

Performance Management Effectiveness in Thai Banking Industry: A Look of from Performers and a Role of Interactional Justice

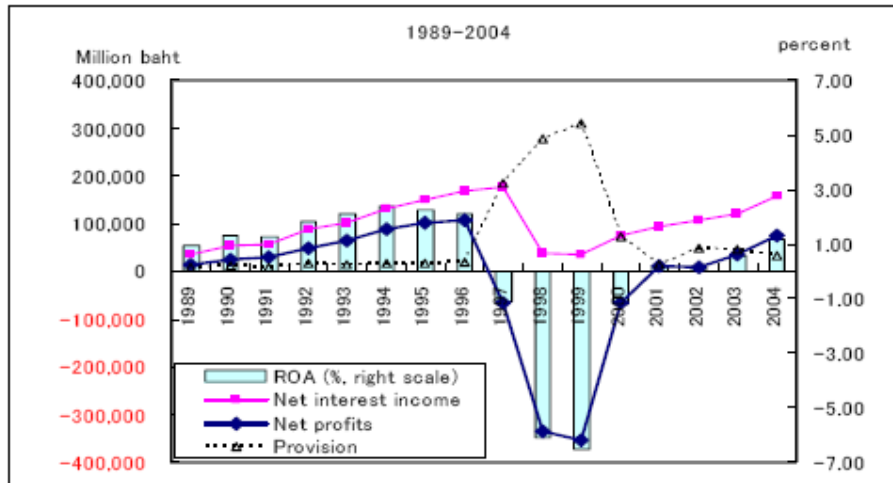
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Introduction

The increasingly competitive environment of the 1980s, which continued throughout the recessionary 1990s still remains a dominant factor today. Up until now, the increasing competition is even higher than one could imagine. Business faces challenging of increasing intensity and scope of globalization, a drive to comply with international standards, a continued move toward automation of production processes, a reliance on more sophisticated information technologies, and unrelenting increase of oil price.

Banking industry in Thailand is one of the industries that are facing up to high competitive pressure, especially after 1997 crisis. As showed in the Figure 1, net profits and return on assets sunk during the crisis. It was not until 2001 that the net profit of the banks slightly became positive gain.

Figure 1 Financial performance of Thai Banks from 1989-2004



Source: Kubo, K. The Degree of Competition in the Thai Banking Industry before and after the East Asian Crisis. ASEAN Economic Bulletin, December, 2006

Although the economic situation in Thailand is recovering, banking industry meets more challenges from new financial landscape such as Basel II implementation and Financial Sector Master Plan. As a result, it has introduced additional competitive pressure to the industry. Thailand now welcome foreign investors to hold major shares in Thai banks, i.e. ABN Amro, DBS Bank, United Overseas Bank, and Standard Chartered Bank. Therefore, to survive in the midst of high competition, all banks have to reform their revenues and cost structures (Sookpradist 2003). For income enhancement, it can offer services that other banks have not yet provided and increase non-interest income such as fee income from debt instrument transactions and foreign exchange transactions. However, for cost reduction, all bank seem to have the same cost for capital because of regulations from Bank of Thailand and market mechanism. Thus, it looks like the only way for bank to reduce cost is to operate at a relatively lower cost than competitors. By banking nature, operating expenses, including salaries consumes about half of total revenue (Payant 2006). Managing these operational activities and their associated costs wisely can improve profitability.

To thrive or survive, banks need to continuously improve qualities, attract more customers, and are more cost-conscious. In other words, banks need to better manage their performance. Over the years, there are many practices, tools, techniques, systems, philosophies that aim to

help organizations to gain competitive advantage. Some of them are proved to be effective and remain in the business management while some of them may be just a business fad. Among the effective one, performance management is a prominent practice that help organizations to create business value. For instance, in a survey of 437 U.S. companies, McDonald, Shield, and Smith (Rheem 1995), found that companies that used performance management programs had greater profits, better cash flow, stronger stock market performance, and greater stock value than companies that did not. In addition, companies with such programs had higher sales per employee or productivity- than those that did not; also, productivity and financial performance in companies with performance management program were higher relative to other companies in their industries. In the same study, they also compared companies before-and- after implementing the programme. They found that after implementing performance management, total shareholder return increased by 24.8% and productivity increased by 94.2%.

Not surprisingly, many banks in Thailand are vigorously implementing performance management system to help them better manage their employee's performance and in turn, it affects organizational performance. Since it is the key process through which work is accomplished, it is considered the "Achilles Heel" of managing human capital (Pulakos 2009). Therefore, it is very important to manage it effectively.

Having performance management system in banks does not guarantee desired outcomes, namely its effectiveness. For example, when executives were asked to comment on their own performance management programs, they rated the programs as only "slightly effective" to "somewhat effective" (2 and 3 on a scale of 1 to 4) (Rheem 1995). In another study conducted by WorldatWork and Sibson Consulting, it is found that only 5% of respondents gave an A to their performance management effectiveness and 46% rated their companies performance effectiveness as B (Anonymous Oct2007). Employees' perception toward the program can shape how they react to and act in accordance with the performance management system. Since performance management is the process that requires high involvement and commitment from people in the organization, perceptions of the employees can highly affect organization outcome. Therefore, the purpose of this paper is to explore how employees in commercial banks perceive effectiveness of performance management and factors affecting levels of perceived performance management effectiveness.

Theoretical background and hypotheses

Performance management

Managing performance has been a very important issue for a long time. It has gained more attention recently due to high competitive business environment. Especially when the popularity of Balanced Score Card calls for mechanism to cascade and instill the corporate strategy down through the organization and to ensure that strategy plan is actually implemented, performance management is one of practices that assist organization to link organizational goals to individual goals. That is, operational goals take the organization's strategies and translate them into specific goals. Therefore, it facilitates management alignment and buy-in by bringing all levels of management into operational planning process and giving employees a chance to help shape the plan (Aguilar 2003). In fact, it can help organizations to improve financial performance. A study conducted by McDonald and Shield of Hewitt Associates found that companies that used performance management programs had greater profits, better cash flow, stronger stock market performance and greater stock value than companies that did not. Not only performance management improved financial performance, but it also improved productivity; companies with such programs had higher sales per employees (Rheem 1995).

Nonetheless, performance management has been mistaken as performance evaluation. As a matter of fact, both performance management and performance evaluation are related but they are not exactly the same concept. Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams; it is a mean of getting better results from the organization, teams, and individuals by understanding and managing performance within an agreed framework of planned goals, standards, and competence requirement (Armstrong 2006). While performance evaluation is a process of assess and rate past performance of individuals or groups (Oct2004).

Performance evaluation is just a part of performance management. Table 1 compares performance evaluation with performance management.

Table 1 Performance evaluation compared with performance management

Performance evaluation	Performance management
Top-down assessment	Joint process through dialogue
Once or twice a year	Ongoing process with one or more formal reviews
Mostly use subjective rating	Mostly use objective rating
Past oriented	Future oriented
Focus on linking past performance to reward	Focus on correcting, sustaining and improving present and future performance
Primarily owned by HR department	Owned by all line managers

Not only performance management is mistaken as performance evaluation, it is also misunderstood especially by human resource practitioner and managers. It can result in misperception of employees and affect performance management effectiveness. In a review of literature on this topic, London, Mone, and Scott (London, Mone et al. 2004), propose that there are several problems regarding using performance management which are (1) the misuse of methods, poor program development, and lack of program evaluation, (2) the mismatch between performance management system and organizational context, (3) failure of choosing the right method for the right purpose i.e, using multisource rating for administration instead of development (4) wrong criteria to evaluate performance management and (5) careless implementation with little attention to interpersonal dynamics and psychometric testing.

All in all, performance management reflects a paradigm shift from thinking of performance evaluation as a discrete event to a continuous process (Latham and Mann 2006). Specifically, performance management encompasses the entire range of enhancing performance. It includes an approach to creating a shared vision of the organizational goals and objectives, aiding employees to understand and know their part in contributing to them and implementing linkage between performance and reward (Fletcher 1996).

Overall, performance management aims to (Armstrong 2006):

- Empower, motivate and reward employees to do their best
- Focus employees' tasks on the right things and doing them right; align everyone's individual goals to the goals of the organization

- Proactively manage and resource performance against agreed accountabilities and objectives
- Align personal/individual objectives with team, department and corporate plan.
- Make individuals clear about what they need to achieve and expected standards, and how that contributes to overall success of the organization
- Provide regular, fair, accurate feedback and coaching to stretch and motivate employees to achieve their best
- Maximize the potential of individuals and teams to benefit themselves and organizations.

Performance management should not be viewed as a mechanistic system based on periodical formal evaluations and detailed documentation. It is ongoing communication between manager and employees. Effective performance management entails a process where employees are fully aware of their roles in the organization, the type of output expected, and how the output will be measured (Ramlall 2003). The processes of performance management consist of:

Performance planning/Goal setting

It involves cascading organizational goals to individual goals, agreeing objectives, competency requirements, and personal development plans. Performance management is a mechanism to join together individuals' performance with an organizational performance through aligning organizational goals with individual goals. It is used to create a shared vision and goals of the organization, and to help each individual employee to understand and recognize their part in contributing to organizational performance (Fletcher 1993). Once organizational goals have been set, they are cascaded down through the organization.

Goal setting theory (Locke and Latham 2002) states that a goal drives performance. It affects direction, effort and persistence of employees. Specifically, a goal directs an employee's attention toward actions which bring goal accomplishment, leads an employee to adjust and persists their effort, and stimulates the development of task strategies to attain it. However, to enhance effectiveness, goals should be specific and difficult (Seijts and Latham 2005). In the other words, a specific and challenging goal leads to higher performance than general goals such as "do your best". In fact, it has much stronger effect on performance than any other factors, including participation. It may be presumed that participating in goal

setting enhance its effectiveness; goal setting is likely to be more effective when people participate in setting goals than when goals are assigned to them. However, Locke and Latham (2002) state that when goal difficulty is held constant, the performance of those who participate in setting goals does not differ significantly from those who were assigned goals. Moreover, both a participatively set goal and an assigned goal result in higher performance than a general goal asking employees to do their best (Latham, Steele et al. 1982). Clearly, goal setting has motivational effect on employees. But this does not mean that it affects employees' attitude toward performance management system since having goals does not directly affect employees' gain and loss. In fact, in their exploratory research, Taylor and Pierce (Taylor and Pierce 1999) found that it did not matter employees had goals or not; all employees who received a lower-than-expected performance evaluation blamed either their supervisor, the organization, or performance management system.

Acting: Coaching

Coaching will help employees to maximize their full contribution and potential. It is a process through which supervisors may communicate clear expectations to employees, provide feedback and give suggestions to employees. It also prepares employees to be ready for challenging works (Heslin, VandeWalle et al. 2006). It is an important mechanism that helps supervisors enhance employees' performance. For example, Liu and Batt (Liu and Batt 2010) found that amount of coaching that an employee received each month predicted objective performance improvement over time. In a study of effects of managers' coaching intensity on the performance of those they supervise, at multiple levels of an organizational hierarchy, it is found that managers' coaching intensity influences the performance of their subordinates after controlling for job satisfaction (Agarwal, Angst et al. 2009)

To increase its effectiveness, coaching should be done on an ongoing basis; this may include regular coaching meeting in formal performance review session where supervisors review recent performance, evaluate it, and provide guidance, suggestions, and recommendations for improvement; additionally, it may include less formal discussions between supervisors and employees concerning performance (Lindbom Spring 2007). In fact, truly effective managers and managerial leaders are those who embed effective coaching into the heart of their managerial practice (Hamlin, Ellinger et al. 2006). However, coaching is not only performed by managers. It can be performed by peers (Armstrong 2006). Peers can support one another's learning and development by providing emotional and technical

support. Parker, Hall and Kram (Parker, Hall et al. 2008) propose that peer coaching will be very effective if it happens through a 3-step process of (1) building the development relationships, (2) creating success in development, and (3) internalizing the learning tactic by applying the peer-coaching process in future relationships.

Reviewing: Performance evaluation and linkage performance to rewards.

Performance evaluation usually takes place in a yearly or semi-yearly session. An effective performance evaluation should accurately outline employees' responsibilities and contributions to organizations (Clausen, Jones et al. 2008). There are two main purposes of performance evaluation, namely for human resource management and for human resource development. For human resource management, performance evaluation can serve as a valuable input to make administrative decisions relating to promotions, firing, and merit pay increases (Byars and Rue 2004). In the other words, results of performance evaluation will link to reward of individual to motivate and stimulate employees to perform better and show how much employers recognize their performance. In addition, information from performance evaluation can provide needed input for employee development, including coaching. Therefore, both linkage between and performance and reward and coaching are associated with performance evaluation. This leads to:

Hypothesis 1: Performers' attitude toward performance evaluation is positively related to linkage between consequences and targeted performance.

Hypothesis 2: Coaching is positively related to performers' attitude toward performance evaluation.

Moreover, most employees expect coaching to be facilitative, supportive, and aimed at their own goals and needs (Peterson 2009). Information that is given in the coaching process not only includes discussions of performance expectation, but also providing feedback and motivating employees by stating desired consequences if their goals achieved. Thus, it is proposed:

Hypothesis 3: Coaching is positively related to linkage between consequences and targeted performance.

Effectiveness of Performance management

Performance management does not necessarily deliver good results. Some ineffective performance management can be a drain on employee morale and affect both employees' behavior and a company's ability to achieve its strategic objective. According to Lawson (Lawson 1995), effective performance management means:

- It articulates organization's vision.
- It establishes key results, objectives and measures at key business unit level.
- It identifies business process objectives and the key indicators of performance for those processes.
- It identifies and installs effective departmental measures.
- It monitors and control four key performance measures namely quality, delivery, cycle time, and waste.
- It manages the continuous improvement of performance in those key area.
- It prepares to aim for breakthrough improvements in performance when this is required by a significant shortfall in performance measured against the performance of major competitors.

Performers' Perception

Performance management is traditionally seen as management's systematic application of processes aimed at fully utilizing human resources and it carries somewhat negative connotation when considered from the performer's perspective (Buchner 2007). However, to enhance effectiveness of performance management, it should be built on employees' positive viewpoint of how performance management affects them. Rummler and Brache (Rummler and Brache 1995) assert that based on conceptualized performance system, important factors that management should pay attention are (a) specific performance goal, (b) adequate task support, (c) linkage between consequences and targeted performance, (d) feedback provision, (e) skills and abilities of performers, and (f) capability of performers.

Nonetheless, performance management is traditionally seen as management's systematic application of processes aimed at fully utilizing human resources and it carries somewhat negative connotation when considered from the performer's perspective (Buchner 2007). Hence, factors causing effectiveness can be different in the eyes of management and employees. Due to the conflicting results of performance management benefits, organizations

should pay more attention to the internal effects (Martinez and Kennerley 2006). In the other words, it is important to consider how employees react to performance management system. One factor that may affect employees' perceived performance management effectiveness is their attitude towards performance evaluation. Since performance evaluation is one major elements of performance management that directly have consequences on employees in many ways including their advancement and rewards. In fact, based on the survey results, it is suggested that the quality of performance evaluation should be measured if organizations want to increase performance management effectiveness (Oakes 2007). Moreover, from another survey of performance management, out of nine factors that are key practices that can lead to perceived performance effectiveness, there are five factors that is related to performance evaluation, ie., plans for helping employees develop in the work period after the evaluation, training for managers on how to conduct a performance evaluation meeting, metrics of the quality of performance evaluation, performance evaluation that is not limited to the judgment of supervisors, and consistency of performance evaluation across the whole organization (2007). It leads to:

Hypothesis4: Performers' attitude toward performance evaluation is positively related to perceived performance management effectiveness.

Mediating Role of Interactional Justice

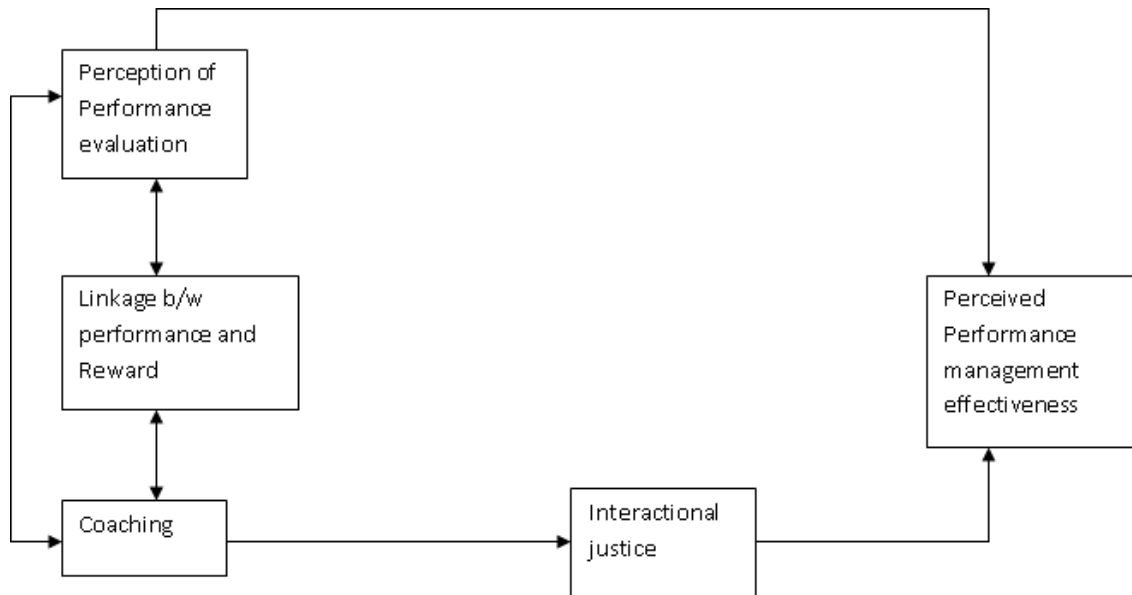
Bies and his colleagues introduced one form of justice, interactional justice. It focuses on the quality of interactions among peoples in the organizations. According to Greenberg (Greenberg 1993) there are two main components of interactional justice which are quality of the treatment that the target receives and procedural explanations for why something happened. More specially, the first component reflects the degree to which people are treated with politeness, dignity, and respect by authorities and the second component focuses on the explanations provided to individuals that convey information about why procedures were used in a certain way and why they received those outcomes. According to Fassina and colleagues (Fassina, Jones et al. 2008) people use the information they have a about the fairness of interpersonal treatment to form impressions of fairness and these impressions have a causal effect on their responses. It is also found that interactional justice related to employee attitudes, namely satisfaction and commitment (Cohen-Charash and Spector 2001).

It was argued that interactional justice more likely to affect individuals' cognitive, affective, and behavioral reactions toward their supervisors than their reactions toward organizations because supervisors were the direct source of justice (Cohen-Charash and Spector 2001). A meta-analysis of justice found that interactional justice highly affected agent-referenced outcomes, namely job satisfaction, organizational commitment, agent-referenced evaluation of authority, organizational citizenship behavior, and performance (Colquitt, Conlon et al. 2001). As for performance management system, although it is one of an organizational systems, employees are trained to believe that it is owned by their supervisors, not human resource department nor the organization. In addition, the essence of performance management is communications between employees and their supervisors. Therefore, their reactions toward perceived performance management effectiveness tend to be parallel their reactions toward their supervisors. More specifically, interactional justice tends to lead to perceived performance management. Since interactional justice involves interpersonal and informational components, it is likely to occur in the in coaching process. In the other words, when a supervisor This leads to:

Hypothesis5: Interactional justice mediates the coaching – perceived performance management effectiveness relationship. Specially, coaching is associated positively with interactional justice. Interactional justice, in turn, is related to perceived performance management effectiveness.

The hypothesized model is depicted in Figure 1

Figure 2 Conceptual Model



Method

Sample

Bank of Thailand categorizes banks into 2 types, commercial banks registered in Thailand and foreign bank branches. Since the size of each foreign bank branches is small, the study focuses only on the commercial banks registered in Thailand. Sample of the study included employees in commercial banks registered in Thailand from various functions in the four biggest banks. Of the 600 questionnaires distributed, 492 employees responded, yielding a response rate of 82%. 16 questionnaires were not usable. The final response rate for the usable questionnaires was 79.3%. Of the total 476 subjects, 58.4 % were female. The age of respondents ranged from 22 to 59 years, average age was 38.85. Most of respondents had a bachelor's degree (44.7%) and a master's degree (51.9%). In terms of tenure, 10.9% were less than 1 year, 18.9% were between 1 to 3 years, 17.4% were between 3 to 6 years, 7.4% were between 6 to 10 years, 13% were between 10 to 15 years, 16.4% were between 15 to 20 years, 9.5% were between 20 to 25 years, and 6.3% were more than 25 years.

Procedure

Questionnaires were sent out to employees by the organizations themselves, and the (anonymously) completed forms were returned to the researcher. Each subject was assured of the confidentiality of his or her response. To encourage employees to participate in the

study, it was also stated in the covered letter that for each questionnaire return, ten bahts will be donated to Thai Red Cross Society.

Measures

Questionnaires incorporated items from related research and applied a Likert 5-point scale (1 'strongly disagree' to 5 'strongly agree') to explore levels of perceived performance management effectiveness and mediating effects of procedural and informational justice. The items were first prepared in English, and then translated into Thai by a native speaker. The conventional method of back-translation was used to translate the measures and discrepancies were resolved by discussion (Brislin, Lonner et al. 1973). Finally, the measures were refined through in-depth interviews with HR senior managers/ directors in four banks to ensure their relevance to a Thai context.

Attitudes toward performance evaluation. Attitudes toward performance evaluation was measured by the average of five items ($\alpha = 0.886$).

Linkage between consequences and targeted performance. Three-item 5-point scale were employed to measure linkage between consequences and targeted performance ($\alpha = 0.854$).

Coaching. Task support was measured in terms of coaching from their supervisor and peers by using 3 items measured on a 5-point scale ($\alpha = 0.856$).

Interactional justice. The scale developed by Mooreman (Moorman 1991) was used to measure informational justice. There were six items ($\alpha = 0.943$).

Perceived performance management effectiveness. The measure was developed based on Aguinis (Aguinis 2009), the measure was developed which included 10 items ($\alpha = 0.962$). Sample items included: 'PM in my organization is thoroughness' and 'PM in my organization provides information that allows for identification of effective and ineffective performance'.

Results

Correlations and descriptive statistics among study variables are listed in Table 2. Given the proposed model, it would be expected that attitude towards performance evaluation would

correlate with linkage between consequences and targeted performance, coaching and perceived performance management effectiveness. In addition, the model proposed mediating effect of interactional justice and in keeping with Baron and Kenny (Baron and Kenny 1986), it would be expected that coaching would correlate with interactional justice and perceived performance management effectiveness.

Table 2 Descriptive Statistics and Intercorrelations Among Study Variables

Descriptive Statistics							
Variables	Mean	Sd.	Correlation				
			APE	Linkage	Coach	IJ	PM
APE	3.288235	0.776245	1				
Linkage	3.446779	0.830819	0.805**	1			
Coach	3.595938	0.853691	0.536**	0.533**	1		
IJ	3.455882	0.843019	0.603**	0.572**	0.69**	1	
PM	3.2494	0.86776	0.725**	0.703**	0.543**	0.549**	1

** correlation is significant at the .01 level (two-tailed)

Confirmatory Factor Analyses

To confirm measurement models for each construct, before examining the structural model, confirmatory factor analysis was conducted by using AMOS 18. The comparative fit index (CFI; (Bentler 1990) was used in judging overall fit (Gerbing and Anderson 1993). The Root Mean Square Error of Approximation (RMSEA; (Steiger 1990) was also used to provides information in terms of discrepancy per degree of freedom for a model, including the notion of parsimony. According to Browne and Cudeck (Browne and Cudeck 1993), an RMSEA of .05 indicates a close fitting model and that values up to .08 represent reasonable errors of approximation of a model. As shown in Table 3, all constructs had a good model fit.

Table 3. CFA for Measurement

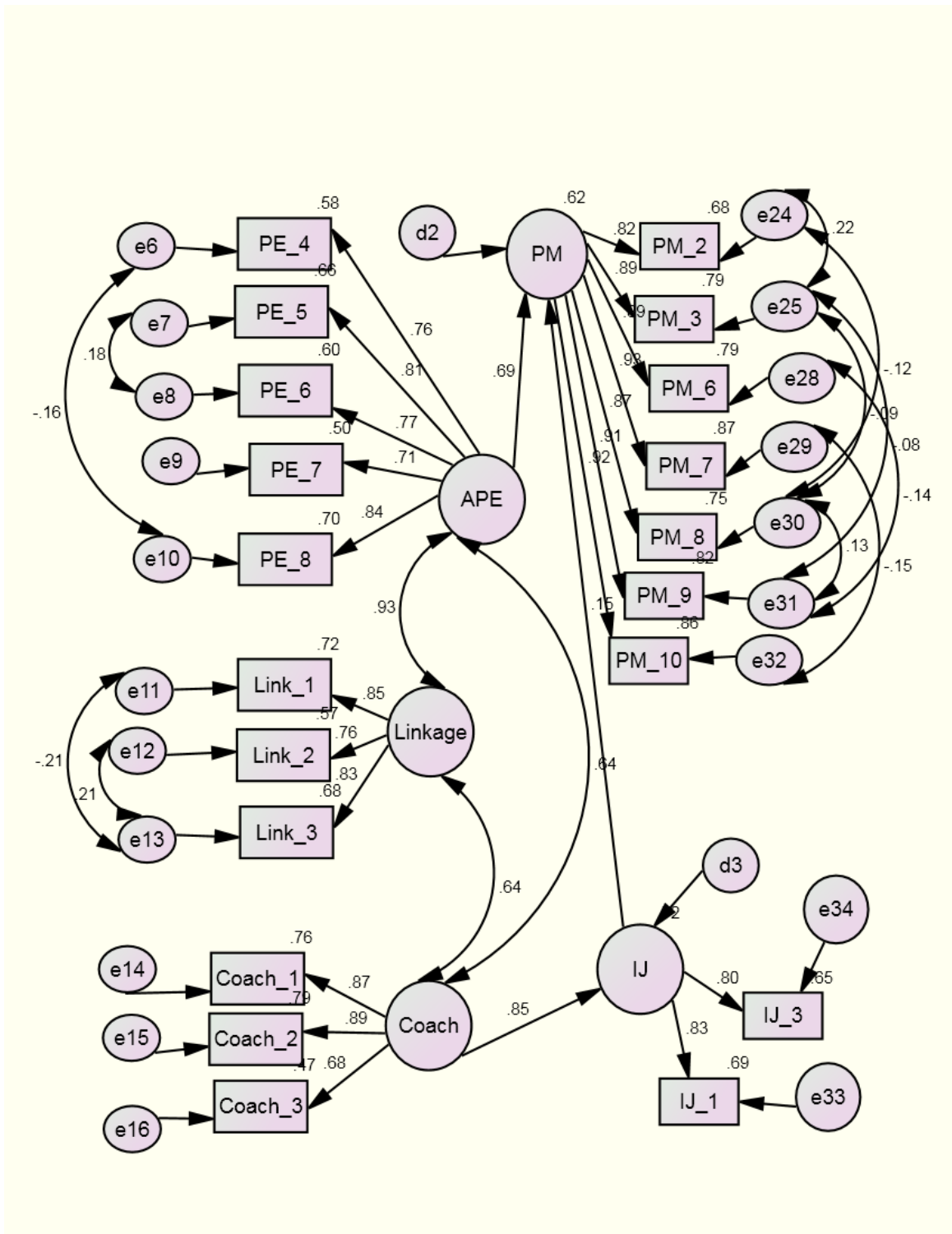
Construct	Chi-Square	df	Chi-Square/df	GFI	CFI	RMSEA
Attitude toward Performance Evaluation(APE)	4.394	9	0.488	0.997	1.000	0.000
Linkage	0.578	1	0.578	0.999	1.000	0.000
Coaching	0.312	1	0.312	1.000	1.000	0.000
Interactional Justice	11.609	6	1.935	0.992	0.998	0.044
Perceived	4.833	7	0.690	0.997	1.000	0.000

Performance Management Effectiveness (PM)						
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Structural Equations Analyses

The conceptual model was tested and results are shown in Figure 3. Figure 3 shows the path diagram, with standardized coefficients. The model shows a good fit to the data with CMINF= 2.4, GFI= 0.93, RMSEA= 0.055, Hoelter = 252.

Figure 3. Hypothesized Model and Standardized Paths



Results show that it is appropriate for model interpretation with a nonsignificant Chi-Square and probability value greater than .05, GFI equal to .928, CFI and TLI both in the high .90s, RMSEA equal to .055 which is below the .08 for acceptable fit, and Hoelster's critical N fit

statistic which revealed adequate sample size to test and interpret the model. Furthermore, the regression weights for all hypothesized paths were significant at the .05 level or better, with estimated coefficients ranging from .18 to 1 as shown in Table 4. Table 5 shows direct and indirect effect

Table 4 Regression Weights

			Estimate	S.E.	C.R.	P	Label
IJ	<---	Coach	.691	.039	17.658	***	
PM	<---	APE	.774	.053	14.598	***	
PM	<---	IJ	.183	.053	3.471	***	
Link_1	<---	Linkage	1.000				
Coach_3	<---	Coach	.636	.038	16.912	***	
Coach_2	<---	Coach	.985	.039	24.947	***	
PM_2	<---	PM	.881	.033	26.760	***	
PE_4	<---	APE	.828	.046	17.877	***	
PE_5	<---	APE	.968	.046	21.004	***	
PE_7	<---	APE	.817	.047	17.370	***	
Link_2	<---	Linkage	.859	.047	18.270	***	
Link_3	<---	Linkage	.929	.049	19.150	***	
PM_3	<---	PM	.959	.030	32.248	***	
PM_6	<---	PM	.933	.028	32.857	***	
PM_7	<---	PM	1.000				
PM_8	<---	PM	.891	.030	30.046	***	
PM_10	<---	PM	.980	.028	35.084	***	
PM_9	<---	PM	.948	.028	34.133	***	
Coach_1	<---	Coach	1.000				
PE_6	<---	APE	.912	.047	19.520	***	
PE_8	<---	APE	1.000				
IJ_1	<---	IJ	1.000				
IJ_3	<---	IJ	1.035	.058	17.693	***	

Table 5 Direct and Indirect Effects Among Study Variables

Path	Direct Path	Direct Effect
APE ---> PM	APE ---> PM	0.694
	Indirect Path	Indirect Effect
	1. APE ---> Linkage ---> Coach ---> IJ ---> PM	0.075888
	2. APE ---> Coach ---> IJ ---> PM	0.0816
		Total Indirect Effect
		0.157488
		Total Effect

		0.851488
Path	Direct Path	Direct Effect
Linkage ---> PM	-	-
	Indirect Path	Indirect Effect
	1. Linkage ---> Coach ---> IJ ---> PM	0.0816
	2. Linkage ---> Coach ---> APE ---> PM	0.282624
	3. Linkage ---> APE ---> PM	0.6417
	4. Linkage ---> APE ---> Coach ---> IJ ---> PM	0.075888
		Total Indirect Effect
		1.081812
		Total Effect
		1.081812
Path	Direct Path	Direct Effect
Coach ---> PM	-	-
	Indirect Path	Indirect Effect
	1. Coach ---> Linkage ---> APE ---> PM	0.410688
	2. Coach ---> APE ---> PM	0.4416
	3. Coach ---> IJ ---> PM	0.1275
		Total Indirect Effect
		0.979788
		Total Effect
		0.979788
Path	Direct Path	Direct Effect
IJ ---> PM	IJ ---> PM	0.151
	Indirect Path	Indirect Effect
	-	-
		Total Effect
		0.151

Discussion and conclusions

As predicted, attitude toward performance evaluation is positively related to linkage between consequences and targeted performance, coaching and perceived performance management effectiveness. Moreover, linkage between consequences and targeted performance is positively related to coaching. Thus, the results suggest that although performance management and performance evaluation are not the same things, employee's attitudes toward performance evaluation can highly affect their attitudes toward performance management effectiveness. Furthermore, to enhance positive perception of performance

evaluation, showing linkage between consequences and targeted performance and coaching are important. Especially, linkage between consequences and targeted performance can highly influence perceived performance management effectiveness through its indirect paths.

Mediating role of interactional justice is also supported. That is, coaching is associated positively with interactional justice. Interactional justice, in turn, is related to perceived performance management effectiveness. Coaching process that supervisors give guidance and feedback helps making employees feeling that they are treated fairly and it can lead to their perceptions of performance management effectiveness that is done by their supervisors. In addition, coaching also has indirect effect on perceived performance effectiveness through attitude toward performance evaluation and linkage between consequences and targeted performance.

Implications

Results of this study suggest that organizations can improve employees' perceived performance effectiveness by developing and implementing performance evaluation that is reliable and criteria used in performance evaluation must be valid. Moreover, employees also want organizations to use outputs from performance evaluation for their continuing skill development. Feedback is also important. It is needed to provided on an ongoing basis. Moreover, supervisors need to make employee see clearly how their effort can lead to rewards. This can be done through communications between supervisors to employees and human resources management tools that link performance with rewards, such as pay for performance and variable bonus.

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