder displays loyal boosterism behavior. **Interpersonal helping** entails a co-worker assisting another in the organization resulting, either directly or indirectly, in enhanced individual job performance ultimately contributing to organizational functioning. **Individual initiative** represents communicating with others in the organization to improve individual and group performance.

Organizational citizenship behavior is measured using a 17-item questionnaire developed by Moorman and Blakely (1995).

### 3.4 Reliability of variables

**TABLE 1: RELIABILITY**

	PA	OI	T	OCB
R-squared			0.313	0.486
Adj. R-squared			0.303	0.483
Composite reliab.	0.810	0.868	0.851	0.910
Cronbach's alpha	0.741	0.769	0.765	0.905
Avg. var. extroc.	0.403	0.688	0.591	0.403
Full collin. VIF	2.816	1.574	1.519	2.737
Q-squared			0.313	0.486

The value of Cronbach's Alpha for all the variables is above 0.7. So, the tool is reliable.

### TOOLS FOR DATA COLLECTION

1. QUESTIONNAIRE FOR PERFORMANCE APPRAISAL SYSTEM: Performance appraisal system will be measured using an 8-item questionnaire for perceived accuracy and a 3-item questionnaire for outcome instrumentality.
2. QUESTIONNAIRE FOR TRUST: Trust will be measured using a 4-item scale used by Schoorman (1996a).
3. QUESTIONNAIRE FOR ORGANIZATIONAL CITIZENSHIP BEHAVIOR: Organizational citizenship behavior is measured using a 17-item questionnaire developed by Moorman and Blakely (1995).

## CHAPTER 4: DATA ANALYSIS AND RESULTS

### 4.1 Tool for analysis

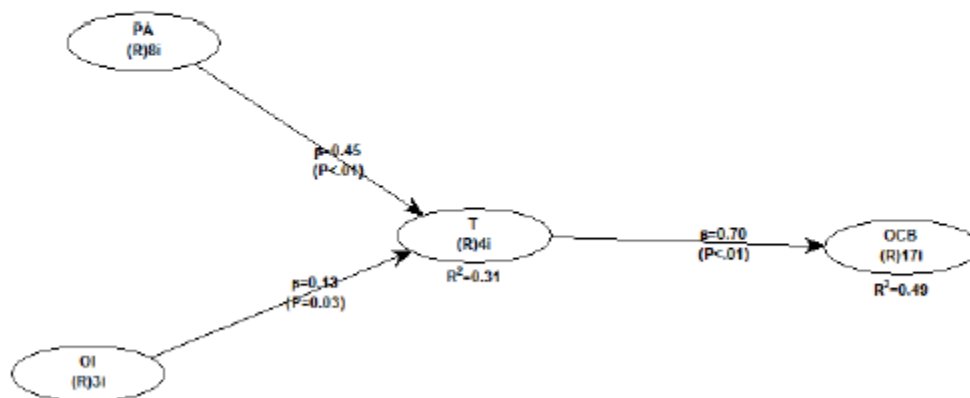
The tool used for analysis is Partial Least Squares(PLS) and the software used was WarpPLS 4.0.

WARP PLS 4.0

WarpPLS 4.0 is a powerful PLS-based structural equation modeling (SEM) software. It's very user friendly, with a well-defined step-by-step user interface guide. Implements classic in addition to factor-based PLS algorithms. Recognizes nonlinear relationships, and evaluates path coefficients consequently. It also represents linear relationships, with classic and factor-based PLS algorithms. WarpPLS also models reflective and formative variables, along with moderating effects. It computes P values, quality indices and model fits, and complete collinearity coefficients. Computes effect sizes and Q-squared predictive validity coefficients. Estimates indirect effects for paths with 2, 3 parts; as well as total effects. Computes numerous causality assessment coefficients. Delivers a number of graphs, together with zoomed 2D graphs, and 3D graphs.

#### 4.2 Final Model Analysis

*FIGURE 2: FINAL MODEL*



**TABLE 2: PATH COEFFICIENTS**

Path coefficients				
	PA	OI	T	OCB
PA				
OI				
T	0.446	0.129		
OCB			0.697	

**TABLE 3: P VALUES**

P values				
	PA	OI	T	OCB
PA				
OI				
T	<0.001	0.025		
OCB			<0.001	

The R squared value of trust obtained by this study of sample is .31. That is only 31% of the variation in TRUST (T) in the sample can be explained by independent variable PERCEIVED ACCURACY (PA) and OUTCOME INSTRUMENTALITY (OI). The R squared value of Organizational Citizenship Behavior obtained by this study of sample is 0.49. That is only 49% of the variation in ORGANIZATIONAL CITIZENSHIP BEHAVIOR (OCB) in the sample can be explained by independent variable TRUST (T).

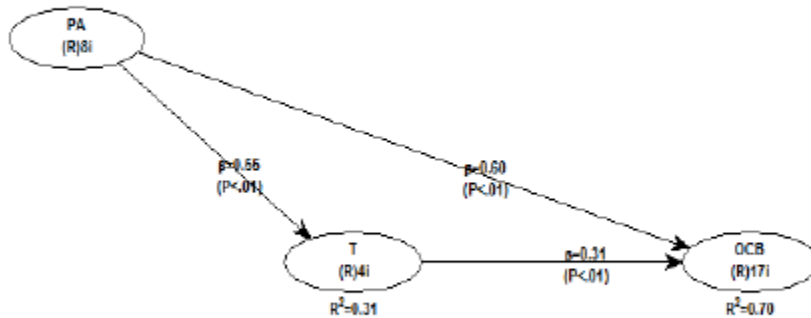
The sign of regression coefficient is positive. Thus we can conclude that in the sample, the PA and OI has a positive relationship with TRUST and TRUST has a positive relationship with OCB.

The significance value (p value) of the regression coefficient for all the links is less than 0.01 which is evidently less than 0.05 thus arriving at a conclusion that regression coefficient of the sample is significant and can be projected to a population.

## TESTING MEDIATION

Trust mediates the effect of perceived accuracy on organizational citizenship behavior.

*FIGURE 3: MEDIATION*



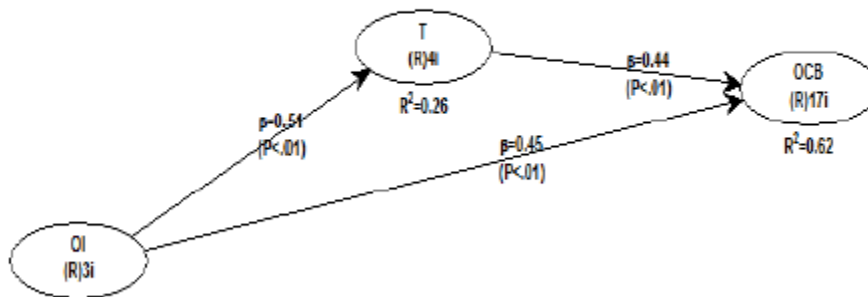
*TABLE 4: MEDIATION*

Indirect effects for paths with 2 segments				
	PA	OI	T	OCB
PA				
OI				
T				
OCB	0.172			

The value of path coefficient for the direct effect is 0.60. The value of path coefficient for the indirect effect is 0.172. Both the paths are significant so, there is partial mediation. It is evident that the value of path coefficient for indirect effect is very low as compared to the value of path coefficient for direct effect. So, the direct effect shows stronger relationship than the indirect effect. So, the mediating effect of trust is very low.

**H5: Trust mediates the effect of outcome instrumentality on organizational citizenship behavior.**

**FIGURE 4: MEDIATION**



**TABLE 5: MEDIATION**

Indirect effects for paths with 2 segments				
	PA	OI	T	OCB
PA				
OI				
T				
OCB		0.225		

The value of path coefficient for the direct effect is 0.45. The value of path coefficient for the indirect effect is 0.225. Both the paths are significant so, there is partial mediation. It is evident that the value of path coefficient for indirect effect is quite less as compared to the value of path coefficient for direct effect. So, the direct effect shows stronger relationship than the indirect effect. So, the mediating effect of trust is very low.

## **CHAPTER 5: DISCUSSION AND CONCLUSION**

### **5.1 Findings**

- Perceived accuracy of performance appraisal system is positively related to employee trust for organization.
  
- Outcome instrumentality of performance appraisal system is positively related to employee trust for organization.
  
- Employee trust for organization has a positive relation to organizational citizenship behavior.

□ Trust has a low partial mediating effect on the relationship between perceived accuracy and organizational citizenship behavior.

□ Trust has a low partial mediating effect on the relationship between outcome instrumentality and organizational citizenship behavior.

## **5.2 Conclusion**

It can be said from the above study that perceived accuracy and outcome instrumentality of performance appraisal system can affect the employee's trust for organization. Also, the employee trust for organization has a positive effect on the organizational citizenship behaviour. The study was conducted among 151 IT employees from different designations and irrespective of their age, gender and designation, it was seen that perceived accuracy and outcome instrumentality of performance appraisal system has a positive effect on their trust and also positive relation between trust and organizational citizenship behaviour. In the base article the values of path coefficient for the relationship between perceived accuracy and trust was 0.21 whereas the value obtained in this study was 0.55, which is quite higher. Similarly, the path coefficient for the relationship between outcome instrumentality and trust was .09 whereas the value obtained in study was 0.51, which is again quite high. The difference may be because of the population selected, which is production employees in the case of base paper and IT employees in this case.



## ANNEXURE

## QUESTIONNAIRE

**Personal information:**

Age:

Gender:

Designation:

S.N.	Think about the performance review system at your company, and answer the following questions.	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	The evaluation of what skills I have is pretty accurate.					
2	How much work I get done is important to my performance review.					
3	How many mistakes I make in my work is important to my performance review.					
4	Whether or not my supervisor likes me is important to my performance review.					
5	How much effort I put into my job is important to my performance review.					
6	How many "extra" things I do is important to my performance review.					
7	Finding ways for the company to save money is important to my performance review.					
8	Coming up with good ideas for the company improves my performance review.					
9	Whether or not I get a raise depends on my performance.					
10	If you are one of the better performers in this company, you will get one of the better raises.					
11	If I perform well, my chances of moving up are improved.					
12	I would let top management have any influence over issues that are important to me.					
13	I would be willing to let top management have complete control over my future in this					

	company.					
14	I do not want to keep an eye on top management.					
15	I would be comfortable giving top management a task or problem which was critical to me, even if I could not monitor their actions.					
16	I go out of my way to help co-workers with work related problems.					
17	I voluntarily help new employees settle into the job.					
18	I frequently adjust my work schedule to accommodate other employee's requests for time off.					
19	I always go out of the way to make newer employees feel welcome in the work group					
20	I show genuine concern and courtesy toward co-workers, even under the most trying business or personal situations					
21	For issues that may have serious consequences, I express opinions honestly even when others may disagree.					
22	I often motivate others to express their ideas and opinions					
23	I encourage others to try new and more effective ways of doing the job.					
24	I encourage hesitant or quiet workers to voice their opinions when they otherwise might not speak up.					
25	I frequently communicate to co-workers suggestions on how the group can improve.					
26	I rarely miss work even when I have a legitimate reason for doing so.					
27	I perform my duties with usually few errors.					
28	I perform my job duties with extra special care.					
29	I always meet or beat deadlines for completing work.					
30	I defend the company when other employees criticize it.					
31	I invite friends and family from work to dine in at restaurant.					
32	I defend the company when outsiders criticize it.					