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THE IMPACT OF PERCEIVED EFFECTIVENESS OF PERFORMANCE MANAGEMENT SYSTEM ON AFFECTIVE COMMITMENT: EMPLOYEE PARTICIPATION AS A MODERATOR

Abstract

Palestinian companies nowadays realize the importance of performance management systems. This study examines the moderating effect of employee participation in the relationship between perceived effectiveness of performance management system and affective commitment of employees in Palestinian service companies. A questionnaire was designed using Google Docs and distributed randomly via e-mail among 174 employees working in Palestinian service companies. A structural equation modeling, using AMOS V26, was used to test the hypotheses. The findings showed that perceived effectiveness of performance management system has a significant positive impact on affective commitment ($\beta = 0.77$; p -value = 0.000). While the justice dimension of perceived effectiveness of performance management system has a significant positive impact on affective commitment ($\beta = 0.52$; p -value = 0.007), the accuracy dimension was found insignificant ($\beta = 0.26$; p -value = 0.178).

Regarding the moderating effect, neither the interaction between the perceived effectiveness of performance management system and employee participation ($\beta = -0.031$; p -value = 0.465) nor the justice dimension was significant ($\beta = 0.103$; p -value = 0.203). Nevertheless, the interaction between the accuracy dimension and employee participation was negative ($\beta = -0.14$; p -value = 0.034). This study yielded support for the importance of perceived effectiveness of performance management system. Employees who perceived the performance of management system to be effective have higher affective commitment. Therefore, managers, especially HR managers, in service companies should pay more attention to the perceived effectiveness of performance management system, especially its justice dimension, to gain the benefits of committed employees.

Keywords

perceived accuracy, perceived fairness, perceived effectiveness, affective commitment, Palestinian service companies, structural model

JEL Classification O15, M12

INTRODUCTION

Nowadays many organizations face challenges due to high competition, dynamic and complex environments, and increased customer demands. Therefore, organizations need to consider all factors that help to survive in such an environment. It was proved that affective commitment positively influences many employee attitudes such as job performance, absenteeism, and turnover (Breitsohl & Ruhle, 2013), performance (Meyer et al., 1989; Meyer et al., 2002; Chen & Francesco, 2003; Bizri et al., 2021), organizational citizenship behavior (Meyer et al., 2002), work engagement (Gelderen & Bik, 2016), and job involvement (Singh & Gupta, 2015). Since employees may have different levels of commitment types (Meyer et al., 1993), and different types of

commitment have different impacts on employee willingness to achieve organizational goals (Allen & Meyer, 1990), the coronavirus pandemic may generate different types of commitment. Thus, organizations must look for factors that create and increase employee affective commitment because it is the most beneficial type of commitment.

How employees perceive the effectiveness of a performance management system is critical to its success. Sharma et al. (2016) found that perceived effectiveness of performance management system (PEPMS) has two ingredients: perceived accuracy and perceived justice. Therefore, there is a need to examine the extent to which the two-factor construct exists in the Palestinian environment and examine the influence of effectiveness of performance management system (accuracy and fairness) on employee outcomes such as affective commitment.

Although the importance of affective commitment is highlighted in previous research, it is important to investigate Palestinian organizations for several reasons: the cultural factor of the Palestinian environment, the high unemployment rate, and the coronavirus pandemic.

There is scarce research that addresses the relationship between perceived accuracy and affective commitment. Although Scheller and Harrison (2018), Lee and Wei (2017), Simons and Roberson (2003), and Ohana et al. (2013) addressed the relationship between different types of perceived justice and affective commitment, none of them investigated the effect of both dimensions on affective commitment nor the moderating role of employee participation.

1. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Many scholars defined employee performance management. In general, it is an ongoing process to ensure that employee activities contribute to achieving organizational goals (Glendinning, 2002; Biron et al., 2011; Dessler, 2013, p. 286). Performance management has revolutionized from performance appraisal, which denotes estimating employee performance against predefined performance standards (Dessler, 2013, p. 284). While performance appraising is a single activity (Decramer et al., 2013), performance management is a multiactivity process, e.g., planning, acting, monitoring, and reviewing (Armstrong, 2006, p. 337). Moreover, performance management reflects the strategic fit between HRM and organizational strategy (Decramer et al., 2013). Therefore, PMS should be distinguished from performance appraisal or performance measurements (Aguinis et al., 2011; Amaratunga & Baldry, 2002; Waeyenberg et al., 2017; Sharma et al., 2016).

Effectiveness denotes performing activities that lead to goals achievement (Robbins & Coulter,

2018, p. 8). Therefore, effective PMS can refer to a performance management system that produces desired outcomes associated with the performance management process. According to Sharma et al. (2016), it is the degree to which PMS meets its objectives (i.e., rewarding good performers; managing bad performers (Lawler, 2003); decisions and activities aligned with organization strategic objectives (Bento & Bento, 2006); increasing employee retention and performance (Haines & St-Onge, 2012; Lawler, 2003); enhancing integration between HRM components (Bevan & Thompson, 1991).

The question here is why PMS may not be effective. Many researchers proposed different answers to this question. The reason for ineffective PMS can be divided into technical, related to PMS itself, and non-technical. Technical reasons include the content of PMS (i.e., what are the elements included in the PMS) (Rademan & Vos, 2001; Furnham, 2004). In addition, there could be an improper implementation of the system (Glendinning, 2002; Hazard, 2004). According to Gensing-Pophal (2001), PMS is a complex process; it is not connected to rewards and is not under control. Non-technical reasons include employees' doubt of the credibility of PMS (Sharma et al., 2016), organi-

zations focusing on appraising performance rather than managing it (Aguinis et al., 2011), lack of understanding of the factors that enhance PMS (Biron et al., 2011), managers not providing feedback (Mello, 2014, p. 452), and organizations not improving performance (Grensing-Pophal, 2001).

Scholars proposed different measures of effective PMS. Yu et al. (2018) measured it by achieving process outcomes and organizational performance. Lawler (2003) distinguished between two types of effectiveness: effective PMS, measured through the results of the PMS (i.e., developing individual skills and knowledge), and differentiation effectiveness, differentiating between employees in terms of performance. Moreover, Baird et al. (2012) divide the Lawler's effective PMS scale into staff-related and performance-related outcomes. According to Sharma et al. (2016), employee acceptance of PMS is critical to being effective. Moreover, PMS is considered effective when employees perceive it as fair in respect of distribution, procedures, and interaction (DeNisi & Pritchard, 2006). Sharma et al. (2016) measured employee perception of effective PMS through perceived accuracy and perceived fairness.

Factors affecting EPMS include rater training, clear communication of performance expectations, and involvement of senior management (Biron et al., 2011; Lawler, 2003); connecting PMS outcomes with a reward system (Lawler, 2003; Baird et al., 2012); and the existence of ongoing feedback and behavior-based measurement (Lawler, 2003). Literature shows that some factors enhance the effectiveness of PMS, such as supervisor training (Haines & St-Onge, 2012) and good academic backgrounds (Rao, 2007).

Organizational justice (OJ) is about how employees perceive equality among employees (Imamoglu et al., 2019). Therefore, in the context of EPMS, OJ can refer to the perceived equality of PMS. It has been widely researched since 1990 due to its importance (Cohen-Charash & Spector, 2001). In the context of performance appraisal, justice has a critical role. According to Leung et al. (2001) and Flint (1999), employees respond favorably when the appraising system is fair. Moreover, employee performance may decrease in specific fields if they perceive its rating as unfair (Flint, 1999).

Distributional justice (DIJ) is how employees perceive the fairness of the distribution of organizational outcomes (Ghumman, 2021). Employees usually perceive DIJ through the ratio of the outputs (i.e., rewards, recognition) to input (i.e., educational level, performance). Although DIJ does not have a substantial impact on performance (Konovsky & Cropanzano, 1991), it predicts citizenship behavior in the organizations (Cohen-Charash & Spector, 2001; Zhang & Agarwal, 2009), as well as AFC (Scheller & Harrison, 2018). Antecedents of DIJ include empowerment and psychological contract (Zhang & Agarwal, 2009).

Procedural justice (PRJ) is related to the fairness of organizational procedures used to distribute organizational outcomes (Cohen-Charash & Spector, 2001; Imamoglu et al., 2019). Despite the unfair distribution of corporate products, the employee's perception of justice is more significant if he thinks that the procedures used to distribute organizational outcomes are fair. In EPMS, PRJ refers to the fairness of methods used in the PMS. PRJ is related to many employee's attitudes in the organization. For example, job performance and unproductive work behavior (Cohen-Charash & Spector, 2001), organizational citizenship behavior (Cohen-Charash & Spector, 2001; Zhang & Agarwal, 2009; Moorman, 1991), and AFC (Ohana et al., 2013). According to Erdogan (2002), due process, satisfactory notice, rightful hearing, and evidence-based judgment predict PRJ.

Interactional justice is the perceived fairness of interaction between managers and employees during the PMS process (Erdogan, 2002). Since a supervisor is responsible for implementing organizational procedures, according to Moorman (1991) and Masterson et al. (2000), he/she is the source of interactional fairness, and the organization is the source of PRJ. Colquitt (2001) splits interactional justice into two different constructs: interpersonal justice (INJ) and informational justice (IFJ). INJ is concerned with how a supervisor treats an employee. In IFJ, employees perceive justice when decisions made regarding the employee are explained. INJ has a positive impact on several employee attitudes. For example, INJ positively affects AC (Lee & Wei, 2017; Simons & Roberson, 2003) and organizational citizenship behavior (Zhang & Agarwal, 2009). IFJ also has an impact

on employee attitudes. Leung et al. (2001) show that even criticism, when associated with high INJ, will result in a favorable disposition toward a supervisor and more acceptance of feedback.

Organizational commitment (OC) is the degree to which an employee wishes to stay a member of the organization (Colquitt et al., 2015, p. 64). OC was significantly researched during the 1990s (Meyer et al., 2002). In addition, practitioners tried to use OC to attract, retain, and develop employees and improve their performance (Mercurio, 2015).

The most popular form to study OC is Mayer and Allen's model, composed of three components (Jaros, 2007). This model suggests that the employees feel connection with their organization because they want to (affective), they ought to (normative), and they need to (continuance) (Jayasingam et al., 2016), or as described by Jaros (2017), they feel emotional connection, obligation-based connection, and cost-based connection respectively. Normative commitment (NC) can be divided into two dimensions: "moral duty" – a high level of AC, and "indebted obligation" – a high level of CC (Meyer & Parfyonova, 2010).

Meyer and Allen (1984) first introduced the concept of affective commitment (AFC). AFC "is about emotional attachment to, identification with, and involvement in the organization" (Meyer et al., 2002; Meyer et al., 1989). It is the core of OC (Mercurio, 2015). However, it should be distinguished from attachment to a supervisor or workgroup (Vandenberghe et al., 2021).

AFC is considered vital because it has a favorable impact on employee-relevant and organization-relevant outcomes. Regarding organization-relevant results, AFC positively affects employee performance (Meyer et al., 1989; Meyer et al., 2002; Chen & Francesco, 2003; Bizri et al., 2021); attendance, and organizational citizenship behavior (Meyer et al., 2002); work engagement (Gelderen & Bik, 2016); job involvement, and team commitment (Singh & Gupta, 2015); and talent and leadership development practices (Chami-Malaeb & Garavan, 2013). Regarding employee-relevant outcomes, AC positively affects stress and work-family conflict outcomes (Meyer et al., 2002).

Many organizational factors can enhance employees' AFC. For example, they include PRJ (Cheng, 2014), human resource (HR) system strength meta-features (Bos-Nehles et al., 2021), transformational leadership (Ribeiro et al., 2018; Allen et al., 2017), congruence between espoused and enacted organizational values (Howell et al., 2012), and perceived corporate social responsibility (Papacharalampous & Papadimitriou, 2021). Moreover, organizational culture, which is based on mutual trust (Curado & Vieira, 2019), performance management (Asamany & Shaorong, 2018), interactional justice (Lee & Wei, 2017), internal consistency of PMS (Waeyenberg et al., 2017; Casimir et al., 2014), and managers' coaching skills (Ribeiro et al., 2021), can influence employees' AFC. Furthermore, base pay level among knowledge workers (Kuvaas, 2006), effective enactment of HR practices and the effective relations-oriented leadership behavior of line managers (Gilbert et al., 2011), and networking, trying to create and keep relationships with others for mutual benefits in their career, within one's organization (Forret & Dougherty, 2001) are of great importance.

On the other hand, some factors undermine employees' AFC. For example, they are task-oriented leadership (Hong et al., 2016), leader surface acting (Moin, 2018), and content plateauing (Tremblay, 2021).

Organizational culture construct has been widely used in the literature (Ghosh & Srivastava, 2014). According to Robbins and Judge (2017, p. 565), organizational culture is "a system of shared meanings held by members that distinguish the organization from other organizations." There are no agreements on the dimensions of corporate culture (Ghosh & Srivastava, 2014). Ghosh and Srivastava (2014) identified seven dimensions of corporate culture: trust, openness, freedom to experience, individualism and attitude toward constructive dissent, result orientation, and employee participation. Employee participation is when employees' views are considered, and they can express their ideas freely (Ghosh & Srivastava, 2014). In previous studies, employee participation was found to impact OC (Abdulkadir et al., 2012; Bhatti et al., 2011) and AFC (Grund & Titz, 2021).

Few studies examine the moderating role of employee participation in the relationship between

perceived effectiveness of PMS and affective commitment. Therefore, the aim of this paper is to examine the effect of PEPMS on affective commitment and the moderating role of employee participation in the relationship between perceived effectiveness of performance management system and its sub-dimensions on affective commitment in Palestinian service companies. Namely, this study set out to answer the following questions:

1. Does the two-factor construct of EPMS valid in the Palestinian context?
2. Does the perceived effectiveness of performance management system influence affective commitment?
3. Does employee participation affect affective commitment?
4. Does employee participation affect the relationship between perceived effectiveness of performance management system and affective commitment?
5. Which dimension of the perceived effectiveness of performance management system has more effect on affective commitment?

Following the review of the literature, this paper investigates the moderating role of employee participation on the relationship between perceived effectiveness of performance management system and affective commitment in the context of Palestinian service companies. Thus, the following hypotheses were formulated:

H1: PEPMS is positively related to affective commitment.

H1.1: The accuracy dimension of PEPMS is positively related to affective commitment.

H1.2: Justice dimension of PEPMS is positively related to affective commitment.

H2: Employee participation (EPA) moderates the relationship between PEPMS and affective commitment (higher EPA strengthens the positive relationship between PEPMS and affective commitment).

H2.1: Employee participation (EPA) moderates the relationship between the accuracy dimension of PEPMS and affective commitment (higher EPA strengthens the positive relationship between the accuracy dimension and affective commitment).

H2.2: Employee participation (EPA) moderates the relationship between the justice dimension of PEPMS and affective commitment (higher EPA would strengthen the positive relationship between the justice dimension and affective commitment).

2. METHODOLOGY

The data were collected using an online questionnaire through Google Docs distributed via e-mail. Therefore, all responses were valid, and there were no missing data. The target population includes employees from different service companies operating in Palestine during November and December 2021. As a result, 175 questionnaires were retrieved. The demographics of the respondents are illustrated in Table 1. The questionnaire was designed in English. Qualified experts translated it into Arabic to guarantee its consistency. Next, university professors in human resource management, accounting, finance, and business administration were asked to review the questionnaire's items to ensure their quality. The questionnaire covered all measures in the study (personal data, independent variables, and dependent variable) using a 5-point Likert scale.

The survey consists of four parts. The first part includes items regarding AFC. The second part contains items regarding PEPMS. The third part contains items regarding employee participation, and the fourth part includes questions regarding the users' demographic data.

Jaros' (2007) scale used the commitment scale, which modified Allen and Meyer's (1990) scale. In affective commitment, the first statement in Allen and Meyer's (1990) scale was replaced by "I am very happy being a member of this organization." Employee perception of effective performance management system has two factors. First, employee perception of PMS accuracy is adopt-

Table 1. Descriptive statistics of demographics

| Item | Frequency | Percentage (%) |
|---|-----------|----------------|
| Gender | | |
| Male | 135 | 77.1 |
| Female | 40 | 22.9 |
| Education level | | |
| High school or below | 4 | 2.3 |
| Diploma (2 years) | 15 | 8.6 |
| 1 st university degree (4 years) | 86 | 49.1 |
| Post-graduate studies | 70 | 40 |
| Age | | |
| Under 25 | 7 | 4 |
| 25 and less than 35 | 47 | 26.9 |
| 35 and less than 45 | 68 | 38.9 |
| 45 and over | 53 | 30.2 |
| Experience | | |
| Less than 5 years | 21 | 12 |
| 5 years and less than 10 | 40 | 22.9 |
| 10 years and less than 15 | 33 | 18.9 |
| 15 years and over | 81 | 46.2 |

ed from Sharma et al. (2016). Although Sharma et al. (2016) used a 7-points Likert scale, this paper used a 5-points Likert scale. Second, employee perception of PMS fairness was adopted from Colquitt (2001). According to Sharma et al. (2016), the items of organizational justice generated by Colquitt (2001) can be tailored to specific contents. Therefore, perceived corporate justice items are tailored to reflect the employee perception of PMS fairness. Finally, the employee participation scale was adopted from Ghosh and Srivastava (2014) as shown in Appendix A.

3. RESULTS

The reliability was measured through Cronbach's α indicator. According to Sekaran and Bougie (2010, p. 290), values of 0.7 and above are considered acceptable. All the variables in the study obtained excellent bargains, as illustrated in Table 2. Next, the paper employed confirmatory factor analysis to examine convergent and divergent validity. This analysis tested convergent validity through standardized factor loading. Items with factor loading less than 0.5 were removed. Therefore, items AFC4R, AFC5R, AFC5R, and EPA3 were deleted from the dataset, as their loadings were 0.037, 0.409, 0.492, and 0.403, respectively. The coefficients of the remaining items were significantly different from zero, and the loadings between latent and observed variables were above the cut-off

point in all cases. Therefore, according to Bollen (1989), the latent variable explains the observed variables adequately.

To examine discriminant validity, analysis results show that the variances differed from zero and significant. In addition, the correlation between each pair of scales was not above 0.8. Since there is a weak relationship among the constructs, it is confirmed that there are three constructs in the model. Moreover, the reliability and validity of the scale were tested using different methods drawn from the confirmatory factor analysis. The average variance extracted (AVE), with 0.5 as a reference point, and composite reliability (CR), with 0.7 as a reference point, were used. The values obtained exceeds the threshold (Bollen, 1989; Hair et al., 1995) except for performance review accuracy (PRA) (AVE = 0.474 and CR = 0.728), as illustrated in Table 2.

After collecting the data, common method bias (CMB) was detected. Harman's single factor was tested to evaluate the impact of CMB through component factor analysis (Podsakoff et al., 2003). The findings showed ten significant factors with eigenvalues of more than 1; the first factor explains 37.66% of the variance, which is below the cut-off point (0.5) according to Hulland et al. (2018). Therefore, it is concluded that data is free of CMB.

This study also tests for multivariate outliers in structural model data using AMOS v.26 through

Table 2. Convergent validity and internal consistency reliability

| Variable | Item | β | Cronbach's Alpha | CR | AVE |
|--------------------------------------|-------|---------|------------------|-------|-------|
| Performance planning accuracy (PPA) | PPA1 | 0.878 | 0.785 | 0.825 | 0.616 |
| | PPA2 | 0.828 | | | |
| | PPA3 | 0.626 | | | |
| Feedback and coaching accuracy (FCA) | FCA1 | 0.639 | 0.767 | 0.780 | 0.544 |
| | FCA2 | 0.796 | | | |
| | FCA3 | 0.768 | | | |
| Performance review accuracy (PRA) | PRA1 | 0.523 | 0.702 | 0.716 | 0.463 |
| | PRA 2 | 0.716 | | | |
| | PRA 3 | 0.776 | | | |
| Outcomes accuracy (OUA) | OUA1 | 0.581 | 0.817 | 0.842 | 0.648 |
| | AOU 2 | 0.909 | | | |
| | OUA 3 | 0.883 | | | |
| Procedural justice (PRJ) | PRJ1 | 0.742 | 0.900 | 0.899 | 0.598 |
| | PRJ 2 | 0.811 | | | |
| | PRJ 3 | 0.843 | | | |
| | PRJ 4 | 0.794 | | | |
| | PRJ 5 | 0.701 | | | |
| | PRJ 6 | 0.74 | | | |
| Distributive justice (DIJ) | DIJ1 | 0.823 | 0.917 | 0.909 | 0.715 |
| | DIJ 2 | 0.834 | | | |
| | DIJ 3 | 0.828 | | | |
| | DIJ 4 | 0.895 | | | |
| Interpersonal justice (INJ) | INJ 1 | 0.849 | 0.910 | 0.916 | 0.733 |
| | INJ 2 | 0.953 | | | |
| | INJ 3 | 0.913 | | | |
| | INJ 4 | 0.686 | | | |
| Informational justice (IFJ) | IFJ 1 | 0.787 | 0.937 | 0.938 | 0.751 |
| | IFJ 2 | 0.896 | | | |
| | IFJ 3 | 0.912 | | | |
| | IFJ 4 | 0.903 | | | |
| | IFJ 5 | 0.828 | | | |
| Affective commitment (AFC) | AFC 1 | 0.933 | 0.857 | 0.867 | 0.574 |
| | AFC 2 | 0.832 | | | |
| | AFC 3 | 0.719 | | | |
| | AFC 7 | 0.734 | | | |
| Employee participation (EPA) | AFC8R | 0.501 | 0.841 | 0.898 | 0.747 |
| | EPA1 | 0.832 | | | |
| | EPA2 | 0.938 | | | |
| | EPA4 | 0.818 | | | |

Note: β – standardized regression weight, AVE – average variance extracted, α – Cronbach's alpha, CR – composite reliability.

the Mahalanobis distance test. The P1 value of Mahalanobis distance for each item was used to detect multivariate outliers with 0.001 as a cut-off point. Therefore, all entries with P1 values less than the cut-off point are considered an outlier (Pollet & Meij, 2017). The result revealed that there are seven outliers. Therefore, they were removed from the dataset, leaving 168 valid questionnaires for further analysis.

Table 3 shows that the measurement model has a good fit. The value of CMIN/DF is (1.627), and the standardized root mean square residuals

(SRMR) are 6.5%, which is in the accepted range. Moreover, the root mean square error of approximation (RMSEA) = 6.1%, which is below the cut-off point (8%), according to Hu and Bentler (1999). Comparative fit model (CFI) = 91.5%, and Tucker-Lewis Index (TLI) = 90.8%. The values implied a goodness fit model, according to Hair et al. (2013). Thus, the study concludes that the minimum values of the goodness of fit model were obtained.

The hypotheses are tested using structural equation modeling (SEM). The study opted for the

Table 3. Goodness-of-fit indicators in the measurement model

| Fit indices | Recommended value | Value in the model |
|-------------|-------------------|--------------------|
| CMIN/DF | 2 < CMIN/DF < 5 | 1.627 |
| CFI | > 0.90 | 0.915 |
| TLI | > 0.90 | 0.908 |
| IFI | > 0.90 | 0.916 |
| SRMR | < 0.08 | 0.065 |
| RMSEA | < 0.08 | 0.061 |

Note: CMIN/DF – normal chi-square/degrees of freedom; CFI – comparative goodness of fit; TLI – Tucker-Lewis Index; IFI – incremental fit index; SRMR – standardized root mean square residual; RMSEA – root mean square error of approximation.

maximum likelihood estimation method since the multivariate normality was violated (CR for kurtosis was 25.182). Moreover, the maximum likelihood is preferable when there is a small sample size (West et al., 1995). The values of the proposed model (Table 4) indicate a good model fit (Hu & Bentler, 1999): RMSEA = 6.7%, CFI = 90.5%.

Table 4. Goodness-of-fit indicators in the structural model

| Fit indices | Recommended value | Value in the model |
|-------------|-------------------|--------------------|
| CMIN/DF | 2 < CMIN/DF < 5 | 1.756 |
| CFI | > 0.90 | 0.905 |
| TLI | > 0.90 | 0.896 |
| IFI | > 0.90 | 0.906 |
| SRMR | < 0.08 | 0.073 |
| RMSEA | < 0.08 | 0.067 |

Note: CMIN/DF – normal chi-square/degrees of freedom; CFI – comparative goodness of fit; TLI – Tucker-Lewis Index; IFI – incremental fit index; SRMR – standardized root mean square residual; RMSEA – root mean square error of approximation.

Table 5 and Figures 1-5 shows the results of the SEM analysis for the main hypotheses and the sub hypotheses results. It is revealed that the main hypothesis (Figure 1) result is significant. *H1*, which proposed a positive relationship between PEPMS and affective commitment, was confirmed ($\beta = 0.77$; p -value = 0.000), which indicates that PEPMS stimulates strong employee commitment in Palestinian service companies.

Table 5. Hypotheses testing

| Hypothesis | Effect | Standardized Regression Weight | S.E. | Sig. | Support |
|------------|-------------------|--------------------------------|-------|-------|---------|
| H1 | PEPMS → AFC | 0.77 | 0.219 | *** | Yes |
| H1.1 | ACC → AFC | 0.26 | 0.351 | 0.178 | No |
| H1.2 | JUS → AFC | 0.52 | 0.251 | 0.007 | Yes |
| H2 | PEPMS_x_EPA → AFC | -0.06 | 0.044 | 0.27 | No |
| H2.1 | ACC_X_EPA → AFC | -0.17 | 0.065 | 0.034 | Yes |
| H2.2 | JUS_X_EPA → AFC | 0.10 | 0.067 | 0.203 | No |

H1.1, which stated a positive impact of accuracy dimension of PEPMS on affective commitment, was not confirmed ($\beta = 0.26$; p -value = 0.178), showing that the accuracy dimension of PEPMS does not stimulate employee commitment in Palestinian service companies. On the other hand, *H1.2*, which proposed a positive impact of justice dimension of PEPMS on affective commitment, was confirmed ($\beta = 0.52$; p -value = 0.007), showing that the fairness dimension of PEPMS stimulates strong employee commitment in Palestinian service companies (Figure 2).

H2, which proposed that employee participation strengthens the relationship between PEPMS and affective commitment, was insignificant. Employee participation does not affect the relationship between PEPMS and affective commitment. In the interaction model, the impact of PEPMS ($\beta = 0.37$; p -value = 0.000) and the impact of EPA ($\beta = 0.42$; p -value = 0.000). Nevertheless, results show that the interaction between the two constructs is insignificant ($\beta = -0.031$; p -value = 0.465), as illustrated in Figure 3.

H2.1, which stated that employee participation moderates the relationship between the accuracy dimension of PEPMS and affective commitment, was significant (Figure 4). In the interaction model, the impact of accuracy dimension on

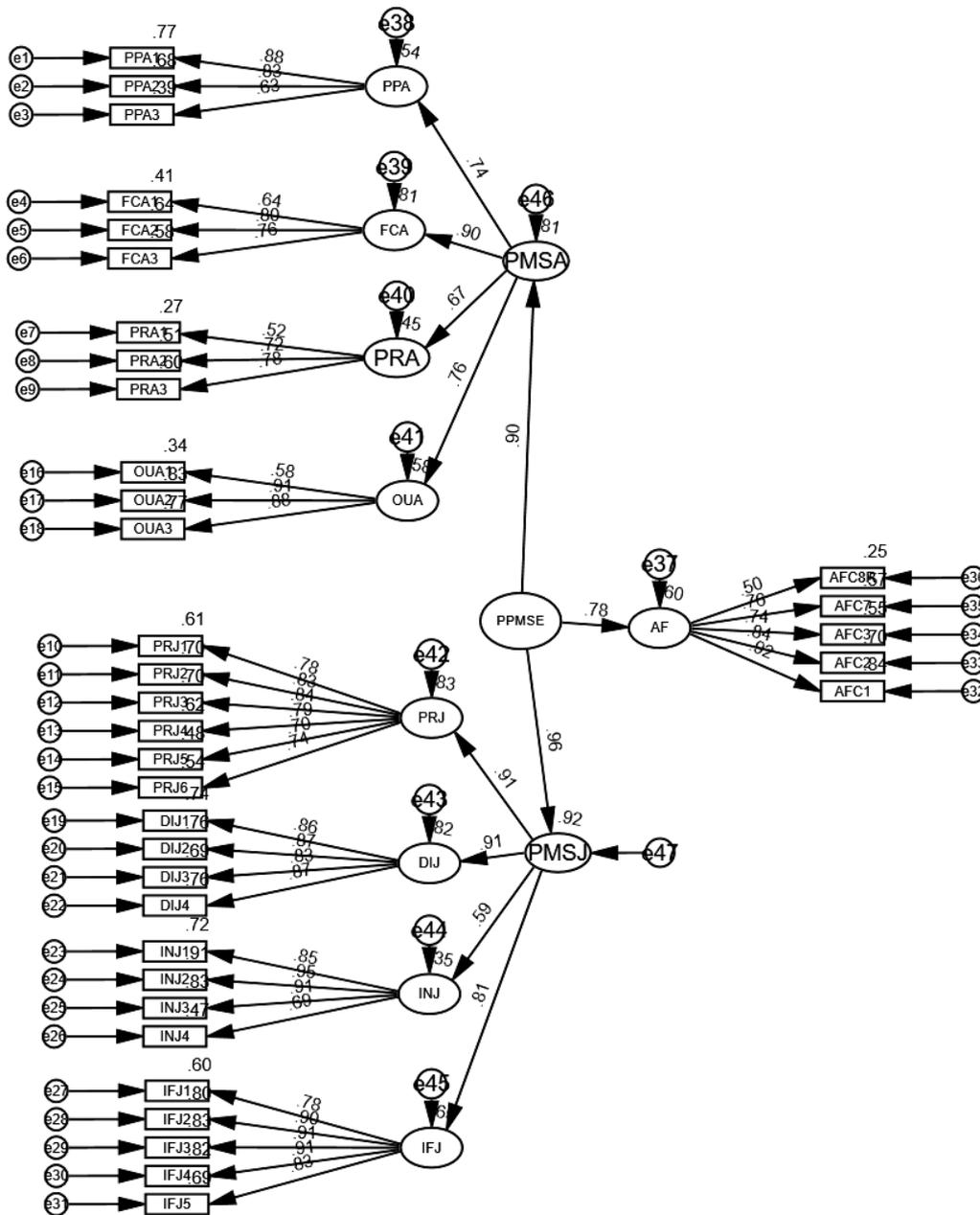


Figure 1. Structural model 1

affective commitment was found insignificant ($\beta = 0.037$; p -value = 0.639), the influence of employee participation on affective commitment was found significant ($\beta = 0.457$; p -value = 0.000), and the impact of interaction on affective commitment was significant ($\beta = -0.14$; p -value = 0.034). However, Figure 5 showed that a higher level of employee participation diminishes the effect of the PEPMS accuracy on affective commitment.

H2.2, which proposed that employee participation strengthens the relationship between

the justice dimension of PEPMS and affective commitment, was insignificant. In the interaction model, the impact of justice on affective commitment was found significant ($\beta = 0.305$; p -value = 0.000), the effect of employee participation on affective commitment was found significant ($\beta = 0.457$; p -value = 0.000), and the impact of interaction on affective commitment was seen insignificant ($\beta = 0.103$; p -value = 0.203). Therefore, employee participation does not moderate the relationship between justice dimension and affective commitment.

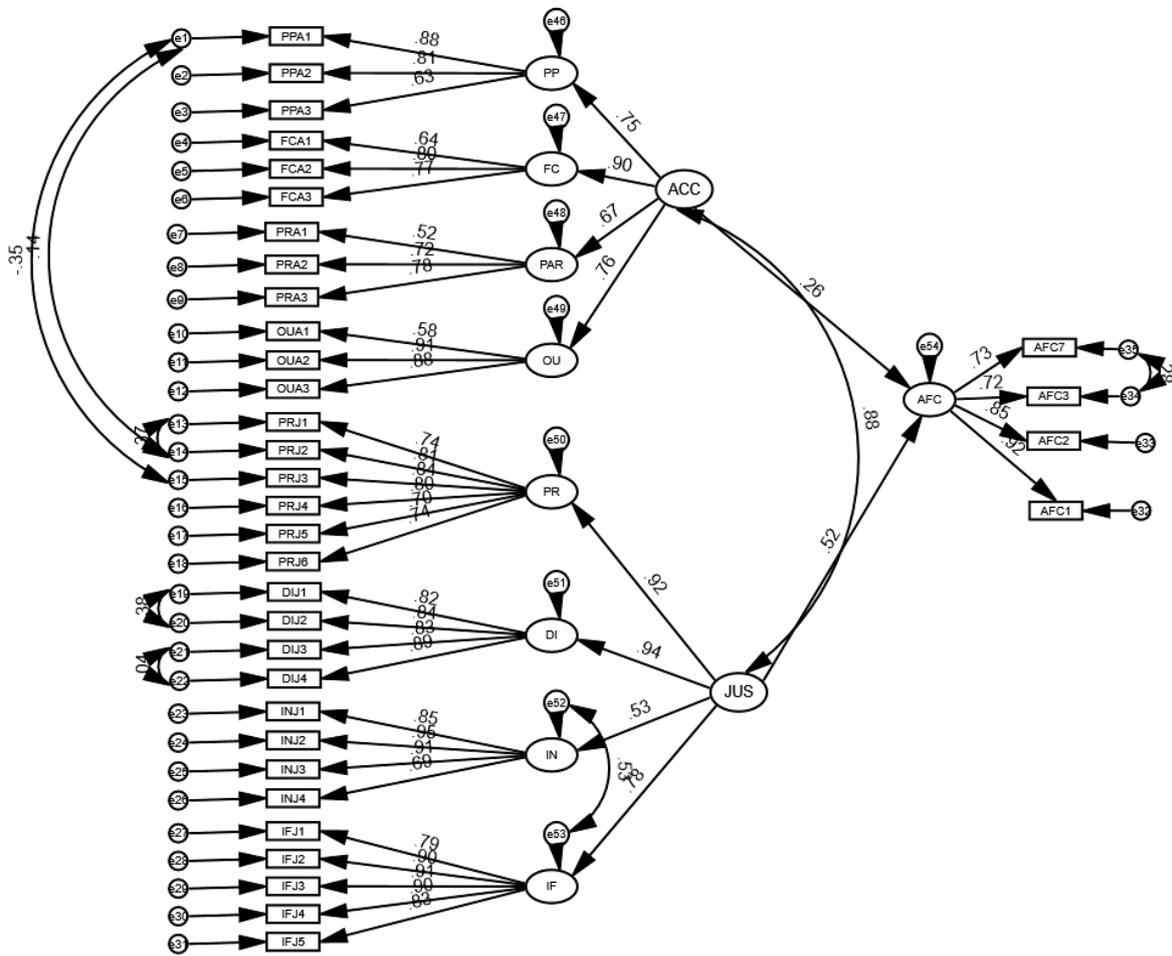


Figure 2. Structural model 2

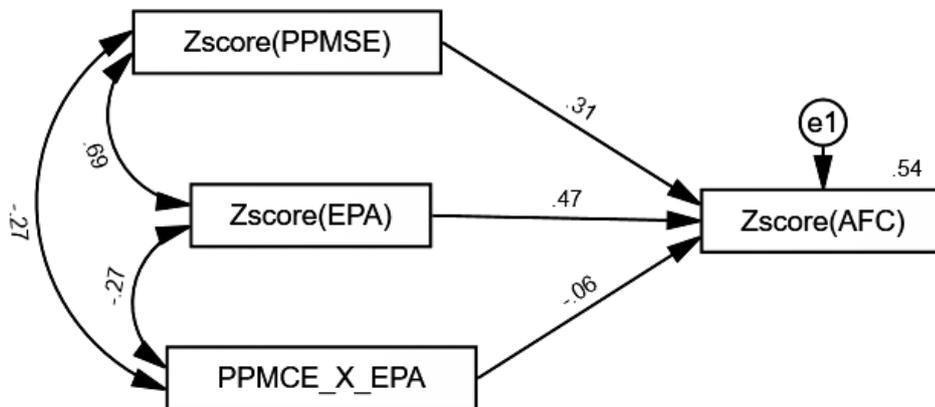


Figure 3. Interaction model 1

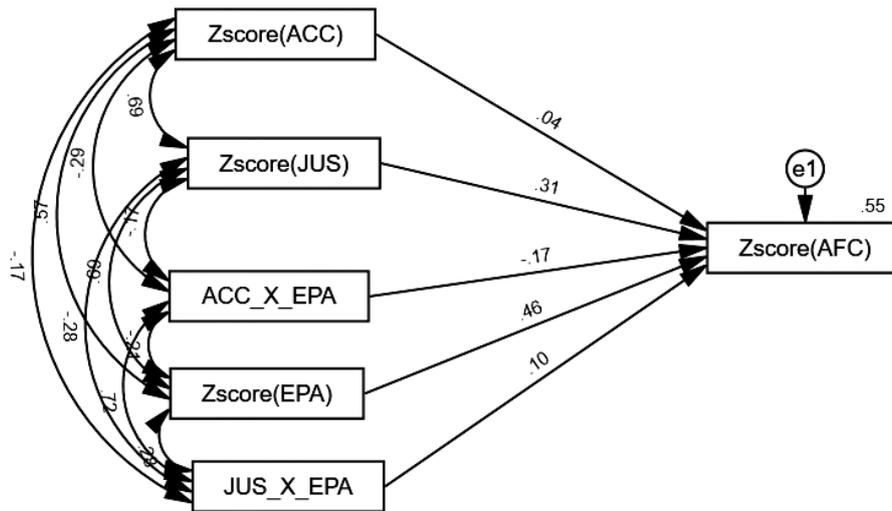


Figure 4. Interactional model 2

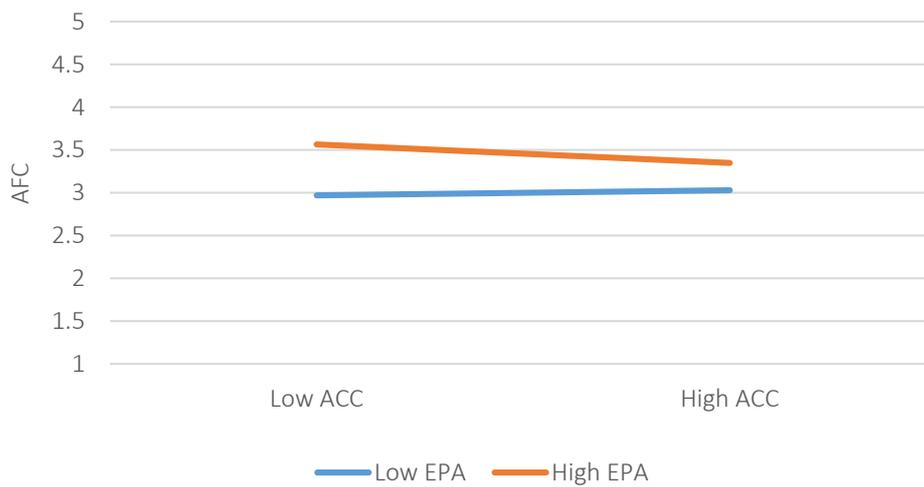


Figure 5. Interaction graph

4. DISCUSSION

Affective commitment has received great attention from scholars. However, employee perception of effective performance management system is a new construct. Therefore, few studies analyzed the impact of PEPMS on other employees' outcomes. Hence, this paper helps understand the impact of PEPMS on affective commitment in Palestinian service companies and the moderating role of employee participation in this relationship.

The paper enlarges the existing body of knowledge by testing the composite construct of PEPMS and its sub-dimensions on affective commitment. Moreover, it highlights the role of the justice di-

mension of PEPMS in enhancing the level of affective commitment in the organization. Finally, it highlights the role of employee participation in this relationship. From a theoretical point of view, this study extends the existing explanation of PEPMS and its impact on affective commitment. This study also examines the perceived justice in the context of the performance management system. Thus, it can be considered a critical step forwarding in directing theories regarding PEPMS effects and its sub-dimensions, mainly the accuracy, that have received minimal attention in the Palestinian environment till today. The elaborated framework proposes that PEPMS positively influences affective commitment, and employee participation strengthens such impact.

The results confirmed the two-factor construct of PEPMS as found in Sharma et al. (2016). Moreover, the results also confirm that accuracy is explained by four observed variables (performance planning accuracy, feedback and coaching accuracy, outcome accuracy, and performance review accuracy). The findings also indicate that PEPMS has a significant positive impact on affective commitment. This result supports Sharma et al. (2016), who found that PEPMS positively impacts organizational commitment. It is also shown that the fairness dimension has a positive impact on affective commitment. This result aligns with several studies that discussed the effect of organizational justice and its dimensions on affective commitment (Ha & Ha, 2015; Lee & Wei, 2017; Simons & Roberson, 2003; Ohana et al., 2013; Scheller & Harrison, 2018). The impact of accuracy dimension on affective commitment was found to be insignificant. This contradicts Berdicchia et al. (2021), who found that the accuracy dimension affects intrinsic and extrinsic motivation.

The paper also revealed that employee participation has a positive impact on AC. This result aligns with Bhatti et al. (2011) and Abdulkadir et

al. (2012), who found that employee participation improves commitment and productivity.

Surprisingly, results reveal that employee participation does not moderate the relationship between PEPMS and affective commitment. In addition, employee participation does not moderate the relationship between the justice dimension and affective commitment. Moreover, a high level of employee participation reduces the impact of perceived accuracy of PMS on affective commitment. In other words, the more positive employee participation is, the more negative the effect of perceived accuracy of PMS on affective commitment becomes. These results contradict other studies, such as Tremblay and Roger (2004), who found that employee participation reduces the negative consequences of career plateauing on job satisfaction. When employee participation is high, employees are encouraged to participate in meetings, speak out their opinions, and challenge the group. In the performance management context and Palestinian culture, employees may have disagreements, confront, and conflicts with their supervisors during the performance management phases. Therefore, this will lead to reducing affective commitment.

CONCLUSION

This study aimed to test the moderating effect of employee participation in the relationship between PEPMS and affective commitment. Results of the study indicate that PEPMS influences affective commitment. While the justice dimension of PEPMS positively influences affective commitment, the impact of accuracy dimension was insignificant. Moreover, employee participation reduces the impact of the accuracy dimension on affective commitment.

Results prove the impact of PEPMS on affective commitment. Thus, conclusions suggest that organizations should consider the performance management system. Thus, these systems must be developed carefully to illustrate effectiveness, as this will promote affective commitment.

Managers should invest much effort to ensure the effectiveness of the performance management system. Although the accuracy dimension was found to be insignificant, when combined with the fairness dimension, the impact will be higher than the impact of the fairness dimension alone. Therefore, managers should guarantee the accuracy and the fairness of the performance management. For example, managers should integrate the phases of the performance management system. This may increase the consistency of the process and, therefore, increase its accuracy. Justice dimension has more influence on affective commitment; therefore, it should receive more attention. Clear and precise procedures may be perceived as fair. Moreover, transparency and information available regarding the performance management process may increase its perceived fairness.

To ensure the perceived effectiveness of the performance management system, employee involvement and acceptance of performance management systems is highly suggested. By doing so, employees' affective commitment will increase. This will enable companies to grasp the outcomes of committed employees, such as enhanced performance (Meyer et al., 1989; Meyer et al., 2002; Chen & Francesco, 2003; Bizri et al., 2021); higher organizational citizenship behavior (Meyer et al., 2002); higher work engagement (Gelderens & Bik, 2016); and higher job involvement (Singh & Gupta, 2015).

Since employee participation, in the context of the performance management system, has a negative moderating effect on affective commitment, employee participation should be carefully managed.

Finally, this study may encounter several limitations. First, data were gathered from employees in service companies in Palestine. Second, the sample size was 175, which may seem a small sample. Therefore, the model should be tested in other geographic areas using a paper-based questionnaire. Since this study was conducted in a service company, further research is required in more specific areas, i.e., financial companies, or different contexts, i.e., industrial companies. Moreover, the unexpected results of the moderating role of employee participation require more investigation.

AUTHOR CONTRIBUTIONS

Conceptualization: Emad Waladali.
Data curation: Emad Waladali.
Formal analysis: Emad Waladali.
Funding acquisition: Emad Waladali.
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Project administration: Emad Waladali.
Resources: Emad Waladali.
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Supervision: Emad Waladali.
Validation: Emad Waladali.
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Writing – original draft: Emad Waladali.
Writing – review & editing: Emad Waladali.

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APPENDIX A. List of the questionnaire items

| Construct | Item | Reference |
|--------------------------------------|---|-----------------------------|
| Performance planning accuracy (PPA) | The performance plan based on PMS gives a clear idea of what is expected to meet organizational goals (PPA1) | Sharma et al. (2016) |
| | The performance plan helps me focus my efforts through identification of goals (and/or behaviors/skills) relevant to meet organizational goals (PPA2) | |
| | My manager and I update my goals as business goals change (PPA3) | |
| Feedback and coaching accuracy (FCA) | The ongoing feedback during the performance cycle gives an accurate evaluation of how I am performing against planned performance (FCA1) | Sharma et al. (2016) |
| | During the year my areas for improvement are clearly pointed out (FCA2) | |
| | I get the coaching I need during the year to achieve my goals (and/or improve my behaviors/skills) and planned performance (FCA3) | |
| Performance review accuracy (PRA) | Annual feedback during performance review is an accurate representation of the ongoing feedback during the performance cycle (PRA1) | Sharma et al. (2016) |
| | My goals (behaviors/ skills) are accurately rated as part of the view process (PRA2) | |
| | My annual performance review is very objective in assessment of my annual performance against planned performance (PRA3) | |
| Outcomes accuracy (OUA) | Performance review results in an accurate performance rating (OUA 1) | Sharma et al. (2016) |
| | My PMS outcomes (compensation, reward and/or recognition) are linked to my performance rating (OUA 2) | |
| | My annual performance review is directly related to my PMS outcomes (compensation, reward and/or recognition) (OUA 3) | |
| Procedural justice (PRJ) | Have you been able to express your views and feelings during those procedures? (PRJ1) | Colquitt (2001) |
| | Have those procedures been applied consistently? (PRJ2) | |
| | Have those procedures been free of bias? (PRJ3) | |
| | Have those procedures been based on accurate information? (PRJ4) | |
| | Have you been able to appeal the (outcome) arrived at by those procedures? (PRJ5) | |
| | Have those procedures upheld ethical and moral standards? (PRJ6) | |
| Distributive justice (DIJ) | Does your (outcome) reflect the effort you have put into your work? (DIJ 1) | Colquitt (2001) |
| | Is your (outcome) appropriate for the work you have completed? (DIJ 2) | |
| | Does your (outcome) reflect what you have contributed to the organization? (DIJ3) | |
| | Is your (outcome) justified, given your performance? (DIJ 4) | |
| Interpersonal justice (INJ) | Has (he/she) treated you in a polite manner? (INJ1) | Colquitt (2001) |
| | Has (he/she) treated you with dignity? (INJ2) | |
| | Has (he/she) treated you with respect? (INJ3) | |
| | Has (he/she) refrained from improper remarks or comments? (INJ4) | |
| Informational justice (IFJ) | Has (he/she) been candid in (his/her) communications with you? (IFJ1) | Colquitt (2001) |
| | Has (he/she) explained the procedures thoroughly? (IFJ2) | |
| | Were (his/her) explanations regarding the procedures reasonable? (IFJ3) | |
| | Has (he/she) communicated details in a timely manner? (IFJ4) | |
| | Has (he/she) seemed to tailor (his/her) communications to individuals' specific needs? (IFJ5) | |
| Affective commitment (AFC) | I am very happy being a member of this organization (AFC1) | Jaros (2007) |
| | I enjoy discussing about my organization with people outside it (AFC2) | |
| | I really feel as if this organization's problems are my own (AFC3) | |
| | I think that I could easily become as attached to another organization as I am to this one (AFC4) | |
| | I do not feel like 'part of the family' at my organization (AFC5) | |
| | I do not feel 'emotionally attached' to this organization (AFC6) | |
| | This organization has a great deal of personal meaning for me (AFC7) | |
| | I do not feel a 'strong' sense of belonging to my organization (AFC8) | |
| Employee participation (EPA) | Everybody is encouraged to participate in meetings (EPA1) | Ghosh and Srivastava (2014) |
| | In meetings we seek to understand everyone's viewpoint (EPA2) | |
| | Members are prepared to challenge assumptions of the group (EPA3) | |
| | Speaking out the truth, even if it is bitter, is encouraged (EPA4) | |