

Employees' Perceptions of the Existing Performance Appraisal System: A Study of Sri Lanka Administrative Service (SLAS) Officers

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Abstract

A performance appraisal is a formal procedure wherein management assesses an employee's job performance against predetermined criteria, providing feedback, highlighting strengths and shortcomings, and establishing developmental objectives, which may influence compensation increments, bonuses, or promotions. In 1998, a formal Performance Appraisal (PA) system was introduced to the public sector of Sri Lanka following New Public Management, and it is still in use with few amendments. Nevertheless, the practice continues to dissatisfy some employees and is frequently considered unfair and ineffective. The amount of research examining employees' perceptions of the PA system of Sri Lanka Administrative Service (SLAS) officers is insufficient. Therefore, this study intends to fill that knowledge gap. To analyse the employees' acceptability of evaluation ratings generated by the existing PA system for SLAS officers, fifteen questionnaire items based on a five-point Likert scale were developed and distributed among 100 Grade III and II officers in the SLAS who use this PA system selected using a convenience sampling method. The two independent variables in this study are characteristics of the design of the PA and raters' issues/supervisors' characteristics and the dependent variable is acceptability of evaluation ratings generated by the PA system. The results showed that the design of the PA was not statistically significant and raters' issues had an impact on acceptability of evaluation ratings. The coefficient of raters' issue was -0.36, meaning that a one-unit increase in perceived issues with raters is associated with a 0.36 decrease in acceptability of evaluation ratings in the existing PA system for SLAS officers.

Keywords: performance appraisal, employee perception of fairness, design of performance appraisal system, raters' issues

1. Introduction

Performance appraisal is a strategic, methodical process that goes beyond annual reviews to include ongoing feedback and comprehensive approaches (e.g., 360-degree feedback) for growth, fairness, and team cohesiveness. It also provides developmental feedback, evaluates worker performance against goals, and informs talent management decisions like promotions and pay (Orhero et al., 2020). In a performance assessment system, employees' characteristics, behaviors, and performance are measured, assessed, and influenced concerning a predetermined standard or aim (Ahmad, 2013). No matter how developed or underdeveloped a nation may be, the public sector consistently makes a significant contribution to its economic and social advancement. Since human capital is the most valuable resource in every organization, in both the public and private sectors, organisations require a sound PA system that encourages employees toward the achievement of organizational goals effectively and efficiently. With the spread of the New Public Management trends, public sector attention is caught by the PA of employees more widely. Similar to other countries, Sri Lanka also took a step ahead to introduce a formal PA system to the public sector. In 1998, the Ministry of Public Administration first released directions for implementing the PA system in the public sector and accordingly, the PA systems were introduced to staff and non-staff grades separately. The Sri Lanka Administrative Service (SLAS), which was established in 1833 as the Ceylon Civil Service based on the British Civil Service, is the major civil service in the country. In order to accomplish the goals of the Democratic Socialist Republic of Sri Lanka, the SLAS is in charge of creating and carrying out governmental policies as well as providing direction and leadership. This entails keeping cordial ties with both domestic and international organizations and encouraging restraint, objectivity, and openness (Minute of the Sri Lanka Administrative Service, Ministry of Public Administration, 2013).

Many public employees, including SLAS officers, have expressed their dissatisfaction with the current assessment system, citing issues such as

rater bias, ambiguous evaluation criteria, and limited developmental results. These presumptions can have a detrimental effect on employee motivation, job satisfaction, and the overall effectiveness of public administration. Therefore, to identify its shortcomings and recommend meaningful adjustments, it is crucial to understand SLAS officers' perspectives on the present performance evaluation system. This study aims to explore these ideas and provide evidence-based viewpoints that may direct the development of a more dependable and effective framework for performance evaluations in the public sector in Sri Lanka. The Service Minute of the SLAS states that the total Cadre approved for various ministries, departments, independent commissions, provincial councils and local government institutions of the Sri Lanka Administrative Service consists of 2,906 officers in the Special Grade, Grade I, Grade II and Grade III. In all the above-mentioned government institutions, the same PA system has been used for a long time for the annual appraisal of all public servants, including SLAS officers, except for special cases. It has been noted that since its inception, the public sector PA system in Sri Lanka has remained unchanged. Since the executive category of Sri Lanka's public sector includes a significant number of officers belonging to the SLAS, and since these officers are heavily involved in the public policy process and in providing essential direction and leadership, employees' perceptions of the PA system are critical information for senior management. The current PA system of public sector in Sri Lanka is viewed differently by employees depending on context. Some researchers argued that there may be frequent complaints and occasional disagreements about the PA systems. Therefore, this study aims to offer responses to the following research questions. Several academics working on the topic of PA in the world have been found throughout history. The scholars have also analysed employee perceptions of the PA system in different sectors such as the public sector or private sector in the same country. However, it is rare to find scholarly works related to employee perceptions of the PA system among SLAS officers. Hence, this study is intended to fill that research gap. Furthermore, this

study will also provide a basis for those interested in future research in this regard.

This section presents the research questions and hypotheses of the study as follows. The main research question is;

“What determines the acceptability of evaluation ratings generated by the performance appraisal system of Sri Lanka Administrative Service?”

Sub-research questions

- Does the acceptability of the evaluation ratings produced by the PA system depend on its design?
- Does the acceptability of the evaluation ratings produced by the PA system depend on raters’ ability?

The following hypothesis will be considered to study SLAS officers’ perception of fairness and impartiality of the PA system and to study their perception of fairness and impartiality in matters related to the supervisor’s capacity of PA, respectively.

Design of the PA System

H₀: The design of the performance appraisal system does not have a significant effect on the acceptance of performance appraisal ratings.

H₁: The design of the performance appraisal system has a significant effect on the acceptance of performance appraisal ratings.

Raters’ Ability

H₀: The acceptability of evaluation ratings does not depend on raters’ ability (unfairness and bias)

H₁: The acceptability of evaluation ratings depends on raters’ ability (unfairness and bias)

The remainder of this study will be structured as follows: This study consists of five sections. Chapter two concerns the literature review and Chapter three consist of research design used in this research. Chapter four

exhibits the findings and discussion and Chapter five presents the conclusion of the study.

2. Literature Review

Organisations utilize performance appraisals as a methodical way to assess worker productivity and performance against predetermined benchmarks. A thorough picture of an employee's performance can be obtained through a variety of methods, such as management evaluations, peer reviews, and self-assessments. Decisions on promotions, pay increases, and training requirements can be made with the help of performance reviews ('Performance Appraisal', n.d.). Measurement of how successfully employees do their duties, communication of information to employees, and creation of a performance improvement plan are all related to PA (Stone and Reymond, 2002 as cited by Raveendran, 2020). Tailor et al. (2020) stated that to achieve predetermined goals for sustainability and growth, each management must evaluate its staff and desire higher performance from them.

As pointed out by Hanif, et al. (2016), because it is in charge of managing and administering public affairs, the public sector has a multiplied significance for the idea. To ensure that the public gets a fair return on its investment, public officials' performance management initiatives gained traction. According to Ahamad (2013), the PA entails a highly difficult procedure, and many other things can affect it. Hence, rather than being a simple process, the process of evaluating an employee's behavior should be viewed as a reciprocal process or using a matrix perspective.

According to Khan (2016), Anderson (2002) identified a few features of performance reviews that have been shown to influence their efficacy in part. They include (1) general considerations such as rating procedures; (2) the effect of linking compensation to performance; (3) the accuracy of ratings and the occurrence of prejudice and inaccuracies in ratings; (4) how performance feedback is supplied; and (5) the impact of training and,

ultimately, the connection between system users' participation and its efficacy.

The raters' responses to the evaluation system are a critical component that defines the effectiveness and applicability of PA (Carrol & Schneier, 1982; Murphy & Cleveland, 1991, as cited in Raveendran and Hameela, 2020). Performance assessment systems' success can be evaluated by how fairly employees feel their performance reviews were conducted (Erdogan et al. (2001), as cited in Narcisse and Harcourt (2008). No matter how carefully a performance system is created, if the employees do not accept it or do not believe it to be relevant or valid, it will be meaningless (Daley, 1992, as cited in Kim and Holzer, 2014). They also stated that it is less probable that performance appraisal will be used for its primary goal, which is performance improvement, without an awareness of individual employee reactions to PA and its supportive organizational context. Moreover, employees' poor opinions of performance management lead to resistance to it, which in turn causes stress, burnout, and even underperformance linked to the job (Gabris & Ihrke, 2000, as cited in Kim and Holzer, 2014).

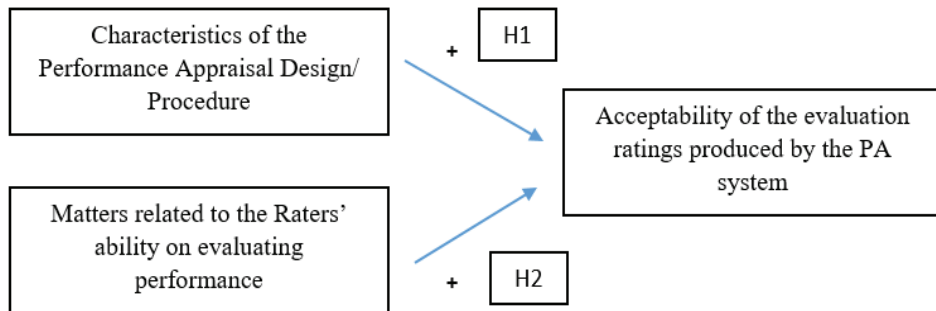
According to studies, employees are more likely to express high levels of satisfaction and trust in the assessment system when they believe the system is fair and reasonable. Hence, managers must therefore concentrate on how satisfied employees are with the PA system. (Raveendran and Hameela, 2020). Depending on a variety of criteria, how employees perceive the goals, results, and applications of PA results may be advantageous. Employees, for instance, are more likely to be receptive and supportive of a particular PA programme if they view the procedure as a helpful source of feedback that helps them improve their performance (Mullins, 2007 as cited by Boachie and Seidu, 2011).

2.1 Conceptual Framework

The conceptual framework of this study is based on the SLAS officer's acceptability of the evaluation ratings produced by the PA system is presented in Figure 1 below.

Figure 1

Conceptual Framework



2.2 Variables of the Study

2.2.1 *Dependent and Independent Variables*

Accordingly, SLAS officers' acceptability of the evaluation ratings produced by the PA system is identified as the dependent variable of this model. There are two independent variables in this model; the first is the characteristics of the performance appraisal design/procedure and the second is the ability of the raters' who are evaluating the employees.

2.2.1.1 **Dependent variable – Acceptability of the Evaluation Ratings**

In performance evaluation, the acceptability of evaluation ratings is critical since it directly affects the system's efficacy, fairness, and general success. The fairness of the evaluation criteria influences the effectiveness of evaluation results (Youngcourt et al., 2007 as cited by Raveendran and Hameela, 2020). It also helps to gain the reliability of the employees towards the PA system. Therefore, the following four factors are used to identify the extent to which the assessee accepts the assessor's evaluation made about him or her by the assessor.

- Subjectivity or lack of transparency in the process
- Raters' biases/appraisal politics (nepotism, sycophancy)
- Unfair distribution of the ratings
- Absence of a strong 'appeal' system

2.2.1.2 Independent Variables

2.2.1.2.1 *Characteristics of the Performance Appraisal Design/Procedure* This describes the nature of the PA procedure that has been designed by the institutions and how it is implemented in the public sector of Sri Lanka.

2.2.1.2.2 *The Ability of the Raters*

Through this variable, the ability of employees to implement the PA procedure of supervisors, and the nature of their behavior during the evaluation procedure is considered.

3. Methodology

3.1 Research Design

For this study, quantitative approach was used and two hypotheses were tested.

3.2 Data Collection

For this study, primary data were collected through the questionnaire. This study was conducted as a survey by distributing a Google Form through online platforms such as email, messenger, and the WhatsApp application. The questionnaire consisted of two sections; the first section was for collecting demographic information about respondents. Under that section, information was collected regarding the gender, age range, employment sector, work experience, nature of the employment, and the position/role of institutions. A second section was used to collect responses to the hypothesis. This section consisted of fifteen questionnaire items using a five-point Likert scale type to test dependent and independent variables. For

variables, the scale was used as rating 1 equals Strongly disagree, 2 equals Disagree, 3 equals Neutral, 4 equals Agree and 5 equals Strongly agree. The questionnaire in the second section was adopted from Shrivastava and Purang (2011) at the Indian Institute of Technology. Among those questions, four questions have been used to test the dependent variable, eight questions have been used to test the first independent variable and another three questions have been used to test the second independent variable.

3.2.1 Population and Sample of the Study

A total of 1,233 Grade III and II officers who are working in the twenty-five districts in Sri Lanka and belonging to the SLAS are the population of this study. These officers are engaged in the main administrative duties in the country and they are the middle-level actors in policy-making and policy-implementing processes. In this case, the researcher has distributed 120 questionnaires to the officers in Grades III and II of the SLAS as a sample. The sample size was 9.7% of the population. For this study, 66 responses have been received. Accordingly, the response rate is 55 percent.

3.2.2 Sampling Technique

For this study, participants were chosen from the SLAS using a convenience sampling technique based on their accessibility, availability, and desire to participate. Convenience sampling was considered suitable for this study due to practical restrictions such as time limits and resource limitations. Participants were chosen from among those who could be accessed at certain public sector organizations. This approach enables the researcher to get timely and pertinent data, but it may restrict the findings' generalisability because of possible selection bias. This method was appropriate for obtaining preliminary understanding of how employees see the current performance review system for the SLAS officers, given the exploratory character of the study.

4. Data Analysis

Data analysis was conducted using regression analysis. Khan (2016) pointed out that to find and assess the relationship between one or more independent and dependent variables, regression analysis is performed. The p-value is calculated to testify to the significance of the result. In this study, the researcher used a 10% significance level to compare the p-value.

4.1 Model Specification

4.1.1 Ordinary Least Squares (OLS) Method

Ordinary Least Squares (OLS) is the most often used regression analysis technique. The sum of squared residuals is minimized by the OLS method (Simon Fraser University, n.d.).

The theoretical regression model of OLS is as follows.

$$Y_i = \beta_0 + \beta_1 X_i + \varepsilon_i \quad (1)$$

The model of this study can be identified as follows.

$$AER_i = \beta_0 + \beta_1 AD_i + \beta_2 RI_i + \varepsilon_i \quad (2)$$

Where AER_i is the acceptability of the evaluation ratings of the PA system according to the i -th SLAS officer, AD_i is the appraisal design according to the i -th SLAS officer, RI_i is the raters' issues according to the i -th SLAS officer and ε_i represents the error term.

5. Findings and Discussion

Table 1

Results of the Correlation Analysis

Correlation Probability	Acceptability of the Evaluation Ratings	Appraisal Design	Raters' Issues
Acceptability of the Evaluation Ratings	1.000		
Appraisal Design	0.2067 (0.0958)	1.000	

Raters' Issues	0.3216	0.2052	1.000
	(0.0085)	(0.0983)	

“Correlations measure the strength and direction of the linear relationship between the two variables. The correlation coefficient can range from -1 to +1, with -1 indicating a perfect negative correlation, +1 indicating a perfect positive correlation, and 0 indicating no correlation at all.” (UCLA, 2021). According to the above results, characteristics of the PA system and raters’ issues have a positive but not strong correlation with unfairness and bias. The characteristics of the PA system show 0.20 correlation with unfairness and raters’ issues show a 0.32 correlation with unfairness and bias of the PA system.

5.1 Results of the Regression Analysis

Regression analysis has been done among the dependent variable and the average of the two independent variables; i.e appraisal design and raters’ issue. The results are presented in Table: 4 as follows.

Table 2

Results of the Regression Analysis

Variables	Model 2
Cons	1.1406
	(0.213)
Raters’ Issues	- 0.3611***
	(0.021)
Appraisal Design	0.2263
	(0.303)
R-squared	0.1124
Adjusted R-squared	0.0838
Observations	65

The p-value of the raters’ issues is 0.021 and it is less than the 0.10 significant level meaning that it is statistically significant. The coefficient of raters’ issues indicate -0.36 and show that a one-unit increase in perceived issues with raters is associated with a 0.36 decrease in perceived

acceptability of the evaluation ratings in PA system, when other factors are fixed. However, the p-value of the appraisal design is higher than the 0.10 significant level and it is not statistically significant. That is, respondents have identified that the evaluation design of the existing PA system has no impact on the ratings of performance appraisals. The R-squared of this model is 0.1124 and the adjusted R-squared is 0.0838. Only 11.24% of the variation is explained by the model, which is a rather low percentage and suggests that perceptions of unfairness may be influenced by other variables.

6. Conclusion

This study primarily involved a survey conducted in a selected segment of the public sector in Sri Lanka to analyse the employees' perception of acceptability of evaluation ratings generated by the existing performance appraisal system which is conducted annually for SLAS officers, and implemented 20 years ago and is still in use, with a few amendments. In this thesis, two hypotheses were developed to test. The coefficient of the raters' or the supervisors' issue reported -0.36 and it is statistically significant. The respondents believe that the supervisors do not have the capacity to conduct the PA system in an acceptable manner. However, appraisal design shows a statistically insignificant result. Therefore, it cannot be concluded that the employees believe that the design or the procedure of the existing PA system creates an impact on the ratings of performance appraisals. Respondents may believe that this PA system is acceptable because it has been followed for a long time. However, this view also cannot be proven within the available data in this study. Additional research is required to determine it.

As recommendations, it would be more appropriate to conduct training programmes for supervisors to be able to acquire subordinates' reliability in their evaluation. Further, it is advisable to receive proper feedback on the evaluation by conducting performance feedback interviews among supervisors and subordinates. It will help to improve the motivation of the

employees by correcting their shortages. Moreover, it also helps reduce the hierarchical gap between these two parties and it will encourage the practice of a work-friendly environment in the institutions. In addition, fostering openness through an official appeals procedure and promoting involvement through peer and self-evaluations can boost systemic trust. Lastly, tying assessment results to training and career advancement options instead of just promotions may inspire staff members and support the appraisal system as a tool for development.

6.1 Directions for Future Research

This study only addresses the employee's perspective of existing performance appraisal of the SLAS officers and how it relates to the features of the PA design and the limitations of the raters. The Grade III and II officers of SLAS, who serve at the institution's middle level, are the only ones from whom the researcher has collected data. It is also necessary to conduct research on higher-level institution personnel, as well as on those who work for other services. To determine the factors that can influence employees' perceptions of the current PA system of SLAS officers as acceptable, more research is required.

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