

SUPERVISORS VERSUS PROCESSES: ATTENDING TO PERFORMANCE APPRAISALS AND EMPLOYEE PERCEPTIONS OF FAIRNESS

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ABSTRACT

Performance appraisals are an important part of human resource efforts to increase performance through employee motivation. Salaried employees often depend upon completed appraisals in order to achieve pay raises. This study examines the impact of late performance appraisals upon employee perceptions of supervisor fairness and the fairness of the appraisal process. Employees in a manufacturing firm were surveyed to determine the factors influencing their perception of supervisor fairness, appraisal process fairness, and their general view of late appraisals. The results indicate that supervisor fairness is perceived to be a function of the supervisor's engagement in the process and not whether appraisals are accomplished on time. When employees realize that supervisors must be reminded to do appraisals and that the only performance feedback they receive is during the appraisal process, then supervisors can be perceived as unfair. The appraisal process is generally perceived to be fair, unless the only performance feedback occurs during the appraisal. These conclusions suggest that late appraisals contribute to the perception of unfair supervisors and appraisal processes. Although most employees believe that conducting late appraisals is wrong, lateness is not the only factor impacting the perception of fairness.

INTRODUCTION

Performance appraisals are an important part of human resource efforts to increase job performance by providing the motivation to complete assigned tasks (Boswell & Boudreau, 2002). Although many employees are motivated to work because of an intrinsic desire to do their best (Brown & Huning, 2010), they are also motivated by hygiene factors (Herzberg, 1968) including pay. To the extent that pay is a reflection of performance appraisals, the appraisals become a significant factor in motivation. In the book *Why Work*, motivation is broken down into the following four areas: responsibilities, relationships, rewards and reason (Maccoby, 1995). Late appraisals touch at least three of these areas. The first of these areas is responsibilities, since employees are often motivated when job responsibilities are meaningful and test their abilities. How well the job is performed should be reflected in the appraisal and often the only direct feedback given. Depending upon how an employee receives and internalizes this feedback impacts the relationship between the supervisor and subordinate.

The communication that an appraisal should foster helps to build a relationship with the manager. Rewards, appreciation, and recognition are the types of things that strengthen motivating relationships. Many are motivated by money alone, but it has been proven that a simple pat on the back can motivate too (Duff, 2010). The continued success of any organization rests with the development of its human capital, and feedback is critical to facilitate that development. The importance of feedback cannot be overstated. People who receive recognition for a job well done during the appraisal process can make immeasurable contributions to organization. In many organizations the appraisal process and pay increases are related, thus making this process important to employees.

All employees need some type of feedback to keep them focused and engaged (Hammill, 2005). If conducted well, the appraisal and feedback session is a great opportunity to show the employee the value of their work to the organization. An attribute of a good leader is keeping subordinates aware of the job performance (Bartol & Martin, 1998). In contrast, a concern is that this task gets lost in the hustle and bustle of daily work and falls by the wayside.

The appraisal feedback process is an opportunity to identify both top performers and underachievers in relation to job performance (Brown, Hyatt, & Benson, 2009). Whether underperformers need training and accountability or top performers get recognition, the feedback session is the perfect time to address those issues. When the appraisal does not happen according to plan or is otherwise accomplished haphazardly, studies have shown that the organization suffers in terms of decreased job satisfaction and organizational commitment (Brown et al., 2009).

An applicable anecdote is that people do not leave companies, they leave managers. Managers who lack training and guidance on leadership, motivation, communication skills, and conflict resolution cannot be expected to intuitively know what to do. Not rewarding or failing to nurture the right behaviors sends the wrong message to employees. Managers need to be trained in motivation principles and not just theories to be effective (Locke & Latham, 2004). The implementation of an effective performance appraisal process executed by supervisors and managers plays a key role in employee motivation.

At a medium-size manufacturing firm one supervisor discovered that approximately 50% of managers did not complete employee appraisals within 30 days of the due date. The appraisal process in this organization consisted of both employee and supervisor comments on the employee's performance over the past 12 months. This raised concerns since employees were not receiving feedback through the appraisal process.

Managers and supervisors failed to understand the potential impact of late reviews on employees and in their subsequent motivation to work. Additionally, a late appraisal can send the message that the employee is not important or valued. If the employees feel that they are not valued, this feeling has a direct impact on their motivation to perform. Since motivation is what drives behavior to perform, performance appraisals can be the vehicle to provide that motivation (Bartol & Martin, 1998).

The practice of timely appraisals in the subject organization had become the exception and not the rule. In 2010, there were 93 late appraisals out of 180 in the subject pool. Thus, 52% of the employee appraisals were late. Several were found to be two years past the due date. Employee's performance improves as a result of receiving financial incentives and is viewed as an important factor for companies desiring to keep top employees (Kessler & Purcell, 1992). This is even more important for women who often feel they are paid less than their male counterparts (Adeogun, 2010). These considerations lead to a research project to examine the relationship between perceptions of late performance appraisals and the impact upon the appraisal factors that motivate employees.

LITERATURE REVIEW

Some of Herzberg's conclusions on motivation were that pay and rewards are sometimes used as a type of recognition, but it did not seem to significantly motivate people or contribute to job satisfaction (Herzberg, 1968). He recognized the limited usefulness of monetary rewards to get more from workers. He concluded that increased pay only motivated people for a short period of time, but decreased pay had the power to demotivate which is why pay is a hygiene factor (Herzberg et al., 1959). The two factor theory suggests that removing the hygiene factor does not guarantee the employees will be satisfied or motivated, but it can bring calm to the organization (Herzberg, 1968).

A variety of studies have examined the importance of pay to employees. Towers (2003) surveyed over 35,000 U.S. workers and found that base salary ranked second and pay increases based on performance ranked eighth in attracting employees. Base salary ranked sixth in keeping employees at a particular company, although pay did not make the top ten for motivating employees. Other studies have shown results that are in conflict with the Leete study. Jenkins, Mitra, Gupta, & Shaw (1998) found an average correlation of .32 between financial incentives and the quantity of production, but no relationship for incentives and product quality. Although it motivates only briefly, money is still an important factor (Rynes, Gerhart, & Minette (2004). Other studies have shown that intrinsic motivation seems to be impacted to a lesser degree by performance appraisals (Daley, 1991), thus implying that extrinsic factors, like pay, are more linked to appraisals.

Performance Evaluation

Performance appraisal or evaluation is the process used to determine employee performance using predetermined standards (Smither, 1998). According to the work of Brown et al., (2009), an employee's experience in relation to the performance appraisal process impacts the organization as far as job satisfaction and organizational commitment. Performance appraisals serve many functions, one of which is the documentation of job performance. Job performance is measured to the degree in which tasks are performed; on the higher side the work is said to be satisfactory and on the lower side work is described as unsatisfactory (Ejere, 2010). No matter what assessment is made, recent research indicates that informal feedback, even if unrelated specifically to performance, must happen in order for the performance feedback to result in a positive result (Kuvaas, 2011).

Employee performance evaluations can be very useful to ensure that the supervisor and subordinate are talking about expectations for successful job completion. The evaluations protect the company from the standpoint that they are the official record of performance and that the job standards and expectations were communicated to the employee (Heathfield, n.d.). The issue with performance evaluations is the extent to which the supervisor and subordinate take them seriously (Gorelick, 2005). If employees are expected to grasp the value of measuring their performance they first need to know how their efforts fit into the overall success of the organization (Duff, 2010). Employees need to know that the rating they receive is a true reflection of their work (Roch, McNall, & Caputo, 2011).

HYPOTHESES

As discussed in the literature review, a variety of factors impact the appraisal process. The two factors that are critical to this process are the actions of the supervisor and the perceptions of the employee (Gorelick, 2005). Thus the hypotheses are grouped into three categories. The first concerns whether the supervisor is perceived as fair in evaluating the employee's performance. The next is whether or not the employee believes that the appraisal process, as opposed to the supervisor's actual behavior, is fair. Finally, the employee's perception of late appraisals is assessed.

The Supervisor

H1. There is a positive relationship between perceptions of supervisor fairness in evaluating performance and:

- a. On-time completion of performance appraisals
- b. Adequate feedback on performance
- c. Setting clear goals and objectives
- d. Comfort in discussing appraisals
- e. Awareness of performance factors

H2. There is a negative relationship between perceptions of supervisor fairness in evaluating performance and:

- a. The need to remind the supervisor that the appraisals are due
- b. The feeling that a supervisor doesn't care about one's work if the supervisor does not complete the appraisal
- c. The only feedback received about performance is during the appraisal process

The Process

H3. There is a positive relationship between the perception that the appraisal process is fair and:

- H3a. On-time completion of performance appraisals
- H3b. Adequate feedback on performance
- H3c. Setting clear goals and objectives
- H3d. Comfort in discussing appraisals
- H3e. Awareness of performance factors

H4. There is a negative relationship between the perception that the appraisal process is fair and:

- H4a. The need to remind the supervisor that the appraisals are due
- H4b. The feeling that a supervisor doesn't care about one's work if the supervisor does not complete the appraisal
- H4c. The only feedback received about performance is during the appraisal process

Perception of Late Appraisals

H5. There is a positive relationship between believing late appraisals are OK and:

- H5a. On-time completion of performance appraisals
- H5b. Adequate feedback on performance
- H5c. Setting clear goals and objectives
- H5d. Comfort in discussing appraisals
- H5e. Awareness of performance factors

H6. There is a negative relationship between believing late appraisals are OK and:

- H6a. The need to remind the supervisor that the appraisals are due
- H6b. The feeling that a supervisor doesn't care about one's work if the supervisor does not complete the appraisal
- H6c. The only feedback received about performance is during the appraisal process

METHODOLOGY

The organization's electronic database was queried to determine the number of late appraisals in the prior 12 months. A late appraisal is one that is at least 30 days past the due date. Out of a total of 180 salaried employees, 93 had late performance appraisals for a rate of 52%.

A 20-question survey was developed to collect information on employee attitudes about the appraisal process and impact of late appraisals. The survey request was distributed to 154 available employees out

of the 180 employees in the database. This group included the senior managers, as well as lower-level salaried professionals.

A pre-test of the survey instrument was conducted using eight human resource professionals. They were given the opportunity to suggest improvements and offer alternative statements to improve the clarity of the survey. The survey was not quantitatively validated or checked for reliability since it was designed for one-time use in this organization.

All surveys were completed via internet using a website that would ensure anonymity. Participants were contacted by company e-mail, and presented with a brief outline of the purpose of the survey and why they were chosen. All individuals contacted were selected because they play some part in the performance review process. The body of the email explained the purpose of the survey, that participation was voluntary and anonymous, and the opportunity to obtain a summary of the survey findings. Participants were provided a link in the e-mail to click, which launched the survey.

The survey contained questions that addressed employee perceptions of motivation as it pertains to the appraisal process. Additionally there were questions about how clear the performance expectations have been communicated and whether feedback about performance was given. To address some specific attitudes about training and the employee's impression of the value that supervisor's place on the appraisal process, additional questions were added to the survey. Each question on the survey was designed to be answered using a Likert scale of 1 to 5, with 1 being strongly disagree and 5 being strongly agree.

The general hypothesis for this research was that late performance appraisals negatively impact employee motivation. The researchers wanted to determine if there was a negative relationship between employee motivation and an appraisal process characterized by late appraisals. The following statements appeared on the survey:

1. My supervisor appreciates people who do a good job.
2. My motivation is increased or decreased based on my appraisal rating.
3. My supervisor takes a supportive role in my professional growth and development.
4. My supervisor gives me adequate feedback on my performance.
5. I have to remind my supervisor that my appraisal is due.
6. My supervisor completes my appraisal within 30 days of its due date.
7. My supervisor is fair in evaluating my performance.
8. I feel comfortable talking to my supervisor about my appraisal.
9. My supervisor sets clear goals and objectives on my appraisal.
10. I am aware of the factors my supervisor will use to evaluate my performance.
11. I work harder knowing my supervisor monitors my work activities.
12. I believe the appraisal process is fair.
13. I believe that employees who perform their job to a high standard should be rated higher than those who don't.
14. I feel that I have received adequate training on the appraisal process.
15. I feel that my supervisor doesn't care about my work if he/she does not complete my appraisal.
16. The more money I make the more effort I give the company.
17. I believe the CEO thinks the appraisal process is important to the success of the company.
18. The only feedback I receive about my performance is during the appraisal process.
19. I believe my supervisor thinks the benefits of the appraisal process are worth the effort involved.
20. I believe it is okay to be late giving/getting employee appraisals.

RESULTS

The survey response rate was 47% for a sample size of 73. Table 1 shows the means, standard deviations, and correlation results.

TABLE 1
MEANS, STANDARD DEVIATIONS, AND CORRELATIONS

<i>Variable</i>	<i>Mean</i>	<i>sd</i>	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1 Supervisor Appreciates	4.26	0.87																			
2 Motivation impacted	3.74	0.90	.14																		
3 Supervisor Supportive	3.63	1.06	.62	-.01																	
4 Adequate Feedback	3.55	1.08	.51	-.14	.70																
5 Must Remind Supervisor	3.12	1.34	-.23	.08	-.46	-.26															
6 Appraisal On Time	2.90	1.50	.24	.09	.38	.26	-.70														
7 Supervisor is Fair	3.73	1.02	.63	.09	.66	.58	-.46	.46													
8 Comfortable Talking	3.74	1.03	.45	-.21	.50	.44	-.22	.15	.61												
9 Clear goals & objectives	3.63	1.10	.45	.00	.68	.61	-.40	.31	.65	.58											
10 Aware of Factors	3.92	0.92	.34	.06	.41	.28	-.17	.09	.46	.39	.58										
11 Work harder with monitoring	2.90	0.96	.23	.16	.32	.35	.02	.05	.33	.28	.51	.40									
12 Process is Fair	3.22	0.93	.43	-.10	.42	.33	-.21	.03	.43	.41	.32	.23	.33								
13 Rated by Work	4.56	0.75	.07	.08	.04	-.06	.21	-.12	.04	.16	.07	.39	.15	.06							
14 Adequate Training	3.27	1.15	.17	-.17	.14	.18	-.27	.19	.28	.38	.29	.31	.14	.29	.03						
15 Supervisor doesn't care	2.73	1.18	-.35	.21	-.28	-.26	.14	-.02	-.19	-.20	-.21	-.06	-.07	-.21	.27	-.01					
16 Money = Effort	3.25	1.19	.26	.37	.15	.03	.00	.09	.08	.00	.04	.13	.33	-.11	.27	-.15	.19				
17 CEO sees importance	3.07	1.02	.23	-.13	.45	.36	-.34	.10	.13	.03	.30	.11	.26	.29	-.29	.08	-.35	.07			
18 Feedback Limited to Appraisal	2.73	1.16	-.45	-.08	-.56	-.51	.28	-.28	-.49	-.35	-.50	-.27	-.14	-.30	.02	-.27	.20	.08	-.17		
19 Benefits worth the Effort	3.15	1.00	.42	.04	.67	.61	-.42	.46	.51	.31	.50	.32	.32	.41	-.04	.19	-.15	.21	.39	-.49	
20 Late appraisals are OK	2.07	0.98	.08	-.06	.19	.14	-.09	.10	.08	.09	.14	.10	.08	.06	-.17	.09	-.19	.07	.22	-.06	.16

n=73

p<.05 for all r>=.232

p<.01 for all r>=.303

The results offer support for hypothesis one, that there is a positive relationship between perceptions of supervisor fairness in evaluating performance and the on-time completion of performance appraisals ($r=.46$, $p<.01$), adequate feedback on performance ($r=.58$, $p<.01$), setting clear goals and objectives ($r=.65$, $p<.01$), comfort in discussing appraisals ($r=.61$, $p<.01$), and awareness of performance factors ($r=.46$, $p<.01$).

Parts a and c of hypothesis two are confirmed. There is a negative relationship between perceptions of supervisor fairness in evaluating performance and the need to remind the supervisor that the appraisals are due ($r= -.46$, $p<.01$) and the only feedback received about performance is during the appraisal process ($r= -.49$, $p<.01$). There is no significant relationship between perceptions of supervisor fairness and the feeling that a supervisor does not care about one's work if the supervisor does not complete the appraisal ($r= -.19$).

Except for part a, hypothesis three is supported. There is a positive relationship between the perception that the appraisal process is fair and adequate feedback on performance ($r= .33$, $p<.01$), setting clear goals and objectives ($r= .32$, $p<.01$), comfort in discussing appraisals ($r=.41$, $p<.01$), and awareness of performance factors ($r= .23$, $p<.05$). There is no support for a relationship between fairness of the process and the on-time completion of performance appraisals ($r= .03$).

Support for hypothesis four is limited to the negative relationship between the perception that the appraisal process is fair and that the only feedback received about performance is during the appraisal process ($r= -.30$, $p<.01$). The need to remind the supervisor that the appraisals are due ($r= -.21$) and the feeling that a supervisor does not care about one's work if the supervisor does not complete the appraisal ($r= -.21$) are unsupported in the context of hypothesis four.

The hypotheses proposing a relationship between performance appraisal factors and the perceptions about late performance appraisals are not confirmed.

CONCLUSION

The three categories of hypotheses included perceptions of supervisor fairness, perceptions of process fairness, and perceptions of late appraisals in general. Supervisors are perceived to be fair in evaluating performance when they complete appraisals on time, give adequate feedback, and set clear goals and objectives. In turn, employees feel that their supervisors are fair when the employee is aware of performance factors impacting appraisals and he or she feels comfortable discussing their appraisals. The delivery of an on-time appraisal appears to impact these two latter factors.

In contrast, supervisors are perceived to be unfair in evaluating performance when employees feel that they must remind the supervisor that appraisals are due and when the only feedback they receive about performance is during the appraisal process. In these cases, employees are likely to feel that supervisors are inattentive to their performance because they are not engaged in the appraisal process. Because employees do not receive feedback about their performance until the appraisal process eventually occurs, the employees, in turn, view the supervisors as unfair due to an inconsistent and ineffective appraisal effort.

In addition to the performance of the supervisor, the appraisal process is perceived to be fair when accompanied by adequate performance feedback, the setting of clear goals and objectives, comfort with discussing appraisals, and employees being aware of performance factors. Further, employees perceive the appraisal process to be less fair when the only feedback they receive about performance is during the appraisal process.

In their perception of the process, employees differentiated on-time completion of the appraisal from other factors, and likely attribute the timeliness of an appraisal to the supervisor and not the process. Employees generally disagree with the idea that late performance appraisals are okay, but there is no evidence to suggest that beliefs about late performance appraisals are either positively or negatively related to the various features or characteristics associated with the appraisal process.

A key conclusion is that employees are not primarily concerned about late performance appraisals. They are concerned about the implications of the late appraisal. If the only feedback they receive about their performance is during the appraisal process, then the late appraisal means that the employee is not receiving feedback at all until that appraisal is accomplished. So, it is not only a good idea for managers to accomplish performance appraisals on time, but it is essential when the performance appraisal is the only form of performance feedback. In addition, the manager or supervisor must be careful to ensure that the employees are not required to remind him or her of the necessity for a performance appraisal. These kinds of reminders, in conjunction with appraisals being the only source of feedback create the impression that the supervisor is unfair in his or her evaluation of an employee's performance. Otherwise, supervisors are perceived to be fair in their appraisals when they are done on time, offer adequate feedback, and set clear goals and objectives. Ultimately, on-time completion of performance appraisals is attributed to the supervisor's behavior and not to an artifact of the process.

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