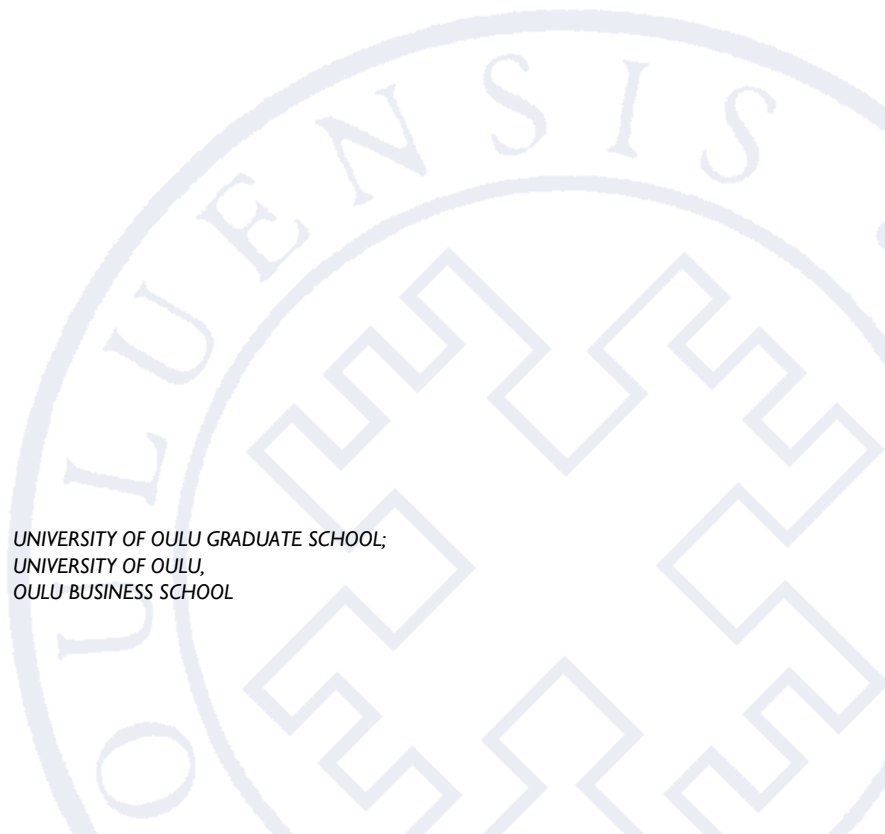


*Thuy-Van Tran*

THE RELATIONSHIPS  
BETWEEN PERFORMANCE  
EVALUATION PRACTICES  
AND FAIRNESS PERCEPTIONS

UNIVERSITY OF OULU GRADUATE SCHOOL;  
UNIVERSITY OF OULU,  
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*THUY-VAN TRAN*

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PERCEPTIONS**

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**Tran, Thuy-Van, The relationships between performance evaluation practices and fairness perceptions.**

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*Abstract*

The motivation for this dissertation stems from the important roles of performance evaluation practices and the associated employee fairness perceptions. These have strong effect on numerous organizational outcomes (e.g. performance) as well as organizational members' attitudes and behaviours (e.g. satisfaction, well-being and commitment). Although previous research has yielded many important insights on how performance evaluation practices influence employee fairness perceptions, there are still research gaps that must be filled for a comprehensive understanding on the topic. Since it is important for companies to implement performance evaluation systems that are seen as fair in the pursuit of positive outcomes at the workplace, this dissertation aims to gain an in-depth understanding of the effect of performance evaluation practices on employee perceived fairness.

The dissertation consists of three interrelated articles that examine from multiple theoretical angles performance evaluation practices and their impact on employees' perception of fairness. Emphasis is devoted to the subjective evaluation of supervisors because there are mixed findings with regard to its effectiveness and the behavioural consequences associated with it. The dissertation also explores multiple dimensions of employee fairness perception and seeks to understand the origins of fairness perception from a variety of perspectives. Further, the impacts of contextual factors are highlighted. As such, this dissertation aims to make contributions to the theory of management control and organizational justice. Moreover, focusing on Vietnam for the research context, the study responds to the need for more research on emerging economies, thereby extending the accounting literature worldwide. The findings of this dissertation have practical implications for organizations to improve their performance evaluation practices in such a way that they are deemed fair by employees.

*Keywords:* emerging economies, management control, organizational fairness, organizational justice, performance evaluation



## **Tran, Thuy-Van, Suorituksen arviointimenetelmät ja niihin liittyvät oikeudenmukaisuuskäsitykset organisaatioissa.**

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### ***Tiivistelmä***

Tämä väitöskirja käsittelee suorituksen arviointimenetelmiä ja niihin liittyviä työntekijöiden kokemuksia oikeudenmukaisuudesta. Nämä tekijät vaikuttavat useisiin organisatorisiin tuloksiin, kuten työyhteisön asenteisiin ja käytökseen, esimerkiksi työtyytyväisyyteen, työhyvinvointiin ja työhön sitoutumiseen. Aiemmasta tutkimuksesta huolimatta suorituksen arviointia ja organisatorista oikeudenmukaisuutta käsittelevässä kirjallisuudessa on vielä runsaasti avoimia tutkimuskysymyksiä. Koska yrityksissä on tärkeää ottaa käyttöön suorituksen arviointimenetelmiä, jotka koetaan oikeudenmukaisiksi ja jotka johtavat myönteisiin tuloksiin työpaikalla, tämä väitöskirja pyrkii lisäämään ymmärrystä siitä, miten suorituksen arviointimenetelmät vaikuttavat työntekijöiden käsityksiin oikeudenmukaisuudesta.

Väitöskirja koostuu kolmesta toisiinsa liittyvästä artikkelista, jotka käsittelevät suorituksen arviointimenetelmiä ja niiden vaikutuksia työntekijöiden käsityksiin oikeudenmukaisuudesta. Aihetta tarkastellaan useista teoreettisista näkökulmista käsin. Tutkimus painottuu erityisesti esimiesten antamaan subjektiiviseen arviointiin, koska aiemmat tutkimustulokset arvioinnin vaikuttavuudesta ja sen seurauksista ihmisten käyttäytymiseen ovat ristiriitaisia. Väitöskirja perehtyy monipuolisesti työntekijöiden kokemuksiin oikeudenmukaisuudesta pyrkien ymmärtämään niitä useista eri lähtökohdista tarkasteltuna. Lisäksi väitöskirjatyössä painotetaan kontekstuaalisten tekijöiden vaikutuksia. Tutkimus tuottaa lisätietoa johdon ohjausjärjestelmiä ja organisatorista oikeudenmukaisuutta käsitteleviin teorioihin. Lisäksi tämä tutkimus laajentaa laskentatoimen tutkimuskenttää globaalisti käyttämällä Vietnamia tutkimuskontekstinaan samalla vastaten tarpeeseen tuottaa lisätietoa kehittyvistä talouksista. Käytännön vaikutuksena tutkimustulokset auttavat organisaatioita parantamaan suorituksen arviointimenetelmistään oikeudenmukaisempia myös työntekijöiden näkökulmasta tarkasteltuna.

*Asiasanat:* johdon ohjausjärjestelmät, kehittyvät taloudet, organisatorinen oikeudenmukaisuus, suorituksen arviointi





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May 2022

Thuy-Van Tran

## List of original essays

This thesis is composed of an introductory chapter and the following essays, which are referred to throughout the text by the Roman numerals indicated below:

- I Tran, T. V., Lepistö, S., & Järvinen, J. (2021). The relationship between subjectivity in managerial performance evaluation and the three dimensions of justice perception. *Journal of Management Control*, 32, 369–399. <https://doi.org/10.1007/s00187-021-00319-2>
- II Tran, T. V. & Järvinen, J. (2022). Understanding the concept of subjectivity in performance evaluation and its effects on perceived procedural justice across contexts. *Accounting and Finance*, 1–30. <https://doi.org/10.1111/acfi.12916>
- III Tran, T. V. (2022). Institutional logics and employee fairness perception of performance evaluation in Vietnam. Manuscript.



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# 1 Introduction

## 1.1 Background

Performance evaluation is one of the most crucial aspects of a management control system because of its behavioural and organizational effects on motivation (Van Rinsum & Verbeeten, 2012), job satisfaction, trust and commitment (Lau & Tan, 2006; Sholihin & Pike, 2009) and performance (Burney et al., 2009; Kelly et al., 2015). Management accounting scholars have found that fairness is a key explanatory factor for such impacts of performance evaluation systems to happen (Lau & Oger, 2012; Su et al., 2021), because ‘first and above all, the individual must believe that the system is fair’ (Kaplan & Atkinson, 1988, p. 682). Given their roles in organizational behaviours and performance, the relationships between performance evaluation practices and fairness perceptions have become a major concern for practitioners and academics over the past few decades.

Much effort has been devoted to examining the fairness impact of performance evaluation practices from various theoretical lenses. Some researchers address the roles of diverse performance measures in ensuring the completeness and accuracy of performance assessments, thereby achieving fairness (Cohen-Charash & Spector, 2001; Feltham & Xie, 1994). They also point out contrasting evidence that the use of multiple performance measures exhibits incentive problems which adversely affect perceived fairness. For example, Moers (2005) indicates that there is a tendency towards leniency and compression of performance assessments when multiple performance measures are used. Other studies have narrowed their focus on other aspects of performance evaluation. For instance, Lau (2015) demonstrates the impacts of non-financial measures on fairness whereas Hartmann et al. (2010) explore whether the use of objective and subjective measures fosters the perception of fairness. More recent studies have shown that the impact on fairness of performance evaluation practices depends on contextual factors. Using uncertainty management theory, Hartmann and Slapničar (2012) find that the relationships are dependent upon the level of task uncertainty employees face in their jobs as well as their own tolerance for ambiguity. Despite the increased understanding within this research stream, there remain some research gaps regarding the effect of performance evaluation practices on fairness perceptions, as discussed below.

Organizational justice theory which is widely used to address the concept of perceived fairness suggests the existence of three main fairness aspects. Previous

studies in this research area have focused primarily on distributive justice, which refers to the fairness in terms of employee outcomes (e.g. salaries and promotions), and procedural justice, which addresses the perceived fairness of procedures used to make outcome decisions (Choon & Embi, 2012). Interactional justice, which refers to the fairness of interpersonal treatment and communication, has received far less attention (Byrne et al., 2012; Folger & Cropanzano, 1998). Nevertheless, perception of interactional justice is no less important than the other two dimensions because it is more strongly associated with supervisor-related outcomes such as leader-member exchange, motivation and commitment (Gupta & Kumar, 2013; Masterson et al., 2000). Not only does interactional justice merit further investigation, it is also recommended that all three dimensions of justice be examined together (Cohen-Charash & Spector, 2001; Colquitt et al., 2001). Little is known about the impacts of performance evaluation characteristics on all three forms of justice perceptions. This dissertation seeks to expand the theory of organizational justice by examining all forms of justice perceptions in relation to performance evaluation practices. Here, it is worth noting that, as with many other studies, the two concepts 'fairness' and 'justice' are used interchangeably in this current work.

Furthermore, this dissertation aims to put an emphasis on a supervisor's subjective or discretionary evaluation, which is an essential, yet controversial element of performance evaluation systems. Subjectivity in performance evaluation can address imperfections in objective performance measures and help capture more broadly employees' contribution to firm value (Baker et al., 1994; Bol, 2008; Höpfe & Moers, 2011); however, cognitive bias emerging from supervisors' personal judgements can arise, rendering performance evaluations not entirely rational and fair (Bol, 2011; Gomez-Mejia et al., 2007). Subjective judgement is not always aligned with subordinates' performance and contributions, which adversely influences their perception of justice. Subjective evaluation has been of great interest among management accounting researchers as a part of comprehensive performance evaluation systems (Bicudo de Castro, 2017; Gibbs et al., 2004; Moers, 2005); yet scholars acknowledge the incompleteness of the literature on subjective evaluation and its impacts. The dissertation, therefore, seeks to advance the understanding of subjective evaluation as a multidimensional concept which serves different incentive purposes and potentially has varying impacts on employees' perceptions, including their justice perceptions.

A large body of research has also acknowledged the importance of contexts in understanding the justice effects of performance evaluation practices (Fortin, 2008;



Hartmann & Slapničar, 2012; Lind & Van den Bos, 2002). First, it is suggested that the effectiveness of a performance evaluation system depends on the design of the system, for instance, the degree to which the system is formalised, or the characteristics of certain jobs or tasks (Hartmann & Slapničar, 2009, 2012). In addition, the existing research provides empirical evidence of the divergence in effectiveness of performance evaluation practices across cultures (Brockner et al., 2001; Chang & Hahn, 2006; Lam et al., 2002; Stammerjohan et al., 2015; Wu & Chaturvedi, 2009). Specifically, despite justice being a universal virtue (Greenberg, 2001a), people of different national origins may react to or perceive the justice of the same sets of controls differently (Chow et al., 2001; Kim & Leung, 2007). There is also a need to pay more attention to the impacts of institutional environments on the construction of justice perceptions, since different institutionally complex environments may differently shape individuals' cognition and values, including justice perceptions (Amans et al., 2015; Ezzamel et al., 2012; Lander et al., 2013, Lounsbury, 2008). The present dissertation puts forward a comprehensive view of the critical roles of contexts that shape the effectiveness of performance evaluation and the formation of perceptions of justice.

Along the same lines, this dissertation takes into consideration the argument of Otley (2001) that management accounting practices are strongly context-dependent, which notably affects research findings and implications. Nevertheless, most work in the field has been limited to Western markets, while research on emerging non-Western countries remains a small proportion of all publications (Ezzamel & Xiao, 2011; Moses & Hopper, 2022; Negash et al., 2019). As emerging economies have cultural and societal characteristics that differ from those of Western countries, they constitute interesting contexts with complex institutional environments for examining the phenomena of performance evaluation practices and organizational members' perceptions. It is also stated in the recent review by Moses and Hopper (2022) that more research is needed to address important yet neglected accounting issues in emerging economies. They provide particularly important research contexts, given the increasing trend for globalisation and the size of populations in such countries, as well as their growing economic power (Ezzamel & Xiao, 2011). Hence, this dissertation addresses this theoretical gap in non-Western contexts, and offers to form a cohesive body of literature on management control and managerial behaviours.

## 1.2 Research objectives and questions

The overarching aim of this dissertation is to provide further insight into the impacts of performance evaluation practices on employee justice perceptions. It aims to address the theoretical gaps discussed in the previous section and contribute to the theory of management control and organizational justice. Within the realm of management control, the dissertation improves the current understanding of the behavioural and cognitive effects of performance evaluation practices (e.g. Van Rinsum & Verbeeten, 2012). More specifically, it emphasises the notion of subjectivity in performance evaluation and its impact on the perception of justice (e.g. Woods, 2012). It also seeks to answer the many calls for further research on organizational justice. Indeed, Colquitt et al. (2001) call for more research incorporating multiple justice dimensions in single studies since they are distinct constructs and have different relationships with their correlates (Cohen-Charash & Spector, 2001). Roch and Shanock (2006) and Scott et al. (2007) emphasise the need for further research on interactional justice perception because of its strong association with employee attitudes and behavioural outcomes. Finally, Fortin (2008) calls for an exploration of the importance of social contexts that significantly influence the effect of performance evaluation on justice perceptions.

Vietnam was chosen as the research setting because it has cultural and institutional characteristics typical of emerging economies, such as high levels of power distance and collectivism (Hofstede et al., 2010; Power et al., 2010; Walumbwa & Lawler, 2003). The choice of research setting responds to the calls from Damayanthi and Gooneratne (2017) and Ezzamel and Xiao (2011) for more accounting research in emerging economies. This study, therefore, aims to provide strong insights into the phenomena of performance evaluation practices and justice perceptions in an emerging market, and expand the current literature on management control and organizational justice.

This dissertation focuses on the performance evaluation systems of middle managers in their role as evaluatees. Those selected as subjects of this research held middle management positions, with job titles such as heads of departments, branch managers, divisional managers, or managers of functional areas (e.g. production, sales, or accounting). The choice of the project participants was similar to that of many management accounting studies exploring performance evaluation practices and justice perceptions (e.g. Bellavance et al., 2013; Hartmann & Slapničar, 2009, 2012; Merchant et al., 2010; Voußem et al., 2016). It was based on the consideration that middle managers have multiple tasks and goals, relating to not only their core

technical performance but also their managerial performance (Sherf, 2016). Thus, they are subject to the evaluation of diverse performance measures, which is relevant to the research purposes of this dissertation.

The present dissertation contains three essays that address the relationships between performance evaluation practices and employee justice perceptions from different but interrelated angles. Specifically, Essay I examines how the use of subjective evaluation influences three forms of perceived fairness: procedural justice, distributive justice and interactional justice. All three forms of justice perceptions are considered, with the aim of obtaining a comprehensive understanding of multiple aspects of justice perceptions in relation to the use of subjective evaluation. Specifically, the study examines the role of perceived interactional justice as a mediator between subjectivity and the other two justice dimensions. This approach is based on the argument that the accuracy of subjective judgement is in the hands of supervisors, such that subordinates attribute any (in)justice in assessments primarily to their supervisors. This is consistent with suggestions from Cohen-Charash and Spector (2001) that interactional justice might come before distributive and procedural justice. This essay also takes into account the impacts of the cultural characteristics of Vietnam since national culture is an important factor in understanding employees' perception of management control practices (Dulebohn et al., 2012; Kirkman et al., 2006; Rockstuhl et al., 2012). The hypotheses were tested using survey data from 160 Vietnamese managers, in their role as evaluatees.

Given the important role of subjectivity in performance evaluation systems and its contradictory behavioural effects, the second essay concerns the multidimensionality of the subjectivity construct. Based on prior literature, the essay presents two forms of subjective evaluation: *ex ante* and *ex post*, which are components determined at two phases of the evaluation process. The distinction between *ex ante* and *ex post* subjective evaluation is necessary because the evaluation process is not only exercised at the end of an evaluation period, but also at the beginning of the period when evaluation criteria and targets are determined. The essay further puts forward and validates measurements of the two constructs of subjectivity by considering their varying effects on justice perceptions across contexts of formalisation and job autonomy. In the scope of this study, only perception of procedural justice is taken into account, because it is considered the most relevant dimension of justice in relation to the subjectivity forms discussed in the essay. It used the same survey dataset as the first essay.

The first two essays based on the survey data provide fruitful insights regarding the formation of justice perceptions of performance evaluation systems. However, some questions and concerns remain unresolved regarding how justice is perceived. Specifically, like many other studies on organizational justice, these two essays could only incorporate a limited set of cultural, organizational and individual factors. In essence, specific patterns of performance evaluation practices and individuals' fairness perceptions may be a good reflection of a wider set of values and norms in certain institutional environments, which is worth examining. In addition, since people may define and interpret the concept of fairness in various ways, there is a need to explicate what fairness actually means in a specific context. Following Modell (2009), one needs to be immersed in the lived experiences of the researched in order to observe and obtain such insights.

In light of these abovementioned concerns, Essay III explores the formation of fairness perceptions from the angle of institutional logic theory. The theory provides an opportunity for a deep analysis of how the perception of fairness reflects rationales and values of the institutionally complex environment in Vietnam. This essay examines how institutional logics, as socially constructed, guiding decision-making principles, influence the fairness perceptions of individuals working in different institutional environments in state-owned enterprises (hereafter referred to as SOEs) and other enterprises (non-SOEs hereafter). With this specific aim, this essay adopts a cross-sectional approach via semi-structured interviews, as they are a suitable way to understand the social contexts of phenomena in management accounting (Lillis & Mundy, 2005). According to Lillis and Mundy (2005), this approach is helpful in resolving ambiguous and contradictory findings from survey data, giving greater breadth to the examined issues; thus it suits the research purpose of providing more insight into the findings of the first two essays.

Methodologically, although none of the component essays are mixed method studies *per se*, the whole dissertation can be considered to use a mixed method approach, combining quantitative and qualitative research methods. This approach helps to provide a broader picture of the phenomena of interest and better answers to the research questions through a number of means, such as enhanced validity, participant enrichment, instrument fidelity, treatment integrity and significance enhancement (Collins et al., 2006, p. 76; Ihantola & Kihn, 2011; Webb et al., 1966). In this dissertation, the data collection and analysis processes of the two methods are conducted independently, so that the mixed use of quantitative and qualitative approaches can complement each other without assuming the risks of mixed

method studies (e.g. a mismatch between quantitative and qualitative samples or an imbalance between insiders’ and outsiders’ views during data collection and analysis) (Ihantola & Kihn, 2011).

Overall, this dissertation expands the literature on performance evaluation systems and associated justice perceptions by considering their relationships from different perspectives. The research questions of the three essays are summarised in table 1, as follows:

**Table 1. The research questions.**

Essay	Research Question
I	What are the relationships between subjectivity in performance evaluation and the three dimensions of justice perceptions?
II	How are <i>ex ante</i> and <i>ex post</i> subjective evaluations as two forms of subjectivity in performance evaluation related to employees’ perception of procedural justice across contexts of formalisation and job autonomy?
III	How do multiple institutional logics shape the way individuals form their perceptions of fairness associated with performance evaluation systems in Vietnamese SOEs and non-SOEs?

The dissertation includes two parts: this introductory chapter and the essays themselves. The remainder of the introductory chapter proceeds as follows. The next section reviews the theoretical background of the dissertation, focusing on performance evaluation, organizational justice, national culture and institutional logic theory. Section 3 describes the research design, including the choice of data and methods. In Section 4, the three essays are summarised in terms of their aims, methods and main findings. This is followed in Section 5 by a discussion of the overall findings, contributions of the whole dissertation and an examination of its wider implications, limitations and some avenues for further research.



## **2 Theory**

This section presents the theoretical background for the main concepts of this dissertation: performance evaluation and organizational justice. Further, it discusses the prior literature on national culture by Hofstede (1980) and institutional logic by Friedland and Alford (1991) and their impact on the issues under investigation. The theories of national culture and institutional logic may not be normative theories of management accounting; however, they are derived from social science and can help address questions in management accounting. In this dissertation and its essays, these theories facilitate the formation of hypotheses and provide theoretical guidelines for analysis and justifications of the empirical data. This is consistent with the view of Malmi and Granlund (2009) that theories can simply involve psychological, economic, or social aspects which provide answers to why questions or serve as grounds for a testable hypothesis in management accounting research.

### **2.1 Performance evaluation practices**

Performance evaluation system is a critical element of management control systems (Burkert et al., 2011; Ferreira & Otley, 2009). It is intended to encourage employees' efforts and productivity in desired aspects of their jobs and thus help accomplish organizational goals (Baker et al., 1988). Furthermore, a performance evaluation system's goals include 1) reviewing and improving the development and implementation of business strategies and individual decisions and 2) differentiating and retaining competent personnel (e.g. Franco-Santos et al., 2012; Hopwood, 1972). It can be implemented to assess the performance of individuals, groups, or a whole organization (Ferreira & Otley, 2009), but this dissertation addresses the performance evaluation of individuals, specifically those in middle-management positions.

Incentives or rewards are typically the outcomes of performance evaluations; hence a reward system is usually considered as the next logical step to a performance evaluation system (Ferreira & Otley, 2009). Rewards can be financial (bonuses or salary increases) or non-financial (long-term promotion) or a combination of both to show approval and recognition by senior management. It has been long recognised that incentive systems are important to motivate employees to align their own goals with those of organizations (Hopwood, 1972). Prior research has shown that desired behaviours that are not rewarded are likely to

be neglected (Kerr, 1975). Therefore, it is important to select valid performance measures and provide correct incentives for the optimal performance of employees and organizations.

There are several approaches to research on performance evaluation systems. One research stream examines the use of performance measures to determine salaries and rewards (Gibbs et al., 2004; Voußem et al., 2016), while another focuses on performance evaluation as a process distinct from bonus systems (Bol & Smith, 2011; Van Rinsum & Verbeeten, 2012). The last stream of research investigates the performance evaluation process and how assessed performance is connected to rewards (Bol, 2011; Höppe & Moers, 2011). This dissertation follows this approach because evaluation and reward systems are interrelated and both influence individuals' justice perceptions.

This dissertation focuses on the use of performance measures—one of the major features in the design of a performance evaluation system. It concerns the diversity of performance evaluation measures and specifically the use of objective and subjective evaluation. The following subsections will discuss these issues in detail. It is worth noting here that in this dissertation and its essays, more attention is devoted to subjective evaluation because of the incomplete yet controversial evidence regarding it in the literature.

### ***2.1.1 Diversity in performance evaluation measures***

As no single performance measure is complete, the informativeness principle suggests a diversity of performance measures to improve incentive contracting (Baker et al., 1994; Kaplan & Norton, 1996). It refers to a diverse set of lead and lag measures of performance intended to increase the amount of information available for a decision-making process (Ullrich & Tuttle, 2004). A diverse and comprehensive performance evaluation can provide sufficient feedback and capture an employee's performance dimensions more broadly and completely (Hartmann & Slapničar, 2012). For instance, Holmstrom and Milgrom (1991) illustrate the necessity of multiple performance measures to account for individuals' performance on their own projects and their contribution to team projects, given that the employees work on multiple projects and tasks. Without multiple measures, one may ignore poorly measured aspects and only devote effort to better-measured and well-compensated ones (Holmstrom & Milgrom, 1994). Moreover, multiple measures of both financial and non-financial measures can be useful to cover short-term financial targets as well as the sustainable development of firms in multiple



functional areas (Bartlett et al., 2014; Carmona et al., 2014). Hence, it can be argued that multiple measures are particularly relevant and incrementally informative in evaluating the complex and multidimensional performance of middle managers (Kaplan & Norton, 1996; Lipe & Salterio, 2000).

In this dissertation, diverse performance evaluation distinguishes between the use of objective and subjective assessment, which is quite a common distinction in the literature on management control (e.g. Moers, 2005; Noeverman et al., 2005; Otley & Fakiolas, 2000) and organizational behaviours (e.g. Birnberg et al., 2007). Objective performance measures refer to explicit measures which represent financial and quantitative non-financial performance and are generally linked to organizational targets (e.g. productivity, profitability and sales growth) (Bellavance et al., 2013). On the other hand, subjectivity in performance evaluation is based on superiors' discretion and flexibility in evaluating subordinates' performance; for instance, it can be based on their judgement over non-quantifiable job aspects such as work attitude, interpersonal skills, communication and knowledge-sharing skills (Bellavance et al., 2013; Hartmann et al., 2010).

Objective and subjective evaluations have their own advantages and disadvantages and are effective in measuring different aspects of an employee's performance and behaviour. Prior evidence shows that the combination of objective and subjective evaluation can strengthen the advantages of each of them while minimizing their flaws (Alves & Lourenço, 2021; Merchant et al., 2010). They can complement one another and provide a complete picture of the performance of employees, particularly of middle managers whose contributions are complex and not easily quantifiable (Lau & Sholihin, 2005; Van Rinsum & Verbeeten, 2012). These two forms will be discussed further in the next sections.

### ***2.1.2 Objective performance measures***

The assessment of objective measures is based only on actual results and comparisons with agreed standards of performance. It provides specific and quantified information about employees' performance and a direct comparison among peers (Ahn et al., 2010; Dai et al., 2018). Hence, objective assessment can generally provide good indicators of employee performance in functions related to external sales and service where the input-output can be explicitly determined, where performance is controllable, or when it is an element of institutionalised practice (Ferreira & Otley, 2009; Hartmann & Slapničar, 2009).

However, objective measures can be too aggregate, narrow and retrospective because there is no room for flexibility (Baker et al., 1994; Bol, 2008; Ittner et al., 2003; Prendergast & Topel, 1993). Furthermore, they are generally inapplicable for certain functions of internal service and support (such as in HR, accounting, or legal) (Hartmann & Slapničar, 2009). Thus, middle managers, in their role as the subject of an evaluation, might put more effort into job aspects that are more easily measured and well compensated, and avoid other tasks for which they are not rewarded, for instance, managerial tasks (Bol, 2008; Van der Kolk & Kaufmann, 2018). In addition, managerial performance can be affected by uncontrollable and unforeseeable events (e.g. economic factors, or actions of competitors), using purely objective measurements can introduce noise and reduce the effectiveness of the performance assessments, leading to distorted incentives (Bol, 2008; Frederiksen et al., 2017). In sum, objective measures are insufficient for measuring middle managers' multifaceted tasks and their contribution to the value of an organization (Baker et al., 1994; Bol, 2008; Ittner et al., 2003; Prendergast & Topel, 1993).

### **2.1.3 Subjectivity in performance evaluation**

Subjectivity in performance evaluation has been defined in several ways by authors working on the topic, perhaps because the notion of subjective evaluations can be flexible in practice. Overall, it refers to the personal judgement and discretion of supervisors in evaluating their subordinates' performance and effort.

According to Bol (2008), most studies refer to subjectivity in a general sense and do not acknowledge the different types of supervisor discretion. Another approach defines the concept of subjectivity in three forms: 1) the use of subjective measures or non-financial measures of qualitative performance of employees, such as leadership and interpersonal skills, 2) *ex post* adjustment in the weighting of objective performance measures and 3) adjustment of performance assessments and rewards based on factors other than the pre-specified criteria (Bol, 2008; Bol & Smith, 2011; Gibbs et al., 2004). However, there is little empirical evidence to be found regarding these three sub-components. A recent study by Bicudo de Castro (2017) suggests that subjectivity entails two concepts: rule-driven subjective evaluation concerns the level of discretion determined by an organization's current performance evaluation policies, while supervisor-driven subjective evaluation relates to a supervisor's idiosyncrasies during the evaluation process. It can be

observed that empirical integration is still needed in the understanding of subjective evaluation and its elements.

Subjectivity in performance evaluation has attracted increased attention as well as criticism from academics because of its mixed effects. On the one hand, subjective evaluation is useful and necessary to cover job aspects that are difficult or impossible to quantify. For instance, subjectivity can be incorporated into a performance evaluation system to assess employees' willingness to learn and share knowledge, their teamwork attitudes and their loyalty to the organization (Van der Stede et al., 2006). As for middle managers, subjective evaluations can assess managerial actions with non-quantifiable outcomes such as leadership skills and personnel development. It can also filter out the impact of uncontrollable events that influence employees' performance but remain unaddressed by objective measures (Bol, 2008; Voußem et al., 2016). A supervisor's discretion, therefore, can correct for potential defects of objective measures and reduce incentive risk for employees, ensuring that their performance is fully and accurately captured (Gibbs et al., 2004; Lau & Moser, 2008; Woods, 2012). It is a necessary element of an effective performance evaluation and incentive system (Bellavance et al., 2013).

On the other hand, subjective evaluation can be problematic because it is solely based on the personal judgement of a supervisor without any clear quantifiable targets. Whether the supervisor's assessments are inaccurate or unfair cannot be controlled. Subjective evaluation can be imprecise because the supervisor is not able to take into account all relevant information regarding the performance of his/her subordinates. In addition, personal judgements are subject to cognitive biases, such as centrality, leniency and favouritism. For example, supervisors tend to give lenient ratings to avoid uncomfortable discussions or confrontations with their subordinates or otherwise serve their self-interests (Ferris & Judge, 1991). Discretionary assessments can also be compressed due to the inability to differentiate among subordinates (Moers, 2005) or be biased as a consequence of favouritism (Ittner et al., 2003; Woods, 2012). Such biases can be costly to organizations and detrimental to subordinates' attitude and performance.

## **2.2 Perceptions of fairness/justice**

Fairness is an imperative and virtue in interpersonal relations, including in the workplace (Folger & Skarlicki, 2008; Whiteside & Barclay, 2016; Xu et al., 2016); thus, it is one of the topics that are researched the most frequently by scholars in organizational psychology and management. Social exchange theory suggests that

a favourable sense of fairness perceived from a fair system or ethical leaders can foster reciprocity and enhance employees' effort in accomplishing organizational goals (Moilanen & Ikäheimo, 2019). Empirical evidence provides strong support for the effects of fairness perceptions on desirable behaviours and outcomes, such as organizational commitment (Lau & Moser, 2008) and performance (Alves & Lourenço, 2021; Colquitt et al., 2001; Kelly et al., 2015). Fairness also helps reduce unfavourable consequences, such as dysfunctional behaviours (Cohen et al., 2007; Langevin & Mendoza, 2013; Lau & Oger, 2012; Virtanen & Elovainio, 2018) and turnover intention (Herda & Lavelle, 2012; Parke & Kohlmeyer, 2005).

Prior literature has explored the underlying motives of people's fairness concerns. First, scholars taking the instrumental perspective posit that fairness is important because it allows people to be assured of the short- and long-term outcomes (Thibaut & Walker, 1975). Second, the relational perspective focuses on fairness as an indicator of individuals being valued by their supervisors and the social groups they belong to (Lind & Tyler, 1988; Tyler & Lind, 1992). Fairness can create a sense of belonging, self-worth and self-esteem (Cropanzano et al., 2001). Last, from a moral perspective, people care about fairness because they appreciate dignity and worth and want to act accordingly (Folger, 1994, 1998; Folger & Cropanzano, 1998). Although individuals are generally driven by all three motives, each of them may be more or less salient than the others to certain people in certain situations (Cugueró-Escofet & Rosanas, 2013).

Fairness perception is conceptualised by the theory of organizational justice which has become widely used by researchers (Colquitt et al., 2013). Organizational justice theory concerns how members of an organization determine if they are treated fairly by organizational authorities (Moorman, 1991, p. 845; Whitman et al., 2012). It comprises three main constructs of perceived fairness: procedural justice, distributive justice and interactional justice. Before discussing the three dimensions of justice perceptions in detail, it is worth clarifying that in the scope of this dissertation, the terms 'justice' and 'fairness' are used interchangeably. More specifically, like many other studies in the field, no distinction is made between perceptions of fairness and perceptions of justice (see Cugueró-Escofet & Rosanas, 2013).

First, distributive justice refers to the perceived fairness of the allocation of an outcome. It originates from the belief that the allocation of the outcome should be consistent with the objectives of a particular situation, for instance, to maximise productivity or enhance cooperation (Deutsch, 1975; Leventhal, 1976). In organizations, the fairness of distribution applies to various outcomes: rewards,

bonuses, premiums and benefits (Cropanzano & Greenberg, 1997; Folger & Konovsky, 1989; Greenberg, 1987). Distributive justice can be determined by two principles: equity and equality (Colquitt, 2001). Equity allocation, as addressed by Adams (1965), states that outcome distribution is considered as fair if it is in accordance with the evaluated employee's contributions or inputs (such as education, competence and experience). Meanwhile, the equality rule refers to the fair allocation of rewards among groups, to maximise group harmony (Leventhal, 1980). Prior research has found that these rules are applicable depending on contexts (e.g. work and family), organizational goals and personal motives (Deutsch, 1975). Burney et al. (2009) find that distributive justice is related to the number of rewards and validity of performance measurements, while Fitzgerald (2007) emphasises the relative comparison of target difficulty between employees. In practice, the rules are often mixed in making distribution decisions (Cugueró-Escofet & Rosanas, 2013).

Procedural justice is the fairness perceived by individuals regarding the procedures used to make evaluation decisions (Thibaut & Walker, 1975). According to Leventhal (1980), a procedure is perceived as fair when six principles are upheld. These principles are consistency (evaluation procedures are applied consistently across persons and time), bias suppression (supervisors are neutral), accuracy (procedures are based on accurate information), correctability (an appeal process exists for correcting bad outcomes), representation (all individuals involved in the decision are heard from) and ethicality (the procedures uphold ethical and moral standards). Procedural justice is sometimes considered a core element of organizational justice theory (Fortin, 2008), because a favourable judgement of evaluation procedures can assure employees of the fairness of outcomes and show the trustworthiness of supervisors (Van den Bos, 2005).

Interactional justice, a concept introduced by Bies and Moag (1986), refers to the quality of interpersonal treatment and communication individuals experience in organizations. It is based on four principles: justification (explanation of the decisions made), truthfulness (candid and honest authority figures), respect (treatment with politeness) and propriety (refraining from improper or prejudicial statements). Interactional justice includes two components: interpersonal justice and informational justice. Interpersonal justice reflects the extent to which supervisors or any other authority figures treat subordinates or employees with respect and honesty, while informational justice refers to the degree to which people get explanations or information regarding the procedures or rationale for decisions.

Although the justice dimensions are moderately to highly correlated, they are empirically distinguished from one another (Colquitt et al., 2001). They actually have unique roles in certain organizational behaviours (Colquitt, 2001; Colquitt et al., 2012; Maaniemi & Hakonen, 2008). Prior literature provides evidence that distributive justice is associated with personal-referenced outcomes, such as pay satisfaction (Cameron et al., 2007; Roch & Shanock, 2006; Sweeney & McFarlin, 1993). Procedural justice is found to have unique relationships with reactions toward organizations (top management or organizational policies), influencing, for example, organizational commitment (Cameron et al., 2007) and organizational support (Roch & Shanock, 2006). Interactional justice is strongly connected with supervisor relationship quality (Roch & Shanock, 2006) and trust toward one's supervisor (Cameron et al., 2007; Cropanzano & Chen, 2002).

### **2.3 Relationships between performance evaluation practices and employee justice perceptions**

The manner in which the performance of organizational members is evaluated has an impact on their behaviours and work-related attitudes (Hopwood, 1972). Indeed, performance evaluation practices are known to be among the most crucial sources of justice perceptions, thus the design of performance evaluation systems has attracted increased research interest (Maas & Torres-González, 2011; Viswesvaran & Ones, 2002). It is also an important issue in practice, since establishing a performance evaluation system that is deemed fair is a proper managerial initiative that is mostly likely to payoff (Cugueró-Escofet & Rosanas, 2013). This dissertation and its essays explore how employees' perception of justice is influenced by the use of multiple performance measures, with a special emphasis on the impact of the subjective component.

One body of research has concentrated on the impact of comprehensive and diverse performance evaluations (e.g. Feltham & Xie, 1994), and some studies have been devoted to examining the impact of objective and subjective components individually on justice perceptions. Those studies confirm that it is not possible to predict clear, unidirectional relationships between the use of multiple performance measures and justice perceptions, as diverse measures can have mixed effects on how fairness is perceived (Diekmann et al., 2004). Both objective and subjective performance evaluations have advantages and disadvantages; thus, the combined use of both can increase and decrease the chances of obtaining a fair evaluation as perceived by employees.

Diversity in performance evaluations can reduce information asymmetry (Feltham & Xie, 1994) and capture employees' performance in multiple job aspects for broader and more accurate assessment (Cohen-Charash & Spector, 2001; Woods, 2012). Objective measures are informative about employees' competences and technical abilities (Van Iddekinge et al., 2018), whereas non-financial subjective measures are particularly important for assessing complex and non-quantifiable job aspects, such as cooperation and leadership qualities (Bol, 2008). Subjective measures can account for benevolent intentions and allow supervisors to evaluate subordinates more accurately based on their observations (Voußem et al., 2016). Subjective evaluation also enables subordinates to seek explanations of their performance assessments and to submit alternative interpretations. It increases opportunities to discuss, explain and correct identifiable flaws in the assessments (Gibbs et al., 2004; Lau & Moser, 2008). As a result, a combination of objective and subjective evaluation measures can enhance the perceived accuracy of performance assessments, thereby better reflecting the true efforts of employees and their contribution to firm value. The assessments, therefore, appear more accurate and bias-free, thus fairer in the eyes of employees (Greenberg, 1990).

However, a diverse performance evaluation system may promote bias and affect the chances of obtaining a fair evaluation in different ways (Diekmann et al., 2004). Objective and financial measures are often criticised for being too static, aggregate and narrow to obtain accurate assessments (Baker et al., 1994; Bol, 2008; Ittner et al., 2003; Prendergast & Topel, 1993). Subjective components can cause cognitive biases and distorted ratings (Higgins et al., 2003; Levy & Williams, 2004). The evaluators can also act on personal preferences to favour some subordinates over others beyond their true performance (Prendergast & Topel, 1993), while the subordinates may try to influence the evaluation of their supervisors. There are also certain risks when multiple measures are combined in the evaluations; for instance, the evaluators can weigh the importance of different measures in their own ways, which may harm the consistency and accuracy of the evaluations across subordinates and time (Moers, 2005). Furthermore, Moers (2005) demonstrates that the use of multiple performance measures is associated with more lenient and compressed ratings, which negatively affects the effectiveness of an incentive system. Bol and Smith (2011) illustrate some spill-over effects of using multiple measures, showing the influence of objective performance measures over the subjective evaluation of other distinct, non-quantifiable aspects of performance. Such problems lead to a decrease in the perceptions of justice because employees'

rewards and outcomes do not accurately reflect their efforts and competence (Ittner et al., 2003).

Prior studies in this research stream have acknowledged the need to take into consideration multiple factors to understand how performance evaluation practices influence justice perceptions because the relationship is not uniformly positive or negative (Hartmann & Slapničar, 2012; Voußem et al., 2016). Justice perceptions are not only the results of organizational processes *per se*, but also depend on the interactions of such processes, characteristics of personnel involved in the processes and evaluation environment which allows certain effects to prevail (Colquitt & Jackson, 2006; Hartmann & Slapničar, 2012; Lind & Van den Bos, 2002). Many factors in multiple contexts have been examined thus far. For instance, some scholars put an emphasis on the impact of job characteristics, such as task uncertainty (Hartmann & Slapničar, 2012), contractibility of managerial outputs (the ability to measure outputs—whether operationalizing output is easily measurable and traceable) (Hartmann & Slapničar, 2009), while some examine the role of interpersonal factors, such as the supervisor-subordinate relationship and voice (Bellavance et al., 2013). The present dissertation extends the research stream by exploring the impacts of some contextual factors relating to organizational and individual characteristics, specifically formalisation and job autonomy, on the effectiveness of performance evaluation practices and the formation of justice perceptions. Moreover, it takes into consideration the influence of national culture and more broadly, the institutional environment of Vietnam, an emerging economy where cultural values and social beliefs drastically differ from those in Western markets.

## **2.4 Roles of national culture and institutional complexity**

As mentioned earlier, social context is an important factor in the effectiveness of any management control practice (Dulebohn et al., 2012; Kirkman et al., 2006; Rockstuhl et al., 2012). It is also necessary for understanding the origins of justice perceptions (Colquitt et al., 2005; Fortin, 2008). This dissertation explores the roles of cultural and institutional contexts, focusing on those of emerging economies, as they may provide insights that are different from findings in Western markets. This section offers a theoretical background on the roles of national culture and institutional environments in performance evaluation practices and justice perceptions. It aims to provide a theoretical overview that serves as the basis for hypotheses and justifications in the dissertation and its component essays.



### **2.4.1 National culture**

Culture is the collective pattern of thinking that distinguishes members of one group or society from those of another (Hofstede, 1980). It is reflected in the meanings people attach to various aspects of life (e.g. their beliefs, values and expressions); thus it is widely known in prior literature to be an important component in understanding the effectiveness of management practices and leadership styles (Brockner et al., 2001; Chang & Hahn, 2006; Dulebohn et al., 2012; Kirkman et al., 2006; Lam et al., 2002; Rockstuhl et al., 2012; Stammerjohan et al., 2015; Wu & Chaturvedi, 2009). Researchers have also revealed differences between cultures in managerial behaviours and attitudes given the same sets of controls (Chow et al., 2001; Kim & Leung, 2007). It is suggested that people of different national origins may perceive justice differently, despite justice's universal importance (Greenberg, 2001a).

In this dissertation, the discussion of cultural impact is limited to Vietnam and other Asian countries, since most research thus far has been conducted in the specific contexts of advanced markets (Ezzamel & Xiao, 2011). Emerging markets exhibit major cultural differences from advanced markets, which could possibly influence performance evaluation practices and perceptions of justice. Because of the increasing pressure of globalisation and the remarkable growth of emerging economies (Ezzamel & Xiao, 2011), it is well worth examining how the design of a performance evaluation system affects justice perceptions in an emerging market. In the first essay of this dissertation, two cultural dimensions identified by Hofstede (1980), namely power distance and individualism/collectivism, are discussed because of their relevancy to employees' reactions to various controls in organizations (Chow et al., 2001).

Many of today's emerging markets show unique cultural characteristics in comparison with developed markets. First, they are characterised by a great degree of power distance—the extent to which inequality among individuals in different positions of formal power is considered a natural and desirable aspect of the social order. A high degree of power distance indicates a strong tendency to accept hierarchies and inequality. Second, emerging markets generally exhibit extensive collectivism; that is, people generally prioritise the interests of groups or organizations over those of individuals (Hofstede et al., 2010; Malhotra et al., 2005).

These cultural characteristics are found to influence the effectiveness of performance evaluation practices in emerging economies in patterns distinct from those seen in advanced markets. For instance, a high degree of power distance may

influence how people react to opportunities for job autonomy and delegation of decisions (Kirkman & Shapiro, 1997). Individuals from high power distance cultures are more inclined to be susceptible to rating biases (rating leniency and halo) than their low power distance counterparts (Ng et al., 2011). Also, individuals of collectivistic cultures tend to be more accustomed to top-down decision making, thus more likely to follow instructions from their supervisors than those from individualistic cultures (Jiang et al., 2017). Prior evidence suggests that some designs of management control systems may be effective in some cultural contexts, yet ineffective or even dysfunctional in others (Chow et al., 2001).

The impact of culture should also be recognised to better understand the origins of justice perceptions (Lam et al., 2002; Greenberg, 2001b), even though fairness is a universal imperative and has a similarly strong effect on various organizational outcomes (Lam et al., 2002). Leung et al. (2001) and Morris and Leung (2000) find some differences in the importance of fairness between cultures, particularly in regard to principles for judging justice, the implementation of the principles, the objectives of fair treatment and the impact of justice on outcomes (Colquitt et al., 2005). For example, interactional justice is found to have a weaker relationship with leader-member exchange in collectivistic cultures than individualistic ones (Erdogan & Liden, 2006). Kim and Leung (2007) demonstrate a stronger impact of injustice on job satisfaction and intention to leave in America than in China, Korea and Japan. Distributive justice is also found to shape overall fairness more strongly for the Chinese and Koreans than for Americans and the Japanese, while interactional justice is more important to Americans and the Japanese than to the Chinese and Koreans. Tata et al. (2003) focus on the principles of procedural justice from a cultural perspective and find that various dimensions of culture may affect principles of justice in different ways. These findings provide support for the theoretical predictions in the first essay of this dissertation regarding the relationships between subjective performance evaluation and justice perceptions.

#### ***2.4.2 Institutional logic and institutional complexity***

Institutional logics prescribe contradictory practices and beliefs in a particular environment (society or field) and determine individuals' behaviour and thinking (Friedland & Alford, 1991). They include broad sets of cultural templates serving as organising principles to guide the behaviours and actions of organizations and individuals (Friedland & Alford, 1991; Thornton et al., 2012). They are the basis of

taken-for-granted rules guiding the behaviour of field-level actors (Reay & Hinings, 2009, p. 629).

Institutional logic theory has attracted the attention of many researchers in the field of management control because it can help explain many management control phenomena (Modell, 2015). Much effort has been spent exploring the impact of institutional environments on the design of various aspects of management control systems, such as budgeting (Ezzamel et al., 2012), organizational performance measurement (Carlsson-Wall et al., 2016) and the selection and use of key performance indicators (Rautiainen et al., 2017). The findings of such studies highlight that multiple, yet often competing, institutional logics can co-exist within organizations and influence their activities, including management control practices. Specifically, firms are subject to logics emerging at organizational and organizational field levels, as well as societal levels which are historically and culturally contingent and shape the organizational principles and values of a society. Interestingly, organizational actors may not enact logics in full; they can reinterpret and reshape such logics by drawing selectively on elements of specific rationales they are associated with (Meyer & Hammerschmid, 2006; Pache & Santos, 2013b; Skelcher & Smith, 2015).

Besides, organizational members/actors are ‘carriers of institutional meanings’ who can derive their social identities and meanings from organizing principles prescribed by particular institutional logics (Macintosh & Scapens, 1990, p.458). As with organizational practices, an actor’s identities are embedded within their organizational- and organizational field–level logics, as well as logics on a societal level (Meyer & Hammerschmid, 2006). As a result, the actor’s actions and behaviours are influenced by multiple logics through the social identities (Thornton et al., 2012). Specifically, individuals selectively pick certain rationales and values of multiple logics to construct their identities and behaviours (Rozenfeld & Scapens, 2021). Yet there is limited empirical evidence of the influence of institutional complexity at individual level, for instance, how organizational actors form their cognition and behaviours within an institutionally complex working environment.

This dissertation is premised on the theoretical notion that the institutional logic perspective is a useful analytical lens for studying management control systems and organizational members’ behaviours (Damayanthi & Gooneratne, 2017). Meanwhile, the existing literature provides rich evidence on the origins of fairness perceptions; however, little is known about how the perception of fairness reflects the values and beliefs of wider institutional environments (Reay & Hinings, 2009). In this dissertation, the formation of individual fairness perceptions is

examined in relation to certain institutional contexts to recognise fairness as a reflection of wider social and political conditions. It is one of the few recent studies exploring how individuals deal with the complexity of an institutional environment in forming their thoughts and actions from the perspective of institutional logic theory (Friedland & Alford, 1991; Thornton & Ocasio, 2008).

### 3 Methodology

This study was conducted in the setting of an emerging economy. This context responds to previous calls for more accounting research in emerging economies and for the increasing convergence of accounting practices around the globe (Ezzamel & Xiao, 2011; Moses & Hopper, 2022). There is limited empirical evidence about the phenomena of performance evaluation and justice perceptions in emerging economies, because most previous studies have been done in Western contexts. The results of this study provide insight into the subject from the perspective of an emerging economy, contributing to the growth of knowledge and development of emerging countries (Moses & Hopper, 2022; Negash et al., 2019).

Vietnam provides a suitable setting for our research questions. In terms of the cultural aspect, Vietnamese culture, characterised by collectivism and a high-power distance, exhibits typical cultural characteristics of many emerging countries (in Asia and elsewhere) (Chua et al., 2009; Du & Choi, 2010; Hofstede et al., 2010). Furthermore, Vietnamese firms have been exposed to global market competition and international management control system practices, as a result of globalisation and the economic reform implemented by their government. Such changes have increased institutional complexity, introducing novel values into their culture and social norms and creating tensions between traditional and new institutional logics. This situation offers an interesting context for examining the effectiveness of performance evaluation practices and individuals' fairness perceptions.

The data collection for this dissertation targeted middle-level managers (such as the heads of departments, branch or divisional managers, or managers of functional areas such as production, sales, or accounting). Such individuals are usually responsible for multiple tasks, including their core technical and managerial tasks, which can be complex and highly ambiguous. They may also have to deal with uncontrollable and unforeseeable events, which influence performance and subsequent performance assessments of themselves and their subordinates along with bonus outcomes. Therefore, middle managers are normally subject to multiple performance indicators, which aim to cover a broad range of job aspects; thus, they were suitable participants for addressing the research questions of this dissertation. Another criterion for the middle managers chosen as participants was that they had to be working in organizations with more than 20 employees, because such firms were more likely to utilise proper performance evaluation practices and an associated reward system.

This dissertation employed a mixed method approach; specifically, the analyses in the first and second essays were based on quantitative data collected by a questionnaire, while the third essay made use of a qualitative method, in the form of personal interviews. The choice of a mixed method approach was based on several considerations. First, data collection based on a survey and personal interviews is a suitable approach given the perceptual and private nature of the data required to answer the research questions set out earlier. In particular, a survey can obtain private, anonymous information regarding individual perceptions of fairness, while personal interviews suit the research questions that relate to individuals' perceptions, experiences and shared meanings (Silverman, 2006).

Second, the combined use of both approaches can facilitate in-depth discussions on how perceptions of fairness are constructed. The findings of the survey can generalise theoretical conclusions regarding performance evaluation practices and individuals' justice perceptions in Vietnam, whereas the qualitative findings can give meaning to individuals' fairness perceptions in relation to the broad context of the social, cultural and political situation. In addition, the mixed method approach can produce other benefits, such as participant enrichment, instrument fidelity, treatment integrity and significance enhancement (Collins et al., 2006, p. 76). The two methods complement each other by clarifying ambiguous issues in the other for a holistic understanding of the phenomena (Eriksson & Kovalainen, 2008, p 11; Johnson et al., 2007).

Here, it is worth noting that the data collection and analyses of the two methods were conducted separately, in order to avoid the problems highlighted by Ihantola and Kihn (2011) regarding the mixed use of methods, such as a mismatch between quantitative and qualitative samples, an imbalance in insiders' and outsiders' views during the data collection process, the analysis and interpretation of both sets of data simultaneously. As such, this approach attempts to broaden the understanding of justice perceptions of performance evaluation practices from multiple lenses and contribute to the literature on management control and organizational justice.

The survey used for the first two essays was conducted in 2017. Its target participants were middle managers working in various organizations in three selected cities in Vietnam (namely Hanoi, Ho Chi Minh City and Danang). The sample was obtained via the Vietnam Chamber of Commerce and Industry (VCCI), a national organization representing the business community in Vietnam. The VCCI database was selected because its members represented a wide range of firm sizes and industries. The design of the survey followed guidelines from Dillman and Groves (2011), Van der Stede et al. (2005) and Bedford and Speklé (2018) to

ensure its quality. For example, a pre-test was conducted to assure a suitable length and to assess the comprehensibility and validity of the measurement instruments in the Vietnamese context (Dillman & Groves, 2011; Morgan, 1990; Van der Stede et al., 2005). The survey was web-based and completed by 163 managers of the 700 invited to participate, of which 160 responses qualified as final samples (for a response rate of 22%).

The third essay of this dissertation used a qualitative approach in the form of cross-sectional field interviews, with the aim of answering ‘how’ questions and making sense of meanings attached to performance evaluation practices and fairness perceptions in Vietnamese firms, from the perspective of institutional logic theory (see Eriksson & Kovalainen, 2008). A cross-sectional field study was chosen because it can clarify the key constructs in management accounting, take into account the impact of social context on the examined phenomena and resolve contradictory findings in prior research (Lillis & Mundy, 2005). This method, therefore, is able to explore uncertainty in constructs and seek justifications for individual fairness perceptions in this study. The criteria for the interviews were the same as the ones for the survey: participants had to be middle managers working in firms with more than 20 employees. In total, 11 interviews were conducted in 2019–2020. Due to geographical distance, all interviews were conducted via video/audio call, the duration was between 20 and 40 minutes. The interviews were recorded, transcribed verbatim and translated from Vietnamese to English. They were then analysed by means of content analysis.





## **4 Summary of the original essays**

### **4.1 Essay I**

The first essay aims to improve the understanding of the impact of subjectivity in performance evaluation on three dimensions of justice perceptions. It assesses the role of interactional justice perceptions as a critical mechanism underlying the impacts of subjective evaluation on procedural and distributive justice perceptions. The essay also takes into account the national culture of Vietnam by illustrating how two cultural dimensions, high power distance and low individualism, influence the effectiveness of subjective evaluation and justice perceptions. As this essay is a published paper, it is referred to as ‘article’ or ‘paper’ in this section.

The study hypothesises that perceived interactional justice is a mediator between subjectivity and the other two justice dimensions, because employees tend to attribute any (in)justice related to subjectivity primarily to their direct supervisors, who are responsible for the assessments. This is consistent with suggestions by Colquitt (2001) and Moorman (1991) that subjective evaluation may be even more related to perceived interactional justice or attitudes towards supervisors than procedural and distributive justice perceptions. The hypothesis is also based on the suggestion by Cohen-Charash and Spector (2001) that interactional justice is an antecedent to distributive and procedural justice.

The analysis of the survey data of 160 Vietnamese middle managers shows the overall negative effect of subjective evaluation, as the individual negative effects are stronger than the positive ones. This finding is justified given the cultural characteristics of Vietnam. Specifically, interactional justice is favourably perceived only when employees are treated with respect and provided with adequate feedback and sufficient information sharing. However, the high level of power distance and collectivism may reduce the practical value of the feedback process, such that it tends to be a one-sided, critical conversation rather than a constructive information-sharing process. Thus, subjective evaluation is associated with a lower level of interactional justice perceptions in the examined context.

Further, the results confirm that interactional justice perception is an antecedent of distributive justice and procedural justice, and the mediator in the relationship between subjective evaluation and perceived procedural/distributive justice. Specifically, the paper finds that individuals first attribute the justice of subjective evaluation to supervisors who have significant decision-making roles in the

assessments. This perceived interactional justice in turn, influences the perceptions of procedural justice. Similarly, subjective evaluation negatively affects interactional justice, leading to a decrease in distributive justice, because of lower level of employees' confidence in their supervisors' ability to make fair decisions based on their subjective judgement.

## 4.2 Essay II

Similar to the first essay, this essay examines the relationship between subjective evaluation and justice perception; however, its main research question concerns the multidimensionality of the subjectivity construct. Specifically, it proposes that subjectivity in performance evaluation comprises two forms: *ex ante* and *ex post* subjective evaluation; in what follows the essay validates these constructs by exploring their varying impact on procedural justice perceptions in different contexts of formalisation and job autonomy. It responds to the need for a more comprehensive understanding of subjective evaluation, an important element of a performance evaluation system. This essay is also referred to as 'paper' or 'article' in this section since it is published.

Based on an extensive review of the prior literature on subjectivity in performance evaluation, the paper proposes that subjectivity includes two concepts: *ex ante* specified subjective evaluation and *ex post* subjective evaluation which are determined at two different phases of the performance evaluation process. *Ex ante* specified subjective evaluation, which is prescribed at the beginning of an evaluation period, allows supervisors to use their discretion in evaluating subordinates' non-quantifiable, non-financial job aspects or overall performance. Meanwhile, *ex post* subjective evaluation refers to supervisor discretion that is not explicitly mandated in the beginning of the period, such as flexibility in the weighting of the evaluation criteria or *ex post* adjustments based on factors other than performance measures specified *ex ante*. In addition, the study attempts to demonstrate the distinctiveness of the two subjectivity concepts, which is conceptually and empirically important because of their varying impacts on various organizational and behavioural outcomes. In particular, the paper investigates the impact of the two subjectivity concepts on the perceived procedural justice of middle managers in their roles as evaluatees. It also explores the moderating effects of formalisation and job autonomy because they are important factors in organizational and job design and can affect the costs and benefits of various performance evaluation practices (Bol et al., 2016). The study is in line with prior

research in considering various management control practices as interrelated components rather than separate practices (Grabner & Moers, 2013; Malmi et al., 2020).

The survey of 160 Vietnamese middle managers supports our arguments about the distinctiveness of *ex ante* and *ex post* subjective evaluation and reveals their varying effects on procedural justice perceptions. The results confirm that the relationship between *ex ante* specified subjective evaluation and procedural justice perceptions varies across formalisation levels. In a formalised evaluation system, *ex ante* specified subjective evaluation strengthens perceived procedural justice because of increased accuracy and consistency. In contrast, in low formalised system, *ex ante* subjective evaluation is not associated with perceived procedural justice. This demonstrates the importance of a formalised system in ensuring accurate and consistent assessments, so that the *ex ante* subjective evaluation is deemed fair by those evaluated.

As for *ex post* subjective evaluation, the results show its interaction with job autonomy on procedural justice perceptions. Under low or medium job autonomy, the use of *ex post* evaluation weakens perceived procedural justice, because employees in such jobs usually expect the evaluation criteria to be pre-determined and unambiguous. Any *ex post* subjective evaluation can bring uncertainty and the possibility of bias to the system, thereby decreasing justice perceptions. As for jobs with high autonomy, in which uncontrollable and unforeseen events are more likely to occur, it was predicted that *ex post* subjective evaluation would enhance perceived procedural justice, because it could take into consideration the impact of such events (Bol et al., 2015). However, no significant effect is found, perhaps because concerns over bias seem to remove the positive effect of *ex post* subjective evaluation for individuals in high autonomy jobs.

### **4.3 Essay III**

The third essay examines performance evaluation practices and associated fairness perception through the lens of institutional logics. It specifically focuses on the impacts of multiple institutional logics on the fairness perceptions of Vietnamese workers. In addition, it examines how middle managers operating under different institutional logics construct their perception of fairness. The essay considers the issues from the perspective of employees at SOEs and non-SOEs because ownership is one of the 'situational factors' that can influence the enactment of multiple logics in organizations (Greenwood et al., 2011).

There is substantial empirical evidence on the origins of fairness, but it mostly emphasises the impacts of organizational and individual factors. Little to no scholarly attention has been devoted to explaining fairness perception from the angle of institutional logic theory. This essay argues that this is an essential topic to study because fairness perceptions can be reflections of institutional environments in which multiple, often competing institutional logics exist and provide broad sets of rationales, values and beliefs guiding behaviours and actions of organizations and individuals (Friedland & Alford, 1991; Thornton et al., 2012). This essay aims to address this gap through a cross-sectional field study approach, which explores fairness perceptions of performance evaluation practices while taking into consideration the broader social, organizational environments. The semi-structured interviews were conducted with middle managers in their roles as evaluatees, with a focus on how their performance was assessed, and what the middle managers thought about the system, the reward outcomes and their supervisors' use of the system.

The interviews reveal that multiple institutional logics co-exist and shape fairness perceptions relating to performance evaluation practices. Specifically, Confucian, state and market logics are found in the design of performance evaluation practices in Vietnamese firms. For SOEs, the traditional values of Confucian logic and state logic persist, while evidence of new market logic is still found, as a result of the economic reform and internationalisation trends. Meanwhile, performance evaluation practices are driven mainly by market logic among non-SOEs, and while Confucian logic still exists, it is less dominant.

More importantly, the essay finds that the rationales and organising principles of organizational field-level logics do not drive the formation of fairness perceptions regarding performance evaluation practices among Vietnamese employees. It appears from the interviews that SOE employees' fairness perceptions are not shaped by the values of state logic, which is dominant in their performance evaluation system. Regardless of the different logics existing between different ownership contexts, the fairness perceptions of individuals working at SOEs and non-SOEs are formed in similar ways. Their fairness perceptions reflect institutional logics at societal levels, namely market logic and Confucian logic. This is due to the increasing influence of the market logic, a result of the rise of neoliberalism, the economic reform and globalisation, whereas the traditional values of Confucian logic are still embedded in their society. As such, it is in line with Meyer and Hammerschmid (2006) and Rozenfeld and Scapens (2021) that societal-level logics can influence individuals' social identities and their behaviours.

Furthermore, the findings demonstrate the existence of selective coupling, such that individuals automatically blend selected elements of competing logics in forming their behaviours and perceptions (Pache & Santos, 2013a); specifically, they combine elements of market logic and Confucian logic when perceiving the fairness of the performance evaluation system.



## 5 Conclusion

### 5.1 Contribution of the dissertation

Performance evaluation system is an essential part of the management accounting practices of an organization; it reviews the performance of employees, encourages their future efforts in desired aspects of their job in pursuit of the accomplishment of organizational goals (Baker et al., 1988). For a performance evaluation system to work as intended, it is of utmost importance that it is deemed fair by those being evaluated (Pfeffer, 1997). However, there remain mixed findings and disagreements surrounding the relationships between performance evaluation practices and employee fairness perceptions. This dissertation is premised on the substantive concern over that research gap; it seeks to provide focused, theoretically informed discussions of how employees perceive fairness of performance evaluation systems while considering the influence of a number of contextual factors.

The theoretical contribution of this work can be divided into three aspects. First and foremost, it makes several contributions to the management control literature, specifically the performance evaluation literature. The whole dissertation provides in-depth discussions regarding performance evaluation practices, emphasising the use of performance measures and their behavioural consequences by incorporating broad methodological and theoretical perspectives. Specifically, it focuses on and extends the understanding of subjectivity in performance evaluation by considering its influence on multiple facets of middle managers' justice perceptions (research calls by Woods, 2012; Van Rinsum & Verbeeten, 2012). Further, this study contributes to the development of the concept of subjectivity by introducing a novel classification and improving measurements for the construct. It distinguishes between the two sub-elements—*ex ante* and *ex post* subjective evaluation—which is important, because they can serve different incentive purposes and have different impacts on organizational and behavioural outcomes. The study also provides evidence of the relevance of cultural, organizational and job characteristics on the relationships between subjective evaluation and justice perceptions.

The second contribution is to the growing literature on organizational justice. The dissertation seeks to advance our knowledge on the origins of justice perceptions in relation to performance evaluation practices. Specifically, it provides empirical evidence on interactional justice, a justice dimension which is under-

researched in the literature. The dissertation also highlights the importance of comprehensively understanding justice dimensions as three distinct but related dimensions. Moreover, the current work complements prior literature by providing evidence on the impact of contexts on how one constructs perception of justice. It distinguishes itself from other studies also by considering how justice perceptions reflect the values, beliefs and rationales of the institutional environments with which one is associated.

The third contribution this dissertation makes is to offer empirical research on emerging economies. It specifically provides strong insight into the relationship between performance evaluation practices and justice perceptions in Vietnam. This is an interesting context in terms of cultural and social characteristics, and it is different from the Western contexts that most research focuses on. The choice of context responds to the calls for more research on accounting in non-Western countries, with the aim of developing more comprehensive and convergent accounting literature worldwide (e.g. Ezzamel & Xiao, 2011; Moses & Hoppe, 2022).

As for the practical implications, this dissertation points out several lessons that can be useful for an effective performance evaluation to be deemed fair by employees. It shows that a supervisor's discretionary evaluation should be a part of social controls in order to emphasise ethical considerations and show concern for employees. The findings reinforce the roles of a formal feedback system and supervisor behaviours in providing quality feedback to employees in a detailed manner and on a frequent basis through, for example, formal appraisals, performance reviews, routines and periodic formal reporting (Libby, 1999; Pitkänen & Lukka, 2011). In addition, in designing a performance system, the characteristics of organizational structure and job design should be considered to ensure the quality of the system. Last but not least, the results can contribute to understanding performance evaluation practices and employee fairness perceptions in similar contexts in emerging economies or Confucianism-dominated societies. The findings not only contribute to the growth of knowledge in emerging countries, but they could also be beneficial for Western companies that are planning to enter emerging markets, helping them understand the wider social and political aspects reflected in performance evaluation practices and employee fairness perceptions in such contexts.



## 5.2 Evaluation and further research avenues

As with any research, the results of this dissertation should be interpreted in light of its limitations. First, the data analysis in the essays is based on a relatively small sample size of the survey and interview participants. However, the care taken in the design of the questionnaire and the data analysis, together with the satisfactory response rate may have minimised possible bias and improved the reliability of the findings. As for the qualitative data, Guest et al. (2006) suggest that major themes are revealed after six interviews and that data saturation can be reached after around 12 interviews. Thus, I deemed the number of 11 participants quite acceptable and sufficient to provide reliable analysis since saturation could be observed through the repetition in the interviewees' comments. Second, while the qualitative findings of the third essay are not generalisable and not intended to be so, generalisation of the results of the first and second essays should be done with caution, since the survey was conducted in Vietnam with an exceptional context and circumstances.

There are opportunities for more studies on this interesting topic of research. First, performance evaluations are broad systems which can differ in many respects. While this current research could only examine the use of objective and subjective assessments, it would be beneficial for future research to examine in detail other aspects of performance evaluation and reward systems, for instance, financial versus non-financial measures or profit-sharing incentives. Also, as this dissertation focuses on performance assessments on an individual level, it could also be fruitful for future research to explore such practices at a group level, for instance, by examining how the assessment of a group's performance or group-based rewards influence group members' fairness perceptions.

Second, given the limited number of qualitative studies on fairness perception (Fortin, 2008), opportunities exist for further research on fairness perception in relation to management control systems, for instance, by exploring the connection between micro- and macro-levels of analysis in performance evaluation practices and employee fairness perception. Last but not least, the mixed methods used in this dissertation as a whole have demonstrated the potential of the approach proposed by Lillis and Mundy (2005). This leaves extensive opportunities for researchers seeking to broaden theories by combining the two methods, for instance, conducting more field research based on what was found in surveys.

Notwithstanding the aforementioned limitations, I believe this dissertation has provided a more fundamental understanding of the justice effects of performance

evaluation system design, contributing to the development of a unified theory of performance evaluation and organizational justice.

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## Original essays

- I Tran, T. V., Lepistö, S., & Järvinen, J. (2021). The relationship between subjectivity in managerial performance evaluation and the three dimensions of justice perception. *Journal of Management Control*, 32, 369–399. <https://doi.org/10.1007/s00187-021-00319-2>
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- III Tran, T. V. (2022). Institutional logics and employee fairness perception of performance evaluation in Vietnam. Manuscript.

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