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## DIFFERENT RELATIONSHIPS BETWEEN PERCEPTIONS OF DEVELOPMENTAL PERFORMANCE APPRAISAL AND WORK PERFORMANCE

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### ABSTRACT

*It is regularly recommended that in order for performance appraisal to positively influence employee behaviour, employees ought to experience positive appraisal reactions. The principle of the present study is to inspect two different models of the relationship among employee perceptions of developmental performance appraisal and self-reported work performance. Reference of cross-sectional review of employees revealed that the relationship among perceptions of developmental performance assessment and self-reported work performance was mediated by employees' fundamental motivation, and strongly reasonable by their independence orientation. The mainly interesting and practically applicable finding is that autonomy orientation moderated the association among perceptions of developmental performance assessment and work performance. Accordingly, additional importance should be put on participative and autonomy encouraging application of performance appraisal involving employees with a strong autonomy course. For employees with a feeble autonomy orientation, the relationship was positive, but for those with a tough autonomy orientation, the relationship was negative.*

### KEYWORDS

Performance appraisal, Human resource management, Performance management.

### INTRODUCTION

Performance appraisal (PA) is often considered one of the most important human resource practices and is one of the more heavily researched topics in work psychology. PA has increasingly become part of a more strategic approach to integrating HR activities and business policies and is now a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards. While both practice and research have moved away from a narrow focus on psychometric and evaluation issues to the more developmental and motivational aspects of PA, many organizations still express dissatisfaction with their appraisal schemes (Fletcher, 1997). According to Fletcher, this may signal a lack of success of PA as a mechanism for developing and motivating people. Although this is not a new observation, little systematic research exists on developmental PA, i.e. any attempt disturbed with enriching attitudes, experiences, and skills that improve the effectiveness of employees and the potential it has to build a committed and motivated work force.

In current years, an escalating number of organizations encompass implemented performance management systems based on serious success factors (CFSs) and key performance indicators (KPIs). A regularly used format in this context is the often-recommended balanced scorecard (BSC), a comprehensive management system of performance measurement linking strategic and short-term action planning. BSC focuses on clarifying and translating vision and strategy, communicating and linking strategic objectives and measures, planning and setting targets, and enhancing strategic feedback and learning. The main purpose of a BSC is that organizations can transform vision and strategy into operational terms – from management level down to day-to-day activities. Accordingly, BSC shares the interest of contemporary PA in the developmental and motivational aspects of performance management, making BSC an interesting research context for developmental PA. Besides, BSC is a widely used management tool in which managers report more than acceptable satisfaction with. Yet, most of the existing literature on BSC is either normative prescription or uncritical reports of BSC successes. The principle of this study is to explore two different models of the relationship between PA in a BSC context and work performance: a mediation model and a moderation model. There is a tough belief that as long as employees accept or are contented with PA, or when PA is properly managed, PA will be positively related to work performance. Still, despite the rhetoric of developmental PA and its impact on motivation, commitment, and work performance, these relationships are mostly assumed rather than tested. Thus, in their recent review of PA research, Levy and Williams called for more field research on the relationship between PA reactions, employee attitudes and behaviour. In order to learn more about these relationships, this study examines hypotheses claiming that employee motivation and commitment will mediate the relationship between perceptions of developmental PA and work performance. As much as moderation is concerned, it cannot be expected that all employees will react the same way to PA. On the contrary, the outcomes of PA may depend heavily on individual psychological factors. Moreover, since investigations of individual differences that are likely to influence the relationship between PA and work performance can identify conditions under which PA is more or less effective, this type of research is likely to yield results of practical relevance. Accordingly, this study proposes that the relationship between perceptions of developmental PA and work performance will be moderated by the autonomy orientation of employees. Since this individual disposition can explain why people respond differently to job characteristics that may be influenced by PA, it may partly explain individual differences in how employees are exaggerated by PA.

### PERCEPTIONS OF DEVELOPMENTAL PERFORMANCE APPRAISAL AND WORK PERFORMANCE

Employees may not always perceive the objective existence of human resource practices as the organization intends. For instance, whereas the organization lays out the procedures to be followed in implementation and administration of PA, it is individual managers, often line managers, who actually manage these

procedures. Furthermore, since we know that individual differences among appraisers affect how those appraised experience and react to PA, the best criterion to use in estimating and investigating PA systems is the reactions of the appraisees.

The most frequently measured reaction in PA research has been some form of PA satisfaction or acceptance. In the present study, I examine employees' perceptions of developmental PA, which is defined as the perceived clarity, relevance, recognition and understanding with regard to goal setting and feedback activities involved in PA. More specifically, developmental goal setting refers to the degree to which employees perceive that goals are clear, relevant and understandable, and developmental feedback to the extent to which employees' experience recognition from feedback that is perceived as clear, relevant and understandable. These perceptions represent some of the most important underlying mechanisms used to explain how goal setting and feedback, which are key PA activities in organizations, can develop employee motivation, commitment, skills and performance.

### **MEDIATING ROLES OF INTRINSIC MOTIVATION AND AFFECTIVE COMMITMENT**

Goal setting and feedback are widely believed to affect performance positively through enhancing the information and motivation necessary for work performance. Accordingly, we should expect that the effect of PA on employees' work performance would be mediated by work motivation. Here it is suggested that intrinsic work motivation and affective organizational commitment are potential mediators between perceptions of developmental PA and work performance. Fundamental motivation is the motivation to perform an activity for it, in order to experience the satisfaction and satisfaction inherent in the activity. Roberts and Reed proposed that participation, goals, and feedback increase appraisal acceptance, which affects appraisal satisfaction and ultimately employee motivation and productivity. Furthermore, research on the job characteristics model has supported the relationships between the psychological states of experienced meaningfulness, responsibility of outcomes, and awareness of the actual results of the work, and intrinsic motivation. The focus of PA in a BSC context on communicating and translating strategic visions and goals to employees may be particularly effective in increasing intrinsic motivation through experienced meaningfulness of work, because super ordinate goals have the capacity to convey to employees something they can believe in.

Similarly, and according to self-determination theory, intrinsic motivation will increase as long as communication of organizational goals provides rationale for behaviour at work. Systematic performance feedback may impact intrinsic motivation through increased levels of experienced responsibility of outcomes and knowledge of the actual results of the work. Feedback that is seen as recognition of good performance may also increase intrinsic motivation because it may enhance employees' perceived competence. Accordingly, there are reasons to believe that perceptions of developmental PA may operate via intrinsic motivation to influence work performance. As much as the relationship among intrinsic work motivation and work performance is disturbed, a meta-analysis by Fried and Ferris showing that the motivating prospective of the work characteristics in the job characteristics replica was associated with work performance indirectly supports this relationship. Intrinsic motivation as a analyst of performance is also supported by investigate within sports. Affective organizational commitment describes "an affective or emotional attachment to the organization such that the strongly committed individuals identifies with, is involved in, and enjoys membership in, the organization". Support for a positive relationship between affective commitment and different measures of work performance are provided by two recent meta-analyses. In a case study of the BSC as a device for communicating and controlling strategy, Malina and Selto concluded that "the BSC does present significant opportunities to develop, communicate, and implement strategy – just as Kaplan and Norton aver." Latham called attention to the affective and emotional aspects of super ordinate goals and argued that such goals may capture the "hearts" of employees and give "people a cause they can rally around." Thus, to the amount that PA in a BSC framework is effectual in communicating organizational strategies, goals and vision, employees should experience higher levels of commitment to organizational goals and therefore become more affectively committed to their organization.

### **A MODERATING ROLE OF AUTONOMY ORIENTATION**

Klein and Snell argued that there is "no best way" to conduct an appraisal interview, and that it depends on the situation, the relationship of the parties involved and their individual make-up. In a review of an individual psychological perspective on PA, Fletcher claimed that the notion that all appraisals are going to react the same way to appraisal is probably very unsafe, and Ilgen et al. noted that individual differences likely play a substantial role in how people interpret appraisal feedback and how they respond to these interpretations. Here it is suggested that employees' autonomy orientation will moderate the relationship between perceptions of developmental PA and work performance. Autonomy is one of the most fundamental psychological needs and individual differences in autonomy orientation can in part explain why people react differently to external interventions, such as goal setting. Autonomy orientation is rooted in needs and self-determination theories, and refers to a character to attend to environmental cues that signal personal interest and options for free choice behaviour. When motivated by autonomy orientation, people's choices are made on the basis of internal needs and preference. Research on autonomy orientation or needs for autonomy suggests that people with a strong autonomy orientation is more likely to set mastery goals for themselves and take greater responsibility for their own performance than those with a low autonomy orientation. In a work setting, Orpen found that managers' need for independence moderated the relationship between perceived job characteristics and performance. The findings suggested that managers with a strong autonomy orientation will react to more interesting, challenging and autonomous jobs by performing better, while those low in autonomy orientation may actually respond with lower performance. Moreover, autonomy orientation is positively related to internal locus of control, and in a PA setting, Tang et al. found that internals were not affected by self-reported appraisal feedback, whereas externals were positively affected by way of increased personal sacrifice. Finally, Fletcher proposed that employees who are high on internal ability, a measure of individual differences in feedback preferences where an internal ability propensity reflects the ability to self-assess, to recognize what is requisite by way of performance and the ability to judge one's progress towards it, will respond best where appraisal is initiated and led by their self-assessment. Together, these findings and theoretical arguments suggest that employees with a low autonomy orientation will respond positively to developmental goal setting and feedback by performing well.

### **POSITIVE INFLUENCE OF PERFORMANCE APPRAISAL**

In order for performance appraisal (PA) to positively influence employee behaviour and future development, employees must experience positive appraisal reactions. Thus, there is general consensus among PA researchers and practitioners that assessment of appraisal reactions is important. However, one of the key findings of the present study suggests that perceptions of developmental PA do not increase work performance. When it was controlled for demographic characteristics and other relevant factors in a PA context, such as affective commitment, intrinsic motivation and autonomy orientation, there was no direct relationship between perceptions of developmental PA and work performance. The most interesting and perhaps most practically relevant finding of this study was that autonomy orientation moderated the relationship between perceptions of developmental PA and work performance. It makes intuitive sense that employees with a strong autonomy orientation, with internal locus of control, or with a high internal ability propensity, will be less affected or not affected at all by external interventions, such as goal setting and feedback involved in PA. Still, a negative relationship was not expected. This finding may imply that these employees experienced developmental performance appraisal as controlling, which in turn could have undermined their need for autonomy and therefore adversely affected performance. Since autonomy orientation was the most powerful predictor of work performance, it is also possible that high performing employees with a strong autonomy orientation experienced developmental PA as too much of a good thing. These employees already perform well and may think that too much time and energy are being used on providing unnecessarily clear, relevant and understandable goals and feedback, and therefore react negatively to developmental PA. An interesting avenue for future research, then, would be to investigate employees' perceptions of being controlled by PA and perceptions of the degree to which PA interferes with day-to-day work activities, and relate these variables to individual differences in autonomy orientation and work performance. Finally, the finding that autonomy orientation was strongly related to work performance implies that developmental PA adversely affects the best performers, which may be particularly critical for knowledge-based organizations with few management levels and high levels of autonomy for individual employees. Still, since no single study can provide conclusive evidence, this interpretation should be examined in future PA research. On the more positive side, the measure of perceptions of developmental PA was positively related to both affective commitment and intrinsic motivation, and tests of mediation suggest that intrinsic motivation may mediate the relationship between developmental PA and work performance. These results support previous



findings and propositions, but it should be noted that there was a relatively weak relationship between developmental PA and work performance before intrinsic motivation was entered.

Similar findings have been taken as support for "the concept that properly conducted performance appraisals can provide numerous positive organizational results". Yet, such findings simply imply that employees with positive perceptions of PA have higher affective commitment and intrinsic motivation, while those with less positive perceptions are less committed and intrinsically motivated. Similarly, negative reactions such as the perception that ratings are influenced because of raters' personal partiality and intent to punish subordinates are negatively related to job satisfaction and positively related to turnover intention. Consequently such findings underscore the importance of employee reactions to performance appraisal, but they do not provide much information about the quality of PA as a developmental management tool. Still, the present study adds to the literature by indicating that PA in a balanced scorecard context may increase affective commitment and intrinsic motivation, to the extent that employees perceive PA as developmental. The contributions of this research should be viewed in light of several limitations. Primarily, the data were assembled at one point in time, making it impracticable to draw inferences of causality or rule out the possibility of reverse causality. Still, PA is concerned with a lot more than PA interviews and a range of factors beyond those strictly related to the interviews will influence experiences with PA. Furthermore, these interviews are usually not conducted at the same point of time for all employees. Therefore, it is far from evident that temporal separation by using a time lag between collecting data on PA and the other variables would have provided more muscle in terms of causality interpretation. Besides, co variation and temporal precedence are only two out of three bases for drawing more valid causal inferences, and providing control for all other variables that might have caused work performance in the present study would have been extremely difficult. Consequently, experimental studies are needed to examine causality on the relationships examined in the present study. However, since moderated regression analysis is sensitive to both range restriction and sample size, relatively large samples will be needed in order to capture a wide enough range of individual differences in autonomy orientation and to be able to detect moderation effects.

Another limitation is the reliance on self-reported questionnaire data causing concerns about possible mono-method bias and percept-percept inflated measures. I therefore conducted Harman's one-factor test using a factor analysis of all the multi-item measures. This analysis generated nine factors with Eigen values of 1 or more, and an explained variance of the factors ranging from 24 per cent to 2.8 per cent. Although this test is only a diagnostic technique for assessing the degree to which ordinary method variance may be a problem, it seems to indicate that mono-method variance was not a serious threat in this study. Besides, since this study investigated employees' perceptions of PA, the only construct that could have been validly measured by other means than self-report is work performance. Still, although a minimum of two data sources are needed to help rule out the validity threats of self-report and mono-method, PA research suggests that performance ratings performed by supervisors are not necessarily less biased than self-report measures. In addition, given the modest correlation between the perceptions of developmental PA and work performance, it is not very likely that common method bias has heavily influenced the observed relationships. In order to avoid confounded measures of constructs, it had to shorten some of the scales. Although the final scales had acceptable reliability estimates, it cannot discount the possibility that this may have had impact on some of the findings. Finally, it is obviously a limitation that the data were obtained only from employees in a Norwegian bank, since relationships may differ in other organizations, in other industries, or in other countries. For instance, most research on performance appraisal is conducted in the US, and it is questionable that the findings from this research can generalize to other countries. On the other hand, research on the self-determination model provides support for the relevance of work autonomy across US and Bulgaria, which are nations with very different national cultures. Moreover, the link between intrinsic job characteristics and job satisfaction are found to be similar across richer countries, countries with improved governmental social wellbeing programs, more individualistic countries, and smaller power distance countries. Since all of these characteristics apply to Norway and most western countries, and the relationships referred to relates to key constructs in the present study, there is evidence supporting the notion that the results may have implications in other western countries. Still, research in other organizations from different industries in other countries is warranted before any firm conclusions can be drawn.

## CONCLUSION

Beyond the practical implications already touched upon, the findings of the present study suggest that in order to avoid unintended outcomes; it may be wise to be flexible in the application of PA. Though viewing performance assessment as a mechanism for management control, power and management may replicate a relatively monothematic and overly-simple account, employees with a strong independence direction may to a greater degree than others react according to the concerns laid out in the more critical viewpoints on performance appraisal. Thus, if the main principle of performance appraisal is enlargement, both the organization and the employees with a strong autonomy orientation may actually be enhanced off without austere formalized appraisal. If prescribed evaluation is necessary, extra importance should be put on participative and autonomy supportive appliance of PA concerning such employees. Several field studies sustain the universal significance of employee "voice" and participation in PA, especially involvement for the sake of having one's voice heard, and management autonomy maintain, i.e. when people are afforded with reasons and choices for doing tasks. The findings of this study imply that participation and independence support may be particularly essential for employees with a strong autonomy orientation.

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