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Factors relating to performance appraisal satisfaction and acceptance of lower-level employees

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**FACTORS RELATING TO PERFORMANCE APPRAISAL SATISFACTION AND
ACCEPTANCE OF LOWER-LEVEL EMPLOYEES**

A Thesis

Presented to

The Faculty of the Department of Psychology

San Jose State University

In Partial Fulfillment

of the Requirements for the Degree

Master of Science

by

Katerina Igoumenopoulos

May 2001

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ABSTRACT

FACTORS RELATING TO PERFORMANCE APPRAISAL SATISFACTION AND ACCEPTANCE OF LOWER-LEVEL EMPLOYEES

by Katerina Igoumenopoulos

This thesis identifies and compares the relationship between procedural and distributive justice factors and 64 lower-level employees' satisfaction and acceptance of the performance appraisal system in one branch of a national retail company.

The results of multiple regression analyses indicate that the procedural and distributive factors examined were positively related to employee satisfaction and acceptance. Of the procedural variables, ability to give and receive feedback predicted both satisfaction and acceptance and the opportunity to participate predicted acceptance. Of the distributive variables, ratings based on performance predicted both satisfaction and acceptance and rewards allocation predicted acceptance. Furthermore, procedural justice affected both satisfaction and acceptance after controlling for distributive justice.

The findings of the present study suggest that organizations should plan interventions that heighten the perception of procedural justice to maximize employees' satisfaction and acceptance with the performance appraisal.

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Performance appraisals are a vital part of organizational life, as they have the potential to affect a wide variety of job-related functions. For example, performance appraisals can be used when making administrative decisions (i.e. raises, promotions) and for developmental purposes (i.e. coaching, feedback). Because organizations are increasingly making large demands on their performance appraisal system, the need arises for a strong and effective process (Henderson, 1984). Of substantial importance to the overall success of the performance appraisal is how employees perceive the appraisal process. Satisfaction and acceptance of the appraisal system have been shown to be related to appraisal effectiveness (Landy, Barnes, and Murphy, 1978). Employees' perceptions toward the appraisal process have been shown to affect the efficacy of the appraisal system, which in turn influences organizational productivity and profitability (Langan-Fox, Bell, McDonald, and Morizzi, 1996). Therefore, it is important to identify elements that may potentially influence employees' perceptions of the fairness and quality of the performance appraisal system.

Purpose of present study

The present study was aimed at identifying factors that may account for employees' acceptance and satisfaction with the performance appraisal system in one branch of a national retail firm. The need to examine such factors was deemed necessary because of apathetic attitudes that existed in the organization towards the appraisal system. The appraisal in this organization has been used more often as a punitive tool rather than as a developmental one. The human resource department of the organization wanted to examine employee attitudes towards its current appraisal process. It was hypothesized that two factors would predict employees' satisfaction with and acceptance

of the appraisal system: procedural justice and distributive justice. The selection of these factors was based on the specific organization's concerns and needs, and on the performance appraisal literature.

Definition of Dependent Variables

Satisfaction with performance appraisal has been defined as how content employees are with the (1) level of involvement they have in the performance appraisal process; (2) quality of the performance feedback that is given to them; and (3) the extent to which the appraisal influences reward allocation (Cascio, 1998). Actually, satisfaction is the most frequently assessed employee reaction to performance appraisals (Giles & Mossholder, 1990). When satisfied with the system that evaluates their performance, employees have been shown to be more committed to the organization and organizational goals, more productive, and more motivated (Ilgen, Fisher, & Taylor, 1979; Pearce & Porter, 1986).

Acceptance of the performance appraisal is defined as the extent to which employees perceive the appraisal system as (1) an effective means of providing feedback; (2) an opportunity to be active participants in an organizational factor; (3) evaluating them on the critical factors of their job; and (4) an effective means toward achieving organizational rewards (Langan-Fox et al, 1996).

Acceptance of the performance appraisal is differentiated from satisfaction with the example of employees who accept managerial decisions by remaining in their jobs, but are not satisfied with them. These employees, in the performance appraisal context, would accept a mediocre or poor appraisal without contesting it but would not be content about it. Another example is that of an employee who is unsatisfied with the lack of a

merit increase, but accepts this because of not having met some performance goal. This employee understands the reason behind the lack of a merit increase and thus accepts the decision, but remains unsatisfied with this outcome.

Research on Performance Appraisals

General Research

Performance appraisals have been evaluated for decades in a number of different ways. For example, early organizational research, between 1950 and 1980, focused mainly on instrumentation issues of the performance appraisal (Arvey & Murphy, 1998). Researchers during these times evaluated and attempted to improve the performance appraisal instruments in order to avoid errors and biases. In the early 1980's, however, researchers became interested in the effects raters have on the performance appraisal process (Langan-Fox et al, 1996). This literature emphasized improving training for raters, preventing rater error and biases, and examined the format raters used when evaluating performance (Langan-Fox et al, 1996; Arvey & Murphy, 1998).

Because of the focus on employee perceptions, and their link to a variety of positive outcomes, such as increased motivation, productivity and satisfaction (Greenberg, 1986; McFarlin & Sweeney, 1992), a more current trend in the literature has been to examine the ratee's perspective (Greenburg, 1986; Langan-Fox et al., 1996; Magner, Welker & Johnson, 1996; Dulebohn & Ferris, 1999). Research has repeatedly stressed the importance of employee acceptance and support of performance appraisal systems in maximizing their effectiveness (Longenecker, Liverpool, & Wilson, 1988; Murphy & Cleveland, 1995). Bernardin and Beatty (1984) implied that employee reactions might be better indicators of the overall viability of the appraisal system than

psychometric indices such as leniency or halo. Even when psychometric indices are accounted and controlled for, the performance appraisal remains to be accepted and supported by the actual employees who will be using it. Therefore, its success may ultimately depend on subordinate reactions towards it. For the purposes of the present study, employee perceptions of procedural and distributive justice were examined in relation to satisfaction and acceptance of the performance appraisal process.

Procedural Justice

Procedural justice is defined as the perceived fairness of the procedures used to make allocation decisions (Korsgaard & Roberson, 1995; Cawley, Keeping & Levy, 1998). The importance of procedural justice is magnified when we take into account that by ensuring a fair process, more positive attitudes can result, regardless of the nature of the outcome itself (Korsgaard & Roberson, 1995). There are many ways in which procedural justice is part of the performance appraisal process: by giving employees the opportunity to participate, by exchanging feedback, and by applying standards consistently across employees.

One important variable determining procedural justice is the opportunity to participate, or allowing employees to express their voice and to respond to decisions that will affect them (Korsgaard & Roberson, 1995; Dulebohn & Ferris, 1999). Research has shown that when employees are given the opportunity to express their opinions in the performance appraisal process, their evaluations of procedural justice are strengthened (Dulebohn & Ferris, 1999). Such participation involves the sharing of ideas, discussion of problems, and an interchange of possible solutions (Greller, 1998). Opportunity to

express one's voice in the performance appraisal has been linked to positive attitudes or positive perceptions of the appraisal (Landy et al, 1978; Dipboye & Pontbriand, 1981).

Participation can take place at all stages of the performance evaluation process. The opportunity may exist to "solicit and use input" from employees (Greenberg, 1986). For example, supervisors can approach employees for ideas on how to make the appraisal process more effective. This form of participation allows employees to feel more confident about the fairness of the performance appraisal process, as their opinions are expressed. Perceptions of fairness may also be increased when employees are given the opportunity to prepare for their performance appraisal. This would involve employees' reviewing goals and criteria standards of their job, identifying personal strengths and weaknesses, and planning for career needs (Bernardin & Beatty, 1984). Furthermore, agreement on the objectives employees will be measured against is important to be reached between a manager and his or her employee. Pease et al. (1988) found that when subjects participated by helping define performance criteria, their perceptions of fairness towards the appraisal were increased.

Perceptions of procedural justice can be enhanced if employees have the opportunity to respond to things they disagree with (Greenberg, 1986). The appraisal process will be perceived as more fair if this window for disagreement exists particularly when negative outcomes are involved (Greenberg, 1987). It has been shown that positive effects result on employee attitudes, regardless of when voice is introduced in the evaluation process (Kanfer, Sawyer, Earley & Lind, 1987; Pease et al., 1988).

During the actual performance appraisal, feedback or what Greenberg (1986) labeled "two-way communication," has the ability to further heighten the perceptions of

procedural justice. If given the opportunity, employees can give and receive feedback on their performance. By allowing employees to respond to what is being said, clarifications can be made and perceptions of fairness can be increased. Landy et al. (1978) showed that performance appraisal fairness was related to the opportunity to express feelings when evaluated. Thus, giving employees the opportunity to talk during the appraisal is expected to increase their perceptions of procedural fairness.

Other factors where procedural justice can be manifested are “consistent application of performance standards” across employees (Greenberg, 1986). Performance standards are developed to inform employees of the level of performance they are expected to achieve and/or the objectives they are expected to accomplish (Bernardin & Beatty, 1984). In order for employees to perceive the appraisal process as being fair, similar jobs should have similar performance standards. Only when jobs are not identical should there be any difference in performance standards, and these should reflect real differences in jobs (Bernardin & Beatty, 1984).

In summary, perceptions of procedural justice can be enhanced when a number of factors are taken into consideration. These include allowing employees to participate, giving employees the opportunity to give and receive feedback, and consistently applying performance standards across employees in similar jobs.

Procedural Justice and Performance Appraisal Satisfaction

Different aspects of procedural justice in the performance appraisal context have been shown to influence employee satisfaction with the appraisal process (Cascio, 1998). First, the procedural variable participation has been related to increased employee satisfaction with the appraisal and its effectiveness (Nathan, Mohrman, & Milliman,

1991). In the meta-analysis of 27 studies conducted by Cawley, Keeping, and Levy (1998), appraisal participation was strongly related to employee satisfaction with the review. Greller (1978) has shown that perceived “ownership” or the feeling that supervisors encourage employee thoughts was related to greater satisfaction. He further stressed the importance of day-to-day interactions between supervisor and employee leading up to the performance appraisal.

In addition to participation, satisfaction with the performance appraisal process is also influenced by employees’ perception of the feedback they receive (Ilgen et al., 1979, Saal & Knight, 1988). Dipboye and dePontbriand (1981) found that procedural justice factors such as an interchange of feedback during the appraisal and perceptions that this feedback was based on relevant work factors were related to employee satisfaction with the appraisal process. Thus, feedback that is job-related is likely to increase positive attitudes in employees.

Finally, employees who feel that the appraisal is fairly evaluating them on standards that are being applied consistently across employees should also be more satisfied with the appraisal. Although this has not been studied, it corresponds to the importance of basing standards for performance appraisals on specific job requirements (Bernardin & Beatty, 1984).

Procedural Justice and Performance Appraisal Acceptance

Procedural justice factors have been shown to influence employee acceptance of the performance appraisal process (Bernardin & Beatty, 1984). Acceptance of the performance appraisal can be facilitated by allowing employees to participate in the development and implementation of the appraisal system (Saal & Knight, 1988). Such

participation increases the level of employee support toward the system of appraisal and should be implemented during its early stages. Furthermore, it is important for employees to feel that the appraisal is evaluating them on the critical factors of their job (Landy et al., 1978). By participating in the process of defining their most important job tasks, employees will be more accepting of the appraisal.

Employees' acceptance of the performance appraisal process should be predicted by the quality of feedback they receive from their managers. The performance appraisal should offer constructive information on how an employee is performing and how future performance can be improved. Without such feedback, employees will feel as if they are performing in an ambiguous environment and will have lower levels of performance appraisal acceptance (Bernardin & Beatty, 1984).

The effect of frequent and immediate feedback on employee acceptance of the performance appraisal process is also evident in the literature (Bernardin & Beatty, 1984, Cascio, 1998; Greller 1998). Employees more readily accept this type of communication from management when it is expressed in a timely manner. Unfortunately, most supervisor-to-employee feedback is given during the annual performance appraisal rather than on a regular basis (Cascio, 1998). Performance appraisal feedback that is perceived by employees to be timely, useful, and job-related will increase their acceptance of the performance appraisal process.

Finally, employees who feel that the appraisal is fairly evaluating them on standards that are consistently applied across employees should be more accepting of the performance appraisal. In his study, Greenberg (1996) found "consistent application of standards" to be a determinant of fair performance appraisals.

Summary

Research on procedural justice has identified a number of variables that differentiate between levels of appraisal satisfaction and acceptance. Three variables retained for use in the present study are (1) the opportunity to participate, (2) the ability to give and receive feedback, and (3) the consistent application of performance standards.

If employee satisfaction and acceptance of a performance appraisal system can be influenced by these procedural variables, then managers and organizations may be able to alter their practices to facilitate such perceptions in their employees. As an outcome, the organization's system of appraisal can be made more effective.

Distributive Justice

Distributive justice is defined as the perceived equity of the distribution of resources (Greenberg, 1986; Korsgaard & Roberson, 1995). This type of organizational justice focuses on employee evaluations of equity concerning decisions or outcomes that may affect them, and includes things like monetary rewards and promotions. Because one of the primary uses of the performance appraisal is to make merit-based employee decisions (Saal & Knight, 1988), perceptions regarding this aspect of the appraisal are extremely important.

Distributive justice originates from Adam's (1965) equity theory, which states that unpleasant emotions motivate employees to restore equity by altering their behaviors and/or attitudes (Adams & Freedman, 1976). It is assumed that if employees perceive the fair distribution of rewards to result from the appraisal system, their support towards the appraisal will increase, thus resulting in more positive attitudes. Distributive justice considerations have been shown to influence positive attitudes towards the performance

appraisal system (Bernardin & Beatty, 1984; Greenberg, 1986; McFarlin & Sweeney, 1992).

Greenberg's (1986) two categories of distributive justice have been adopted for this study: receipt of rating based on performance achieved and recommendation for salary increases or promotion based on these ratings. An example of receipt of ratings based on performance achieved involves the appraisal reflecting accurate ratings of employees' level of performance. It is assumed that positive attitudes would be increased among employees as a result of the accurate ratings of their performance levels. Recommendation for a salary increase or promotion based on these ratings pertains to a positive appraisal having some sort of beneficial outcome for employees. Attitudes such as satisfaction and acceptance will be increased when appraisal ratings bring about organizational rewards such as promotions or raises.

Distributive Justice and Performance Appraisal Satisfaction

Organizational rewards that are perceived to be contingent on appraisal ratings have been shown to be related to satisfaction with the system of appraisal (Cascio, 1998). Employee levels of satisfaction are expected to increase with their perceptions of a link between appraisal and rewards because of what Henderson (1984) labeled workplace "certainty." Workplace "certainty" involves employees having knowledge that good performance will result in particular kinds and amounts of rewards. The existence of such a relationship between the appraisal and rewards has the greatest opportunity to influence employee attitudes and behavior (Henderson, 1984).

Employee satisfaction with the performance appraisal should also increase when employees perceive the appraisal as being based on performance achieved. This involves

managers keeping accurate documentation throughout the year, in order to come to factual conclusions about subordinate performance when it is time for the annual appraisal. Accurate ratings have been shown to influence satisfaction levels (Bernardin & Beatty, 1984; Greenberg, 1986).

Distributive Justice and Performance Appraisal Acceptance

Acceptance of the performance appraisal in relation to distributive justice involves how accepting employees are with the distribution of rewards in the organization. The two distributive variables, ratings based on performance and reward allocation, are expected to predict employee acceptance of the appraisal. Employees who perceive the appraisal as accurately rating them based on their performance should be more accepting of it (Greenberg, 1996). Furthermore, employees who believe a link to exist between the appraisal and reward allocation should also be more accepting of it because of the positive outcomes that can result (Greenberg, 1996).

Acceptance is expected to be highly correlated with satisfaction, as both concern similar employee attitudes. However, it is hoped that the procedural and distributive justice factors identified can relate differently to the two dependent variables.

Summary

Research on distributive justice has focused on outcome variables measuring equity in the performance appraisal context. The variables that are retained for use in the present study and have been shown to differentiate between levels of appraisal satisfaction and acceptance are ratings based on performance and reward allocation.

Research Examining and Comparing Procedural and Distributive Justice

Numerous studies have been conducted that examine and compare both procedural and distributive justice. The question that arises is, Do procedural and distributive justice work together in influencing perceptions and attitudes employees have toward their organization, or is it when one is accounted for, the other becomes non significant?

Some studies have found procedural and distributive perceptions to be independent of each other (Greenberg, 1986; Alexander & Ruderman, 1987), while others have indicated a strong relationship between the two (McFarlin & Sweeney, 1992; Folger & Konovsky, 1989). For example, Williams (1999) revealed no relationship between perceptions of procedural and distributive justice (correlation of .03). In this study, participants who experienced procedural justice were not more likely to have higher levels of perceived distributive fairness. In other words, after manipulating procedural justice (by giving employees control over a decision process), perceptions of distributive justice were not affected.

Greenberg (1987), on the other hand, reported that the distinction between procedural and distributive justice exists depending on the nature of the outcome at hand. Through a number of studies, Greenberg found that procedural fairness is more important than distributive fairness when outcomes are unfavorable. In other words, procedures used would matter more to employees when they receive negative outcomes. Medium or positive outcomes on the other hand, result in perceptions of fair procedures regardless of the methods used. In the latter situation, distributive justice would seem more important than procedural justice. Finally, McFarlin and Sweeney (1992) found that distributive

justice tends to be a stronger predictor of satisfaction with specific personal outcomes than procedural justice, therefore affecting factors such as satisfaction with pay raises.

A number of studies have indicated that employee voice (a component of procedural justice) is more significant than equity concerning appraisal outcomes, because when it is present during the procedures of the appraisal process, perceptions of fairness are increased regardless of the nature of the outcomes (Kanfer et al., 1987). Also supporting this notion is Korsgaard and Roberson (1995) who reported that procedural justice was uniquely related to attitudes toward the appraisal and toward the manager giving the appraisal, over and above the effects of distributive justice.

In summary, it is hypothesized in the current study that once procedural justice is taken into account, distributive justice should become less important. This should be the case because more positive attitudes result when employees perceive the process of appraisal to be fair, above and beyond the perceived fairness of the decision itself (Greenberg, 1986; Korsgaard & Roberson, 1995).

Necessity to examine lower-level employees

Despite the large amount of research on procedural and distributive justice, there seems to be a need to explore the attitudes of lower-level staff in relation to these two types of justice. Much of the literature examined involved samples consisting primarily of management-level staff. This issue has been discussed but not addressed, by Langan-Fox et al (1996) whose study involved executives and managers. The lack of substantial literature involving subordinate employees has been due to factors such as inaccessibility to lower-level staff and time constraints that they might have. Examination of lower-level employees is of primary importance, as perceptions of managers may differ from

that of subordinates. For example, higher-level employees may have formal processes for reward allocation in place and thus investigating equity surrounding such a factor would not be as important to them as to lower-level employees, who many times do not see a clear link between performance and rewards. Furthermore, higher-level employees may feel that the opportunity to participate in the appraisal is present more so than lower-level employees who are less aware of performance appraisal processes. These differences in perceptions make the results of the managerial studies difficult to generalize to lower level employees.

Mount (1983) was one of the few researchers who examined and compared manager and subordinate perceptions of performance appraisal effectiveness. When Mount compared manager and employee satisfaction towards the appraisal, he found moderate similarities between the two groups but also distinct differences. Employees' perceptions of certain aspects of the appraisal system were seen as more global, whereas managers' perceptions were more specific. For example, managers perceived the items pertaining to the company policy and to the appraisal procedures (how the appraisal relates to work planning, career planning and salary administration) as distinct from each other, while employees perceive these items to be related. Mount explains the variance found between the factors for managers and employees by stating that each group plays different roles in the appraisal process and thus experiences different things. The findings of this study imply that consideration needs to be given to the different role lower-level employees play in the performance appraisal process, as perceptions regarding how this system relates to them differs from that of managers.

It is evident that a need exists to examine a greater variety of employees in the performance appraisal literature. Higher-ranking managers may feel more involved in many aspects of their work in relation to lower-level employees, and thus perceive the performance appraisal as more positive. Lower-level employees do not have the same amount of opportunity to participate in organizational constructs and perceptions regarding their involvement are important. Furthermore, lower-level employees are more prone to feelings of ambiguity in the organization and therefore their unique needs should be attended to.

Purpose and Hypotheses

The purpose of the present study is to examine and identify factors related to procedural and distributive justice that may influence lower-level employees' satisfaction with and acceptance of the performance appraisal. The procedural and distributive variables chosen for inclusion in this study reflect processes that are sometimes overlooked when it comes to lower-level employees (for example participation), but have the ability to make an important impact on their perceptions of appraisal fairness.

Hypothesis 1a:

Procedural justice (opportunities to participate, ability to give and receive feedback, and consistent performance standards) will be positively related to employees' satisfaction with the performance appraisal system.

Hypothesis 1b:

Procedural justice (opportunities to participate, ability to give and receive feedback, and consistent performance standards)

will be positively related to employees' acceptance of the performance appraisal system.

Hypothesis 2a:

Distributive justice (ratings based on performance achieved, and relation towards reward allocation) will be positively related to satisfaction with the appraisal system.

Hypothesis 2b:

Distributive justice (ratings based on performance achieved, and relation towards reward allocation) will be positively related to acceptance of the appraisal system.

Hypothesis 3a:

Procedural justice will be more important than distributive justice in predicting appraisal satisfaction. More specifically procedural justice will explain satisfaction above and beyond the variance accounted for by distributive justice.

Hypothesis 3b:

Procedural justice will be more important than distributive justice in predicting appraisal acceptance. More specifically procedural justice will explain acceptance above and beyond the variance accounted for by distributive justice.

Method

System of Appraisal

The company-wide performance appraisal involved evaluations of employees by their department managers using a standard form, and one meeting between the employee and manager to review the appraisal. The standard form consisted of three sections: (1) ratings marked by a check under “strength” or “opportunities” for specific components of service, team work and productivity, (2) open-ended comments and (3) space for employee comments.

Corporate management did not strictly enforce the performance appraisal to be given annually. Rather, it was conducted quite randomly. Many employees had been employed in the company for over three years and had never been given a performance appraisal. A policy existed that for a manager to give an appraisal to an employee he or she must have been in the current managerial position for at least three months, and because of the high turnover rate of managers, this was sometimes not possible. In addition, performance appraisals were conducted circumstantially when the need arose to justify promotions or demotions in the company.

Participants

The participants for the present study were identified through a Human Resources Information System report that listed which employees, in the specific branch of the retail firm, had been given a performance appraisal within the past year. The data reported in the present study was collected from a sample of 64 lower-level employees (48% of the original 132 questionnaires that were distributed). Fifty three percent of the respondents ($n = 34$) were sales employees, while 47% ($n = 30$) worked in support departments (i.e.

customer service, mail order, maintenance, stock, human resources, and auditing). The average respondent had worked in the organization for three years. Females made up 70% ($n = 45$) of the sample and males 30% ($n = 19$). Forty two percent ($n = 27$) of the sample ranked on the top of their departments' schedule (indicating high sales volume and/or seniority), another 42% ($n = 27$) ranked in the middle, and 16% ($n = 10$) ranked on the bottom of the schedule.

Instruments

Previously developed measures were limited in their applicability to the context of the present study and thus were not used. It was therefore necessary to adapt the existing measures or use items that were developed in a previous project that the author was a part of. The previous project also examined a performance appraisal system and employed a questionnaire developed by experts after a careful review of the relating literature. The items that were used in the present study as well as the original items from which they were modified are presented in Appendix A. The questionnaire was divided into four sections, preceded by a page of instructions and definitions, and followed by a demographics page. Each of the four sections used a Likert scale response format with 1 = "strongly agree" and 5 = "strongly disagree" with 3 = "neither agree nor disagree". In order to run the appropriate analyses the items in each category were combined to produce average scores.

Procedural justice. Procedural justice was measured with a total of 20 items, made up of the three factors: (1) opportunity to participate (10 items), (2) ability to give and receive feedback (9 items), and (3) consistent performance standards (1 item). Opportunity to participate included items taken from the previous project in addition to

items that were modified from studies conducted by Greller and Jackson (1997), Dipboye and de Pontbriand (1981), and Magner, Welker and Johnson (1996). The coefficient alpha reliability estimate for the ten items measuring participation was .87. Ability to give and receive feedback was assessed with a combination of items taken from a previous project in addition to items that were modified from studies conducted by Langan-Fox et al. (1996) and Dobbins et al. (1993). The coefficient alpha reliability estimate for the ten items measuring feedback was .84. The item assessing consistent performance standards was developed from one factor that emerged to be indicative of procedural justice in Greenberg's (1996) study.

Sample items assessing opportunity to participate were: "I have the opportunity to prepare for my performance appraisal," "I am encouraged to provide input during the performance appraisal" and "I have the opportunity to respond to things that I disagree with on my performance appraisal". Examples of items assessing ability to give and receive feedback include, "The appraisal feedback I receive allows me to improve my job performance," "The appraisal feedback I receive from my manager during the appraisal helps me understand my strengths" and "The performance feedback I receive is job-related". The item assessing consistent performance standards was "Performance standards are applied consistently across employees".

Distributive justice. Distributive justice was measured with a total of 9 items comprising two factors: (1) reward allocation (7 items), and (2) ratings based on performance (2 items). Reward allocation was assessed using a combination of items taken from the previous project, in addition to modified items from studies conducted by Giles and Mosholder (1990) and Langan-Fox et al. (1996). The coefficient alpha

reliability estimate for the seven items measuring reward allocation was .74. Ratings based on performance was assessed with two items taken from the previous project. The bivariate correlation for the two items was not statistically significant ($r = .17, p > .05$). Although not significant, the two items were retained for use in the present study, as they were good representatives of distributive justice in the previous project.

Rewards were defined as pay increases, promotions, and priority in requesting certain shifts and days off. Sample items assessing reward allocation were “Performance appraisals promote the best worker,” “I have problems with the way the performance appraisal process is related to rewards” (reversed scored), and “There is a vague link between performance and rewards” (reversed scored). Items that assessed ratings based on performance were “The performance appraisal fails to recognize my good performance” (reversed scored) and “The performance appraisal evaluates me on the most critical factors of my job”.

Satisfaction with the performance appraisal. Satisfaction was measured using two slightly altered items from Korsgaard and Roberson’s (1995) study that had a high reliability estimate (.90). The revised items used in the present study were “I am satisfied with my latest performance appraisal,” and “My latest performance appraisal was a positive experience for me”. The bivariate correlation for the two items was statistically significant ($r = .79, p < .01$).

Acceptance of the performance appraisal. Acceptance was assessed with two items: “I accept my latest performance appraisal,” and “I disagree with the performance appraisal process” (reversed scored). The bivariate correlation for the two items was not statistically significant ($r = .13, p > .05$). Although not significant, the two items were

retained in the present study, as they were good predictors of performance appraisal acceptance in the previous project that the author was a part of.

Demographic variables that participants were asked to provide included questions regarding their gender, position within the company, and number of years employed at the company.

Procedure

The data used in this study was collected from the participants through the questionnaire described previously. Each employee found on the HRIS report (indicating that they had received a performance appraisal within the last year) was asked to participate in the study, after an explanation that their participation was voluntary, anonymous and confidential. These employees were told that the study was aimed at examining attitudes towards the company's performance appraisal system. If they agreed to participate, they were asked to complete the questionnaire on their own time and return it to the experimenter. Because a significant number of questionnaires were not returned, a second attempt was made to gather more data which resulted in 22 additional subjects, producing a total of 64 participants. During three different departmental meetings, time was allotted for explanation of the study and once again each eligible employee who said he or she had not returned a questionnaire was given a second one to complete after the meeting and to return to the experimenter at that time.

Results

Descriptive statistics

Table 1 presents the means, standard deviations, and correlations for all the variables. Overall, the means for the combined variables were moderate, indicating that

Table 1. Means, standard deviations, and Pearson correlation coefficients (N = 64)

<u>Variable</u>	<u>Mean</u>	<u>SD</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
<u>Procedural justice</u>								
1. Feedback	1.99	.53						
2. Participation	2.53	.65	.52**					
3. Performance Standards	2.81	1.05	.26**	.48**				
<u>Distributive justice</u>								
4. Reward Allocation	3.06	.64	.47**	.63**	.50**			
5. Performance Ratings	2.38	.71	.62**	.63**	.32**	.50**		
<u>Dependent Variables</u>								
6. Satisfaction	2.26	.89	.61**	.46**	.24	.42**	.51**	
7. Acceptance	2.45	.78	.66**	.59**	.34**	.66**	.69**	.70**

*p<.05 **p<.01

the majority of the responses for the procedural, distributive, and dependent variables were “agree”. This implies that overall employees were satisfied with the existence of the procedural and distributive justice variables in the performance appraisal context. Furthermore, the employees examined were generally satisfied with the appraisal and accepted it as a method of evaluating their performance. Finally, the relatively small standard deviations for all the variables indicate that there was agreement among the employees concerning their attitudes towards the procedural and distributive justice factors that were examined.

Correlations

Table 1 also presents the correlations for all the variables, which were generally high. The intercorrelations among the procedural justice variables were moderate to high: opportunity to participate and ability to give and receive feedback ($r = .52, p < .01$), ability to give and receive feedback and consistent performance standards ($r = .26, p < .05$). This may indicate overlap between the factors of procedural justice. However, because all three factors are measuring perceptions of fairness with the process of the appraisal, this is to be expected. The intercorrelation among the distributive justice variables was also high with ratings based on performance and reward allocation ($r = .50, p < .01$). Again, there may be some overlap between these variables that possibly result from both factors measuring perceptions of fairness with the distribution of resources. The correlation between the two dependent variables, satisfaction and acceptance, indicated that they were significantly correlated ($r = .70, p < .01$) as has been the case in previous studies examining the two (Folger & Konovsky, 1989; Dulebohn & Martocchio,

1998). This high degree of intercorrelation was expected and may possibly imply redundancy or overlap between attitudes of satisfaction and acceptance.

The intercorrelations among the independent and dependent variables were also high indicating that when an employee felt positively about the presence of a procedural or distributive justice variable, his or her satisfaction and acceptance levels towards the appraisal were also high. However, the correlations among the independent variables and acceptance were generally higher than those among the independent variables and satisfaction. This is probably due to the independent variables doing a more sufficient job in measuring employee acceptance of the performance appraisal than satisfaction.

Of the procedural justice variables, feedback had the highest correlation to satisfaction ($r = .61, p < .01$). Employees who were satisfied with the system of appraisal also felt that it provided for an interchange of feedback. Also significant was satisfaction and participation ($r = .46, p < .01$). However, no significant correlation existed among satisfaction and consistent performance standards ($r = .24, p > .05$). Both the distributive justice variables examined were positively related to satisfaction. Satisfaction and ratings based on performance had a correlation of ($r = .51, p < .01$) indicating that employees who believed the performance appraisal was rating them accurately were satisfied with it. Satisfaction and reward allocation also had a positive relation ($r = .42, p < .01$).

All the correlations among the independent variables and acceptance were significant. The highest level of correlation among the procedural justice variables and acceptance was seen again with the feedback variable ($r = .66, p < .01$). Acceptance and participation also indicated a positive relationship ($r = .59, p < .01$). The correlation among acceptance and performance standards was significant but at a smaller degree ($r =$

.34, $p < .01$). Both the distributive justice variables were highly correlated with acceptance of the performance appraisal, with ratings based on performance ($r = .69$, $p < .01$) and reward allocation ($r = .66$, $p < .01$).

Hypothesis testing

In order to test hypothesis 1a, that procedural justice would be positively related to employee satisfaction, a multiple regression analysis was conducted with the three procedural justice measures (opportunity to participate, ability to give and receive feedback, and consistent performance standards) as independent variables and satisfaction as the dependent variable. The results of this analysis showed a significant relationship ($R = .63$, $F(3,60) = 13.09$, $p < .01$; $R^2_{adj} = .37$). Among the three independent variables, the ability to give and receive feedback accounted for most of the variance relating to satisfaction ($\beta = .50$, $p < .01$). This relationship implies that when employees feel that they have the ability to give and also receive feedback about their performance, they will be more satisfied with the appraisal. Opportunity to participate ($\beta = .19$, $p > .05$) and consistent performance standards ($\beta = .02$, $p > .05$) was not statistically significant, indicating a possible overlap with each other ($r = .48$), and with the feedback variable.

In order to test hypothesis 1b, that procedural justice would be positively related to employee acceptance, a multiple regression analysis was conducted with the three procedural justice measures as independent variables and acceptance as the dependent variable. The results of this analysis also showed a significant relationship ($R = .73$, $F(3,60) = 22.36$, $p < .001$; $R^2_{adj} = .50$). The independent variable, ability to give and receive feedback, once again accounted for the most significant amount of variance in

acceptance ($\beta = .49, p < .01$). Different from its relation to satisfaction, opportunity to participate also accounted for a significant amount of variance ($\beta = .31, p < .05$), implying that acceptance may be affected by factors different than those affecting satisfaction. Thus, these two significant relationships imply that when employees feel they have the ability to give and receive feedback and when they are given the opportunity to participate, they will be more accepting of the appraisal. Consistent performance standards, however, did not show a significant contribution ($\beta = .08, p > .05$).

To test hypothesis 2a, a multiple regression analysis was conducted with the two distributive justice measures (ratings based on performance and reward allocation) as independent variables and satisfaction as the dependent variable. The results of this analysis also showed a significant relationship ($R = .54, F(2,61) = 12.66, p < .01; R^2_{adj} = .27$). The independent variable, ratings based on performance, showed a significant contribution in explaining variance in employee satisfaction with the performance appraisal ($\beta = .40, p < .01$). This relation implies that when employees perceive the ratings they receive to be indicative of their performance, they will in turn be more satisfied with the appraisal. Reward allocation did not indicate a significant contribution in explaining variance ($\beta = .22, p > .05$), possibly indicating redundancy with ratings based on performance, as the correlation between the two variables was high ($r = .50$).

To test hypothesis 2b, a multiple regression analysis was conducted with the two distributive justice measures as independent variables and acceptance as the dependent variable. The results of this analysis also showed a significant relationship ($R = .78, F(2,61) = 47.07, p < .01; R^2_{adj} = .60$). Unlike what was seen with satisfaction, both

independent variables, performance ratings ($\beta = .47, p < .01$) and reward allocation ($\beta = .43, p < .01$) showed significant contributions to explaining variance in employee acceptance of the performance appraisal. Thus, when employees perceive the ratings they receive to be indicative of their performance and perceive the allocation of rewards to be fair, they will be more accepting of the appraisal.

In order to test hypothesis 3a, a multiple regression analysis was conducted to compare procedural justice factors with distributive justice factors in relation to appraisal satisfaction. Results of the multiple regression analysis are presented in Table 2. In this analysis the procedural justice variables were entered in the first step, and as before, they were significantly related to satisfaction. In the second step, the distributive justice variables were entered and as hypothesized did not show a significant change in explaining variance ($\Delta R^2 = .02, F_{cha} = .72, p > .05$).

To adequately compare the contribution of the two justice types, a second regression was conducted. In this analysis the procedural justice variables were entered after the distributive justice variables ($\Delta R^2 = .12, F_{cha} = 3.83, p < .01$), and the results showed that the procedural variables accounted for a significant amount of variance above and beyond the contribution of the distributive justice variables. Although as a set the procedural justice variables were significant in accounting for variance in satisfaction, this was primarily due to feedback ($\beta = .43, p < .05$) once again identifying this variable as having the strongest relation with satisfaction.

In order to test hypothesis 3b, a similar order of analyses as explained above was used, comparing procedural to distributive justice this time in relation to acceptance. Results are shown in Table 3. The procedural justice variables were entered in the first

Table 2. Multiple regression analyses comparing procedural to distributive justice in relation to satisfaction.

		β	R^2	ΔR^2
Step 1:	Procedural Justice		.40	.40 **
	Feedback	.50 **		
	Participation	.19		
	Performance standards	.02		
Step 2:	Distributive Justice		.41	.02
	Performance ratings	.14		
	Reward allocation	.09		
		β	R^2	ΔR^2
Step 1:	Distributive Justice		.29	.29 **
	Performance ratings	.40 **		
	Reward allocation	.22		
Step 2:	Procedural Justice		.41	.12 **
	Feedback	.43 **		
	Participation	.10		
	Performance standards	-.01		

*p< .05 **p<.01

Table 3. Multiple regression analyses comparing procedural to distributive justice in relation to acceptance.

	β	R^2	ΔR^2
Step 1: Procedural Justice		.53	.53 **
Feedback	.49 **		
Participation	.31 *		
Performance standards	.06		
Step 2: Distributive Justice		.66	.13 **
Performance ratings	.32 *		
Reward allocation	.37 *		
	β	R^2	ΔR^2
Step 1: Distributive Justice		.61	.61 **
Performance ratings	.47 **		
Reward allocation	.43 **		
Step 2: Procedural Justice		.66	.05 *
Feedback	.29 **		
Participation	.03		
Performance standards	-.38		

* $p < .05$ ** $p < .01$

step, indicating a significant relationship to acceptance. The distributive justice variables were entered in the second step, also indicating a significant relationship to acceptance, but this time accounting for an additional amount of variance ($\Delta R^2 = .13$, $F_{cha} = 11.04$, $p < .01$). Of the two distributive variables, reward allocation ($\beta = .37$, $p < .05$) was slightly stronger than performance ratings ($\beta = .32$, $p < .05$).

Once again, to adequately compare the two justice types a second regression analysis was conducted. In this analysis the procedural justice variables were entered after the distributive justice variables ($\Delta R^2 = .05$, $F_{cha} = 2.89$, $p < .05$). The procedural variables still managed to account for a significant amount of variance that the distributive variables could not account for, however, to a lesser degree than what was seen in relation to satisfaction. Of the three procedural variables, only feedback ($\beta = .29$, $p < .01$) had a significant impact on acceptance of the performance appraisal. These results imply that as a set the procedural variables are still more important in relation to acceptance, this significance once again being primarily due to feedback.

Overall, the results of these analyses showed the procedural justice variables to be more influential than the distributive justice variables in explaining variance in satisfaction, implying that managers should focus on perceptions of procedural justice when they are concerned with increasing lower-level employees' satisfaction levels with the appraisal. Employee acceptance of the performance appraisal was more sufficiently predicted by both the procedural and distributive variables. Once again procedural justice emerged as more important than distributive justice in relation to acceptance, however, the degree of significance was less so. This result implies that managers should

consider perceptions of both procedural and distributive justice when attempting to increase employees' acceptance of the appraisal.

Discussion

The present study examined the relation of procedural and distributive justice factors to lower-level employees' satisfaction and acceptance of the performance appraisal system. It was found that of the three procedural justice variables examined, ability to give and receive feedback was the only variable that significantly predicted satisfaction. In predicting employee acceptance, ability to give and receive feedback once again emerged as the most significant factor, however, this time opportunity to participate also accounted for variance in acceptance. Of the two distributive justice variables examined, ratings based on performance was individually significant for both employee satisfaction and acceptance. Reward allocation, on the other hand, was individually significant for only employee acceptance.

The present study also attempted to compare the contribution of two types of justice in relation to employee attitudes towards the appraisal. Procedural justice explained satisfaction above and beyond the contribution of distributive justice. However, distributive justice predicted acceptance even after controlling for procedural justice. All hypotheses examined in the present study were partially supported and contributed to the literature of procedural and distributive justice. This section will attempt to interpret and explain the results of the analyses and make recommendations for better organizational practices and future research.

Interpretation of Findings

The results of the present study indicate that overall procedural justice and distributive justice factors are positively related to lower-level employees' satisfaction and acceptance of the performance appraisal system. The independent variables were somewhat better at predicting employee acceptance of the performance appraisal than employee satisfaction with the appraisal. An explanation may be that the two types of justice examined have greater ability to influence lower-level employee acceptance of the performance appraisal because when a process is perceived as fair, it is more readily accepted. Satisfaction on the other hand, may not as easily be influenced, as more factors need to exist in addition to fairness factors (for example personal consideration such as career development efforts that managers can facilitate during the performance appraisal).

Through the analyses that compared procedural justice to distributive justice, the procedural justice factors emerged as more important in predicting both employee satisfaction and acceptance than did the distributive justice factors. This may imply that lower-level employees have more positive attitudes towards the performance appraisal when they perceive the process, rather than the outcomes it may bring, as being fairer.

Procedural Justice. In relating procedural justice to satisfaction and acceptance, the findings generally supported the hypotheses with some differences. The positive relationships provide support for previous conceptualizations of procedural justice that stress the importance of various determinants of fair procedures (e.g. an interchange of feedback and opportunity to participate in organizational activities) (Greenberg, 1986; Cawley & Levy, 1998).

Ability to give and receive feedback emerged as a significant predictor of both satisfaction and acceptance. When employees perceive the feedback they receive to be timely and job related, they will be more satisfied with the performance appraisal system. A possible explanation may be that employees find the feedback they receive from their managers during the year useful if it helps them make improvements and prepare for the annual performance appraisal. Ability to give and receive feedback also emerged as the most significant of the procedural justice variables in relation to employee acceptance. This shows that employees will be more accepting of the performance appraisal system when they receive performance-related feedback from their managers frequently. This feedback promotes their understanding of the appraisal system affecting employee buy-in to it, and therefore increases their acceptance levels.

Different from what was expected, opportunity to participate was uniquely related to employee acceptance but not to satisfaction, thus differentiating between the two dependent variables. This result raises a question as to the intentions of managers when they promote lower-level employee participation in organizational processes. Does this participation have any impact on the satisfaction levels of employees' personal and/or organizational outcomes or is it only a symbolic gesture on management's part to be viewed as more democratic? Lower-level employees may perceive the opportunity to participate which they are given to be symbolic and not having any impact on the fairness of the appraisal process. Thus, as seen in the present study, their satisfaction with the appraisal may not be affected.

However, acceptance of the appraisal may be affected by the opportunity to participate because when lower-level employees are involved in the appraisal process

they have a greater understanding of it. This understanding makes them better informed regarding performance expectations and the context of their job. Acceptance levels toward the performance appraisal are ultimately increased through this insight.

Finally, consistent performance standards did not indicate any significance to either of the dependent variables on its own. An explanation of this result may be that consistent performance standards may incorporate perceptions of how managers treat others in the organization and not just the particular employee specifically. Thus, because it involves other employees and how they are treated in the organization, it does not have the same level of relation to personal attitudes such as satisfaction and acceptance. Furthermore, this factor was not adequately measured in the questionnaire, as it was represented with only one item. Another possibility is that overlap between this factor and the other two variables of procedural justice existed. The correlation between consistent performance standards and participation ($r = .48, p < .01$) and consistent performance standards and feedback ($r = .26, p < .05$) were both high.

In conclusion, differentiating between the dependent variables in relation to procedural justice, acceptance emerged as a factor of collaborative efforts of both manager and employee, where important is not only the interchange of feedback, but also employee participation to understand the processes of the appraisal. Satisfaction, on the other hand, seemed to be affected more by what managers do on their side to further perceptions of appraisal fairness, as seen with the feedback variable.

Distributive Justice. The distributive justice factors that were examined were also positively related to employee satisfaction and acceptance of the appraisal, however differences once again existed. The present study found ratings based on

performance to be significantly related to both satisfaction and acceptance. Allocation of rewards, however, was related only to acceptance.

Different from what was expected, reward allocation was not significantly related to satisfaction. An explanation of this result may once again be that satisfaction depends on what the manager does, as was explained with the satisfaction - ability to give and receive feedback relationship. However, the allocation of rewards involves the organization as a whole, as managers are not the only ones involved in the administration of rewards. For example, in the specific organization, rewards in addition to good performance and appraisal ratings occur in the form of “step increases” when employees reach a certain number of hours worked. Plus, some of the employees work on a commission structure and get extra compensation through increasing their sales. Thus, factors other than managerial evaluations are involved in this relationship.

Reward allocation, however, made a significant contribution to acceptance differentiating between the dependent variables. An explanation to this result may be that reward allocation can result from good performance ratings from managers, but also from a commitment to the organization from the employee (in order to work the required amount of hours and receive the “step raise” for example). Therefore, reward allocation can be identified as a more collaborative variable. As was also seen with the procedural justice variables, acceptance seems to depend on factors that result from both managerial and employee efforts.

Ratings based on performance was significant to both employee satisfaction and acceptance of the performance appraisal. The results indicate that when employees perceive the appraisal as rating them based on their performance achieved, their

satisfaction and acceptance of it will be increased. Furthermore, managers have direct control over the accuracy of the ratings they give to their employees. Thus, when these ratings are perceived as correct and fair, employees will be more satisfied and accepting of the appraisal.

Interestingly, both the procedural and distributive justice factors examined in the present study were better at predicting acceptance rather than satisfaction. In an attempt to explain this result, it seems easier for employees to accept certain situations at work than to actually be satisfied with them. Furthermore, it is more likely that if acceptance levels were very low, employees would leave that particular job in order to avoid conflict, and thus not be present for inclusion in the present study. Therefore it seems more important to account for employee acceptance rather than focusing on making them content.

Comparison of Procedural Justice to Distributive Justice. The results indicate that procedural justice is more important than distributive justice in relation to appraisal satisfaction, as was predicted earlier. In other words, once procedural justice factors are in place, distributive justice factors do not effect employee satisfaction. Even though procedural justice was also more significant in relation to employee acceptance, distributive justice managed to make a difference in this relationship. These results suggest that regardless of the perceived fairness of the decision itself, procedures that incorporate fairness enhancing factors will result in more positive attitudes among employees.

Interestingly, distributive justice affected employee acceptance more so than satisfaction. A possible explanation may be that the methods for distributing resources in

organizations seem to inherently tend for employee acceptance, as without doing so they would be ineffective. In the present study, the aspects of distributive justice that were related to acceptance were ratings based on performance and reward allocation. It is more likely that the employees examined would accept a mediocre rating on a performance appraisal, or a low raise than be satisfied with such an outcome. It is also possible that they accept these things but at the same time feel unsatisfied with them. However, it is difficult for satisfaction to exist without acceptance.

In an attempt to explain the results from the comparative analyses conducted for hypotheses 3a and 3b, it is necessary to consider the construct the present study examined, the performance appraisal. Procedural justice has been shown to account for more variance in evaluations of an institution and its representatives than distributive justice (McFarlin & Sweeney, 1992), and the performance appraisal can act as an accurate representation of what the company values. For example, when managers are willing to give and receive feedback during the performance appraisal, perceptions among employees may emerge that their organization treats them fairly. Thus, procedural justice may ultimately be more important in this specific context because we are examining an organizational construct, rather than a personal outcome in which distributive justice tends to be a stronger predictor.

Implication of Findings

The present study was unique in that it examined factors that may affect two specific attitudes of lower-level employees: satisfaction with and acceptance of the performance appraisal. Previous research has mainly focused on satisfaction with the appraisal (Ilgen, Fisher, & Taylor, 1979; Dipboye & de Pontbriand, 1981; Mount, 1983;

Pearce & Porter, 1986; Giles & Mossholder, 1990; McFarlin & Sweeney, 1992; Cawley, Keeping & Levey, 1998) or perceptions of appraisal fairness in general (Landy, Barnes, & Murphy, 1978; Bernardin & Beatty, 1984; Greenberg, 1986; Dulebohn & Martocchio, 1998). The results from the present study highlighted the importance of examining more than one employee attitude, mainly because the factors of procedural and distributive justice affect various attitudes differently. In regards to the literature focusing solely on perceptions of fairness, many questions regarding employee attitudes remain unanswered. Both procedural and distributive justice are inherently defined through fairness (fairness of procedures and fairness of the distribution of resources, respectively), but we are not given insight to employee attitudes towards the appraisal system. Thus, the present study went one step further than the literature that only focuses on perceptions of fairness, and examined two very important employee attitudes that have the potential to directly affect the effectiveness of an appraisal system. Furthermore, previous studies have examined the influence of a variety of procedural and distributive justice variables to positive attitudes in general, but pay little attention to how these factors relate to employee satisfaction and acceptance specifically. The present study focused on identifying which components of procedural and distributive justice affect satisfaction and acceptance individually. By doing this, more specific recommendations could be made in order to increase the effectiveness of the performance appraisal system.

Procedural Justice. In relation to the procedural justice variable, feedback, the results from the present study imply that the more feedback managers ask from and give to their employees concerning their performance, the more satisfied and accepting employees will be with the appraisal. Managers should strive toward frequent

communication with their employees so that clarifications can be made and their performance levels can be improved in time for the annual performance appraisal, thereby increasing employee satisfaction and acceptance with the process. The ability to give and receive feedback requires an effort on the manager's part to communicate performance-related issues to the employees, thus making that manager seem more credible in wanting to help them. In order for feedback to have a positive effect on employee attitudes it must be given close to the event and frequently. The importance of feedback in the performance appraisal context supports previous research conducted by Murphy and Cleveland (1995) who found that two important determinants of employee acceptance of feedback is agreement concerning job duties and shared beliefs about performance criteria.

Managers can also increase acceptance of the performance appraisal system by giving employees the opportunity to participate in the process. Through participation, employees will be given more insight to factors that affect the appraisal and thus have a better understanding of it. Employees can be given the opportunity to design the appraisal process or make recommendations for improvement. Participation should have positive effects on employee attitudes no matter when it is introduced in the appraisal process. Supporting the present finding, Greller and Jackson (1997) suggested that participation reinforces the relationship between a manager and his/her subordinate, therefore reassuring employees that their viewpoints are understood by their managers, increasing employee acceptance of the appraisal process.

It is important to note that the present study did not find employee participation to be significantly related to satisfaction. This result contradicts the finding by Cawley,

Keeping, and Levy (1998) whose meta-analysis of 27 studies indicated that overall, appraisal participation was most strongly related to employee satisfaction. Carroll and Schneier (1982) also found subordinate participation to be a means of enhancing satisfaction with the appraisal process. As discussed previously, with the present sample participation may serve more as an informative technique facilitating lower-level employee understanding of organizational processes, affecting acceptance levels. Satisfaction levels may not be affected because this participation does not result in any immediate impact on personal outcomes, a factor that would have greater possibility of affecting employee satisfaction levels.

Distributive Justice. As seen in the analyses that were conducted, distributive justice factors also contribute to employee satisfaction with and acceptance of the performance appraisal, supporting previous research (Bernardin & Beatty, 1984; Henderson, 1984; Greenberg, 1986). In relation to the variable ratings based on performance, that was individually significant to both satisfaction and acceptance, it seems important for managers to accurately rate employees and to provide justifications for the ratings they give in the appraisal. By keeping a log on employee performance throughout the year, managers can refer to dates and situations during the actual appraisal. By doing so their employees will have more faith that their ratings are accurate, and will ultimately be more satisfied with and accepting of the appraisal system.

Reward allocation was individually significant only to employee acceptance of the performance appraisal, contradicting the result from Giles and Mossholder's (1990) study that found salary linkage to be related to performance appraisal system satisfaction. This contradiction may be due to the nature of the present sample that received different

forms of compensation increases (e.g. commissions, step raises). In response to reward allocation affecting employee acceptance as seen in the present study, managers can increase acceptance by implementing reinforcements that are directly linked to the results of the performance appraisal. Because 53% of the sample examined were sales employees, their reinforcements were derived from commissions made off of their sales. Thus, in order for these employees to be more accepting of the performance appraisal system, there needs to be a secondary reward system implemented that is associated solely with the ratings employees receive on the performance appraisal. A reinforcement that is not monetary might make a more significant impact on this group, as it will distinguish itself from the commission structure they operate on.

Comparison of Procedural Justice to Distributive Justice. In relation to hypotheses 3a and 3b procedural justice was shown to affect both employee satisfaction with and acceptance of the appraisal above and beyond the contribution of distributive justice. More specifically, the feedback variable was individually more significant to both employee satisfaction and acceptance. Because procedural justice can bring about positive attitudes toward organizational constructs and decisions that might otherwise be viewed negatively, the importance of managerial justification emerges. If managers can give employees explanations as to why they experience the outcomes they are given, negative attitudes may be decreased. For example, managers can increase the feedback and participation of employees in order to increase their awareness and understanding about the appraisal processes, and about their own performance. By doing this, negative outcomes will be understood, and may even be avoided. The findings of the present study support previous research comparing procedural and distributive justice. For

instance, McFarlin and Sweeney (1992) found that employees who perceive procedures to be fair, view organizational processes positively even if they are currently dissatisfied with a negative personal outcome (e.g. low pay raise).

Strengths and Limitations

The present study touched upon certain procedural justice and distributive justice factors that affect employees' satisfaction and acceptance of the performance appraisal system. The combination of procedural and distributive justice variables that were considered have not been previously examined. By tailoring the questionnaire to the specific organization, only relevant and applicable factors were included, thus making the results more readily understood. Furthermore, the specific organization was given insight concerning what factors to focus on when implementing interventions to increase lower-level employee satisfaction and acceptance levels.

This study examined the attitudes of lower-level employees in a retail firm, a sample that has not been extensively researched. As discussed previously, overall, lower-level employees have not been extensively researched. Their availability is hindered because of the structure of their jobs. However, as shown by Mount (1983) lower-level employees perceive certain aspects of their jobs and the organization in general, very differently from management level staff. Thus, studies that specifically use such samples can be very useful in identifying factors to focus on and make the performance appraisal more effective for this group.

In addition, this study was also original in that it examined both employee satisfaction and acceptance in relation to the performance appraisal. Previous research

has focused on one or the other. However, it is important to examine both these attitudes as different factors may affect each of them, as was shown in the present study.

One of the basic limitations of this study is the small sample size and confinement to only one branch of the national retail firm. The small sample size seems to have resulted from the time restraint of lower-level staff. This issue has been discussed in the literature review and has been noted by previous researchers (Langan Fox et al., 1996). Despite the strong similarities between the present results and previous research, it is difficult to make generalizations to other retail or different organizational settings.

The present study focused on employee perceptions of the appraisal, without examining managerial perceptions and practices or the appraisal instrument itself. Employees may interpret and even distort the factors of procedural and distributive justice according to their individual biases, making it difficult to draw causal inferences from these results that focused only on employee attitudes. Thus, insight to managerial behavior and the appraisal instrument would allow for greater understanding as to why such perceptions about the appraisal exist.

Moreover, because the multiple item questionnaire was combined in order to produce categories of the independent and dependent variables, the ability to identify what aspects of feedback or reward allocation for example, made the biggest impact on employees' satisfaction and acceptance, was not available.

Plus, some correlations, as those between the two variables measuring acceptance and the two variables measuring distributive justice, were low. This makes the findings of the present study less reliable and difficult to generalize.

Furthermore, the present study was correlational and solely based on self-report. Therefore, associations among constructs found in the present study may be inflated due to common method variance.

Directions for Future Research

Future research should be directed at examining mechanisms within each factor of procedural and distributive justice. As explained previously, it would be interesting to see what part of the feedback process is more significant in relation to employee attitudes. Managers may be able to focus their efforts in that area in order to be more effective. Furthermore, organizations would be able to more specifically target and fund interventions that would effectively influence employee perceptions of the performance appraisal.

Plus, more items should be used to measure acceptance and distributive justice. This way, reliability can be increased and greater confidence in the present findings can be obtained.

Another direction for future research is to identify procedural and distributive factors other than those examined in the present study that possibly relate to employee satisfaction and acceptance of the performance appraisal. For example, future studies may focus on goal setting during the performance appraisal and the positive effects this can have. By doing this, managers can choose from a greater number of interventions better suited to their organization and unique system of appraisal.

In order to make causal inferences about the results of the present study, comparative research should be conducted between appraisal systems that incorporate procedural and distributive justice factors and those that do not. By doing this, causal

relationships may be drawn in relation to differing levels of employee satisfaction and acceptance of appraisal processes.

Finally, it would be useful to use multimethod approaches (e.g. obtaining data from managers and peers) in order to arrive at more reliable associations.

Conclusion

This study attempted to identify factors of procedural and distributive justice that are related to lower-level employees' satisfaction and acceptance of the performance appraisal. Furthermore, it tried to differentiate the significance levels of procedural and distributive justice. Because the primary importance in this study was the performance appraisal (an organizational construct), procedural justice emerged to be more important in explaining variance in employee satisfaction and acceptance, this being primarily due to ability to give and receive feedback. Although exploratory, this study has provided some practical insights that can contribute to organizational efforts towards making the performance appraisal more effective.

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Appendices

Appendix A

Questionnaire Items

Questionnaire Items

Items Used in Present Study

Original Items with Source

Participation

1. I have the opportunity to prepare for my performance appraisal.	I have the opportunity to prepare for my performance appraisal (previous project).
2. I am encouraged to be part of the process leading to the performance appraisal.	I am encouraged to be part of the process leading to the appraisal (previous project).
3. I have the opportunity to make suggestions on how to improve the performance appraisal process.	I made suggestions on how things might be done differently (Greller & Jackson, 1997).
4. I can introduce new issues during the appraisal.	I could introduce new issues during the review (Greller & Jackson, 1997).
5. I am discouraged to give my opinions during a performance appraisal.	How much opportunity did you have to express your side? (Dipboye & de Pontbriand, 1981).
6. My manager and I agree with the performance objectives I am measured against.	My supervisor and I agree upon my performance objectives (previous project).
7. I am encouraged to provide input during the performance appraisal.	My own views are reflected in my final performance evaluation (Magner, Welker, & Johnson, 1996).
8. I lack the opportunity to talk during the performance appraisal.	How much opportunity did you have to express your side? (Dipboye & de Pontbriand, 1981).
9. I have the opportunity to discuss my performance appraisal with my manager after it is given to me.	How much opportunity did you have to express your side? (Dipboye & de Pontbriand).
10. I have the opportunity to respond to things that I disagree with on my performance appraisal.	If I'm given an unfair performance evaluation, I have an opportunity to modify it (Magner, et al., 1996).

Feedback

1. The appraisal feedback I receive allows me to improve my job performance.	My performance improved as a result of the appraisal and the feedback I received (Langan-Fox, Bell, McDonald, & Morizzi, 1996).
2. The performance feedback I receive is job-related.	The performance feedback I receive is job related (previous project).

3. The feedback I receive helps me understand my opportunities in relation to expectations.

The appraisal helped me understand my strengths and weaknesses (Dobbins, Platz, & Houston, 1993).

4. The feedback I receive from my manager during the appraisal helps me understand my strengths.

The appraisal helped me understand my strengths and weaknesses (Dobbins, et al., 1993).

5. The appraisal feedback I receive concerns the critical parts of my job.

The appraisal feedback I receive concerns the critical parts of my job (previous project).

6. After a performance discussion, I lack the tools needed to improve my performance.

My performance improved as a result of the appraisal and the feedback I received (Langan-Fox et al., 1996).

7. In general I feel that the appraisal feedback I receive from my manager is useful.

In general I feel that the appraisal feedback I receive from my manager is useful (previous project).

8. The feedback my manager gives me about my performance is irrelevant to my job duties.

The feedback my manager gives me about my performance is irrelevant to my job duties (previous project).

Consistent Performance Standards

1. Performance standards are applied consistently across employees.

Modified item from Greenberg's (1996) procedural justice factor: Consistent application of standards.

Performance Ratings

1. The performance appraisal fails to recognize my good performance.

I believe the current performance appraisal process recognizes good performance (previous project).

2. The performance appraisal evaluates me on the most critical factors of my job.

The performance appraisal evaluates me on the most critical factors of my job (previous project).

Reward Allocation

1. I have problems with the way the performance appraisal process is related to rewards.

The performance management system successfully links pay to performance (previous project).

2. The performance appraisal is used fairly in the determination of rewards.

The performance appraisal is used fairly in the determination of rewards (previous project).

3. Performance appraisals influence pay increases.	My salary adjustments have been closely linked to the appraisals I have received (Giles & Mosholder, 1990).
4. There is a vague link between performance and rewards.	My salary adjustments have been closely linked to the appraisals I have received (Giles & Mossholder, 1990).
5. The rewards I receive are influenced by my performance appraisal.	I believe the performance appraisal should be used for determination of performance-based rewards (Langan-Fox et al., 1996).
6. I reject the way performance appraisals allocate rewards.	I believe the performance appraisal should be used for determination of performance-based rewards (Langan-Fox et al., 1996).

Satisfaction

1. My last performance appraisal was a positive experience for me.	From my perspective, the interview was a satisfying experience (Korsgaard and Roberson, 1995).
2. I am satisfied with my latest performance appraisal.	In general, I am satisfied with the appraisal interview (Korsgaard and Roberson, 1995).

Acceptance

3. I disagree with the performance appraisal process.	I disagree with the performance appraisal process (previous project).
4. I accept my latest performance appraisal.	I accept my latest performance appraisal (previous project).

Appendix B

Questionnaire

Pre-Survey Instructions

This survey has two purposes. First, your participation will aid with the collection of data for a master's thesis. Second, it offers you the opportunity to express your views on Nordstrom's performance appraisal process (The One-On-One). The questionnaire focuses on three aspects of the appraisal process:

Performance Feedback – Performance related communication that is useful (i.e. allows you to improve your job performance) and is job-related.

Procedural Justice – Focuses on the level of involvement and participation you have in the three stages of the appraisal: pre, during and post.

Distributive Justice – Focuses on the link between job performance and rewards (pay increases, promotions, core).

The final section labeled *Attitudes toward Appraisal* involves general questions about the performance appraisal process.

Please circle only ONE answer beside each question after having read it carefully.

Post- Survey Instructions

When you are finished, please return your survey to Katerina in the Human Resource Office. She will only communicate the overall results of the survey to Nordstrom. Your responses will remain both anonymous and confidential.

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
<u>Performance Feedback</u>					
1. The appraisal feedback I receive allows me to improve my job performance.	1	2	3	4	5
2. The performance feedback I receive is job-related.	1	2	3	4	5
3. The feedback I receive helps me understand my opportunities in relation to expectations.	1	2	3	4	5
4. The feedback I receive from my manager during the appraisal helps me understand my strengths.	1	2	3	4	5
5. The appraisal feedback I receive concerns the critical parts of my job.	1	2	3	4	5
6. After a performance discussion, I lack the tools needed to improve my performance.	1	2	3	4	5
7. In general I feel that the appraisal feedback I receive from my manager is useful.	1	2	3	4	5
8. The feedback my manager gives me about my performance is irrelevant to my job duties.	1	2	3	4	5
<u>Procedural Justice</u>					
9. I have the opportunity to prepare for my performance appraisal.	1	2	3	4	5
10. I am encouraged to be part of the process leading to the performance appraisal.	1	2	3	4	5
11. I have the opportunity to make suggestions on how to improve the performance appraisal process.	1	2	3	4	5
12. I can participate during the performance appraisal.	1	2	3	4	5
13. I am discouraged to give my opinions during a performance appraisal.	1	2	3	4	5
14. My manager and I agree with the performance objectives I am measured against.	1	2	3	4	5
15. I am encouraged to provide input during the performance appraisal.	1	2	3	4	5
16. Performance standards are applied consistently across employees.	1	2	3	4	5
17. I lack the opportunity to talk during the performance appraisal.	1	2	3	4	5

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
18. I have the opportunity to discuss my performance appraisal with my manager after it is given to me.	1	2	3	4	5
19. I have the opportunity to respond to things that I disagree with on my performance appraisal.	1	2	3	4	5
20. I am encouraged to give my feedback about the appraisal process after it has been conducted.	1	2	3	4	5

Distributive justice

21. The performance appraisal fails to recognize my good performance.	1	2	3	4	5
22. Performance appraisals promote the best worker.	1	2	3	4	5
23. I have problems with the way the performance appraisal process is related to rewards.	1	2	3	4	5
24. The performance appraisal is used fairly in the determination of rewards.	1	2	3	4	5
25. The performance appraisal evaluates me on the most critical factors of my job.	1	2	3	4	5
26. Performance appraisals influence pay increases.	1	2	3	4	5
27. There is a vague link between performance and rewards.	1	2	3	4	5
28. The rewards I receive are influenced by my performance appraisal.	1	2	3	4	5
29. I reject the way performance appraisals allocate rewards.	1	2	3	4	5

Attitudes towards Appraisal

31. My last performance appraisal was a positive experience for me.	1	2	3	4	5
33. I am satisfied with my latest performance appraisal.	1	2	3	4	5
34. I disagree with the performance appraisal process.	1	2	3	4	5
36. I accept my latest performance appraisal.	1	2	3	4	5

The following is a list of questions about yourself and your background. Please read each question and mark your response. Once again, your responses will remain both confidential and anonymous.

1. What is your position?

_____ Sales _____ Support _____ Management

2. How many years have you been employed at Nordstrom?

_____ Less than 1 year _____ 1 year but less than 3 years
_____ 3 years but less than 8 years _____ 8 years or more

3. What type of schedule do you most often have?

_____ Opener _____ Mid _____ Closer

3. Are you a Pacesetter?

_____ Yes _____ No

4. Are you an All-Star?

_____ Yes _____ No

5. Where are you ranked on the schedule?

_____ Top _____ Middle _____ Bottom

6. What is your gender?

_____ Male _____ Female

Thank you for your time and assistance!

Appendix C
Signed Approval Forms

San José State
UNIVERSITY

**Office of the Academic
Vice President**

**Associate Vice President
Graduate Studies and Research**

One Washington Square
San José, CA 95192-0025
Voice: 408-924-2480
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E-mail: gstudies@wahoo.sjsu.edu
<http://www.sjsu.edu>

TO: Katerina Igovmenopoulos
2527 Hacienda St.
San Mateo, CA 94403

FROM: Nabil Ibrahim,
AVP, Graduate Studies & Research

DATE: August 31, 2000

The Human Subjects-Institutional Review Board has approved
your request to use human subjects in the study entitled:

**"Factors Affecting Performance Appraisal
Fairness, Acceptance, and Satisfaction"**

This approval is contingent upon the subjects participating in your research project being appropriately protected from risk. This includes the protection of the anonymity of the subjects' identity when they participate in your research project, and with regard to any and all data that may be collected from the subjects. The Board's approval includes continued monitoring of your research by the Board to assure that the subjects are being adequately and properly protected from such risks. If at any time a subject becomes injured or complains of injury, you must notify Nabil Ibrahim, Ph.D., immediately. Injury includes but is not limited to bodily harm, psychological trauma and release of potentially damaging personal information.

Please also be advised that all subjects need to be fully informed and aware that their participation in your research project is voluntary, and that he or she may withdraw from the project at any time. Further, a subject's participation, refusal to participate, or withdrawal will not affect any services the subject is receiving or will receive at the institution in which the research is being conducted.

If you have any questions, please contact me at
(408) 924-2480.

NORDSTROM

July 1, 2000

To whom it may concern,

This is to notify that Katerina Igoumenopoulos has permission from Nordstrom to access employee's during working hours for the purposes of her research study. She also has permission to access the Human Resource System that lists which employees have had performance appraisals during the past year. Please call me if I can be of any assistance.

Thank you,

Linnette Donohue
Human Resources Manager
Palo Alto