The Perception of Fairness of Performance Appraisals

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THE PERCEPTION OF FAIRNESS
THE PERCEPTION OF FAIRNESS OF PERFORMANCE APPRAISALS

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DEDICATION

To my family and everyone who believed I would graduate. Thanks for all of your support and phone calls telling me to hurry up and get your thesis done already and to Cheryl because your reasoning for finishing my thesis is the reason why I actually completed it!
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THE PERCEPTION OF FAIRNESS OF PERFORMANCE APPRAISALS

TRACY M. PRATHER

ABSTRACT

The perception of fairness in performance appraisals (PA) is one of the most important factors and considered a criterion when reviewing PA effectiveness (Jacobs, Kafry, and Zedeck, 1980). In this particular study, I examined numerous variables in three main categories: interpersonal, procedural, and outcome fairness. Keep in mind that although these are three distinct categories, they are all inter-related. One hundred ninety-two employees, from the research and development section of a large retail company, voluntarily participated. The results were slightly contradictory to what was expected yet they were good results. The interpersonal variable, manager effectiveness, along with the outcome variables, fair pay and rewards, and an employee’s last year’s performance rating are the strongest predictors of the perception of fairness. However, there was not a significant finding in age discrimination.
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CHAPTER I
INTRODUCTION

The Perception of Fairness in Performance Appraisals

The perception of fairness in performance appraisals (PA) is one of the most important factors and considered a criterion when reviewing PA effectiveness (Jacobs, Kafry, and Zedeck, 1980). Companies use PA’s in the hopes of enhancing organizational effectiveness. Companies may use them in order to make decisions about pay, promotions, identifying training and development needs, developing a selection system, and for documenting performance (Elicker, Levy, & Hall, 2006). For these reasons, appraisals have a large impact in shaping employees’ careers. Therefore, the perceived fairness in performance appraisals also increasingly receives attention and interest from the employees, and when employees perceive unfairness in performance appraisals, it can tarnish the employee-manager relationship, affect the employee’s loyalty and have other negative consequences for the company. Further complicating this issue is that fairness is in the minds of the employees. As a result of this, it is critical to study the employees’ perceptions because the success of the appraisal process relies heavily on the employees’
attitudes toward it. When studying the fairness of performance appraisals, researchers have taken many avenues; ranging from the effects of demographics to the employee-manager relationship. Yet, this study takes it one step further and takes a comprehensive look at a compilation of potential variables that may affect the perceived fairness of an employee’s performance appraisal. In this particular study, I examined numerous variables in three main categories: interpersonal, procedural, and outcome fairness. Keep in mind that although these are three distinct categories, they are all inter-related.

Interpersonal fairness is defined by fairness of treatment during procedures and emphasizes the importance of truthfulness, and respect (Erdogan, 2002). Here I examined five different variables: perceived manager effectiveness, the employees’ perception of their employee-manager relationship, the potential biases taken into consideration - specifically the employees ingroup/outgroup status, - and the employee’s gender and age.

The next category discussed is procedural fairness, which are the procedures by which performance is evaluated (Erdogan, 2002) and the consistency to which they are applied. Variables used in this study that would fall under the realm of procedural fairness include: clear expectations and goals given to the employee, and the frequency and quality of performance feedback from the employee’s manager.

Lastly, outcome fairness is generally thought of as the outcomes received based on the appropriateness of the decision and the outcomes associated with the decisions made (Gilligan & Langdon, 1998), regardless of whether or not the decision was positive, negative or neutral. Whether an employee would perceive a fair outcome depends on whether the received outcome was consistent with what the employee expected to receive
(Gilligan and Langdon, 1998). The three variables, in this particular study, that fall into this category are the fairness of pay and rewards received, the employee’s last year’s performance rating, and the employee’s perception of their last year’s performance.

Therefore, to implement effective performance appraisals, companies must consider interpersonal, procedural, and outcome fairness. Companies need to realize that serious consequences may arise from not implementing a fair performance appraisal process, such as, lower morale and productivity, and higher rates of absenteeism and tardiness, all leading to eventual turnover (Wright, 2004).
CHAPTER II

REVIEW OF THE LITERATURE

Interpersonal Fairness

Interpersonal fairness is defined by the fairness of interpersonal treatment towards an employee during the performance appraisal process (Beis & Moag, 1986). This is typically determined by honest and ethical treatment, and timely and thorough communication and feedback. Here I examined five different variables: perceived manager effectiveness, the employee-manager relationship, the potential biases taken into consideration - specifically the employee’s in-group/out-group status, - and the employee’s gender and age.

Manager Effectiveness

Zaccaro, Rittman, and Marks (2001) stated, “if a leader manages by whatever means, to ensure that all functions critical to both task accomplishment and group maintenance are adequately taken care of, than the leader has done his or her job well.”
There are two main themes necessary to have successful team action: 1) the manager’s identification of appropriate individual member contributions and 2) a plan for the best way these contributions can be combined into an integrated team response (Hinsz, Tindale & Vollrath, 1997). In other words, if a manager cannot assess each team member’s capabilities and talents then they will not be able to assign them to the appropriate tasks. A manager must be able to discover each individual’s capabilities and create a plan to utilize them wisely to compliment the other team member’s capabilities.

It is also beneficial to be able to do this not only with current team members, but when assessing future candidates for their team as well.

Another factors paramount in being an effective manager is leading by example. Zaccaro, Rittman, and Marks (2001) found that if a manager leads by example and promotes the sharing of knowledge, gives constructive criticism, and supports the team then the team is more likely to feel that they can achieve their goals. Additionally, the more confident the manager appears in achieving goals, the more likely the team is to feel this way as well (Kane, Zaccaro, Tremble, & Masuda, 2002). Pelz (1963, as cited in Mumford, Scott, Gaddis, & Strange, 2002) found that poor managerial supervision and a manager’s inability to lead by example led to unusually poor performance in the team members. Leading by example and goal setting can also directly effect the employee’s/team’s motivation (Zaccaro, Rittman, & Marks, 2001). If a manager leads by example and if the employee/team believes that the goals are attainable they should be motivated in the sense that they know their manager has confidence in the goals set forth. Managers can also help motivate employee’s by providing them with the necessary training and creating opportunities for the team members to learn their roles and tasks.
(Zaccaro, Rittman, & Marks, 2001). This should, and most likely will, give the perception that the manager cares and understands what their employees need in order to be successful in their roles.

The last major area a manager can impact is the work climate. Ekvall, Arvonen, and Waldenstrom-Lindblad (1983) found that an environment that “emulated” innovativeness fostered activities, such as open relationships, mutual trust, confidence, and maintained support for ideas. Furthermore, Sellgren, Ekvall, and Tomson (2008) found strong correlations between leadership behaviors and a creative work environment and between a creative work environment and job satisfaction, suggesting that a manager’s behavior impacts job satisfaction through the work environment.

Employee-Manager Relationship

Employee-manager relationships, also known as leader-member exchange (LMX), can have a huge impact on how the performance appraisal process is perceived. There are many factors that can play into this relationship, such as first impressions, hearsay, personality conflicts, work habits, and past experiences. Pre-appraisal LMX quality states that managers obtain a differential relationship with their employees (Liden, Sparrowe, & Wayne, 1997). A good quality LMX relationship goes beyond what is specified in the employment contracts and is defined by trust, respect, affect, and openness (Gerstner & Day, 1997). Thus, LMX quality is related to attitudes and perceptions such as job satisfaction, turnover intentions, productivity, organizational commitment (Gerstner & Day, 1997) and behaviors, such as objective performance and organizational citizenship behaviors (OCB’s) (Settoon, Bennet, & Liden, 1996).
Employees with high LMX relationships perceive higher decision influence (Scandura, Graen, & Novak, 1986) and feel they have more control over appraisal procedures because of their good relationship with their managers (Erdogan, 2002). These employees also expect to hear about important decisions from their managers and expect that their leaders will make suggestions to them informally, rather than in the formal appraisal which influences promotions and pay decisions (Erdogan, 2002). These relationships are also characterized by the fact that these employees receive more attention; their interactions tend to be more pleasant and positive, and their communication usually involves humor, challenging questions and choices offered to the employees (Fairhurst, 1993).

Another factor that results from the level of the LMX relationship obtained is the amount of voice an employee has. Voice refers to the employee’s opportunity to give their point of view, particularly when this person will be affected by the decision (Folger, 1977). Elicker, Levy & Hall, (2006) found that employees with a high LMX relationship had a greater opportunity to voice their own opinions in the performance appraisal review, and thus had a higher level of perceived procedural justice. Conversely, employees in a low quality LMX relationship experienced more confrontational and negative interactions with their managers (Fairhurst, 1993). Employees with a low LMX relationship did not have as much of an opportunity to voice their opinions in the performance appraisal process and this led them to respond more poorly to performance appraisal feedback, in comparison to those who did have a voice in the performance appraisal feedback session (Elicker, Levy & Hall, 2006). These researchers also believe that managers who try to increase employee voice will minimize employee resistance and
decrease the likelihood of legal challenges (Smither, 1998). However, caution must be taken when using voice to increase fairness because when voice is given, but not considered, voice can actually do more damage than no voice at all (Folger, 1977).

LMX relationships also predict outcomes such as career progress (Wakabayashi, Graen, Graen, & Graen, 1988) and salary progress (Wayne, Liden, Kraimer, & Graf, 1999). However, it should be noted that in actuality, higher performers do not always have higher LMX relationships (Rosse & Kraut, 1983). In fact, factors such as impression management (Wayne & Ferris, 1990) and perceived similarity (Liden, Wayne, & Stilwell, 1993) are related to high LMX relationships. Nevertheless having these LMX perceptions may also lead employees to believe that employees with higher LMX’s also receive higher performance ratings; this occurs when employees do not know the performance ratings of other employees (Erdogan, 2002). As one can see, by combining these perceptions with actual outcomes, such as career progress and salary, this can cause tension in the workplace and the claim of favoritism in promotional opportunities and raises.

\textit{Employee Ingroup/Outgroup Status}

Dodson (2006) found that there is a significant effect in how employees view their manager’s effectiveness based on their own perceived in-group/out-group status. In-group members felt that their managers were more effective, as compared to out-group members. Furthermore, Graen & Uhl-Bein (1995) suggest productivity and performance can be enhanced if managers develop more high quality relationships with every subordinate rather than a select few (Dodson, 2006).
Sometimes employees may perceive that their managers have “favorite employees.” Such perceptions could have an effect on the employee-manager relationship and on the outcome of the employee’s performance rating. Research has found that an employee’s similarity to the rater may have a favorable influence on one’s performance ratings (Tsui & O’Reilly, 1989). Harrison, Price, and Bell (1998) also noted that similarities on deep level characteristics, such as attitudes, values, and behavior tendencies, tended to have more lasting influences on processes and outcomes than surface level differences, such as race, gender, and tenure. Wayne, Shore, and Liden (1997) stated that raters may have self-based schemata about performance and social relationships that reinforce their own favorable self-images, and these schemata positively bias their evaluations of others who are similar to themselves, which leads to higher LMX relationships and thus appears to explain why employees reporting higher LMX relationships were judged as being more promotable.

Gender

Research on job performance and gender generated inconsistent results in the workplace. Some field studies have found that men are rated more positively than women, while others found that women were rated more positively. In order to gain a clearer understanding of the big picture Bowen, Swim, and Jacobs (2000) completed a meta-analysis. The meta-analysis analyzed field studies that compared men and women’s performance appraisals, specifically in their work settings. This study hoped to reduce the inconsistency by taking confounding variables - tenure in an organization, tenure in a position, experience in a manager position, organizational level, function, and the type of organization - into account. The completion of this meta-analysis found very little bias in
the studies examined (Bowen, Swim, & Jacobs, 2000). In fact, in regards to job stereotypes, there was almost no difference among masculine, feminine or gender-neutral jobs. However, they did find that gender stereotypes of the ratings and the rater’s gender had an effect on the ratee’s ratings. More specifically, men were rated higher on masculine items and women were rated higher on feminine items, and there was no difference found for gender-neutral items. When all the raters were men, the male ratees were rated significantly higher than female ratees, and female ratees were rated higher when there were mixed gender raters and when all the raters were women.

Age

In the year 2004, at least 10% of the population, that is 610 million people, were over the age of 60 and working (Hedge, Borman, & Lammlein, 2002). By the year 2030, over 20% of the population will be over 60 and working (Penner, Penrun, & Steurle, 2002), and about one half of the population will be over the age of 40 (Hedge, Borman, & Lamlein, 2002). Age 40 is a very important age in our society because this is when employees can legally begin suing companies for age discrimination in employment, based on the Age Discrimination Employment Act (ADEA) of 1967 (EEOC, 2006). However, for this particular study, age 35 will be used as the cut off for determining age discrimination, because there is a widely shared perception in this organization that at age 35 their managers begin treating them differently, due to their age.

Based on the Age Discrimination in Employment Act of 1967, Congress found that “(1) in the face of rising productivity and affluence, older workers find themselves disadvantaged in their efforts to retain employment, and especially to regain employment when displaced from jobs; (2) the setting of arbitrary age limits regardless of potential for
job performance has become a common practice, and certain otherwise desirable
desirable practices may work to the disadvantage of older persons; (3) the incidence of
unemployment, especially long-term unemployment with resultant deterioration of skill,
morale, and employer acceptability is relative to the younger ages, high among older
workers; their numbers are great and growing; and their employment problems grave”
(EEOC, 2006). Thus the ADEA of 1967 provided much of the backdrop for the age
demographic variable. Age discrimination is a growing problem in the United States. In
fact, in 2005 alone, over 16,000 cases were filed, over 14,000 were solved and 77.7
million dollars were recovered in monetary benefits, not including litigation benefits
(EEOC, 2006). Stereotypes are still alive and many are very negative when dealing with
older employees. Age can be used in discriminatory practices, such as limiting or
excluding older workers from substantive job responsibilities and activities, terminating
older employees through negative performance evaluations, through encouraging
retirement, implementing and supporting insensitive and poorly conceived policies,
limiting access to job-related education, career development, or employee benefits, and
lastly refusing to hire or promote any older employees (Steinhauser, 1998). Age
discrimination is also an important consideration because it may cause lowered self-
esteem and lowered job satisfaction (Hassell & Perrwe, 1993). Therefore, with the
growing number of older adults in the workplace, companies must ensure that they are
treating employees fairly to avoid these costly lawsuits and to increase the perception of
fairness among a growing workplace population.

Stereotypes have been known to influence managers decisions, which may lead to
lower motivation, career stagnation, and job loss for older employees (Rosen & Jerdee,
1985). Unfortunately, for these older employees, managers do not consider them when jobs demand high creativity, mental alertness, and/or the capacity to deal with rapidly changing situations. Additionally, managers may make less effort to give older employees feedback about needed changes in performance, provide limited organizational support for the career development and retaining of older employees, and may limit the promotional opportunities for older employees, which was the number one dissatisfaction factor among R&D employees (Rosen & Jerdee, 1985).

Older employees who perceive age discrimination and negative age stereotypes may have lower self-esteem and satisfaction with growth opportunities compared to those who do not perceive age discrimination (Hassell & Perrewe, 1993). Also, Miller et al. (1993) discovered that older employees who perceived that others in their organization believe that older employee’s performance deteriorates with age and that younger employees receive preferential treatment experienced a low level of job involvement and a higher level of alienation from their job, leading to a self-fulfilling prophecy. These stereotypes may also lead to an earlier retirement, particularly if the job requires learning and the organization or employees themselves believe that older employees are not capable of or not interested in learning and self development (Hedge, Borman, & Lammlein, 2002).

Unfortunately, not all these allegations about manager’s stereotyping are false. For example, McCann and Giles (2002) “found that when supervisors compared older employees against younger employees who are seen as being “on the fast track,” the manager’s appraisal may be influenced by norms that dictate where in the organization each employee should be at by his or her respective age.” Consequently, the speculation
was that a manager may downplay the older employee and upgrade the younger employee in performance evaluations. Furthermore, Finkelstein and Burke (1998) found that older managers tend to hold worse stereotypes than younger managers. In sum, age should be a very interesting variable to be empirically examined in this organization when the general perception of the age divide happens at 35, five years earlier than generally expected.

Procedural fairness

Lawler (1967) discovered that in order to have a successful performance appraisal system, ratees must have confidence in the evaluation process; meaning the performance system must have procedural fairness. Procedural fairness relates to the procedures by which performance is evaluated (Erdogan, 2002) and the consistency to which they are applied. Factors that contribute to procedural fairness are: one’s performance being evaluated frequently, the rater’s familiarity with the ratee’s job performance, the rater-ratee’s agreement with the ratee’s job duties, and the rater’s assistance in forming a plan to improve weak performance (Landy, Barnes, & Murphy, 1978). Landy, Barnes and Murphy (1978) also found that it was good for fairness perceptions when the goal setting was tied into the actual performance appraisal evaluation. The variables categorized under procedural fairness include: frequency and quality of performance feedback from the manager, and clear expectations and goals given to the employee.

Frequency and Quality of the Performance Feedback Given to the Employee

The success of organizations today depends on employees continuously improving their work performance (Morrison & Phelps, 1999), and to do this employees need to know how they are performing; which means employees need to receive
feedback. Feedback involves information about how others perceive and evaluate the employee’s behavior (Ashford, 1986); and the feedback loop is viewed as the final step in the performance management process, after system development and the appraisal process (Gilligan & Langdon, 1998). Feedback involves the communication of appraisals and rewards; sometimes leading managers to believe that feedback is only necessary once a year. However, because performance management is cyclical, many believe that feedback should not be given only once a year, but rather year round. Year round performance feedback would allow employees to enhance their performance and modify their performance to meet their year goals. Furthermore, employees who receive year-round performance feedback would not be surprised by any outcome in their “once a year” performance review (Gilligan & Langdon, 1998). Thus to help create realistic expectations, employees need to receive continuous feedback throughout their performance evaluation period.

It is also important for managers to note the importance that feedback has for employees new to the company or to a group. Feedback helps the employee understand their environment and evaluate their performance, thereby enabling successful adaptation (Ashford, 1986). Even though feedback is particularly important for new employees or new group members, a long tenure does not mean employees value feedback any less; they just may need it less frequently.

Another important insight that managers should consider is the effect that feedback has on their perceptions of their employees. Higgins and McCann (1984) found that managers who deliver negative feedback to an employee also tend to develop a less than favorable impression of that person, and vice versa with the effect becoming
stronger over time. Managers typically avoid giving negative feedback to poor performers. Therefore, poor performers are often not given the feedback that they need in order to succeed in their roles (Larson, 1986).

A negative outcome of the performance evaluation does not necessarily lead to a negative perception of procedural fairness when the proper channel is built into the process to allow employees to voice their objections. Managers can allow employees an opportunity to challenge or rebut their evaluation, they can ensure that feedback is job relevant and does not reflect personal biases, they can provide timely feedback, and provide it in an atmosphere of respect and courtesy, and lastly, they can avoid surprises during the feedback session (Gilligan & Langdon, 1998).

Clear Expectations and Goals

Locke, Shaw, Saari, and Latham, (1981) believed that an individual’s personal goals are the immediate precursors to their behavior, and it is understandable why employees would want their goals and expectations to be clear. When goals are clear and specific they are measurable with a specific target identified (Locke, Shaw, Saari, & Latham, 1981). In a study by Terborg (1976) it was found that participants with specific goals spent a greater percentage of time looking at the text material to be learned than participants with non-specific goals. Specific goals provided better directions on how to spend their time and effort, which would enhance the employee’s ability to meet their specified goal. Locke, Shaw, Saari, and Latham (1981) also found that when participants had specific goals, that the employees planned more, which helped them to achieve their goals.
Outcome Fairness

Outcome fairness of the appraisal process arises from both the evaluations that are received and the rewards or punishments that accompany these evaluations” (Greenberg, 1986).

As stated earlier, employees determine outcome fairness by the appropriateness of the decision and by whether or not the outcome received was consistent with what the employee expected to receive (Gilligan and Langdon, 1998). In this section we will review the perception of fair pay and rewards and the employee’s last year’s performance rating.

Fair Pay & Rewards

Distributive justice is based on the equity theory, which argues that employees determine the level of fairness by comparing their input-output ratios with other employees. When individuals perceive inequity, they try to rectify the situation. This can be done by modifying their own effort, changing their perceptions of input or outcomes, or by having the other person change their inputs or outputs. It is also believed that employees may lower their performance if inequity is perceived (Erdogan, 2002). Therefore, when considering this type of justice and performance appraisals, individuals will compare their efforts with the ratings they received (Erdogan, 2002). There are two antecedents of distributive justice; higher performance ratings were related to higher perceived fairness (Evans & McShane, 1988), and employees believing that ratings reflected actual performance (Greenberg, 1986). Higher distributive justice is also linked to higher accountability, and when managers give high ratings that are perceived as
undeserved by others, this creates distrust towards the managers, and employees may therefore reduce their performance (Erdogan, 2002).

Unfortunately, there are two serious flaws with distributive justice. First, it may actually capture outcome satisfaction rather than justice, and secondly it is actually not a strong predictor of performance or organizational perceptions. Therefore, it is not as useful for organizations in its pursuit of increasing the perception of fairness (Erdogan, 2002). Still, it is useful to see how employees may interpret different outcome scenarios.

However, it has been found that if companies effectively communicate a clearly defined incentive system based on a particular level of performance from top management to employees, that this clear structure can reduce ambiguity and misperceptions, thereby increasing the perception of fairness of the performance appraisals (Smither, 1998). Lastly, managers should always ensure that they are creating realistic beliefs regarding what outcomes an employee can expect based on their performance (Smither, 1998).

**Past Performance and Past Performance Ratings**

Past performance is the best predictor of future performance. Zyphur, Chaturvedi, and Arvey (2008) examined the direct relationship between past and future performance, as well as differential performance trajectories across people overtime, and found that “individual differences in ability and motivation should lead to different trajectories overtime while intra-individual psychological and environmental process should create an autoregressive effect of performance on itself overtime;” meaning that both these models can show the effects of performance overtime and should be used simultaneously to help us predict future performance.
Another model that helps predict future performance based on past performance is the theory of self-efficacy. Self-efficacy is defined as a personal judgment of "how well one can execute courses of action required to deal with prospective situations" (Bandura, 1997; Maddux, 1995). Expectations of personal efficacy determine whether an individual’s coping behavior will be initiated, and how much effort will be sustained despite disconfirming evidence (Bandura, 1977). Individuals who perceive themselves as highly efficacious activate sufficient effort that, if well executed, produces successful outcomes, whereas those who perceive low self-efficacy are likely to cease their efforts prematurely and fail on the task (Bandura, 1977).

The last aspect to review is the effect of an employee’s past performance rating. Evans and McShane (1988) found that perceived fairness of the prior year’s performance appraisal affected the perceived fairness of the current year’s performance appraisal. Furthermore, Landy, Barnes-Farrell, and Cleveland (1980) found that employees who received high performance ratings were more likely to perceive the process as fair than those who received low performance ratings. Consequently, when taking these two findings into consideration at the same time, one may hypothesize if employees scored high on last year’s performance appraisal, they would perceive this year’s appraisal as more fair than employees who scored low on last year’s performance appraisal. An organization’s past performance with regard to allocating rewards may also have a strong impact on the employee’s expectations (Smither, 1998). The hardest aspect that companies will have to overcome is if their previous performance appraisal outcomes have been perceived to be unfair in the past, and if so, employees will be less likely to perceive future actions to be fair (Greenberg, 1986).
Summary of Literature Review

To summarize, the research I have examined looked at the perception of the manager’s effectiveness, the employee-manager relationship, the employee’s in-group/out-group status, the employee’s gender and age, the frequency and quality of the feedback given from the employee’s manager, the employee’s clear expectations and goals, fair pay and rewards, and the employee’s past performance and past performance ratings. If an organization’s employees perceive the performance appraisal process as being unfair due to age discrimination, or a poor employee-manager relationship, or because of any of these above-mentioned variables, the organization may incur some serious setbacks. Some of these setbacks include, increased absenteeism, increased turnover, decreased employee engagement, decreased morale, decreased productivity, decreased performance, employee retaliation, an “us vs. them” environment, and lastly a worsened employee/manager relationship. These perceptions can also determine the long-term effectiveness of the performance appraisal system (Laumeyer & Beebe, 1988).

On the other hand, when a company has implemented a fair appraisal process, the company can expect to see positive consequences, such as the acceptance of the performance evaluations, satisfaction with the appraisal process, motivation to improve performance, performance improvements, trust in their supervisor, organizational commitment, company loyalty, increased legal defensibility, and hopefully a decrease in the likelihood of legal challenges (Smither, 1998).

Therefore, in this study, I investigated the following variables to see which variables have the greatest impact on the perception of fairness in performance appraisals to allow organizations to combat possible misperceptions and improve the organizational
conditions to help foster fairness perceptions by empirically testing the following hypotheses.

Hypotheses

Hypothesis 1: Employees 36 and over are more likely to perceive the performance appraisal process as less fair than employees under the age of 35.

Hypothesis 2: Employee’s perception of whether the performance appraisal process is fair is correlated with the quality of employee-manager relationship, employee’s past performance ratings and perceived pay and rewards.

Hypothesis 3: That all the independent variables (perceived manager effectiveness, the employee’s perception of their employee-manager relationship, potential biases taken into consideration - specifically the employee’s in-group/out-group status - gender and age, clear expectations and goals given to the employee, the frequency and quality of performance feedback from the employee’s manager, fairness of pay and rewards received, and the employee’s last year’s performance ratings) will have a significant effect on the perceived fairness of the performance appraisal process.
CHAPTER III

METHODS

Research participants were screened according to the following three criteria. First, the participant had to be considered a full-time employee to ensure accurate knowledge of their managers and of the annual performance appraisal process. Second, the participant had to have worked at their particular site for over six months to be eligible to answer any question in the section on employee-manager relationships. This criterion was implemented to ensure that the participants had some time to build a relationship with their manager. Third, in order to answer the questions on the performance appraisal process, employees had to have worked at their particular site for over 15-months to ensure that they have experienced an annual performance appraisal and therefore have the knowledge and understanding to accurately rate the process. If an employee had been with the company for less than six months, then they did not answer questions in either of the aforementioned sections. If an employee was there for 14 months or less, they could only answer the questions in the employee-manager relationship section.
Participants

One hundred ninety-two employees, from the research and development section of a large retail company, voluntarily participated in this research project. The participants ranged from entry-level employees to senior-level employees. This study included 192 participants. The participant demographical information can be found in Table I.

**Table I. Participant Demographic Information**

<table>
<thead>
<tr>
<th>Item</th>
<th>N</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>64</td>
<td>34%</td>
</tr>
<tr>
<td>Male</td>
<td>96</td>
<td>50%</td>
</tr>
<tr>
<td>Missing</td>
<td>32</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Age Ranges</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-25</td>
<td>19</td>
<td>9.80%</td>
</tr>
<tr>
<td>26-30</td>
<td>31</td>
<td>16.10%</td>
</tr>
<tr>
<td>31-35</td>
<td>23</td>
<td>11.90%</td>
</tr>
<tr>
<td>36-40</td>
<td>20</td>
<td>10.40%</td>
</tr>
<tr>
<td>41-45</td>
<td>28</td>
<td>14.50%</td>
</tr>
<tr>
<td>46-50</td>
<td>14</td>
<td>7.20%</td>
</tr>
<tr>
<td>51-55</td>
<td>15</td>
<td>7.80%</td>
</tr>
<tr>
<td>56-60</td>
<td>12</td>
<td>6.20%</td>
</tr>
<tr>
<td>61-65</td>
<td>3</td>
<td>1.50%</td>
</tr>
<tr>
<td>66-70</td>
<td>1</td>
<td>0.50%</td>
</tr>
<tr>
<td>Missing</td>
<td>26</td>
<td>13.50%</td>
</tr>
<tr>
<td><strong>Employee Tenure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 years or less</td>
<td>47</td>
<td>24%</td>
</tr>
<tr>
<td>4 to 6 years</td>
<td>28</td>
<td>15%</td>
</tr>
<tr>
<td>7 to 9 years</td>
<td>29</td>
<td>15%</td>
</tr>
<tr>
<td>10 to 15 years</td>
<td>30</td>
<td>16%</td>
</tr>
<tr>
<td>16-20 years</td>
<td>23</td>
<td>12%</td>
</tr>
<tr>
<td>21 or more</td>
<td>19</td>
<td>10%</td>
</tr>
<tr>
<td>Missing</td>
<td>16</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School Degree</td>
<td>22</td>
<td>11%</td>
</tr>
<tr>
<td>Associate's Degree</td>
<td>4</td>
<td>2%</td>
</tr>
<tr>
<td>Bachelor's Degree</td>
<td>86</td>
<td>45%</td>
</tr>
</tbody>
</table>
Materials

The survey was presented to the participants in printed form or they had the choice to take the survey online. The online survey and the printed form had the exact same number of questions in the same sequence. Each page consisted of approximately 10 to 11 questions (on the online version, more questions were able to fit per page on the paper version), depending on the flow of the questions; and if a question had more than one part it was not separated onto more than one page. There were 81 questions in total: 39 questions relating to the employee-manager relationship, 33 questions relating to the performance appraisal process, 3 background questions and 6 demographic questions. Three different scales were used; a 5-point scale ranging from 1 “strongly disagree” to 5 “strongly agree”, a yes/no scale, and a set of fill in the blank response categories.

Procedure

All participants were first contacted by email letting them know about the survey and its purpose. Participants were able to either click on a link at the bottom of the email, which connected them to the online survey, or click on a word document link allowing them to print off the survey and take the paper-and-pencil version. The first question on the survey asked for their consent on whether or not they would like their survey to be
included in the thesis project. Next, the participants read the instructions on the top of the survey and those embedded within and answered the questions accordingly. Once the participants finished the survey, they could either press send on the online version, or drop off the paper-and-pencil version in the accounting office to ensure anonymity and confidentiality. Once the surveys were received, we sent the participants an email and debriefed them on what the study was actually about.
CHAPTER IV

RESULTS

Scale means were calculated for the independent variables; including perceived manager effectiveness, the employee’s perception of their employee-manager relationship, potential biases taken into consideration - specifically employee in-group/out-group status - clear expectations and goals given to the employee, the frequency and quality of performance feedback from the employee’s manager, the fairness of pay and rewards received, and lastly, the perception of fairness of the performance appraisal. Questions included in each of the scales are listed in Table II.

Table II. Scales in the Study and Items belonged in Each Scale

<table>
<thead>
<tr>
<th>Scale</th>
<th>Item in Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager Effectiveness</td>
<td>Q6, Q7R, Q8, Q9, Q10, Q11R, Q12, Q13, Q14, Q15, Q27, Q30, Q37R</td>
</tr>
<tr>
<td>Perceived Employee-Manager Relationship</td>
<td>Q3, Q22, Q23, Q24R, Q36, Q39, Q40</td>
</tr>
</tbody>
</table>
In-group vs. Out-group
Q25, Q29R, Q32, Q35

Frequency and Quality of Feedback Given to the Employee
Q16, Q17, 18, Q19, Q20, Q21, Q54, Q68

Clear Expectations and Goals
Q28, Q44, Q45, Q46, Q47, Q52, Q71

Fair Pay and Rewards
Q31, Q61, Q63R

Perception of Fairness
Q42, Q49, Q72

* An R after the question number means that the question was reverse coded

Next, reliabilities were run on each scale. The reliabilities can be seen in Table III.

**Table III. Reliability, Mean and Standard Deviation of Each Scale**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Reliability</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager Effectiveness</td>
<td>.93</td>
<td>3.6131</td>
<td>.84382</td>
</tr>
<tr>
<td>Perceived Employee-Manager Relation</td>
<td>.91</td>
<td>3.5651</td>
<td>.88605</td>
</tr>
<tr>
<td>In-group vs. Out-group</td>
<td>.69</td>
<td>2.7978</td>
<td>.84158</td>
</tr>
<tr>
<td>Frequency and Quality of Feedback Given to the Employee</td>
<td>.89</td>
<td>3.4832</td>
<td>.98828</td>
</tr>
<tr>
<td>Clear Expectations and Goals</td>
<td>.90</td>
<td>3.6667</td>
<td>.73586</td>
</tr>
<tr>
<td>Fair pay and rewards</td>
<td>.73</td>
<td>3.1308</td>
<td>.97425</td>
</tr>
<tr>
<td>Fairness Perception</td>
<td>.89</td>
<td>3.1308</td>
<td>1.11179</td>
</tr>
</tbody>
</table>
The first hypothesis was that employees 36 and over are more likely to perceive the performance appraisal process as less fair than employees under the age of 35. In order to test this hypothesis, I ran an independent t-test to identify if any differences in fairness perception existed between employees 35 and under and employees 36 and over.

I choose 35 as the dividing line, because within this company it was believed that age discrimination started to occur at age 35, and not age 40 as thought by the U.S. government. However, results indicated that there were no differences between employees 35 & under and employees 36 & above (t=.334, df= 121, p=.591) (see Table IV). Thus, there are no perceived differences in the perception of fairness in performance appraisals between employees 35 and under and 36 and over.

Table IV. Differences Between 35 & Unders & 36 & Overs in Perception of Fairness

<table>
<thead>
<tr>
<th>Item</th>
<th>35 &amp; Under</th>
<th>36 &amp; Over</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>M</td>
</tr>
<tr>
<td>Fairness</td>
<td>55</td>
<td>3.19</td>
</tr>
</tbody>
</table>

Hypothesis 2 tests whether or not employees with a good employee-manager relationship are more likely to perceive the performance appraisal process as fairer than employees with a poor employee-manager relationship; and if fair pay and rewards, and their last year’s performance ratings will effect their perception of fairness. For example, would employees with a good past performance rating perceive the appraisals as fairer.
than employees with a poor past performance rating? In this organization employees are rated on the methods in which they use to achieve their goals, the actual results of their goals, and then they have an overall rating. An employee can achieve a rating ranging from 1 to 5, 1 meaning they far exceeded expectations and a 5 meaning they have not met expectations. These 3 categories are then added together to form a performance rating ranging from 3 (the best) to 15 (the worst). Therefore, the negative correlation ($r = -0.46, p < .01$) between an employee’s last year’s performance rating and the perception of fairness meant that when employees received better performance ratings from last year, they tended to perceive that the performance process was fairer. The employee-manager relationship also came out significantly correlated with the perception of fairness ($r = 0.64, p < .01$). This would suggest that the more positive the employee-manager relationship is perceived to be, the fairer the PA process was perceived to be and vice versa. Pay and rewards had an even stronger correlation with the perception of fairness ($r = 0.70, p < .01$), compared to the employee’s last year performance rating or employee-manager relationship. Meaning that when employees perceive their pay and rewards to be fair, they also tend to perceive the PA process as fair. Correlations of these variables are listed in Table V.

However, those were not the only variables that had significant relationships. To better understand all the relationships in the study, instead of only running the 4 variables mentioned above in the correlation matrix, I included all the variables, and a strong majority of the variables have significant relationships with one another. Let’s first review other variables that had a significant relationship with the perception of fairness. Clear expectations and goals correlated with the perception of fairness ($r = 0.62, p < .01$).
This should make sense to most, because if an employee truly understands what his or her goals are and what is expected of them they will be better able to achieve those goals and meet the established expectations, and therefore be more likely to have a good performance appraisal. On the other hand, if one does not understand what is expected of them or what their goals are, it is almost impossible for them to succeed in their role, because they don’t have a clear understanding of what they are even supposed to accomplish. The perception of fairness was also correlated with feedback (r = .65, p < .01). As stated earlier in the paper, feedback should be ongoing throughout the year and there should be no surprises when reviewing an employee’s performance appraisal. Even if an employee received a poor performance rating, they would be likely to perceive the PA process as fair if they knew throughout the year that their performance was not meeting expectations. Perception of fairness also had a significant relationship with managers’ effectiveness (r = .60, p < .01). If employees believe that their manager is honest, ethical and has a good understanding of their jobs to rate their performance, they are more likely to perceive that the PA process as fairer than others who do not have an effective manager. The last correlational relationship for the perception of fairness variable is with one’s in-group/out-group status (r= -.43, p < .01). This is a negative correlation; however, it is due to how the variable was coded in the analysis. Because I asked questions related to how one felt about the in-group and the out-group, I re-coded all the responses as if they were out-group questions and therefore all the correlations came out negatively, suggesting that the more employees perceive that they are members of the in-group at work, the more likely they are to perceive the PA process as being fair and vice versa.
The next set of correlations involved clear expectations and goals. Clear expectations and goals was significantly correlated to feedback (r = .70, p < .01), probably because if a manager is good at giving clear expectations and goals, they are probably also good at providing frequent, quality feedback, as well. Clear expectations and goals also correlated with the employee-manager relationship (r = .66, p < .01). Employees with good employee-manager relationships were more likely to receive clear goals and expectations than those who do not have good employee-manager relationships. Clear expectations and goals correlated with a manager’s effectiveness (r = .61, p < .01). Effective managers were better at providing clear expectations and goals to employees than ineffective managers. Pay and rewards is also linked to clear expectations and goals (r = .51, p < .01). Employees who received clear expectations and goals were more likely to receive higher pay and rewards than those who did not receive clear expectations and goals. One’s in-group/out-group status also connected to clear expectations and goals (r =-.38, p < .01). In-group members were more likely to receive clear expectations and goals than members of the out-group. Lastly, clear expectations and goals negatively correlated with the employee’s last year’s performance rating (r = -.26, p < .01). Clearer expectations and goals led to better performance ratings than ones that were less clear.

The next set of correlations involved feedback. Feedback was highly correlated with the employee-manager relationship (r= .86, p < .01). Employees with good employee-manager relationships were likely to receive more frequent feedback than employees with bad employee-manager relationships. Feedback also correlated with the manager’s effectiveness (r = .75, p < .01). Effective managers were more likely to give
frequent and honest feedback to employees than ineffective managers. Feedback correlated with pay and rewards ($r = .63$, $p < .01$). This relationship might be indirectly correlated through other variables, such as more frequent feedback led to clearer expectations and goals that led to better performance ratings and therefore higher pay and rewards. Feedback correlated with one’s in-group/out-group status ($r = -.53$, $p < .01$). In-group members were more likely to receive frequent feedback than members of the out-group. Feedback correlated with an employee’s last year’s PA rating ($r = -.3$, $p < .01$). This trend suggested that frequent feedback led to good performance ratings.

The next set of correlations involved manager effectiveness. Manager effectiveness is highly correlated to the employee-manager relationship ($r = .85$, $p < .01$). Employees with good employee-manager relationships were likely to perceive their manager as more effective than employees with bad employee-manager relationships. Pay and rewards correlated with manager effectiveness ($r = .62$, $p < .01$). Employees who perceived their managers as effective were likely to receive high pay and rewards. On the other hand, employees who did not receive high pay and rewards were likely to perceive their managers as ineffective. In-group/out-group status correlated with the manager’s effectiveness ($r = -.61$, $p < .01$). Members of the in-group were likely to perceive their managers as more effective than members of out-group. The last variable correlated to manager effectiveness is an employee’s last year’s PA rating ($r = -.30$, $p < .01$). Employees with good performance ratings were likely to perceive their managers as more effective than employees with poor performance ratings. The next set of correlations involved an employee’s in-group/out-group status. In-group/out-group status was moderately correlated to the employee-manager relationship ($r = -.60$, $p < .01$). This
was a logical finding in that employees with a good relationship with his/her manager was also more likely to perceive himself/herself to be a member of the in-group.

However, a manager should not make anyone feel like a member of the in-group or the out-group. They should be a neutral party and have a relationship with each of their employees. In-group/out-group status correlated with pay and rewards ($r = -.49, p < .01$). In-group members were more likely to receive higher pay and rewards than members of out-group.

The last set of significant correlations involved an employee’s last year’s PA rating. Last year’s PA rating was negatively correlated to the employee manager relationship ($r = -.33, p < .01$). An employee with a good relationship with his/her manager was more likely to receive better performance ratings than an employee with a bad relationship with his/her manager. Fair pay and rewards was negatively correlated to an employee’s last year’s PA rating ($r = -.23, p < .01$). This correlation meant that the better the employee’s last year’s performance rating was, the fairer the pay and rewards were perceived to be. Age was positively correlated to an employee’s last year’s PA rating ($r = .18, p = .04$). This correlation means that older employees received worse performance ratings. The correlation may be statistically significant but practically trivial. It meant that there were 3.24% of overlapping in the variance between age and performance ratings. However, this finding should be closely monitored over the long term. The last significant correlation is fair pay and rewards, which was moderately correlated to the employee-manager relationship ($r = .62, p < .01$). Suggesting that the better the employee-manager relationship was the more fair the pay and rewards were received.
Table V. *Correlation Matrix of Variables*

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Clear Expectations and Goals</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Feedback</td>
<td>0.70**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Employee Manager Relationship</td>
<td>0.66**</td>
<td>0.86**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Manager Effectiveness</td>
<td>0.61**</td>
<td>0.75**</td>
<td>0.85**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Perception of Fairness</td>
<td>0.62**</td>
<td>0.65**</td>
<td>0.64**</td>
<td>0.60**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Pay/Rewards</td>
<td>0.51**</td>
<td>0.63**</td>
<td>0.62**</td>
<td>0.62**</td>
<td>0.70**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. In/out group</td>
<td>-0.38**</td>
<td>-0.53**</td>
<td>-0.60**</td>
<td>-0.61**</td>
<td>-0.43**</td>
<td>-0.49**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Age range</td>
<td>0.03</td>
<td>-0.06</td>
<td>-0.02</td>
<td>0.03</td>
<td>-0.06</td>
<td>0.14</td>
<td>0.05</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>9. Gender</td>
<td>-0.06</td>
<td>0.02</td>
<td>0.06</td>
<td>0.07</td>
<td>0.07</td>
<td>0.08</td>
<td>-0.14</td>
<td>-0.05</td>
<td>1</td>
</tr>
<tr>
<td>10. Last years performance rating</td>
<td>-0.26**</td>
<td>-0.3**</td>
<td>-0.33**</td>
<td>-0.30**</td>
<td>-0.46**</td>
<td>-0.23**</td>
<td>0.16</td>
<td>0.18*</td>
<td>-0.03</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
Hypothesis 3 suggested that all the independent variables (perceived manager
effectiveness, the employee’s perception of their employee-manager relationship, the employee’s
in-group/out-group status, age, clear expectations and goals given to the employee, the frequency
and quality of performance feedback from the employee’s manager, the fairness of pay and
rewards received, and the employee’s last year’s performance ratings) would have a significant
effect on the perceived fairness of the performance appraisals. I ran a stepwise regression
analysis including all the variables stated above; however, only 3 variables were significant
predictors and accounted for 68% of the variance in the perceived fairness of the performance
appraisals. This means that of all the variables examined in this study, these 3 variables will be
the three strongest predictors of whether or not employees will perceive the PA process as fair.
As you can see, from the table below, manager effectiveness has the largest Beta and therefore
will be the strongest predictor of the fairness perception of the three variables listed. Pay and
rewards will be the next strongest predictor, followed by an employee’s last year’s performance
rating. The results are shown, in Table VI.

Table VI. Regression Analysis with all Independent Variables on the Perceived Fairness of
Performance Appraisals

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>t</th>
<th>P</th>
<th>R2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.497</td>
<td>1.688</td>
<td>0.094</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager Effectiveness</td>
<td>0.418</td>
<td>0.103</td>
<td>5.745</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Pay and Rewards</td>
<td>0.375</td>
<td>0.087</td>
<td>5.193</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Last Year's PA Ratings</td>
<td>-0.227</td>
<td>0.040</td>
<td>-3.894</td>
<td>0</td>
<td>0.681</td>
</tr>
</tbody>
</table>

Variables Excluded
LMX Relationship -0.029 -0.282 0.778
Feedback 0.065 0.662 0.51
Clear Expectations/Goals 0.114 1.458 0.148
<table>
<thead>
<tr>
<th>Category</th>
<th>Value 1</th>
<th>Value 2</th>
<th>Value 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>In/Out Group</td>
<td>0.116</td>
<td>1.586</td>
<td>0.116</td>
</tr>
<tr>
<td>Gender</td>
<td>0.045</td>
<td>0.815</td>
<td>0.417</td>
</tr>
<tr>
<td>Age</td>
<td>0.065</td>
<td>-1.141</td>
<td>0.257</td>
</tr>
</tbody>
</table>
CHAPTER V
DISCUSSION

This study was very interesting and provided the company with insightful results on how the employees currently perceive the performance appraisal process. The best result from this study was that there were no significant differences in how employees 35 and younger and 36 and older perceive the fairness of the performance appraisal. This is great news, because there was a widely shared concern that younger employees received better ratings in this specific participant population. Empirical data was needed to test this growing concern. Fortunately, the T-test proved this concern unfounded. Furthermore, just to ensure this result wasn’t due to the artificial age cut at 35, a second T-test was conducted with the groups being split between employees 40 and younger and 41 and over (40 being the age that the U.S. government lists as the age that employees can legally begin suing companies for age discrimination in employment. However, the study cut at 40 and 41, because that was the closest age split to 40), and again no significant differences between the two groups were found (t=.201, df=119, p=.423). These results are great and should put some concerns to rest for the participants in this study and for the
company. The only potential limitation, as with any survey, is if the participant was not truthful and thus lied about their age and/or their last year’s PA rating. However, with the number of participants, and the strength of the results, we should have confidence in the results obtained.

The second hypothesis looked to find if there was a relationship between the perception of fairness with the employee-manager relationship, fair pay and rewards, and an employee’s previous PA rating. As described in Table V the correlation matrix found that all three variables had a significant relationship with the perception of fairness. Again, these are great results, because it shows that employees do see a connection between the perception of fairness and the above-mentioned variables and that we should be paying attention to them. The most concerning limitation here is the honesty of the survey participants. Participants may have been concerned about how honest they could be on the survey wondering if their manager could see how they responded to the questions. Even though this survey was anonymous and kept confidential, many employees were concerned that their managers would see their responses. However, because of the numerous strong correlations, I do believe that many of the employees did feel that they could answer honestly.

The last hypothesis also showed some insightful results. Based on this research, we now know that there are 3 main factors accounting for 68% of the variance on the perception of fairness. These variables are manager’s effectiveness, fair pay and rewards, and an employee’s last year’s performance rating. This finding is very beneficial to the company and to the participants, and hopefully is generalizable to other parts of the organization and to other companies. This finding is important because it means that if the company can excel on these three variables, they could increase their perceived fairness. Unfortunately, a limitation of this finding is that the company can only truly manipulate one of the variables, i.e. manager
effectiveness. The company should be able to ensure that their managers are effective at performing their job, and if they are not, they can help them become more effective or move them out of their current managerial role and into a role better suited for them. Once the employee believes that an effective manager is in place, they should also trust that their PA rating is fair, which may in turn lead them to believe that they received fair pay and rewards. This finding may be more of a ripple effect of the perception of fairness than an easy strategy to implement. Nonetheless, this finding is very telling and should help the company increase their perception of fairness.

Limitations

There is one major limitation that can be identified in this study, and that is generalizability. The majority of this sample was R&D employees and thus this survey’s results may only be generalizable to other R&D employees. Furthermore, this study is in the beginning stages of research with a broad overview-- other researches can take a more in depth look into the causes and effects of why the relationships exist between variables. I wanted to see what led to the perception of fairness, but the next step is to find out why these variables - specifically manager effectiveness, pay and rewards, and an employee’s last year’s PA rating - have such a large effect on the employee’s perception of fairness.

In conclusion, this study has some good results, and hopefully opened up numerous insights for us, as researchers, and any organization that employs a performance appraisal system. This study showed us what factors are most important when creating a positive culture towards performance appraisals and what factors managers can change, in order to help foster this environment. When armed with effective managers, any organization has the tools to create a perception of fairness around the performance appraisals and the performance appraisal process.
itself. Going forward, future researchers may also consider combining the first 3 variables (clear expectations and goals, the frequency and quality of the feedback given to the employee, and the employee-manager relationship) into one construct, because they were found highly correlated in the correlation matrix. For the purpose of the study, I wanted to see specifically what aspects would effect the perception of fairness, and therefore, thought it would be best to keep as many variables as possible in the study to see the effects. However, combining these variables may allow for cleaner results and may account for a higher amount of variance.
REFERENCES


   *Academy of Management Journal*, 29.


   *Psychological Review*, 84.


   *Research on Negotiation in Organizations*, 1.


APPENDIX A: EMPLOYEE SURVEY

Please circle the appropriate answer choice.

1) I consent to having my survey be used in a thesis research project.

Yes  No

Section 1: Relationship with Management:

2) I have worked at this location prior to May 2006:

If yes, go to question 3
If no, go to question 74

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Neutral</th>
<th>Strongly Agree</th>
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<tbody>
<tr>
<td>3</td>
<td>My manager treats me well…………………………</td>
<td>1</td>
<td>2</td>
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<tr>
<td>4</td>
<td>My manager encourages my technical development..</td>
<td>1</td>
<td>2</td>
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<tr>
<td>5</td>
<td>My manager does not encourage my professional development……………………………………</td>
<td>1</td>
<td>2</td>
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<tr>
<td>6</td>
<td>My manager encourages innovation and creativity..</td>
<td>1</td>
<td>2</td>
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<td>7</td>
<td>My manager attracts and hires people who have a negative impact in our group and/or in our department..</td>
<td>1</td>
<td>2</td>
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<tr>
<td>8</td>
<td>My manager builds team commitment………………</td>
<td>1</td>
<td>2</td>
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<tr>
<td>9</td>
<td>My manager promotes teamwork……………………</td>
<td>1</td>
<td>2</td>
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<tr>
<td>10</td>
<td>My manager promotes a good social environment...</td>
<td>1</td>
<td>2</td>
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<tr>
<td>11</td>
<td>My manager does not share content knowledge or best practices……………………………………</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>12</td>
<td>My manager leads by example……………………</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>13</td>
<td>My manager is honest…………………………</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>14</td>
<td>My manager is ethical…………………………</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>15</td>
<td>My manager motivates me…………………………</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Statement</td>
<td>Strongly Disagree</td>
<td>Neutral</td>
<td>Strongly Agree</td>
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<td>--------------------------------------------------------------------------</td>
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<tr>
<td>16) My manager expresses his or hers appreciation for my work/contributions</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>17) My manager provides constructive feedback</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>18) My manager provides actionable feedback</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>19) In the past seven days, I have received recognition or praise</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>20) In the past six months, someone in management has talked to me</td>
<td>2</td>
<td>3</td>
<td>4</td>
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<tr>
<td>21) I interact with my manager multiple times a week on work-related</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>22) I interact with my manager multiple times a week on non-work-related</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>23) I have quality interactions with my manager</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>24) I feel that my manager and I do not effectively interact with each</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>25) There is a strong tendency to form an in-group/out-group atmosphere</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>26) In general, I consider myself an optimist</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>27) I have the opportunity to do what I do best everyday</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>28) I know what is expected of me at work</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>29) I feel like I am a member of the in-group in my department</td>
<td>2</td>
<td>3</td>
<td>4</td>
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<tr>
<td>30) I believe my group leader/manager helps me to improve, by giving me</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>31) I am given full credit for the work I do</td>
<td>2</td>
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<td>4</td>
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</tbody>
</table>
32) I believe my manager has favorites within my group/department…………………………….1

33) I do not have the material and equipment I need to do my work properly………………………. 1

34) I have adequate time to complete my work………..1

35) I feel like I am a member of the out-group in my department…………………………….. 1

36) My opinion and ideas seem to count……………….. 1

37) My fellow employees are not committed to doing quality work…………………………………….1

38) There is someone in management, at SW, who encourages my technical development……………. 1

39) I believe my manager cares about me as a person……………………………………….. 1

40) Overall, I have a good relationship with my manager……………………………………….. 1

**Sections 2: Performance Appraisals:**
41) I was hired into the building in which I currently work prior to August 1, 2005?

If yes, go to question 42
If no, go to question 74

42) On the performance appraisal I believe I am rated fairly……………………………………….1

43) My performance appraisal does not motivate me.. 1

44) My performance goals are clearly stated……….. 1

45) I understand my work goals……………………… 1

46) I understand my part in the department goals……1
<table>
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<th></th>
<th>Strongly Disagree</th>
<th>Neutral</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>47) I am held accountable for my work goals</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>48) I believe I am held to the same standards as other employees within the department</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>49) I believe I was rated fairly on last year’s performance appraisal</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>50) I believe education is <strong>not</strong> taken into consideration when promotion decisions are made</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>51) I believe that only my manager’s favorite employees get promoted</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>52) I know what my manager’s expectations are in terms of my job performance</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>53) I believe employees who have technical expertise get promoted</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>54) I have been given consistent feedback throughout the year</td>
<td>2</td>
<td>3</td>
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</tr>
<tr>
<td>55) I do <strong>not</strong> believe I have adequate time to review my performance appraisal prior to my performance review with my manager</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>56) I believe my group leader/manager understands my job well enough to rate me accurately</td>
<td>2</td>
<td>3</td>
<td>4</td>
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<tr>
<td>57) I believe my approver/reviewer has an appropriate amount of contact with me to have input on my performance appraisal</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>58) I believe age is taken into consideration when promotion decisions are made</td>
<td>2</td>
<td>3</td>
<td>4</td>
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<tr>
<td>59) I am strictly rated on work performance</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>60) I can openly/non-confrontationally discuss my appraisal with my manager</td>
<td>2</td>
<td>3</td>
<td>4</td>
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<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Neutral</td>
<td>Strongly Agree</td>
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<tr>
<td>61) I am fairly rewarded/compensated considering my responsibilities.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>62) I believe gender is taken into consideration when promotion decisions are made.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>63) I do <strong>not</strong> believe my pay level is fair.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>64) I have the chance to provide input on my appraisal before the final decision is made.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>65) My performance appraisal has been cut and pasted from year to year, with only minor changes made.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>66) I believe more changes should have been made to my performance appraisal (versus cut and pasted).</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>67) My performance appraisal has been cut and pasted one or more times.</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<tr>
<td>68) My manager completes quarterly reviews.</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<tr>
<td>69) I believe I am able to challenge my appraisal to my manager.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>70) Instead of my manager writing my performance appraisal, I write my own performance appraisal.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>71) If the scope of my project changes, my manager will revise my goals and communicate them to me, prior to the performance appraisal review.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>72) Overall, I believe the performance appraisal process is fair.</td>
<td>1</td>
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</table>

73) Please give an example of why you feel that you can or cannot challenge your appraisal to your manager.
**Background Information:**

Please circle the appropriate answer choice

74) I have received _____ amount of promotions while at this company.

0 1 to 2 3 to 4 5 to 7 8 or more

Fill in the blank with the appropriate answer.

75) What was your overall performance rating on your last appraisal adding all 3 sections together (i.e. if you had a 3, 4, 3, you overall performance rating would be a 10). Therefore, on a scale from 3 to 15 (3 being the highest rating and 15 being the lowest rating) what was your score?______

76) If you could have rated yourself, what would your overall performance score be, (again adding the 3 sections together) on a scale from 3 to 15 (3 being the highest rating and 15 being the lowest rating).______

**Demographic Information:**

Circle one choice for the remaining questions.

77) Please select work location in which you currently work:

   a) Maryland Facilities
   b) Ohio Headquarters
   c) Ohio Satellite Facility

78) Years of service with the Company:

   3 or less  4-6  7-9  10-15  16-20  21 or more

79) My department reports to the following director/department.

   a) R&D Services
   b) HR/Accounting/Safety
   c) Facilities
   d) Commercialization
   e) Technology
80) Please select your age range:

a) 18-25  
b) 26-30  
c) 31-35  
d) 36-40  
e) 41-45  
f) 46-50  
g) 51-55  
h) 56-60  
i) 61-65  
j) 66-70  
k) 70+

81) Please select your gender:

a) Male  
b) Female

82) Please check your highest level of education received:

a) Less than high school  
b) High school degree  
c) Associates degree  
d) Bachelor's degree  
e) Master's degree  
f) Doctorate  
g) Other: please specify:______________________