

UNIVERSITY OF MACAU
FACULTY OF BUSINESS ADMINISTRATION

**Auditor's perceived fairness of performance appraisal: An
empirical study
on Auditors' job performance**

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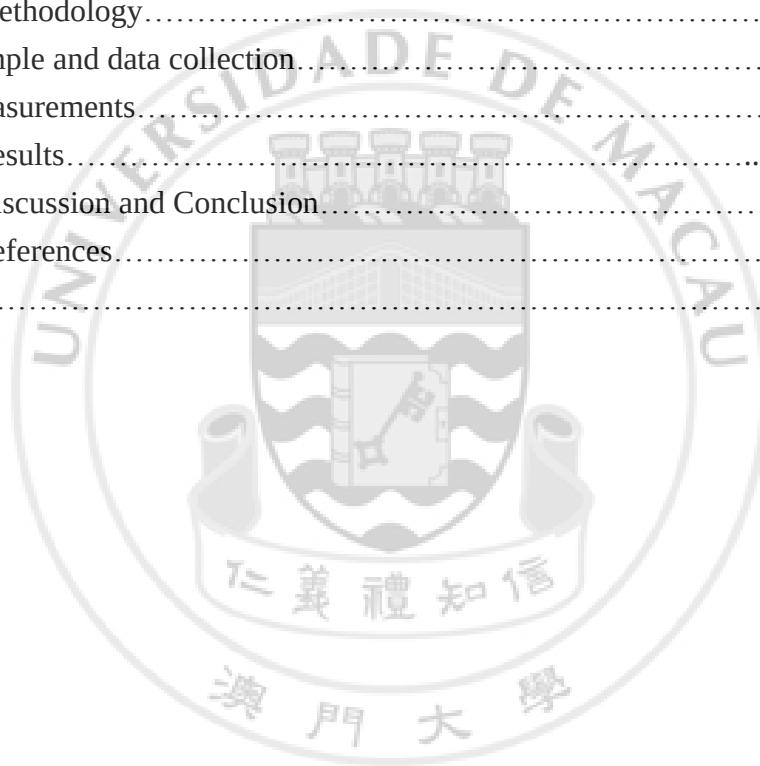
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ABSTRACT: Agency theory predicts that managers make decision for their own benefits in situations involving potential personal gain for those managers. Thus, agency theory addresses the costs of resolving conflicts between managers and their firms; in particular, to avoid the occurrence of self-interested behavior, employee performance evaluations have become a popular management tools and effective monitoring devices today. Performance evaluations have been a widely researched area of organizational psychology. The results of prior psychology studies reveal that employee well-being is increased when there is greater perceived fairness in employee performance evaluations. However, researchers have devoted limited attention to the fairness perceptions of performance appraisals in accounting studies. This paper empirically investigates auditors' reactions to the perceived fairness of their appraisal results by applying a structural equation model. The results from a study of auditors in Macao indicate that these perceptions are positively associated with auditors' performance, which, in turn, impacts the auditors' organizational commitment. More importantly, the study also reveals that strong two-way communication is the dominant factor affecting the perceived fairness on performance evaluations and job performance between supervisory and subordinate auditors. Thus, the results of this study may provide certain inspirations into the means by which the increasingly popular tool of performance evaluations can be used to enhance justice in

the workplace and improve audit quality.

Keywords: performance appraisal; auditor; perceived fairness; performance evaluation; commitment; performance; audit quality.

Data availability: Data are available from the sources identified in the text.

