

Determinants of Integrity in the Implementation of Performance Appraisal System (PAS): The Case of Malaysia Enforcement Agency

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ABSTRACT

This study aims to measure the determinants of integrity of Performance Appraisal System (PAS) in Malaysia's Public Sector. It focuses on the implementation of PAS in one of the enforcement agencies in Malaysia. Introduced in 2002 under the Malaysian Remuneration System (MRS), the PAS played an important role in pay-for performance. Employees' performance and competency were measured to determine their eligibility for salary increment and promotion. Since inception, the implementation of appraisal system was inundated with criticisms due to poor implementation, inappropriate method of assessment and unjust distribution of rewards. Such apprehension had raised concern on integrity of PAS. Guided by organizational justice and work character ethics theories, the study aims to explore the determinants of integrity in PAS. A structured questionnaire was developed and a total of 412 of useable questionnaires were used in data analysis. The research findings disclosed that procedural, distributive, interactional justice and work character ethics are positively correlated with integrity of PAS. Regression analysis shows that interactional justice and work character ethics are the strongest predictors that influence the integrity of PAS with 45.6 and 45.4 percent of the total variability in integrity can be accounted for by these two variables. The significant relationship between variables indicates that the erosion of integrity in PAS can be attributed to poor behavioral and meager structural of performance appraisal system. Strategic and effective measures therefore are pivotal to elevate integrity in the practice of appraisal system in the context of MPS.

Keywords: Performance Appraisal System, Pay-for-Performance, Justice, Integrity and Ethics

INTRODUCTION

Performance Management System (PMS) has tremendously changed the landscape of public sector management. Reform driven by PMS has significantly improved public sector performance across countries (Radnor & McGuire, 2004; Gerrish Ed, 2016). This positive outlook sees the juxtaposition of organizational and individual performance, in which performance is assessed through the establishment of Key Performance Indicators (KPIs). On smaller scale, individual performance is measured through performance appraisal system. This is seen as an essential organizational communication tool for work objective setting, compensation and personnel development (Maley, 2013; Neha, Tnuja & Madhushree, 2016; Perkins, 2018).

The emergence of PMS also has transformed the management setting of Malaysian Public Sector (MPS) since 1990s. A wave of change can be seen in arrays of policy areas, especially in public personnel. An improvement in the management of public personnel continues under performance management-based agenda with the implementation of Performance Appraisal System (PAS) which was first introduced in the New Remuneration System (NRS) in 1992 and revised under the

Malaysian Remuneration System (MRS) that came later in 2002 (JPA, Pekeliling Perkhidmatan bil 4, 2002). The new approach allows employees' performance and competency to be measured together, hence, employees' skills and knowledge are equally important and determinant to performance (Spencer & Spencer, 1993).

Embedded in pay-for performance system, the new form of performance appraisal system linked employees' performance to salary increment. However, attempt to improve individual performance was ineffective after the system was criticized due to a number of problems; rater error, inaccurate measurement used in appraisal system, unjust distribution and unfair procedure (Noreha Hashim, 2007; Rusli Ahmad, 2012b). Perceived unfairness was exacerbated, since the MRS established a weak relationship between pay and performance (Norhaslinda, 2012), not to mentioned design error, poor implementation and unjust outcome (Haslinda and Abraham, 2012; Mazlan, 2012; Rusli & Surena, 2012; Rusli, 2012; Savarimothu, 2004). Each angle, in turn contributes to an ethical and integrity reappraisal.

Integrity is a pervasively ingrained concept in management setting. The notion of integrity is predominantly known ever since the importance of ethical management is on the rise. Many appear to agree that integrity encapsulates ethically and morally sound management practices (Monga, 2016). The need for ethical management in public sector is vigorous since the emergence of New Public Management (NPM) with reform agenda anchored on performance enhancement and measurement (Aguinis, 2007; Bacal, 1999; Costelli, 1994; Winstanley & Smith, 1996). The research that does exist has considered narrow on the importance of integrity in appraisal system. This paper therefore aims to widen the scope and measure ethics, justice and integrity in the context of PAS in Malaysia's Public Sector. The objective of this paper is to explore employees' perceptions and to examine the prime criteria that would induce higher level of integrity in the practice of PAS. This is vitally important in response to the government's call for enculturation of integrity in the public personnel management.

PAY-FOR PERFORMANCE: PERFORMANCE APPRAISAL SYSTEM (PAS)

The emergence of New Public Management (NPM) has brought tremendous changes in the public sector. This new management philosophy have initiated a range of reforms with the aim of transforming the public sector into an efficient and dynamic administration using market-driven approaches. To strategically improve public sector performance, the implementation of NPM was consolidated with Performance Management System (PMS). PMS is the process of setting performance objectives and measuring performance at organizational, group and individual levels (Winstanley & Woodwall, 2000). Its application is very broad and is meant for result and performance delivery. Thus, merging individual performance with organizational objectives has become one of the key features of PMS (Fletcher, 1998).

Performance appraisal system has gained salience in the practices of personnel management. Performance appraisal is a formalized and legitimized process of observation and judgment. It is formalized in that it uses records and documentation and legitimized in that it is an act of people in official positions of authority (Scholtes, 1990). This process involves evaluating or judging the way in which someone is functioning (Coens & Jenkins, 2000). It helps identify critical skills and abilities needed, as well as producing meaningful judgment which is tied directly to the organization's rewards (Leete, 2000; Slyvia & Meyer, 2002).

The strengths and weaknesses of the system have attracted widespread attention among scholars. Scholars in general have developed in-depth understanding on performance appraisal practices, acknowledging its antecedents and consequences of performance appraisal on the organization. On consequences note, the application of performance appraisal is predicted to have an impact on organizational performance, individual performance, job satisfaction, productivity and employees'

motivation (Colquitt, Conlon, Wesson, Porter & Ng, 2001; Cohen-Charash & Spector, 2001; Erdogan, 2002; Greenberg, 2003).

Accurate feedback and objective assessment are vital for the appraisal to intrinsically and extrinsically motivate employees (Ilgen, Fisher & Taylor, 1979). Thus, increase in employees' level of motivation is possible if pay or reward given commensurate with their effort and contribution. This can be a successful motivator for employees and it can produce substantial impact on job performance (Appelbaum & McKenzie, 1996). However, mere emphasis on monetary incentives would not be sufficient without intrinsic rewards. It is also important for an organization to intrinsically motivate employees. Intrinsic rewards such as job autonomy, job flexibility, setting innovative objectives and maintaining interpersonal relationships are believed to have positively affect employees' behaviour and attitude (Westover & Taylor, 2010; Zhou, Zhang & Sanchez, 2011). On antecedents note, the system design, in terms of appraisal characteristics and attributes are equally important as reward. Clarity, fairness and accurate feedback are also crucial since this mechanism determines employees' career development (Kelly, Angela, & Chong, 2008).

A just performance appraisal, therefore, can bring a host of other positive outcomes. To fully reap the benefits, the design, process and implementation of performance appraisal must take into account multiple internal and external factors associated with organizational system. That external environmental variables like legal environment, racism, the culture of an organization (hierarchy and impartiality) and internal factors such as greater acceptance among employees, play key roles in determining the effectiveness of performance appraisal (Boyd and Kyle, 2004) apart from psychological acceptance (Nigro, Nigro & Kellough, 2007). Employees' acceptance is often considered the most important requirement for an effective performance appraisal system.

Despite its importance, experience demonstrates that the application of appraisal system by various countries have resulted in varied outcomes. There are a myriad of problems associated with the practices of appraisal system in the public sector. Unclear performance expectation and poor performance measurement criterion hampered the effectiveness of performance pay system in the public sector. Even worse, the issue of validity of measurement ratings has further undermined the usefulness of the appraisal system. Other subtle factors such as biasness due to appearance, gender, assessor liking, lack of experience, little monetary value and ingratiation were also included (Cook, 1995; Brown, Hyatt & Benson, 2010). Such problems in turn, undermine the credibility of appraisal schemes to accurately measure performance and lessened the credibility of the system to motivate (Kim, 2002; Mortimore & Mortimore, 1991; Rusli & Nurazman, 2004).

The whole scenario signifies that a strong foundation of personnel assessment system must be built by integrating ethics and justice in assessment practices. Indeed, the normative criteria of ethics and justice prescribed by moral philosophers, are deemed important in management (Singer, 2000). In the context of performance appraisal, an ethical approach helps performance evaluators to assess employees objectively and accurately. Therefore, having an adequate opportunity to observe employees' performance over the assessment period, having an evaluator who possesses judgment skills and ability to communicate feedback, having a process that is free from judgmental bias, and setting clear objectives and goals have been identified as important criteria for ethical performance appraisal (Sillup & Klimberg, 2010). Employees' rights should be observed and preserved from the very beginning of the process. These rights can be ensured by the presence procedural fairness. The presence of ethics in this sense is strongly associated with the notion of justice. By adhering to this set of ethical standards, the practice of performance assessment not only produces highly-committed employees but also highly-trusted managers (William, 1992).

THE IMPLEMENTATION OF PERFORMANCE APPRAISAL SYSTEM (PAS) IN THE MALAYSIAN PUBLIC SECTOR (MPS)

The implementation of PAS in 1992 was seen as a strategic move towards effective employee management by linking performance to salary increment and promotion. Through appropriate setting of performance standards, the PAS was expected to generate a systematic approach in managing, coaching, evaluating and developing employees' job performance (Halim, 1996). However, in practice this merit pay system was overshadowed by a number of flaws. This merit-pay system apparently failed in its attempt to improve organizational capacity through individual performance. Poor correlation between pay and performance hampered the NRS objectives to bolster employees' performance through appraisal system.

Flaws in the implementation had compelled the government to improve the appraisal system and introduced new salary package known as the Malaysian Remuneration System (MRS). An improved version of performance assessment tool was introduced under MRS. It comprises of three related components, namely Annual Work Target (AWT), performance appraisal and Competency Level Assessment (CLA). The CLA was abolished in 2011 as the examination held through CLA perceived by many as unjust system and failed to accurately measure employees' competencies (Muhammad Ali Embi, 2006 and Rusli Ahmad, 2012a). The combination of AWT and performance appraisal would ensure the accuracy and fairness in performance measurement. However, after decade of implementation, the system suffered from a number of problems ranging from difficulty in assessing performance to setting clear work objectives. The obstacles in setting clear work target occurred due to the nature of work, some of which are hard to quantify. According to Noreha (2007) the practice of performance appraisal under the MRS evoked concern on the issue of fairness and integrity of the system due to inappropriate weighting and performance criteria used.

Common issues raised by employees in respect of performance evaluation are relatively associated with fair assessment. Deficit trust on rater's capability was obvious due to rater's lack of understanding and skills in carrying out the assessment. Subsequently, perceived unfairness and bias in assessment was rampant due to raters' error (Rusli, 2012b). Unfair procedure was apparent due to inadequate feedback from rater and bias assessment. Having poor rater due to lack of training had intensified the problems in which many of them mistreated the appraisal system as measuring and controlling mechanisms, not as a tool in managing employee performance (Dev Kumar, 2005; Haslinda & Abraham, 2012; Shukran, 2006; Rusli Ahmad, 2012a). As far as reward is concerned, unfair rating affects their compensation decision and personal development, thus signify weak linkage between performance and outcome in the performance appraisal. On this line of reasoning, a number of ethical and integrity concerns on the design, process and outcome of the PAS surfaced. Concern over integrity in administration of appraisal has elevated due to increase malpractices thus left huge disappointment over obscure policy outcomes.

In the context of PAS, having fair performance appraisal was part of the initiatives to enhance integrity in management practices. There are a large number of empirical journals which have commented on the importance of ethics and justice in HRM (Mhlolo, 2014). The presence of ethics in this sense is strongly associated with the notion of justice. Many has associated integrity with having fair appraisal system (Noreha, 2007), however a solid framework to facilitate this process remains obscured. Little effort has been devoted to integrate ethics and justice as a means to explore and explain integrity in PAS. A deep thought on the problems confronted in the PAS discloses that the actual problem is considerably centered on the issue of integrity. However, none has tried to examine the determinant factors that lead to integrity of the PAS. This study therefore, predicts direction that justice dimensions and ethics have on integrity of the PAS. Integrity in performance appraisal system would not be materialized without a clear framework of what constitutes integrity in the practices of performance appraisal system. This article therefore seeks to fill up the gap by developing an integrity perspective in the practice of PAS. Determinant of integrity framework of PAS is analyzed from two dimensions namely organizational justice and work character ethics. The ethical and justice

framework serve as lens through which perceived integrity of PAS is explained and relationship between perceived justice, ethics and integrity is explored.

THEORETICAL FRAMEWORK

The strength of the study is centered in the framework of analysis. The theoretical analysis covers both structural and behavioral dimensions in PAS. The organizational justice theory is framed to explain the wider role of justice in human resource management (Colquitt, 2001; Farndale & Kelliher, 2011). Concerns about justice in human resource management are always associated with the application of performance assessment. According to Thurston and McNall (2010) and Erdogan (2002) justice perception are useful in explaining employees' reactions in a performance appraisal context. Higher justice perception would lead to a high possibility of successful implementation of the assessment process (Ambrose & Ganesan, 2007; Colquitt, Conlon & Porter, 2001; Rumold, 2010).

In this regard, the organizational justice theory provides a holistic view on social interaction and structural forces of the appraisal system. It comprises of three justice dimensions; first, procedural justice, contains the body of rules and guidelines; second, distributive justice that looks at the outcome received which is contingent upon assessment and the third dimension is interactional aspect that views the process of supervision and quality of feedback (Greenberg, 1990; Greenberg, 2003; Erdogan, 2002; Thurston and McNall, 2010). The study also includes work character ethics as the fourth variable under study. The work character ethics derived from virtue ethics theory and it emphasizes the development of virtuous traits at the workplace especially for managers and these are essential in order to maintain good manager-subordinate relations, and appropriate work character ethics (Beauchamp & Bowie, 2001, p.33). These include such traits as competency, honesty, fairness, trustworthiness, cooperativeness and supportiveness. In this regard, effective functioning of performance assessment system is only possible if the process is carried out by a virtuous manager. This theory depicts the importance of a person's intention, inclination and virtue for moral and ethical acts. Good intentions would result in beneficial outcomes which in return enhance ethics and integrity in management (Petrick & Quinn, 1997; Hosmer, 2003). As such, the study tests the following hypotheses;

Hypothesis 1: Procedural justice influences perceived integrity in the Performance Appraisal System (PAS).

Hypothesis 2: Distributive justice influences perceived integrity in the Performance Appraisal System (PAS).

Hypothesis 3: Interactional justice influences perceived integrity in the Performance Appraisal System (PAS).

Hypothesis 4: Assessor's work characters ethics influence perceived integrity in the Performance Appraisal System (PAS).

RESEARCH METHODOLOGY

Based on the scope of the study, the depth of the problem is explored using qualitative technique, determinants of perceived integrity in the performance appraisal practices are quantitatively measured. Employees' perception is obtained through survey questionnaire and semi structured interview. The survey instrument was specifically designed to measure three-factor model of justice namely; procedural, distributive and interactional justice in the context of performance appraisal in MPS. Items for the three justice dimensions were developed by Colquitt (2001), Ambrose et al., 2007, Thurston Jr and McNall, (2010) and this research has modified it accordingly to fit into the Malaysian

context. Meanwhile, items for work character ethics was self-constructed and pilot test was conducted to determine the reliability of the research instrument. All items were measured using likert scaling from 1 strongly disagree to 5 strongly agree. The statistical analysis is performed using statistical package for social sciences (SPSS).

For qualitative technique, semi-structured interview was conducted to focus on the respondents' experiences regarding the situations under study (Nachmias & Nachmias, 1981, p. 189). Thematic analysis technique is used for identifying, analyzing and reporting themes within data (Braun & Clarke, 2006). Deductive thematic approach is employed hence analysis is driven by researcher's theoretical interest. Quantitative and qualitative data were triangulated in which the primary source of quantitative data was further complemented by interview data. The use of triangulation method in this area offers advantage in a way that one form of data collection supplies strength to offset the weakness of the other form. In this context, the interview data supplies strength to offset the weakness of data obtained from research questionnaire. This triangulation method allows both types of data to intersect and merge, providing a more comprehensive understanding of the research phenomenon (Teddlie & Tashakkori, 2009).

The study employed purposive sampling technique in which questionnaires were distributed to one of the government agencies in the public sector. As part of the ethical consideration, the name of the agency could not be exposed. The respondents consist of employee from professional and management and support groups. The total number of personnel in this public organization is 1742, an adequate sample size for a population of 1700 is 313 (Uma Sekaran & Bougie, 2009). By taking into account the possibility of incomplete and missing questionnaire, the study distributed 550 questionnaires. Surveys with uncompleted items were eliminated, resulting in a total of 412 useable surveys. The response rate for the survey is 74.9 percent. This percentage exceeds the minimal level of acceptable response rate. According to Babbie (1999), a response rate which exceeds 70 percent is very good. The semi-structured interviews were carried out with two different groups, namely the assessors and the ratees. Interview protocol was prepared for both groups. The additional questions were added for the assessors' group with respect to their experience in conducting assessment. This study interviewed 26 respondents, comprised of 14 assessors and 12 subordinatess.

In terms of goodness of data, reliability test was performed to measure internal consistency among items that measure each construct. Table 1 presents reliability analysis for five constructs employed in the study. As shown in the table all five constructs have exceeded minimal acceptable levels of internal consistency standards. Evidently, all items that make up the scales are internally consistent with overall Alpha values above .8

Table 1: Reliability Analysis for Five Constructs (n=412)

Variables	Cronbach's Alpha (α)
1. Procedural Justice	.847
2. Distributive Justice	.851
3. Interactional Justice	.895
4. Work Character Ethics	.875
5. Integrity of the PAS	.919

Note: Reliability test run for five scales indicates that all scales have reliability above $\alpha=.80$

FINDINGS

Demographic Data

The total sampling size used in the study is 412. Out of 412 respondents, 75.4 % are male and 24.6 % are female. The domination of Malay in the public sector is well-reflected in the race distribution. More than 80 % of respondents are Malay and this is followed by Indians 7.1 %, Chinese 3.4 % and others 2.9 %. In terms of education, more than the majority of respondents entered the organization after completing secondary school. Here, 83.7 % respondents passed secondary school, 12.4 % continued their studies until diploma, 3.4% have degree qualification and only 0.5% continued their studies up to postgraduate level. In terms of service group, 88 % are from support group and only 10.2 % officers come from the professional and management group. For duration of services, the breakdown percentage indicates that 42.1% respondents have been serving the institution for 1 to 5 years, 16.7% between 6 to 10 years and 10.5 % working in the institution between 11 to 15 years. Meanwhile 30.7% respondents have been working for more than 16 years. Since the employees are the recipient of the system, this percentage depicts their level of understanding and awareness on the issues concerning the practice of performance appraisal. Likewise for interview, the interviewees consisted of six officers from the professional and management group and 20 respondents from the support group. It is important to note that 16 respondents have more than 25 years of working experience. The rest have been serving the organization for more than 10 years and only one has 3 years working experience. The total number of respondent reflects the composition of personnel in professional and management group as well as support group. Years of service served would determine the breadth and depth of information obtained from respondents thus enhance the quality of information produced from interview data.

Perception on the Implementation of Performance Appraisal System (PAS)

Table 2 shows descriptive analysis on employees' perception on the implementation of appraisal system in the context of justice, ethics and integrity. Their perception was measured using likert scaling from strongly disagree to strongly agree. Overall analysis reveals mixed perceptions on the practice of performance appraisal as responses were widely dispersed from minimum value one and maximum value five for all constructs. This reflects individual experience throughout the practice of performance appraisal system. As presented in table 2, average responses for all constructs tend to cluster at mean = 3.6.

Table 2: Descriptive Statistics for All five constructs

Construct	Mean	Standard Deviation (SD)	Min	Max
1. Procedural J.	3.616	.465	1.67	4.73
2. Distributive J.	3.633	.490	1.29	5.00
3. Interactional J.	3.637	.499	2.00	5.00
4. Work Character	3.652	.535	1.36	5.00
5. Integrity	3.780	.508	1.76	5.00

Individual experience throughout the implementation and the shortcomings of the system had tremendously influenced employees' agreement and disagreement on the instrument used, process applied and expected outcome of appraisal system. Supporting the quantitative findings, interview data highlights the shortcomings and weaknesses of the system. As for the implementation of performance appraisal some perceived the system to be poorly implemented as employees' right have been neglected due to the absence of feedback from assessor (Respondent 7, 8, 21 and 24). Moreover, problems such as biased assessment and unfamiliar second rater were also addressed by the

respondents. Strong personal attachment led to poor assessment practices (Respondent 9, 10 and 25). Question on reliability of ratings occurred because the second assessor was not familiar to them, let alone their job performance. For the assessment to be fair, the second assessor should know the subordinate without merely relying on marks given by the first assessor. The assessment would be biased if subordinates were not in a good term with the first assessor. Many indeed acknowledged the inconsistent procedure applied throughout the process. Evidently, a sense of injustice prevails due to improper conduct of assessors, personal bias and the appointment of an unfamiliar second rater.

The reality is far fetch from written guidelines by Public Service Department (JPA, Pekeliling Perkhidmatan bil 4, 2002).The guideline clearly emphasized the responsibility of the assessor to provide adequate feedback on employees' performance and the second assessor should be someone who is familiar with ratee's job performance. Apparently, the standard designed by the PSD has largely been ignored by assessor throughout the practices. The misguided practices were confirmed by rater and they vaguely claimed it was the instruction coming from the top. The short cut procedure was applied as many of them viewed the whole process as being burdensome and complicated. As mentioned by respondents;

“...nowadays, performance ratings do not comply to the same procedures as before, in current practice no feedback is given to the subordinateshence the process can be complicated and burdensome because we deal with many people. Though objective evaluation is ensured and marksare given based on their actual performance, there were still few who would criticize the assessment. Officers sometimes cannot accept the fact that they had underperformed and as a result they complain and complicate the whole process. Their apprehension forced the higher authority to alter the process. Ever since then, providing feedback to employees is no longer compulsory...” (Respondent 1 and 3)

Despite assessors' compliance to proper conduct in carrying out the assessment, huge complaints among unsatisfied subordinate has altered the process. The highest authority decided that assessor can forward the ratings without informing the subordinate. Though some raters might have more than ten years of experience, the response from subordinates about the absence of adequate feedback in the appraisal process demonstrated that the right standard of assessment is hardly followed.

Assessing subordinates' performance is apparently the most challenging task for assessors. Not to mentioned those in the position of being assessed also under the same conditioned. Unstandardized assessment and inadequate training given to assessors were the main reasons for deficient practices in performance appraisal. No proper training was provided and raters are expected to follow manual guide book for assessment which eventually cause adherence to inconsistent practices in carrying out the performance evaluation. Most of the time, the assessor failed to adhere to the right process. The process itself was not truly transparent, let alone the procedure thus brewing doubts and dissatisfaction among employees. Fair and ethical standard of appraisal system in this sense was questionable by respondents.

On distribution aspects, many have argued that poor method, inconsistent standards applied and lack of transparency in the process have invariably affected the assessment outcome, thus distributive justice was not properly upheld. Lack of equity in assessment outcome was apparent. Nonetheless, the aspect of 'politics' in ratings was obvious in the appraisal system. Unfair assessment due to a biased rater inevitably influenced the outcome of assessment. Similarly, problems such as absence of feedback, poor sensitivity of rater in supervision and lack of justification and discussion have subsequently led to poor interactional justice. Poor communication indicates that interactional justice standard has not been fully met. Such scenario indirectly informs about the presence of work character ethics. Errors committed by assessors throughout the assessment imply weak presence of work character ethics. Indeed, assessor's knowledge, skills, ability and ethical related acts have yet to reach a satisfactory level.

Issues like poor method of assessment, rater error, lack of transparency, lack of uniform procedure, lack of training, absence of proper appeal process, poor rater feedback and justifications and bias have implied weak presence of justice and ethics in the practice of appraisal system. The proper standards have not been fully complied. The effectiveness of performance appraisal has been bedeviled by lack of information about the ‘know-what’ and ‘know-how’ of the system. As the result assessor would face many challenges in carrying out the assessment. Unfulfilled justice and ethical standards and occurrence of problems jeopardize the integrity of the system to a great length. Integrity of appraisal system has been compromised by not following the standard procedure set by PSD. As such, improvement in the practice of performance appraisal system is essential for justice and ethical to prevail.

Determinants of Integrity in the Implementation of PAS

Pearson correlation coefficient analysis is performed to determine the association between three prominent justice dimensions, work character ethics and integrity in the implementation of PAS. Findings revealed that all five variables are positively associated. This implies that the better employees’ perceptions of the presence of justice and ethics the more positive they are on the integrity of PAS.

Table 3: Correlation Coefficients

Variable	1	2	3	4	5
1. Procedural Justice	1.00	.715	.696	.639	.639
2. Distributive Justice	.715	1.00	.675	.594	.619
3. Interactional Justice	.696	.675	1.00	.723	.676
4. Work Character Ethics	.639	.594	.723	1.00	.674
5. Integrity of PAS	.639	.619	.676	.674	1.00

As shown in the table, coefficients among variables range between +.594 and +.723. Evidently, positive association between variables at varying degrees of correlations is identified. This implies the presence of justice and ethics associated with integrity in the performance appraisal. Individual analysis of each variable discloses that procedural justice is positively correlated with integrity at $r = .639$. According to Cohen and Holliday (1982) the correlation coefficient range from 0.40 to 0.69 denotes a medium relationship between variables. Next, the positive linear relationship also can be found between perceived distributive justice and integrity, with a correlation value at $r = .619$. Interestingly, perceived interactional justice has the highest correlation with integrity, compared to the other three variables. The positive correlation of $r = .676$ implies that there is a medium relationship between interactional justice and integrity. Likewise, perceived work character ethics also have slightly better correlation with integrity compared to procedural and distributive justice with $r = .674$. As such, having an assessor who is responsible, competent, knowledgeable and fair is highly desirable.

The association of justice and ethics confirms the fact that justice is an integral part of ethics (Singer, 2000). Positive association among variables implies the importance presence of justice and ethics for integrity establishment in the context of PAS. A key highlight on interactional justice implies employees’ high perception on the importance of the assessment process conducted by the assessor. Perhaps poor outcome is acceptable as long as a just process is adhered to by assessor. High

expectations placed by subordinates towards assessors expose the need to have quality assessors along with proper training. This also denotes that acceptance among employees towards the system is immensely determined by the role played by the assessor.

The association among variables therefore, allows the researcher to conduct regression analysis so as to increase the r^2 value. Simple linear regression is performed to assess the relationship of two variables. A significant relationship indicates strength of influence that an independent variable has towards a dependent variable. In light of this, a simple linear regression therefore is performed, to demonstrate the strength of influence that the independent variables have towards the dependent variables. Table 4 depicts the regression analysis for each variable.

Table 4: Simple Linear Regression

Variable	R	R Square	Annova		Coefficient	
			F	Sig	t	Sig
1. Procedural Justice	.639 ^a	.409	283.307	.000 ^a	16.832	.000
2. Distributive Justice	.619 ^a	.383	254.476	.000 ^a	15.952	.000
3. Interactional Justice	.676 ^a	.456	344.242	.000 ^a	18.554	.000
4. Work Character Ethics	.674 ^a	.454	340.731	.000 ^a	18.459	.000

*Predictor Variables: Procedural Justice, Distributive Justice, Interactional Justice and Work Character Ethics

*Dependent Variables: Integrity of the performance appraisal system

As shown in Table 4, all predictor variables are useful in predicting dependent variables. The variability in integrity is explained by four independent variables. R square explicates the percentage of the variance in the dependent variable. The F value at the annova column suggests the relationship between an independent and a dependent variable. Larger F value suggests that there is a linear relationship between the two variables. The t and F values evaluate the same hypothesis. The first row shows the relationship between perceived procedural justice and perceived integrity in PAS. Approximately 40.9 percent of the total variability in integrity can be accounted for by procedural justice. The second independent variable, namely distributive justice also significantly influences the integrity of the CBPA. The R square value indicates that 38.3 percent of change in the outcome is explained by distributive justice. Likewise, interactional justice also has a significant relationship with perceived integrity of the PAS. The relationship is quite large since 45.6 percent of variance in the integrity is attributed to interactional justice. Last but not least, work character ethics also has significant effects on the outcome variable. Indeed, 45.4 percent change in integrity is determined by work character ethics.

The hypotheses designed in this study predict the influence that the three justice dimensions and ethics have on perceived integrity. The strength of influence the independent variables have on dependent variables implies that the prediction of relationship between independent variables and dependent variables is well-supported. This study therefore concludes that employees' justice and ethics perception significantly influence perceived integrity in the PAS. R square of all four independent variables suggests that interactional justice largely influences the outcome variable. This is followed by work character ethics, procedural justice and finally, distributive justice. The positive association and strength of influence between variables suggest that a higher level of integrity in the performance assessment system is determined by a higher presence of procedural, distribution, interactional justice, as well as better work character ethics.

DISCUSSION

Performance appraisal system is purported to assess employees' performance against the specific work objectives. The appraisal system is intended to achieve some explicit and implicit purposes, by and large for administrative and compensation decisions as well as for personal development. Embedded in Performance Management System (PMS), the new form of performance appraisal was introduced in MPS. A shift away from seniority to performance-based system was advocated through the implementation of New Remuneration System (NRS) in 1992 and Malaysian Remuneration System (MRS) in 2002. The merit pay system is set to assess and reward employees' performance objectively. It links performance appraisal with salary increment, promotion and overall career development.

Practically, an effective appraisal is conditioned by a number of factors and these include criteria used to evaluate performance, feedback process, monetary outcomes and the acceptability of the entire performance process to the assessors and subordinates. Consistent gap in the expectation of the assessors and subordinates would dismiss the opportunity for the successful implementation of PAS. Malaysia experience reveals that controversies surrounding performance appraisal was aggravated due to a large scale of disagreement over the implementation of performance appraisal. Thus raised concern over justice and ethical standards followed in the implementation of appraisal system. Indeed, integrity of the system has been compromised due to flaws in the instrument design, process, and overall implementation. Descriptive and in-depth analysis from interview reveals that the appraisal system suffers many setbacks on the procedural, rater and process implemented. The intensity of the underlying problem in the PAS has been revealed qualitatively. Issues like poor method of assessment, rater error, lack of transparency, unstandardized implementation, lack of training, absence of proper appeal process, poor rater feedback and bias assessment have implied weak presence of justice and ethics in the PAS. Such flaws invite massive criticism among employees. Employees in general have expressed huge dissatisfaction over the practice of PAS. Flaws in the system brought forth massive criticisms due to unfair procedure, process and outcome of the PAS. Employees' attitude towards the appraisal system in turn, influences their job satisfaction and professional commitment (Shukran, 2006).

Unexpected issues occurred and subordinate raised the question of integrity to great length. In relations to integrity, majority of the respondents perceive that poor rater assessment has largely influenced the integrity of the PAS. This is followed by poor procedural and distribution. Integrity indeed marks as a fundamental value that needs to be upheld. Interactional justice and work character ethics are perceived to be the most important predictors which influence the integrity of the PAS. An imperative role played by the assessor throughout the assessment is largely covered in this third prominent type of justice and work character ethics. The compliance with interactional justice is important because good supervision and adequate explanation are the main ingredients for effective functioning of appraisal system. An assessor shouldered the responsibilities to inform subordinates about their strengths and weaknesses in job accomplishment. By providing sufficient explanation, employees would be able to considerably improve their job performance. A strong justification provided by assessors would reduce employees' apprehension towards the system. This of course requires an assessor who has sufficient skills and competent in conducting performance appraisal. Research carried out by Rusli Ahmad (2012b) in one of the public agencies found that perceived unfairness and bias in assessment in appraisal system was rampant due to rater's error. Resistance due to poor assessment ratings can be minimized if assessor's actions were justified through proper compliance of justice and ethical standards. Meeting those requirements is fundamental hence subordinates normally develop strong personal attachment towards their supervisor. They place trust and respect on their assessor and they expect proper treatment from them. Having a competent supervisor, therefore is inevitable hence quality of supervision would largely affects employees' perception on the appraisal system (Boyd & Kyle, 2004; Ambrose & Ganesan, 2007; Ariff Hasan & Junaidah Hahim, 2011).

Nevertheless, the inclusion of work character ethics is equally important to support interactional justice dimension. Work character ethics emphasizes on the need for the assessor to be competent, responsible and ethical throughout the assessment. Having a rater with adequate skill and motivation and sound rating procedure are the main ingredients for effective appraisal system (Longenecker, 1997). Underlying problems such as inconsistent procedure adhered by the assessor, biasness, inadequate feedback and lack of transparency indicate a weak appearance of work character ethics in the assessment. As such, bias assessment, office politics scenario and unnecessary sympathy should be minimized as much as possible. A good assessor indeed must possess sound work character ethics. It is imperative to know that this character is to be distinguished from a person who has a natural born personality. Work character ethics must be acquired through training. The training process is essential because this would ensure a strong moral foundation of the assessor (Petrick & Quinn, 1997; Birsch, 2002). Adequate training for supervisory role therefore is inevitable, because the organization cannot expect the staff to be ethical without having some involvement in their training (Svenson & Wood, 2011).

On the same note, the importance of procedural and distributive justice's role in PAS is also apparent. These two justice dimensions determine integrity but not as strong as interactional justice and work character ethics. The significant influence that the procedure and distribution have upon integrity signifies the importance of appraisal structures and process outcomes. Distributive justice is concerned with equity in rewards, thus efforts given should be equivalent with the outcome. The outcome and reward received by employees largely influence their perception on the system. A study shows that the attitude toward the system and supervisor are predicted by employees' perceptions of fairness of the performance appraisal practices (Thurston & McNall, 2010). Indeed having a fair system would not be enough without having a well-trained, competent and highly ethical assessors in conducting the assessment process and vice versa. Descriptive analysis reveals that, the aspect of procedural justice was moderately present in the previous implementation of PAS. As far as procedural is concern, the top-down approach has invited massive criticisms from employees. Undermining employees' voice in decision-making process would subsequently lead to poor acceptance, thus reflecting lack of procedural justice in appraisal system. Preserving employees' right in appraisal practices should be observed from the policy-making stage. Acceptability towards the system is possible through a bottom-up or hybrid approaches. Nevertheless, justice in the PAS is served when the appointment of assessor was meticulously done. Stringent requirements for assessor appointment plus sufficient training are critical. Justice and ethical standards could be well guarded through the appointment of assessor as well as allocation of training given to them. Well-trained assessors are the key for successful implementation of appraisal system (Bruijn, 2002; Brown & Benson, 2010).

Overall findings unveil the strengths and flaws of the existing appraisal system in Malaysian Public Sector (MPS). Indeed, the behavioral and structural are two primary aspects that need to be observed for effective implementation of appraisal system. This could be attained through justice dimensions and work character ethics. Following the standards prescribed would holistically enhance the integrity of performance appraisal system. The study therefore reaffirms the fundamental aspect of justice and ethics in various arrays of HRM activities. The research outcomes further consolidate the role of justice and ethics in employee management practices. Strong appearance of justice and ethics implies employees' demands for their rights to be preserved in the practices of PAS. Since the system affects their salary and career prospective, empowering and preserving their rights therefore, is vital. Close supervision and reaction from the authority on the arising issues are crucial whenever employees' right is on the line. On this line of reasoning, integrity of PAS could be elevated if fairness and accuracy in performance measurement is observed. These values should be at the forefront in policy-making stage, implementation and towards the end of assessment outcome.

Integrity is not new but it is a universal value standard that should be reinforced in the most formal way. It should no longer be treated as a 'touch and go' value principle in management or for the sake of political popularity. Integrity indeed should be the way of life and a governing principle for the betterment of the system and organization in general. From performance appraisal standpoint, the

integrity of PAS can be fortified through justice and ethical framework, this in turns ensure the integrity of assessment system as a whole. Integrity sets a new benchmark that goes beyond effectiveness with holistic perspective reflecting the quality of the system, personnel and management within the organization.

CONCLUSION

Managing employee performance has gained its importance in public sector reforms in Malaysia. This can be seen through the implementation of Malaysian Remuneration Policy (MRS) which was introduced in 2002. The MRS witnessed a shift in pay system from seniority-pay system to merit-based compensation, which performance has become a cornerstone in compensation decision and personnel development. An employee performance therefore is measured using a new performance appraisal system, an assessment tool that links employee's performance with rewards. These, by and large have been the major focus in the implementation of new remuneration policy in Malaysia's public sector. Despite improvement, the overall impact is limited and the outcome of implementation far from satisfactory due to flaws in behavioral and structural aspects of PAS.

The appraisal system suffers from lack of justice and ethics not only in the behavior, but also in the structures and process of appraisal. Apparently, the integrity of the system was compromised. Lack of transparency, poor instrument design, avalanche of politicking throughout the process, and rater bias are identified as among the factors that compromise the integrity of the system. This has prompted a study to measure integrity, justice and ethics and its relationship in the context of performance appraisal system. Descriptive and in-depth analysis informs that strengthening integrity could be materialized if the appraisal system meets the standard designed as outline in procedural justice, distributive justice, interactional justice dimensions as well as work character ethics. The positive association and strength of influence between predictors and outcome variables are confirmed in the practices of PAS. Building integrity therefore is feasible via justice and ethical framework. Complying with ethical conduct, fair process and just outcome would eventually improve and enhance perceived integrity in the PAS, thus reinforce integrity in the practice of HRM in general. The framework designed is beneficial and useful to facilitate effective Human Resource Management (HRM) in the context of Malaysian Public Sector (MPS).

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