The impact of justice perceptions of performance appraisal practices on job satisfaction and intention to stay: the mediating role of job engagement

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Abstract

Purpose – This study examines the direct impact of justice perceptions of performance appraisal practices (procedural, distributive, interpersonal and informational justice) on job satisfaction, intention to stay and job engagement. Further, it investigates the effect of job engagement on job satisfaction and intention to stay. Moreover, the study tests the mediating role of job engagement on the impact of justice perceptions of performance appraisal practices on job satisfaction and intention to stay.

Design/methodology/approach – A total of 650 self-report structured questionnaires were distributed among the employees of 50 information technology companies, and 503 samples were received. Partial least square-structural equation modeling was used to test the hypothesized model.

Findings – This study revealed that justice perception of performance appraisal practices positively affects job satisfaction, intention to stay and job engagement. In addition, job engagement positively affects job satisfaction and intention to stay. Further, job engagement significantly transfers the impact of justice perceptions of performance appraisal practices on job satisfaction and intention to stay, thus confirming the mediating role of job engagement. However, the significant direct impact of justice perceptions of performance appraisal practices on job satisfaction and intention to stay in the presence of a mediator, i.e. job engagement, revealed partial mediation.

Research limitations/implications – The findings of this study augment the social exchange theory by explicating that an individual who perceives justice in performance appraisal practices is likely to have greater job engagement, which ultimately leads to higher job satisfaction and intention to stay. This study filled the research gap by examining the role of four justice components of performance appraisal practices on job satisfaction and intention to stay and the mediating role of job engagement in transferring the impact of justice perceptions of performance appraisal practices on job satisfaction and intention to stay.

Practical implications – This study showed the importance of four justice components of performance appraisal practices in enhancing employee job engagement. Hence, this study would motivate information technology companies to maintain fairness in performance appraisal practices to enhance employee job engagement and ultimately increase job satisfaction and intention to stay.

Originality/value – This study is one of its kind that tested the direct impact of comprehensive justice components (procedural, distributive, interpersonal and informational justice) of performance appraisal practices on job satisfaction and intention to stay. In addition, this is a unique study that examined the mediating effect of job engagement on the impact of justice perceptions of performance appraisal practices on job satisfaction and intention to stay.

Keywords Justice perceptions, Performance appraisal practices, Job engagement, Job satisfaction, Intention to stay, Information technology companies

Paper type Research paper

Introduction

Information technology (IT) companies have been struggling to retain their best talent due to employee attrition, and recently, a new challenge, i.e. moonlighting, has knocked on the door.
(Singh et al., 2023; Zaman and Ansari, 2023). It refers to working at an extra job outside one’s primary employment (Choudhary and Saini, 2021). According to the Times of India report (Gupta, 2023), 73% of the workforce is enticed to work at an extra job because of the financial rewards. It has been seen that a lack of employee motivation and commitment forces employees to take such extreme steps (Choudhary and Saini, 2021). One of the factors that negatively affect employee motivation and commitment is the lack of perceived fairness in performance appraisal practices (Brefo-Manuh and Anlesinya, 2023). Hence, in recent years, understanding justice (fairness) in performance appraisal practices has attracted the attention of practitioners and researchers. Thurston and McNall (2010) proposed four justice dimensions (i.e. procedural, distributive, interpersonal, and informational) to examine the perceived fairness of performance appraisal practices. Despite the significant role of performance appraisal justice (Gupta and Kumar, 2013; Brefo-Manuh and Anlesinya, 2023), its effects on desirable employee outcomes have not been thoroughly studied (Rana and Singh, 2022).

Performance appraisal practices are the systematic and periodic process of evaluating an employee’s performance against set goals (Kampkötter, 2017). IT companies, which are known for their innovative and progressive outlook, have embraced performance appraisal practices quickly. It has become a vital tool for IT companies as it helps to improve employee performance, contributes to various other human resource functions, and enhances organizational effectiveness (Iqbal et al., 2019). More importantly, performance appraisal practices also hold significance for employees as the outcome of performance appraisal practices has implications for many decisions, such as future job promotions, pay increments, and career development (Kampkötter, 2017). As the outcome of performance appraisal practices has an impact on employees’ monetary and non-monetary benefits, justice in the performance appraisal practices is crucial for employees at work. For years, maintaining fairness in performance appraisal practices has been a concern for many IT companies (Iqbal et al., 2019). However, they are continuously reinventing performance appraisal practices to ensure a fair and equitable approach to performance reviews in the future (Schooley, 2023). Despite this, justice in performance appraisal practices has been a difficult goal for organizations to achieve (Iqbal et al., 2019).

Studies suggest that justice or fairness is the basic principle of performance appraisal practices. The lack of fairness in performance appraisal practices may have an adverse effect on employees’ attitudes and behavior at work (Sepahvand et al., 2020; Pagan and Malo, 2021). Substantiating the above discussion, Brefo-Manuh and Anlesinya (2023) stated that performance appraisal can affect job satisfaction if organizations are unable to maintain fairness and transparency in the entire performance appraisal practice. Knezović and Neimarija (2023) posit that perceived justice or fairness can increase employee satisfaction and enhance the willingness to stay with the organization. Moreover, justice or fairness can affect the overall organizational effectiveness of IT companies; as Rai (2015) suggested, justice minimizes the negative consequences on employees’ mental health at work and reduces absenteeism.

Recently, the focus has shifted toward whether fairness or justice perceptions of performance appraisal (JPPA) practices affect employees’ workplace outcomes, such as attitudes and behaviors (Gupta et al., 2022; Vidè et al., 2022). However, limited information is available on JPPA practices’ role in various employee outcomes (Gupta and Kumar, 2013; Brefo-Manuh and Anlesinya, 2023; Rana and Singh, 2022). Also, most studies on performance appraisal justice have examined only two or three dimensions of justice (Brefo-Manuh and Anlesinya, 2023; Rana and Singh, 2022). There is a paucity of research that has investigated all four dimensions of performance appraisal justice and its relationships with employee outcomes (Thurston and McNall, 2010; Gupta and Kumar, 2013). Several authors have claimed that diverse justice dimensions will likely affect employee-related outcomes differently.
Hence, the four-dimensional approach to organizational justice provides a better understanding of performance appraisal. Well-established literature shows that employees often leave their organizations due to a lack of procedural, distributive, interpersonal, and informational justice (Farndale et al., 2022). Thus, it is essential to understand how four-dimensional JPPA practices influence employee outcomes. However, the existing literature has limited information about how four-dimensional JPPA practices affect employee outcomes through various mediating variables (Harrington and McCaskill, 2022; Rana and Singh, 2022). Thus, the present study aims to fill the gap.

Of late, job engagement has engrossed the attention of researchers as a crucial mediating construct adept at transferring the effect of human resource management (HRM) related antecedents on positive employee and organizational outcomes (Memon et al., 2020). Job engagement refers to employees’ psychological presence in their jobs (Saks, 2006). Highly engaged employees show positive attitudes and behavior that benefit the organization (Kim and Kim, 2021; Ribeiro et al., 2023). Researchers increasingly acknowledge job engagement as a significant mediator of HRM-employee outcome models (Saks, 2006; Memon et al., 2021). Notwithstanding the evidence, the mediating effect of job engagement between four-dimensional JPPA practices and employee attitudes has been explored less. Hence, job engagement as a mediator can explain how four-dimensional JPPA practices influence employee attitudes (Memon et al., 2020; Ozturk et al., 2021).

In light of the foregoing discussion, the present study builds on the arguments of social exchange theory (Blau, 1964) to examine the direct impact of JPPA practices (procedural, distributive, interpersonal, and informational justice) on job satisfaction and intention to stay, and the mediating role of job engagement in transmitting the impact of JPPA practices on job satisfaction and intention to stay. However, little is known about how four-dimensional perceived justice is related to job satisfaction and intention to stay; past studies have investigated the relationship between performance appraisal satisfaction and these two work outcomes (Memon et al., 2021). The testing of proposed relationships is important because it has been observed that procedural, distributive, interpersonal, and informational justice in performance appraisal practices is positively linked to job engagement; thus, it predicts job satisfaction and employee’s intention to stay (Bae, 2023; Knezović and Neimarlija, 2023). Moreover, organizations invest in performance appraisal practices, such as the amount of time supervisors and subordinates devote to the performance appraisal process, to reduce the potential rater biases and falsifications (Kampkötter, 2017). Exploring job satisfaction and intention to stay as an outcome variable in the context of IT companies is important because low levels of job satisfaction and intention to stay demotivate employees while performing their tasks and influence them to leave their organization (Bharadwaj et al., 2022).

The study contributes significantly to the literature concerning JPPA practices, job engagement, job satisfaction, and intention to stay in many ways. First, the paper broadens the understanding of the role of JPPA practices in increasing positive attitudinal outcomes such as job satisfaction and intention to stay. Most performance appraisal justice studies examined only two justice dimensions, procedural and distributive justice, and only a few studies have examined all four dimensions of performance appraisal justice (Rana and Singh, 2022; Brefo-Manuh and Anlesinya, 2023). Second, this study makes a unique contribution by examining the mediating role of job engagement in transferring the impact of JPPA practices on job satisfaction and intention to stay, as past studies examined the indirect effect of employee reaction to performance appraisal (i.e. performance appraisal satisfaction) on employee outcomes via work engagement (Memon et al., 2018). Third, it contributes to the few studies that examined performance appraisal justice, job engagement, job satisfaction, and intention to stay in the context of the IT industry. Finally, the present study contributes to the body of knowledge by investigating these relationships in the context of India, a developing economy. The low level of job satisfaction and intention to stay can affect the organizational
effectiveness in achieving employee and organizational outcomes because it may reduce employees’ motivation level, and the organization may lose the best talents (Sepahvand et al., 2020; Harrington and McCaskill, 2022). Hence, the findings of this study are likely to have implications for scholars and managers to understand the importance of JPPA practices and job engagement in enhancing job satisfaction and intention to stay.

Theoretical background

Social exchange theory

Blau’s (1964) social exchange theory is one of the most prominent theories that explain the relationship between HRM and work outcomes. Social exchange and reciprocity are two fundamental characteristics of social exchange theory. Social relationships are viewed as exchange processes where people make contributions for which they expect specific outcomes. Individuals evaluate the fairness of these exchanges using information gained through social interactions (Mowday, 1991; Colquitt et al., 2001). Supporters of social exchange theory advocate that employees are encouraged to respond positively to their organization when organizational initiatives are favorable in a social exchange relationship (Memon et al., 2020). The social exchange relationships turn out to be successful when the organization efficiently manages its human resources, provides a favorable work environment, looks after employee well-being, and fosters a perception of fairness and justice (Memon et al., 2020; Aggarwal et al., 2022). Thus, employees feel their moral obligation to reciprocate when their organization fulfills its obligation toward them (Memon et al., 2018). Based on the social exchange theory, it can be inferred that employees maintain balance within the organization as an obligation to repay for the favor received from the organization (Adams, 1965). Grounded on the aforementioned arguments, employees’ perceived justice in performance appraisal practices will likely increase their job satisfaction and intention to stay. Based on the social exchange theory, the present study proposes a mediation model of JPPA practices (input) - job engagement (mediator) – job satisfaction, and intent to stay (outcomes), emphasizing that the impact of JPPA practices on job satisfaction and intention to stay is transferred through the job engagement (Saks, 2006). As illustrated in Figure 1,

**Figure 1.** The hypothesized model

**Note(s):** The dashed lines represent indirect relationships; JPPA = justice perception of performance appraisal

**Source(s):** Author’s own creation
perceived fairness in the performance appraisal practices will encourage employees to redecorate by expressing themselves physically, cognitively, and emotionally during job performance, which leads to happiness with their jobs and willingness to remain in the organization.

**Literature review and hypotheses development**

*Justice perceptions of performance appraisal practices*

Justice perceptions of performance appraisal (JPPA) practices refer to the perceived fairness of performance appraisal practices in the organization (Thurston and McNall, 2010). It consists of four components: procedural justice, distributive justice, interpersonal justice, and informational justice perceptions (Cropanzano et al., 2002; Colquitt and Greenberg, 2003; Thurston and McNall, 2010). Procedural JPPA practices refer to the perceived fairness of the structural components of the performance appraisal procedure (i.e. assigning raters, setting criteria, and seeking appeals). Distributive JPPA practices signify the structural forces associated with rater decision norms and personal goals (i.e. equity and politics). Interpersonal JPPA denotes the perceived fairness perceptions that relate to the way the rater treats the person being evaluated (i.e. respect and sensitivity), and informational JPPA refers to the perceived fairness on the clarification of performance expectations and standards, feedback received, and explanation and justification of decisions. Research has highlighted the unique and overall effect of JPPA practices on work outcomes (Thurston and McNall, 2010; Gupta and Kumar, 2013). The greater JPPA practices are likely to enhance the level of satisfaction regarding raters, ratings, appraisal feedback, and the overall performance appraisal system (Jawahar, 2007; Thurston and McNall, 2010; Gupta and Kumar, 2013). Moreover, a sense of justice in the appraisal process strengthens employees emotionally, leading to psychological well-being (Uraon and Gupta, 2021). Given the predictive power of the JPPA practices constructs, the present study aims to explore it in the current setting.

*Justice perceptions of performance appraisal practices and job satisfaction*

Job satisfaction refers to an employee’s attitude that indicates the degree to which the employee likes their job and various aspects of the job (Spector, 1997). A few studies have linked performance appraisal justice or fairness to job satisfaction, and these studies suggest that performance appraisal justice exerts a strong influence on job satisfaction (Na-Nan et al., 2020; Brefo-Manuh and Anlesinya, 2023). The quality of the performance appraisal experience varies among employees, but perceived fairness in performance appraisal practices increases when an employee experiences accuracy and impartiality in performance appraisal practices (Colquitt et al., 2001). Fairness of the performance appraisal practices is a significant contextual factor that positively influences job satisfaction, whereas the poor quality of the performance appraisal experience decreases job satisfaction (Brown et al., 2010; Selvarajan and Cloninger, 2012). Fulford (2005) argued that to influence employees’ job satisfaction positively, organizations must treat employees fairly.

According to the social exchange theory (Blau, 1964), employees reciprocate the favor of their employers with a positive attitude and behavior, which is beneficial to the organizations. By and large, organizations link performance appraisal outcomes to monetary benefits and career progression of employees. Similarly, Lack of fairness in the performance appraisal practices may fail to capture the exact performance of the employees, which may affect their monetary benefit and career progression. Thus, it may influence employees to reciprocate the fairness in the performance appraisal with favorable attitudes towards the organization, i.e. job satisfaction (Garmendia et al., 2021). Besides, a wide stream of research has suggested a
positive relationship between performance appraisal and job satisfaction when linked to monetary outcomes (Kampkötter, 2017; Pagan and Malo, 2021). However, performance appraisal practices may be biased when employees perceive their raters are unqualified, ratings are distorted, they are disrespectful, and there is a lack of proper feedback. Perceived bias will likely to make employees dissatisfied with their jobs (Brefo-Manuh and Anlesinya, 2023). Thus, procedural, distributive, interpersonal, and informational justice in performance appraisal practices stresses the fairness in the performance appraisal process that can improve employee job satisfaction. Some recent empirical studies have investigated the relationship between performance appraisal justice and job satisfaction. For instance, Brefo-Manuh and Anlesinya (2023) examined the role of performance appraisal justice on job satisfaction among healthcare workers in Ghana. However, they found only interpersonal and procedural justice of performance appraisal practices has a significant positive relation to job satisfaction. In contrast, distributive justice of performance appraisal practices had an insignificant positive effect. Bae (2023) investigated the role of the perceived fairness of performance evaluations on job satisfaction and found a positive effect; however, the performance evaluations were measured with a single statement. Based on the above understanding, the following hypothesis can be framed:

**H1.** JPPA practices positively affect job satisfaction.

*Justice perceptions of performance appraisal practices and intention to stay*

Intention to stay signifies the strength of the employee’s willingness to remain in their current organization in the near future (Milliman et al., 2018). It indicates an employee’s dedication towards their work, organization, and long-term association with the organization (Rissanen, 2017). Employees might have a stronger intention to stay with their organization when the perceived benefit of its policies and practices is fulfilling the social exchange relationship (Sturges et al., 2005). In contrast, the intention to leave occurs when employees perceive unfairness in their organizational policies and practices, which breaks the psychological contract (Sturges et al., 2005). Further, the social exchange theory explains that if the organization successfully fulfills employees’ expectations, the employees reciprocate by showing greater intention to stay with the organization (Chew and Chan, 2008). Few studies indicate that organizational justice components such as distributive justice and procedural justice explain why perceptions of performance appraisal accuracy may influence the intention to stay with an organization (Poon, 2004; Phuong, 2018). However, employees perceive the fairness of the performance appraisal process differently, and perceptions of fairness lead to a higher intention to stay (Brown et al., 2010).

According to Memon et al. (2020), performance appraisal practices aim to improve employees’ performance by identifying key areas of improvement, developing employees’ skills, and providing rewards based on performance. The procedural, distributive, interpersonal, and informational justice in the performance appraisal practices provides these benefits to employees more objectively and transparently, enhancing their feeling of obligation to stay in the organization (Phuong, 2018; Hazeen Fathima and Umarani, 2023). Further, Memon et al. (2020) stated that employees who perceive fairness in performance appraisal practices have positive attitudes and intentions towards the firm, such as the intention to stay. Some empirical studies examined the relationship between fairness in performance appraisal practices and intention to stay. For example, Hazeen Fathima and Umarani (2023) examined the relationship between fairness in performance appraisal practices and engineers’ intention to stay in Indian construction companies. Memon et al. (2020) investigated the role of fairness and justice of performance appraisal practices on intention to stay among the employees of oil and gas organizations in Malaysia. Both the studies found a positive relationship. Thus, the following hypothesis can be proposed:
H2. JPPA practices positively affect intention to stay.

Justice perceptions of performance appraisal practices and job engagement

Job engagement signifies the harnessing of selves to their work roles; it indicates the psychological presence of employees at the time of performing work roles (Kahn, 1990). Further, job engagement is characterized by energy, involvement, and efficacy, the direct opposite of the three burnout dimensions: exhaustion, cynicism, and inefficacy (Maslach and Leiter, 2008). Moreover, individuals who employ themselves while performing their job involve active use of emotions and behaviors in addition to cognitions (Saks, 2006). Saks (2006) classified employee engagement into two types, i.e. job and organization engagement. Job engagement refers to employees’ psychological presence in their jobs, whereas organization engagement refers to an employee’s psychological presence in their organizations. Job engagement is considered to be a stronger predictor of employee outcomes. Previous studies have indicated that the perceptions of performance appraisal may influence employee engagement (Uraon, 2018; Memon et al., 2020). According to Kahn (1990), employees vary in personal engagements based on their perceived benefits or meaningfulness and the guarantees or safety in the situations. Similarly, Gupta and Kumar (2013) stated that for employees to display physical, emotional, and cognitive expression during job performance, they must perceive performance appraisal as fair. According to the social exchange theory (Blau, 1964), perceived justice at the workplace must be reciprocated with behaviors that are beneficial to the source. Therefore, employees who perceive fairness in performance appraisal practices are more likely to be physically, emotionally, and cognitively involved in their jobs (i.e. job engagement). Additionally, recent individual-level studies on how fairness in performance appraisal practices affects employee attitude at the workplace have validated the assumptions of social exchange theory (Rana and Singh, 2022; Hazeen Fathima and Umarani, 2023). Moreover, when employees perceive their organization has failed to assign qualified raters, the rating is done based on politics, raters are insensitive, not clarifying expectations, etc. Can reduce their level of job engagement (Gupta and Kumar, 2013). Furthermore, procedural, distributive, interpersonal, and informational justice in performance appraisal practices has been exhibited to improve job engagement when employees can experience fairness in the appraisal process (Micacchi et al., 2023). Besides, empirical studies have indicated the relationship between performance appraisal justice and job engagement. For example, Gupta and Kumar (2013) examined the relationship between performance appraisal justice and employee engagement among Indian professionals. Micacchi et al. (2023) investigated the role of performance appraisal justice on employees’ job engagement in the public sector in Italy. Both studies reported a positive relationship between performance appraisal justice and job engagement. Hence, the following hypothesis can be stated:

H3. JPPA practices positively affect job engagement.

Job engagement and job satisfaction

There are two contrasting thoughts on whether job satisfaction is an antecedent or outcome of job engagement. However, both thoughts have been supported by literature. Some studies argue job engagement is an antecedent of job satisfaction (Min et al., 2023; Côté et al., 2021). In contrast, other studies say that job satisfaction is an antecedent of job engagement (Yalabik et al., 2017; Shuck et al., 2021). According to a number of studies, job engagement and job satisfaction are two separate constructs that are positively correlated with one another (Alarcon and Lyons, 2011; Min et al., 2023). The present study views job engagement as an antecedent of job satisfaction. Because job engagement is a positive experience from the job,
state of mind, and emotions, engaged employees are often involved in their work, show enthusiasm and pride, and are attached to their work (Alarcon and Lyons, 2011). A high level of job engagement contributes to positive work and employee outcomes such as job satisfaction and performance (Yeh, 2013; Karanika-Murray et al., 2015). Saks (2006) argued that job engagement is measured at an individual level. If it does not affect business outcomes, it must affect individual-level outcomes such as employees’ attitudes, intentions, and behaviors. This mechanism is explained by social exchange theory, which postulates that when both parties follow the social exchange norms, it will lead to a more trustworthy and loyal relationship (Saks, 2006). Employees who continue to engage themselves because of the constant favorable reciprocal exchange will likely have more trustful and stronger relationships with their employers. Therefore, employees will more likely display positive attitudes toward the organization (Han et al., 2020). Literature has suggested a positive effect of job engagement on job satisfaction across varied business contexts, such as Belgian medical clinics (Côté et al., 2021) and public sector banks in India (Rai and Chawla, 2022).

Thus, the following hypothesis can be proposed:

\[ H4. \text{ Job engagement positively affects job satisfaction.} \]

**Job engagement and intention to stay**

Job engagement is likely related to the intention to stay (Rai et al., 2019; Lin and Huang, 2021). According to social exchange theory, mutual trust and loyalty strengthen if the employer and employee are obliged to the rule of exchange (Cropanzano and Mitchell, 2005). Hence, employees engaging in their jobs due to the favorable reciprocal relationship are likelier to have stronger positive intentions toward the organization (Saks, 2006). Schaufeli and Bakker (2004) stated that engaged employees are more likely to be better attached to their organization and have a lower propensity to quit. Karatepe and Ngeche (2012) contended that engaged employees have a trusting and healthy relationship with their employer, which results in diminished turnover intention. Similarly, Rai et al. (2019) mentioned that job engagement is a positive emotional state; hence, job engagement is likely to influence the intention to stay. According to Saks (2006), the experience of engagement is an accomplishing, positive work experience and state of mind, and it is linked to good health and a positive work environment. Therefore, positive experiences and a positive state of mind may positively influence work outcomes such as attitude and intention.

Additionally, some empirical research has revealed connections between job engagement and intention to stay. For instance, Bellamkonda et al. (2020) studied the role of job engagement on the intention to stay among managers in India’s IT and information technology-enabled service sectors and found a positive relationship. Amor et al. (2021) examined the relationship between job engagement and intention to stay among employees working in the service sector in Spain and the United Kingdom and reported a positive relationship. The above discussions indicate that job engagement positively influences the employees’ intention to stay. Therefore, the following hypothesis can be proposed:

\[ H5. \text{ Job engagement positively affects intention to stay.} \]

**The mediating role of job engagement**

The organization that maintains justice in the organizational process positively influences employees’ workplace outcomes (Afshan et al., 2022). Relationships and mutual trust at work are improved when employees perceive procedural, distributive, interpersonal, and informational justice in the performance appraisal practices (Gupta and Kumar, 2013). Thus, employees who perceive the fairness of performance appraisal practices are expected to engage in their jobs and have high job satisfaction and intention to stay (Saks, 2006). Based
on the principle of reciprocity, as suggested in social exchange theory (Blau, 1964), the study proposes that a positive role of JPPA practices on job satisfaction and intention to stay may exist. Further, the study hypothesizes that the JPPA practice engages employees in the job. As a result of job engagement, employees would reciprocate the justice by displaying positive employee attitudes such as job satisfaction and intention to stay. According to Rai and Maheshwari (2021), when a job possesses an engaging characteristic, it may engage employees in their work and create job satisfaction. Thus, the study suggests that job engagement may explain how JPPA practices influence job satisfaction and intention to stay.

Pradhan et al. (2019) empirically examined the mediating role of employee engagement in the relationship between HRM practices and job satisfaction in the Indian public service undertaking. They found the mediating role of employee engagement in the relationship between HRM practices and job satisfaction. Memon et al. (2021) examined the mediating role of job engagement in the relationship between performance appraisal satisfaction and intention to stay in Malaysian oil and gas organizations. They revealed that performance appraisal is a vital driver of work engagement that negatively affects turnover intention (refer to Figure 1). Thus, the following hypotheses can be framed:

\[ H6. \] Job engagement mediates the relationship between JPPA practices and job satisfaction.

\[ H7. \] Job engagement mediates the relationship between JPPA practices and intention to stay.

**Methods**

*Participants and procedure*

The present research employed a cross-sectional descriptive research design to conduct the study. Data were collected from the 50 randomly selected IT companies in Chennai, India. Chennai is one of the major IT hubs of India, and others include Bengaluru, Pune, Hyderabad, Mumbai, and Delhi National Capital Region (NCR). Chennai city houses all the major IT companies operating in India. It possesses all the characteristics other major IT hubs have and is a representative sample (Aggarwal et al., 2022; Uraon et al., 2023). Out of 50 IT companies, 14 were small-size, 13 were medium-size, and 23 were large-size companies with annual turnover up to USD 2.4 million, USD 2.4 Million to 240 million, and above USD 240 million, respectively. Furthermore, 18 companies were classified as product-based, while 32 as service-based.

A paper survey (offline) was conducted to collect the data. A total of 650 self-report structure questionnaires were distributed through the HR or senior managers to a sample of employees of 50 IT companies and provided with guidance on how to conduct the surveys. Each company was given a week to complete the survey, and regular follow-up was done to ensure that the survey was completed on time. Detailed instructions were provided to respondents to encourage honest and unbiased responses. The anonymity of respondents was safeguarded, and the participation in the survey was voluntary. Completed questionnaires were collected directly from the workplace. A total of 537 sample responses were obtained from the 50 IT companies. Among these 537 samples, 34 incomplete samples were excluded, and only 503 filled samples were used for the data analysis. Among 503 respondents, most respondents were from foreign IT companies (71.8%) compared to Indian IT companies (28.2%). Regarding hierarchy, most respondents were middle-level employees (47.9%), 46.7% were junior executives, and 5.4% were senior-level employees. Most respondents were male (67.0%) compared to female (33.0%). The respondents in the age group of 26–35 years comprised the majority of the sample (53.1%), 24.3% were from 36–45 years, 15.3% were from below 25 years, and 7.4% were from above 45 years of age. Regarding educational
qualification, most respondents were undergraduates (49.7%), 47.5% were postgraduates, 1.4% were diploma holders, and 1.4% were higher than the postgraduate level. In terms of total work experience, a majority of respondents had 7–10 years of work experience (28.2%), 20.1% of respondents had 3–6 years of work experience, 17.9% of respondents had 11–15 years of work experience, respondents with below three years of work experience and above 15 years of work experience comprise of 16.9% each.

Measures
A perception-based questionnaire was used with a five-point Likert scale (1 = strongly disagree; 5 = strongly agree). The scale reliability (Cronbach’s α) for all the constructs exceeded the value (0.70) as recommended by Nunnally et al. (1967) (refer to Table 1). Hence, the internal consistency of all the constructs was established.

Justice perceptions of performance appraisal (JPPA) practices were measured using the JPPA practices scale developed by Thurston and McNall (2010). JPPA practices scale had four dimensions, namely, procedural justice perceptions (α = 0.892), distributive justice perceptions (α = 0.869), interpersonal justice perceptions (α = 0.906), and informational justice perceptions (α = 0.960). Procedural justice had three components such as assigning a rater (5 items), setting criteria (4 items), and seeking appeals (5 items). A sample item of procedural justice is, “I am assigned a rater who is qualified to evaluate my work”. Distributive justice had two components: ratings based on equity (5 items) and ratings not based on politics (4 items). A sample item for distributive justice is, “The appraisal I get reflects how much work I do”. Interpersonal justice has two components: raters show respect (3 items), and raters show sensitivity (3 items). A sample item for informational justice is, “My rater is almost always polite”). Informational justice has three components: clarifying expectations (5 items), providing feedback (5 items), and explaining and justifying decisions (5 items). A sample item for informational justice is, “My rater frequently lets me know how I am doing”.

<table>
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<tr>
<th>Latent constructs</th>
<th>No. of items</th>
<th>Item loadings</th>
<th>Cronbach’s alpha</th>
<th>Composite reliability</th>
<th>Average variance extracted</th>
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<tbody>
<tr>
<td>Assigning raters</td>
<td>5</td>
<td>0.808–0.850</td>
<td>0.882</td>
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<td>Ratings not based on politics</td>
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<td>Procedural justice*</td>
<td>3</td>
<td>0.758–0.838</td>
<td>0.892</td>
<td>0.841</td>
<td>0.638</td>
</tr>
<tr>
<td>Distributive justice*</td>
<td>2</td>
<td>0.773–0.946</td>
<td>0.869</td>
<td>0.853</td>
<td>0.746</td>
</tr>
<tr>
<td>Interpersonal justice*</td>
<td>2</td>
<td>0.938–0.939</td>
<td>0.906</td>
<td>0.937</td>
<td>0.881</td>
</tr>
<tr>
<td>Informational justice*</td>
<td>3</td>
<td>0.930–0.948</td>
<td>0.960</td>
<td>0.954</td>
<td>0.872</td>
</tr>
<tr>
<td>JPPA practices*</td>
<td>4</td>
<td>0.764–0.930</td>
<td>0.964</td>
<td>0.902</td>
<td>0.699</td>
</tr>
<tr>
<td>Job engagement</td>
<td>5</td>
<td>0.714–0.821</td>
<td>0.839</td>
<td>0.885</td>
<td>0.607</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>3</td>
<td>0.917–0.924</td>
<td>0.911</td>
<td>0.944</td>
<td>0.849</td>
</tr>
<tr>
<td>Intention to stay</td>
<td>4</td>
<td>0.796–0.890</td>
<td>0.884</td>
<td>0.920</td>
<td>0.742</td>
</tr>
</tbody>
</table>

Table 1. Results of measurement model assessment

Note(s): JPPA = justice perceptions of performance appraisal; *higher-order component
Source(s): Authors’ own creation
Job engagement was measured using a six-item scale developed by Saks (2006). Items were designed to assess participants’ psychological presence in their jobs. For example, a sample item for job engagement is, “Sometimes I am so into my job that I lose track of time” (α = 0.839).

Job satisfaction was measured using a three-item scale developed by Cammann et al. (1983). A sample item is, “All in all, I am satisfied with my job” (α = 0.911).

Intention to stay was measured using a four-item scale developed by Cammann et al. (1979). A sample item for intention to stay is, “I plan to work at my present job for as long as possible” (α = 0.884).

Data analysis
The partial least squares structural equation modeling (PLS-SEM) method was used to estimate the higher-order model. PLS-SEM employs a component-based approach to test the relationships among the latent variables and is prediction-orientated (Nitzl et al., 2016). However, it is better suited for models with higher-order constructs, many items, and complex models in HRM research (Ringle et al., 2020). Since this study has a complex model consisting of JPPA practices as a higher-order independent variable, job engagement as a mediator, and two dependent variables (job satisfaction and intention to stay), PLS-SEM was considered an appropriate method to analyze the model (Nitzl et al., 2016).

This study employed higher-order constructs for advanced model design and followed the repeated indicator approach for specifying and estimating higher-order constructs in PLS-SEM (Ringle et al., 2012). The first-order/lower-order sub-dimensions of JPPA practices were transformed into reflective second-order dimensions of JPPA practices: procedural justice, distributive justice, interpersonal justice, and information justice. Further, the second-order dimensions of justice perception of performance appraisal were transformed into reflective higher-order JPPA practices latent variables. Job engagement, job satisfaction, and intention to stay were measured as lower-order latent variables. The higher-order JPPA practices latent construct was reflective, and no independent variable predicted the JPPA practices. Therefore, a two-stage approach was not applicable (Hair et al., 2021).

In composite-based PLS-SEM, confirmatory composite analysis (CCA) is a series of steps to confirm measurement model quality, similar to confirmatory factor analysis (CFA) in covariance-based structural equation modeling (CB-SEM) to develop and improve reflectively measured constructs (Hair et al., 2020). Assessing reflective measurement models using CCA includes the estimation of loadings and significance, indicator reliability (items), composite reliability, average variance extracted (AVE), and discriminant validity.

The common method bias occurs when data is collected from the same source for all the variables in the study. First, Podsakoff et al.’s (2003) procedural methods were followed to reduce the common method bias in the study to minimize the common method bias. That is, all respondents were guaranteed anonymity and secrecy of the information they provided and were asked to respond according to their own experience and understanding. Next, Harman’s single factor test explained 35.29% variance, less than 50%, which showed the common method bias is not a cause of concern.

Results
Assessment of reflective measurement model
The measurement model was assessed by testing internal consistency reliability, convergent validity, and discriminant validity (Hair et al., 2019, 2021). The reliability and validity of the higher-order constructs were assessed on their relationship with their lower-order components, and these relationships are considered indicator loadings and appear as path
coefficients in the path model (Sarstedt et al., 2019). Further, higher-order construct reliability and validity were assessed using these indicator loadings and the correlation between the constructs as input (Hair et al., 2019; Sarstedt et al., 2019).

The internal consistency reliability indicates the degree to which the items measure latent construct (Richter et al., 2016). Cronbach’s alpha and composite reliability were used to test the internal consistency of constructs (Hair et al., 2019). The Cronbach’s alpha and composite reliability values of 0.7 and above establish internal consistency reliability (Hair et al., 2021). As presented in Table 1, the results show that Cronbach’s alpha and composite reliability values were above 0.7, which confirmed all the constructs’ internal consistency reliability. Convergent validity indicates the degree to which a measure correlates with other measures of the same construct, and it assesses using items loading and average variance extracted (AVE) (Hair et al., 2018). Convergent validity is established when an item’s loading value exceeds 0.708 and the AVE score is at least 0.5 (Hair et al., 2018). Two items, i.e. “My rater is rarely rude to me” (0.390) and “My organization requires that standards be set for me before the start of a reporting period” (0.690) from the constructs such as “raters show respect” and “setting criteria” were removed for the poor loading while assessing measurement model respectively (Hair et al., 2018). As illustrated in Table 1, the items loading above 0.708 and AVE values greater than 0.5 confirmed the convergent validity of all the constructs.

Discriminant validity indicates the extent to which the construct is empirically distinct from other constructs in the structural equation model (SEM) (Hair et al., 2018). The heterotrait-monotrait (HTMT) criterion was used to assess the discriminant validity of the constructs (Henseler et al., 2015). HTMT criterion is an appropriate method of assessing discriminant validity (Hair et al., 2019). An HTMT value below 0.9 indicates the discriminant validity of the deconstructs (Henseler et al., 2015). In addition, two items, namely “My rater does not invade my privacy” and “My rater does not make hurtful statements about me”, were removed from the construct ‘raters show sensitivity’ to improve the discriminant validity of the constructs (Hair et al., 2019). As depicted in Table 2, HTMT values for all the constructs below 0.9 established the discriminant validity of constructs in the SEM.

Hypotheses testing
The structural equation model examines the predictive capabilities and relationship between the latent constructs (Hair et al., 2018). Bootstrapping analysis was performed with 5,000 subsamples to find path coefficients and the significance of the parameter estimates. As shown in Figure 2 and Table 3, the path coefficients suggested that JPPA practices had a direct positive impact on the dependent variables, i.e. job satisfaction ($\beta = 0.445, p < 0.001$) and intention to stay ($\beta = 0.565, p < 0.001$). Hence, hypotheses H1 and H2 were supported. Further, JPPA practices had a positive significant impact on the mediating variable, i.e. job engagement ($\beta = 0.369, p < 0.001$), job engagement had a positive significant effect on job satisfaction ($\beta = 0.227, p < 0.001$), and intention to stay ($\beta = 0.139, p < 0.001$). Hence, hypotheses H3, H4, and H5 were supported. Finally, JPPA practices significantly impacted job satisfaction ($\beta = 0.084, p < 0.001$, L.L.: 0.042, U.L.: 0.135) and intention to stay ($\beta = 0.051, p < 0.005$, L.L.: 0.019, U.L.: 0.090) through job engagement. These results showed that job engagement significantly mediates the impact of JPPA practices on job satisfaction and intention to stay. Hence, hypotheses H6 and H7 were supported. However, the significant direct impact of JPPA practices on job satisfaction and intention to stay in the presence of a mediator (i.e. job engagement) revealed partial mediation. The $R^2$ values in the endogenous latent variable in the structural model showed that the JPPA practices explained 13.6% variance in job engagement; further, JPPA practices and job engagement jointly explained 32.5% and 39.7% variance in job satisfaction and intention to stay, respectively. $R^2$ above 26% is considered to be large. Thus, the $R^2$ for job satisfaction and intention to stay was large (Cohen, 1988).
| Construct | AR   | CE   | DJ   | EDJ  | IS   | InfJ  | IntJ   | JE    | JPPAP | JS    | PF    | PJ    | RBE   | RBP   | RSR   | RSS   | SA   | SC   |
|-----------|------|------|------|------|------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|------|------|
| AR        | 0.620|      |      |      |      |       |        |       |       |       |       |       |       |       |       |      |      |
| CE        |      | 0.600| 0.684|      |      |       |        |       |       |       |       |       |       |       |       |      |      |
| DJ        | 0.603| 0.860| 0.674|      |      |       |        |       |       |       |       |       |       |       |       |      |      |
| EDJ       | 0.400| 0.586| 0.513| 0.644|      |       |        |       |       |       |       |       |       |       |       |      |      |
| IS        |      |      |      |      |      |       |        |       |       |       |       |       |       |       |       |      |      |
| InfJ      | 0.614| 0.699| 0.630|      |      |       |        |       |       |       |       |       |       |       |       |      |      |
| IntJ      | 0.566| 0.699| 0.596| 0.713| 0.555| 0.707 |       |       |       |       |       |       |       |       |       |      |      |
| JE        | 0.321| 0.373| 0.391| 0.288| 0.392| 0.341 | 0.320  |       |       |       |       |       |       |       |       |      |      |
| JPPAP     |      |      |      |      |      |       |        |       |       |       |       |       |       |       |       |      |      |
| JS        | 0.481| 0.493| 0.458| 0.530| 0.774| 0.518 | 0.462  | 0.435 | 0.562 |       |       |       |       |       |       |      |      |
| PF        | 0.543| 0.899| 0.653| 0.885| 0.583| 0.623 | 0.319  |       |       |       |       |       |       |       |       |      |      |
| PJ        |      |      |      |      |      |       |        |       |       |       |       |       |       |       |       |      |      |
| RBE       | 0.557| 0.635| 0.614| 0.454| 0.648| 0.491 | 0.296  |       |       |       |       |       |       |       |       |      |      |
| RBP       | 0.506| 0.577| 0.587| 0.470| 0.591| 0.608 | 0.442  |       |       |       |       |       |       |       |       |      |      |
| RSR       | 0.538| 0.630| 0.698| 0.736| 0.677| 0.705 | 0.576  | 0.389 | 0.497 | 0.652 |       |       |       |       |       |      |      |
| RSS       | 0.537| 0.722| 0.600| 0.742| 0.581| 0.736 | 0.325  |       | 0.429 | 0.537 | 0.617 | 0.632 |       |       |       |      |      |
| SA        | 0.370| 0.499| 0.582| 0.528| 0.490| 0.536 | 0.410  | 0.252 | 0.291 | 0.514 |       |       | 0.536 | 0.498 | 0.379 | 0.415|      |
| SC        | 0.617| 0.577| 0.610| 0.503| 0.499| 0.539 | 0.408  | 0.386 | 0.440 | 0.526 |       |       | 0.579 | 0.493 | 0.359 | 0.431| 0.607|

**Note(s):** Italics used for higher-order construct and values; AR = assigning rater; CE = clarifying expectations; DJ = distributive justice; EJD = explaining and justifying decisions; IS = intention to stay; InfJ = informational justice; IntJ = interpersonal justice; JE = job engagement; JPPAP = justice perception of performance appraisal practices; JS = job satisfaction; PF = providing feedback; PJ = procedural justice; BE = ratings based on equity; RBP = ratings not based on politics; RSR = raters show respect; RSS = raters show sensitivity; SA = seeking appeals; SC = setting criteria

**Source(s):** Authors' own creation
The effect size ($f^2$) between the exogenous and endogenous variables and predictive relevance ($Q^2$) of the model were assessed as recommended by Hair et al. (2018). Effect size ($f^2$) indicates the true impact of the exogenous variable on the endogenous variable, and $f^2$ values of 0.02 represent small, 0.15 represent medium, and 0.35 represent large effect sizes (Sarstedt et al., 2019). JPPA practices construct was found to have a medium effect on job satisfaction.
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significant role in fostering employee engagement in business organizations. The justice or fairness of performance appraisal creates a sense of being cared for and valued, which motivates employees to involve and express themselves physically, cognitively, and emotionally in their job (Kahn, 1990; Schaufeli et al., 2002). Indeed, perceived performance appraisal justice improves the social relationship between employer and employees, motivating employees to reciprocate the organization with greater job engagement (Micacchi et al., 2023). The findings of this study stressed the significance of performance appraisal justice in IT companies for having highly engaged employees in the workplace.

As foresaw in hypotheses H4 and H5, the findings of this study indicated that job engagement is a stronger predictor of job satisfaction and intention to stay. Highly engaged employees not only display high levels of energy and enthusiasm at work but are also completely immersed in their jobs (Bakker and Albrecht, 2018). These findings indicate that social exchange theory can be used to explain employee job engagement. In other words, employees who perceive justice in performance appraisal practices (procedural, distributive, interpersonal, and informational justice) are more likely to reciprocate with greater job engagement. Highly engaged employees are likely to have positive views about their jobs and a high-quality relationship with their employer. As a result, they display greater job satisfaction and intention to stay (Saks, 2006). These findings are consistent with previous studies where job engagement predicted greater job satisfaction and intention to stay of employees (Karanika-Murray et al., 2015; Rai and Maheshwari, 2021). They revealed that greater job engagement among employees leads to a positive attitude towards their jobs and willingness to remain in their current organization in the near future.

As prophesied in hypotheses H6 and H7, the study’s results revealed that JPPA practices can boost job engagement, which, in turn, improves the level of job satisfaction and intention to stay. Thus, job engagement can act as an important motivational mechanism through which JPPA practices can significantly increase job satisfaction and intention to stay. Past studies have also shown that job engagement could act as a mediator (Saks, 2006; Karanika-Murray et al., 2015; Memon et al., 2021). However, the present study is one of its kind. For example, Pradhan et al. (2019) examined the mediating role of job engagement in the relationship between HR practices and job satisfaction. Aggarwal et al. (2022) examined the mediating role of job engagement in the relationship between two-dimensional organizational justice (distributive and procedural justice) and intention to stay. Memon et al. (2020) investigated the mediating role of job engagement in the relationship between performance appraisal satisfaction and turnover intention. The present study examined the mediating role of job engagement on the impact of performance appraisal justice on job satisfaction and intention to stay. The study’s findings align with the social exchange theory that grateful employees will reciprocate by exhibiting a high level of job engagement, eventually leading to higher job satisfaction and intention to stay. Significantly, performance appraisal outcomes contribute to employee development, pay increments, rewards, and promotions (Eyoun et al., 2020). Hence, justice or fairness in the performance appraisal system is essential for satisfying employees and retaining talents (Pradhan et al., 2019; Memon et al., 2021). The JPPA practices create a positive employee attitude and behavior, mainly job engagement, which ultimately enhances job satisfaction and intention to stay.

Theoretical implications
The study contributes to JPPA practices and engagement literature in many ways. First, this study reaffirms the four-factor structure of organizational justice (procedural, distributive, interpersonal, and informational) that integrates these justice dimensions into performance appraisal (Colquitt et al., 2001; Thurston and McNall, 2010; Gupta and Kumar, 2013). However, many scholars have considered only two or three dimensions of performance
appraisal justice (Brefo-Manuh and Anlesinya, 2023; Rana and Singh, 2022). Others have measured fairness in performance appraisal with one survey item (Ryu and Hong, 2020; Bae, 2023). This study also shows the benefit of distinguishing four sub-dimensions because it elucidates which justice dimension is a stronger predictor.

Second, this study reaffirms the specific justice perceptions of performance appraisal practices such as procedural (i.e. assigning raters setting criteria and seeking appeals), distributive (i.e. ratings based on equity and without politics), interpersonal (i.e. raters show respect and sensitivity), and informational justice (i.e. clarifying expectations, providing feedback, and justifying decisions), as suggested by Thurston and McNall (2010). The present study is one of the few studies measuring specific performance appraisal practices mapped with the organizational justice framework. The study exhibits the advantages of having specific performance appraisal practices because it depicts how various performance appraisal practices influence employee outcomes.

Third, the findings add to existing knowledge by providing empirical evidence of the direct effect of JPPA practices on job satisfaction and intention to stay and the mediating effect of job engagement on the role of JPPA practices on job satisfaction and intention to stay in the IT industry in the Indian context, a subject area that has very little research done on it. Fourth, the findings of this study have affirmed the applicability and generalizability of social exchange theory in various environmental settings; it adds to the body of knowledge by employing social exchange theory to understand the attitude of IT employees at the workplace. Specifically, it offers empirical evidence of how the various performance appraisal justice dimensions affect job engagement, job satisfaction, and intention to stay. Theoretically, the findings suggest that procedural, distributive, interpersonal, and informational justice in performance appraisal practices is key to engaging employees in their jobs to ultimately enhance job satisfaction and intention to remain in the organization in the IT sector.

Practical implications
The results of this study have practical implications. First, fairness in performance appraisal practices is positively related to both job satisfaction and intention to stay. These findings imply that JPPA practices significantly boost employees’ job satisfaction and intention to stay. Fairness in performance evaluation processes sends a message to employees that the organization is open and fair in evaluating their performance and uses it as input to determine compensation and awards. Moreover, employees’ level of job satisfaction and intention to stay with their organization is based on the social exchange relationship with their organization (Mustafa et al., 2023). Thus, IT companies that want to enhance employees’ job satisfaction and intention to stay need to maintain justice in performance appraisal practices (i.e. procedural, distributive, interpersonal, and informational justice). Specifically, managers can assign qualified raters to perform performance appraisals, ensure the rating is done based on equity and without politics, ensure the rater shows respect and sensitivity towards ratees, clarify expectations, provide feedback, and explain and justify the decisions. These performance appraisal practices would help to improve job satisfaction and intention to stay. By enhancing job satisfaction and intention to stay, IT companies can also reduce employee turnover and increase productivity (Xie et al., 2022).

Second, JPPA practices are a significant predictor of job engagement. Due to the social exchange relationships, the perceived fairness in the performance appraisal practices instills a sense of obligation in employees who reciprocate with higher levels of job engagement (Gupta and Kumar, 2013). Thus, IT companies that wish to enhance job engagement can pay attention to fairness while evaluating the performance of the employees. Performance appraisal practices that set clear objectives, uphold transparency, ensure that managers and
appraisers are trained, provide regular feedback, and establish an appeal process might influence employees to reciprocate with greater levels of job engagement.

Third, this study reveals that job engagement plays a vital role in understanding the mechanism through which JPPA practices affect employee outcomes. In line with the arguments of social exchange relationships, the findings demonstrate that when employees perceive the performance appraisal practices to be fair, they are more likely to engage in their job; in turn, they show higher job satisfaction and intention to stay. Employees with greater job satisfaction and intention to stay are more likely to continue their association with their organization and contribute to the success of their organization. Importantly, job satisfaction and intention to stay are not just enhanced by JPPA practices but also improved by job engagement. The results show that IT companies can adopt two different strategies to enhance job satisfaction and intention to stay, such as by ensuring fairness in performance appraisal practices and engaging employees in their job meaningfully.

Limitations and direction for future research
The IT professionals’ perceptions were measured using self-reporting on multi-item scales, which were associated with perceptions, opinions, and rules and regulations. Hence, subjectivity and response bias could have influenced the findings. Furthermore, the study was restricted to employees of IT companies in India. Therefore, generalizing these findings to other professional groups, industries, and countries must be done cautiously. This study adopted Thurston and McNall’s (2010) four-factor structure approach to performance appraisal justice: procedural, distributive, interpersonal, and informational justice; the scale also has sub-dimensions of these four justice factors. This scale solves the mono-operation bias that can potentially afflict organizational justice measures. The four-factor justice approach should be applied to future research on HRM practices such as recruitment, training, promotion, and compensation. Further, future research could also explore the influence of JPPA practices on other attitudinal factors and behavior. The JPPA practices study can also be extended to the public sector and manufacturing industry, whose management practices and styles differ from those in the IT industry. This study employed a cross-sectional research design, which has limitations in establishing causality. Future studies can use the longitudinal research design to establish a cause-and-effect relationship between JPPA practices, job engagement, job satisfaction, and intention to stay.

References


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