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**FORMAL PERFORMANCE APPRAISAL
AS AN INTERVENTION FOR THE
MANAGEMENT OF
PERFORMANCE AND QUALITY OF WORK
LIFE**

**CEO PUBLICATION
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ALLAN M. MOHRMAN, JR.
University of Southern California

APRIL 1981

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**Center for Effective Organizations - Marshall School of Business
University of Southern California - Los Angeles, CA 90089-0871
(213) 740-9814 FAX (213) 740-4354
<http://www.marshall.usc.edu/ceo>**

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Performance and Quality of Work Life**

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ABSTRACT

The function of Performance Appraisal (PA) is conceived as the integration of the individual and the organization. Integration is achieved in two component ways: 1) by bringing an individual's performance in line with that needed by the organization and 2) by creating organizational experiences that fulfill the needs of the individual. Quality of Work Life (QWL) is the degree to which an individual's needs are fulfilled. The paper investigates how PA experiences can affect both performance and QWL, by characterizing the PA event as having a quality (qua event) for the appraisee and as carrying a message regarding performance to the appraisee. Path analysis is used to see how these characteristics of the PA event intervene in, and change, the overall job performance and QWL of the Appraisee. The feedback of the manager's appraisal is found to have considerable impact on the appraisee's view of his/her performance, bringing it more in line with the manager's view. The quality of the PA event for the appraisee is found not only to be positively related to his/her overall QWL but also to positively affect perceived improvements in appraisee performance. Thus, the quality of the PA event promotes integration of the organization and the individual by both improving performance (as defined by the PA message) and by increasing QWL. The quality of the PA event and the evaluative message each serve different roles both of which must be present to accomplish the integration function.

Formal Performance Appraisal as
an Intervention for the Integration of
Performance and Quality of Work Life

PERFORMANCE APPRAISAL AS A PURPOSEFUL ACTIVITY

Research and thinking about performance appraisal (PA) has been voluminous. In part, the volumes are filled due to a fragmentation of PA issues into narrowly defined areas, such as validation of forms, the effects of participation, or the use of training to improve measurement validity. To a certain extent when we focus on these internal PA issues we lose sight of, or make some assumptions about, the larger role of PA itself. For example, while it may be necessary to investigate whether or not we are accurately measuring performance we need to also make sure we understand why we feel the need to measure performance in the first place, and whether those needs are being met.

The Purpose of PA

Kane and Lawler (1979, p. 426) present a fairly typical list of possible PA purposes: "...as a basis for promotion and placement decisions, as a criterion against which selection devices and training programs are validated, as a basis for reward allocations, and as a means of providing development-oriented feedback to individuals." This list indicates that PA is instrumentally central to an array of major human resource practices in organizations. These practices, however, are not ends in themselves. They are each instrumental toward an even more fundamental purpose of performance appraisal: to maintain or encourage performance in line with organizational needs.

According to Katz and Kahn (1978) the fundamental organization needs are for stability, predictability, and coordinated effort. The various

uses to which appraisals are put are meant, in different ways, to maximize the fit between actual and ideal performance. PA is used to select, place, entice, and develop employees so their behavior meets organizational needs.

But Katz and Kahn also stress that these organizational needs are potentially contradicted by the large variation of personal needs and values of the individual employees. They see models of organization as approaches for resolving the fundamental issues created by tension between organizational needs and the larger variety of individual needs. In other words, organizational practices need to integrate the needs of organization and individual actors (Argyris, 1964). It is clear that PA is meant to serve organizational needs. Does it also serve individual needs and therefore integrate the individual and the organization?

There are a number of ways that PA might ultimately serve the widely varying needs of the individual performers. One such use of PA is to tie performance to compensation. The logic behind such a practice is one of exchange. The individual contributes performance which the organization induces through pay, a commodity that can be converted to a large variety of individual needs. Another example is when PA takes the expressed needs of the individual as well as that person's performance into account when used to make training, placement and promotion decisions. In addition, MBO-type approaches to PA, to the extent they involve mutual goal setting between a manager and subordinate, define performance in terms of goals that simultaneously meet organizational and individual needs. Finally, PA feedback itself, while communicating to the appraisee the degree to which his or her performance meets organizational needs, can also

potentially be used to meet the appraisee's needs by reducing the appraisee's uncertainty about role definitions and performance criteria, meeting needs for achievement and growth by improving performance related behaviors and knowledge, and dealing with the appraisee in an interpersonal manner that meets relatedness needs.

The degree to which the individual meets organizational needs can be summarized as performance. The degree to which the organization meets the needs of the individual performer results in the individual's degree of satisfaction with work but can be thought of as the individual's quality of work life (QWL). For example: Suttle (1978; p. 4) defines QWL as "... the degree to which members of a work organization are able to satisfy important personal needs through their experiences in the organization." Performance appraisal is one of the many organizational experiences individuals have, and, as illustrated above, has the potential for affecting the individual's QWL, as well as performance. That is: PA has potential for integrating the individual and the organization.

But the issue is more than whether PA can be used to meet individual needs in addition to organizational needs. Katz and Kahn's (1978) functional analysis of models of organizations implies that models must meet both sets of needs if they are to be effective. PA practices are particular embodiments of such models and the PA literature itself implicitly illustrates the functionality of attending to both sets of needs. On the one hand there is considerable literature which confirms and reconfirms the importance of performance. All the studies dealing with measurement and rating are examples, (Landy and Farr, 1980). On the other hand there has been a parallel literature that has in one way or the

other invoked individual needs as an important consideration. Some mechanisms for doing so have already been mentioned; participative goal setting, for example. Often this literature is characterized by a stress on "process"--the feedback process for instance, or "problem solving" vs "tell and sell" (Maier, 1958). Primarily this parallel stream attends to individual needs not for purely humanistic reasons but because it is deemed necessary if performance appraisal is also to meet organizational needs by having performance results.

The discussion above suggests a rather fundamental empirical question and a hypothesis. Can PA simultaneously serve organizational needs for performance and individual needs for a quality of work life? The hypothesis of this study is that not only is it possible for PA to meet both sets of needs but that as an organizational practice PA will invariably exert some integrative or disintegrative force between organizations and individuals. The next section develops a model for investigating the form of this integrative impact.

The PA Event as an Intervention

This paper investigates the impact of formal PA as an organizational event on both the QWL experienced by an organizational member, and the member's performance. We focus on the impact of the event itself and not of other events (such as salary actions, promotions, and training) which might be connected with it. Activities commonly included in the PA event are the overall appraisal of performance, feedback and discussion of the appraisal, and discussions related to future performance such as goal setting, work planning, job redefinition, and specifications of behavioral changes.

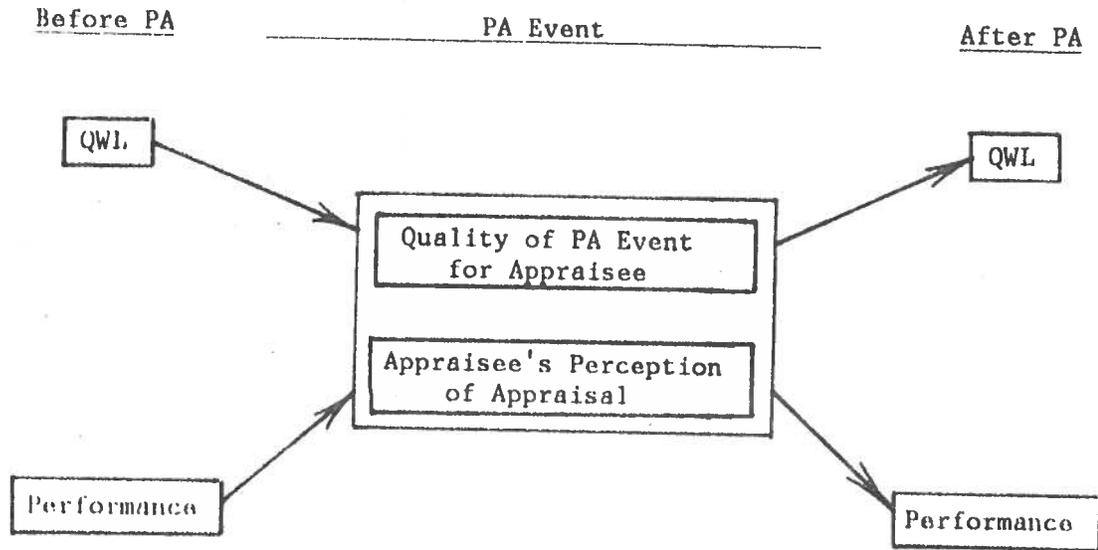
Corresponding to the distinction between performance and QWL we can think of the PA event as having two components for the appraisee: (1) the appraised level of performance itself that is communicated to the appraisee and expresses the degree to which organizational needs are judged to have been achieved and (2) the quality of the performance appraisal (QPA) as felt by the appraisee that expresses the degree to which the appraisee's needs are met during the conduct of the PA event. We are interested in the relative impact of these components of the PA event on the subsequent QWL and performance of the appraisee. But since the integrative balance between QWL and performance is a dynamic ongoing aspect of all work situations, the PA event is best thought of as an intervention into this ongoing integration. Figure 1 depicts this general model.

The PA event is an intervention in that it involves a number of aspects external to the appraisee's ongoing QWL/Performance state. The PA procedures used, for instance, can be formally prescribed by a remote source. The PA process and judgment of the appraiser, as programmed by the forms used, may also be different from the character of ongoing perceptions, (Feldman, 1981). In other words, the PA event can potentially serve as a break in the continuity of the interpersonal perceptions and relationships among appraisees and appraisers, and, by extension, individual and organization integration.

On the other hand, Figure 1 also depicts the likely reality that the preexisting situations will influence the PA event. Certainly the preexisting QWL will be reflected to some extent in the quality of the specific PA event. We would also expect that prior performance may color

Figure 1

The PA Event as an Intervention into Appraiser's Performance and QWL



the experienced quality of the PA event as well as be reflected in the appraisal communicated to the appraisee.

Each of the precursors and results of PA depicted in Figure 1 have been investigated in the literature although in less global terms. For instance, goal setting--a sometime occurrence during PA feedback--has been shown to improve subsequent performance in certain situations (Latham and Yukl, 1975). Greller (1975) investigated the link between the participative nature of PA and job satisfaction. A substantial literature has given attention to the link between prior performance and the appraisal of it that is communicated to the subordinate. Included here are both the issues of rating validity (Landy and Farr, 1980) and the manner with which it is fed back to the appraisee (Latham and Wexley, 1981). Finally some studies have reported effects of climate or situational characteristics on the PA event. For example, Brown (1968) looked at the effects of rater-ratee relationship on halo. Essentially, the mass of studies in PA follow an analytic tradition. They investigate specific linkages among component elements. Analysis, however, runs the risk of losing sight of the forest when focusing on the trees. This study includes all the elements present in Figure 1 in an empirical description of the intervening integrative role of the PA event as a whole.

The Relationship Between Performance and QWL

The idea of integration of organizational and individual needs illustrates a continuing issue in organizational studies. How are QWL and performance related? Does, for instance, performance lead to QWL, or vice versa, or are they independent? The above discussion restructures this issue by seeing both, separately and their relationship, as being affected

by a particular organizational event. In general the integration of an individual and an organization can be seen as a composite outcome of the vast multitude of an individual's organizational experiences. Empirically finding the integrative impacts of such experiences is difficult both because the experiences are not usually comparable across individuals and because the effects of any one experience are swamped by those of others. The formal practice of performance appraisal, however, provides a common type of experience for everyone--the strength of its effects depending on its saliency and importance in the organization.

METHOD

Sample and Procedures

The data in this study were collected in nine manufacturing organizations all belonging to a large multinational, multi-industry corporation with products ranging from being highly sophisticated and at the "cutting edge" of technology to established products in mature industries. All sites have substantial histories of PA systems for their "exempt" employees (mostly professionals and managers) and considered PA to be a central personnel function. There was considerable variation across and within the sites, however, in the actual PA system designs and their linkage with other personnel systems, such as human resource planning and compensation. PA forms ranged from being "trait"-based to being MBO in nature--over 50 different forms were found being used in the sample. In all cases the immediate supervisor was the sole formal appraiser. The large variation in PA practices is important in this study because it allows us to tentatively generalize from the findings and not be trapped within a specific set of practices.

Data were gathered by questionnaires designed to research the organizations' PA practices and their impacts. The respondents were sampled in manager-subordinate pairs. The sample was constructed so that all "exempt" levels and functions were represented. Within site, functional, and hierarchical strata sampling was random or sometimes saturated. Slightly less than half of the subordinates in the pairs were themselves managers. About one-third of the respondents were in engineering. Another one-fourth were in manufacturing. Between four to six percent were in each of the following: marketing, finance, general management/administration, employee relations, and program management. The remainder classified their functions as "other." On the average, managers and subordinates had worked together for slightly less than 3 years and had mutually engaged in 2 previous performance appraisal events.

Two questionnaires were administered to each member of the manager-subordinate dyad, one before the formal PA event and one afterward. The time between the two questionnaires was approximately four months. The timing of the formal PA event varied across this temporal "window." Figure 2 summarizes this design. For the present study all four questionnaire results are considered a single case in which the unit of analysis is the PA event. Managers and subordinates were instructed to respond with respect to a specific, mutually experienced appraisal event.

Questionnaires were matched by code number. Blank questionnaires were distributed in sealed, addressed envelopes to the respondents by employee relations personnel. Code numbers were assigned and the envelopes sealed by the university-based research team. Completed questionnaires in sealed envelopes were either mailed directly to the

Figure 2
STUDY DESIGN

	<u>Before PA</u>	<u>PA Event</u>	<u>After PA</u>
<u>Manager</u>	Q_{MB}	--	Q_{MA}
<u>Subordinate</u>	Q_{SB}	--	Q_{SA}

N = 145 Manager - Subordinate Dyads

researchers or were returned to the employee relations representative for bulk mailing to the researchers.

The original "before" sample totaled 593 pairs. Of that group 519 managers and 530 subordinates returned useable questionnaires. The "after" questionnaires were sent to only these respondents. Of these, 391 managers and 417 subordinates returned useable questionnaires. Less than 300 of these were actual pairs. Follow-up queries revealed that the bulk of nonreturned questionnaires were due to turnover of one or the other of the individuals in the selected dyad, usually due to promotion or transfer. (The bulk of nonresponses in the before sample also were due to turnover between sampling and questionnaire administration.) Thus, despite good response rates (75% to 90%) which almost maximized the potential, the effects of normal organizational "churn" in personnel as well as the compounded effects created by needing four questionnaires for a complete case, resulted in a considerable loss in numbers. Further loss occurred due to the conservative missing data options necessitated by the analyses.

Measures

There are three major categories of variables measured in this study: (1) the quality of work life experienced by the employee in his/her immediate job context, (2) the quality of the formal PA event, and (3) judgments of performance level.

Quality of Work Life

Quality of Work Life is measured from the subordinate's point of view on ten dimensions. These dimensions were measured by scales selected to represent the quality of the job and work context in which the appraisee

found him/herself. These include areas pertinent to the job itself, the supervisor, the immediate climate, and the appraisee's satisfaction with such things. Table 1 briefly describes the measures of each of the ten dimensions. These ten measures were summed to create an overall measure of the respondent's felt Quality of Work Life. Cronbach alpha values for this overall QWL scale are .84 and .87 for the before and after measures, respectively. This is a respectable level of consistency given the theoretical multidimensionality of the component scales. In addition, this internal consistency lends some empirical legitimacy to the notion of general QWL experienced in a particular context.

The Quality of PA

The Quality of PA was measured in terms of the subordinate's experience of the PA event. In part, this reflects how the formal procedures were perceived by the subordinate, but it also reflects the nonprocedural interpersonal transactions and interactions which took place during the PA event. Table 2 summarizes the operationalization of the Quality of PA (QPA) as experienced by the subordinate. The overall QPA scale is created in the same manner as was the measure of Quality of Work Life. Items used for QPA are from the subordinate's "after" questionnaire. The Cronbach alpha is .89, again indicating satisfactory internal consistency as well as empirically legitimating the notion of a global quality associated with a certain experience.

Performance Level

For any job, there are multiple dimensions upon which performance can be measured. In the organizations of the present study, the PA forms in use specified multiple criteria. These criteria, however, were not

TABLE 1

Composite Measure of Quality of Work Life
(Possible Range = 15 to 105)

1. Supervisory Relations. (alpha = .93)* Seven-item scale comprised of a series of semantic differentials of evaluative items describing employee's relationship with supervisor (e.g., good-bad, friendly-hostile). (Range = 1 to 7)
2. Participativeness of Supervisor's Style. (alpha = .70) A two-item supervisor scale. (From the Michigan Organizational Assessment Questionnaire, Cammann et al., 1979.) (Range = 1 to 7)
3. Openness. (alpha = .44) Two-item climate scale shortened from Roberts and O'Reilly (1977) measuring the degree to which interpersonal communication is open. (Range = 1 to 7)
4. Organization Trust. (alpha = .56) Two-item climate scale measuring degree to which employee trusts the organization (from Cammann, et al.) (Range = 1 to 7)
5. Job Autonomy. (alpha = .64) Three-item job characteristic scale adapted from items identified as stable indicators of job autonomy across multiple samples by Sims, Szilagyi, and Keller (1976). (Range) = 1 to 7)
6. Job Identity. (alpha = .79) Three-item job characteristic scale adapted from items identified as stable across multiple samples (Sims, Szilagyi, and Keller, 1976) for measuring the degree to which the respondent does a whole or identifiable job. (Range = 1 to 7)
7. Job Specificity. (alpha = .68) Four-item scale measuring the degree to which subordinate's job is well specified in terms of duties, priorities, etc. (Range = 1 to 7)
8. Job Knowledge. (alpha = .62) Two-item scale measuring the degree to which subordinate feels he/she knows job duties and what constitutes good performance. (Range = 1 to 7)
9. Job Agreement. (alpha = .80) Two-item scale measuring the degree to which subordinate perceives agreement with supervisor on job duties and performance criteria. (Range = 1 to 7)
10. General Satisfaction. (alpha = .72) Six-item scale measuring satisfaction with following facets of the work context: nature of work, supervisor, the co-workers, pay, promotional opportunities, company. (Schriesheim, 1979.) (Range = 6 to 42)

*Reported alpha values are averages for the before and after measures.

TABLE 2

Scales Summed to Measure Quality of Performance Appraisal Event
(Possible range = 9 to 63)

1. Clarity of Criteria. (alpha = .68) Scaled from three semantic differential items which indicate the degree to which the PA criteria were unambiguous to the subordinate, e.g., objective, predictable, and clear. (Range = 1 to 7)
2. Fairness of Criteria. (alpha = .77) Scaled from three semantic differential items which measured the degree to which the PA criteria used were seen by the subordinate to be relevant to the job, familiar, and fair. (Range = 1 to 7)
3. Ownership of PA. (alpha = .78) A three-item scale using selected items from Greller's (1978) scale measuring the degree to which subordinate felt responsibility for how PA went. (Range = 1 to 7)
4. Contribution to PA. (alpha = .79) A three-item scale also selected from Greller's (1978) scale which measures actual behavioral contribution to the PA in terms of suggestions, goals, etc. (Range = 1 to 7)
5. Affective Response to PA. (alpha = .92) A scale of 10 semantic differential items all indicating emotional, affective reaction of the subordinate to the PA episode, e.g., pleased, enthused, energized. (Range = 1 to 7)
6. Utility of PA. (alpha = .87) A three-item scale selected from Greller's (1978) scale which measures the degree to which subordinate felt the PA helped him/her understand job better. (Range = 1 to 7)
7. Satisfaction with PA. (alpha = .85) A three-item scale also selected from Greller (1978) designed to measure the subordinate's satisfaction with the PA review. (Range = 1 to 7)
8. Quality of Feedback Discussion. (alpha = .89) A five-item scale of semantic differentials. High scores indicate a relaxed, friendly, open, trusting, constructive feedback discussion. (Range = 1 to 7)
9. Depth of Feedback Discussion. (alpha = .79) Two-item scale of semantic differentials. High scores indicate perception of a well-considered, in-depth discussion. (Range = 1 to 7)

consistent from form to form, from site to site, or from job to job. With respect to formal PA, one can expect that users of a PA system will, in part, tend to articulate performance level in the terms prescribed by the forms. Although differing with regard to component criteria, most forms in the organizations participating in this study, as well as in many other organizations, ultimately distill performance levels on multiple criteria into a single summary indicator of performance level. The perceptual measures of performance level used in this study were designed to reflect this summary measurement of performance. Table 3 presents the measures of overall performance level which were used. "Before" measures were made using the "before" PA questionnaire. The "after" questionnaire asked both for perceptions at the time of the questionnaire and retrospectively for perceptions at the time of the PA.

With only seven discrete performance levels these items were expected to be relatively insensitive to performance changes that might be perceived to occur in the short time between the PA and the "after" questionnaire. Therefore, perceptions of performance improvement since PA were also measured on the "after" questionnaire. These items are also presented in Table 3. Note that the items are written so that the respondents are reporting only performance changes which are, in their minds, attributable to PA.

Analysis

The longitudinal sequencing of the data and the assumed dynamic of PA as an intervention into an ongoing stream of experience create a situation most appropriately analyzed using path analysis (Blalock, 1970). Path analysis does not demonstrate or discover causal relations, rather it

TABLE 3

Performance Measures

APPRAISALS OF PERFORMANCE LEVEL

Each of these stems was completed using the response scale below.

Appraisee's Perception of Performance (Before and after PA)

"At the present time, my performance. . ."

Appraisee's Perception of Manager's Appraisal (during PA)

"Overall, my supervisor's appraisal of my performance was that it . . ."

Manager's Appraisal (before and after PA)

"At the present time, my subordinate's performance . . ."

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
is/was below minimum standards		meets/met minimum standards	exceeds/ exceeded minimum standards	meets/met normal standards	slightly exceeds/ exceeded normal standards	exceeds/ exceeded normal standards	far exceeded normal standards

PERCEPTIONS OF PERFORMANCE IMPROVEMENT

Appraisee's Perception of Performance Improvement

"As a result of my performance appraisal, my performance has . . ."

Manager's Perception of Performance Improvement

"As a result of the performance appraisal, my subordinate's performance has . . ."

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
fallen off considerably		fallen off	fallen off slightly	stayed about the same	slightly improved	improved	improved very much

starts with a set of causal assumptions and analyzes a sample of empirical measurements of variables in order to estimate the relationships among those variables, assuming the validity of the original causal assumptions. The validity of path analysis results rests as much on the legitimacy of the causal assumptions as it does on the qualities of the sample and the data.

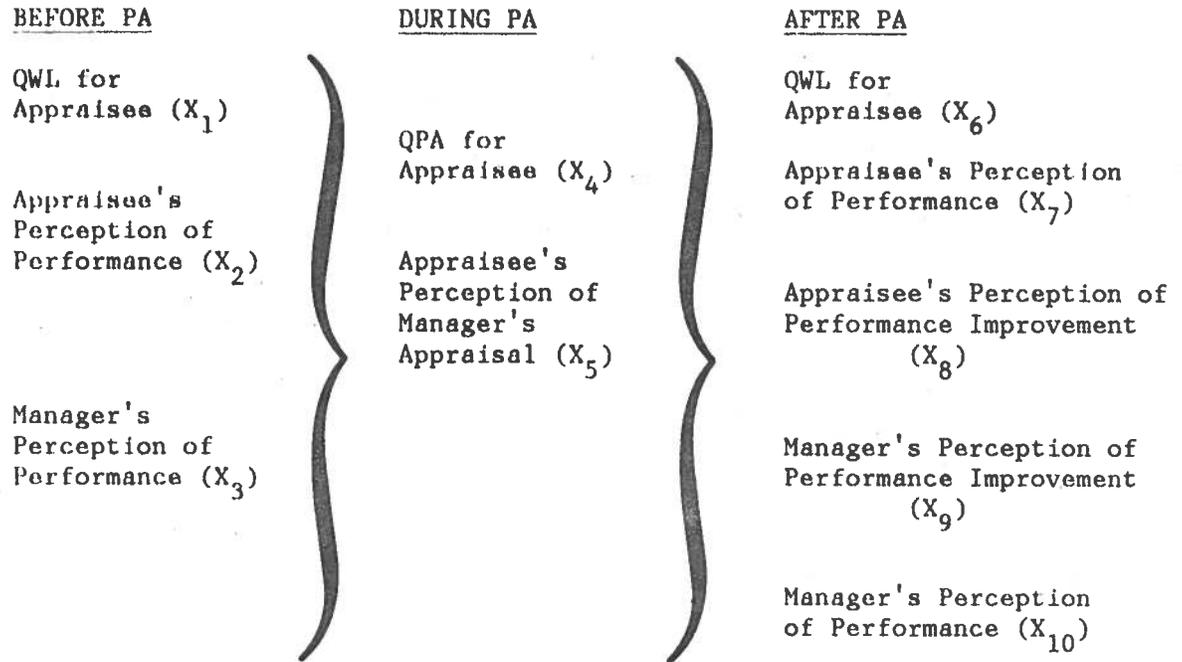
Figure 3 summarizes the causal order assumed in the present analysis. The logic is clearly temporally based and was explained earlier. The figure (working from left to right) implies a series of regression equations in which all variables to the left of each bracket are considered to be independent causes of the dependent variables stemming from that bracket. For example, Quality of PA and Appraiser's Perception of Manager's Appraisal are separately regressed on the "before" measures of QWL, Appraiser's Perception of Performance, and Manager's Perception of Performance to determine the degree to which the three have an impact on each.

Unexplained variance is assumed to be due to unmeasured exogenous variables. The three independent variables in the first regression are not assumed to be causes of one another, although they may well have antecedents in common and therefore be correlated.

Each of the "after" variables is then regressed on the two PA variables as well as the original three independent variables to determine the degree to which each is due to all five directly. (The degree to which each "after" variable depends upon the original three indirectly can be determined by its direct relationship to the PA variables and the impacts of the original three variables as estimated in the first regressions.)

Figure 3

ASSUMED CAUSAL ORDER
UNDERLYING REGRESSIONS FOR PATH ANALYSIS



$$X_4 = p_{41}X_1 + p_{42}X_2 + p_{43}X_3 + p_{44}L_4$$

$$X_5 = p_{51}X_1 + p_{52}X_2 + p_{53}X_3 + p_{54}L_5$$

$$X_i = p_{i1}X_1 + p_{i2}X_2 + p_{i3}X_3 + p_{i4}X_4 + p_{i5}X_5 + p_{i6}L_i$$

where $i = 6$ to 10

All p_{nm} , $m = 1$ to 5 , $n = 4$ to 10 , are standardized beta coefficients.

All $p_{j\ell}$, $j = 4$ to 10 , are calculated as $p_{j\ell} = \sqrt{1-R_j^2}$

where R_j^2 is total variance explained in that regression equation.

Methodological Strengths and Limitations

This paper asks the reader to be somewhat accepting on a number of crucial points. Since the data are perceptual in nature there is always the question of whether the findings are really a reflection of some objective reality, e.g. are performance levels really changing, what are the actual PA event activities leading to perceptions of quality. Nevertheless, the measures are direct ones of the constructs. For instance, QWL, as defined, can only be measured from the viewpoint of the individual. In the same vein, objective performance is not the immediate subject matter of this study. PA events do not traffic in actual performance but with perceptions of performance. PA is fundamentally judgmental (Landy and Farr, 1980) and thus it is not inappropriate to be concerned with how PA affects and is affected by judgments. The study overcomes some of the methodological problems with studies utilizing solely perceptual data by utilizing measures taken at different points in time, on different instruments, and, in the case of performance, from different perspectives. The dynamics by which individual judgments and perceptions are related to an assumed "objective" world is a central problematic of the social sciences beyond the scope of this paper. Nevertheless, the findings can be instructive with regard to the dynamics of perceptual shifts attributable to PA.

The reader has been asked to accept a global construct of QWL, one which includes the individual's direct judgments about the quality of situational or event characteristics as well as self-judgments about how satisfying those characteristics are. Obviously it is also necessary to analyze the relative contributions and cause-effect relationships of the

various quality indicators comprising the QPA and QWL scales. To do so here, however, would contradict the express purpose of characterizing the global functionality of PA. Furthermore, the internal consistencies within the global quality indicators support the assumption of a fundamental quality dimension.

QWL is often used as an even more global way than it is here, however, in that it connotes or denotes a characteristic of a setting as it affects an aggregation of people--sometimes called "climate" or "organizational health." Nevertheless, QWL is often measured ultimately by aggregating "its" effects on the individuals. The present study uses a definition of QWL more compatible with its measurement. The settings being investigated are one-person settings. QWL therefore is treated as an individual level construct. The quality of the setting is defined by the individual experiencing it.

Finally, the fact that PA is performed by managers in this study has created an assumed equation between organizational needs and management needs. This is an assumption often made in organizations. Strictly speaking, this study investigates the integration between individual and manager needs, the latter occasionally labeled as organizational needs.

RESULTS

Table 4 presents the means and standard deviations of the measures used in these analyses. Table 5 is a matrix of the zero-order correlations among these measures.

Of particular interest in Table 5 are the concurrent intercorrelations among the QWL and performance variables. Among the

TABLE 4

Mean and Standard Deviations of Variables
(N = 145)

<u>VARIABLES</u>	<u>MEAN</u>	<u>STANDARD DEVIATION</u>
<u>Before PA</u>		
1. QWL for Appraisee	74.44	12.50
2. Appraisee's Perception of Performance	5.77	.81
3. Manager's Perception of Performance	5.23	1.08
<u>During PA</u>		
4. Quality of PA for Appraisee	41.87	9.18
5. Appraisee's Perception of Manager's Appraisal	5.44	1.09
<u>After PA</u>		
6. QWL for Appraisee	74.61	12.41
7. Appraisee's Perception of Performance	5.83	.89
8. Appraisee's Perception of Performance Improvement	4.46	.94
9. Manager's Perception of Performance Improvement	3.32	.84
10. Manager's Perception of Performance	5.39	1.04

TABLE 5

Zero-Order Correlation Matrix of Variables
(N = 145)

	Before PA			During PA		After PA				
	1	2	3	4	5	6	7	8	9	10
<u>Before PA</u>										
1. QWL for Appraisee	--									
2. Appraisee's Perception of Performance	-.01	--								
3. Manager's Perception of Performance	.12	.20*	--							
<u>During PA</u>										
4. Quality of PA for Appraisal	.61*	-.08	.18	--						
5. Appraisee's Perception of Appraisal	.28*	.13	.48*	.40*	--					
<u>After PA</u>										
6. QWL for Appraisee	.77*	-.05	.17	.73*	.28*	--				
7. Appraisee's Perception of Performance	.06	.27*	.41*	.03	.41*	.03	--			
8. Appraisee's Perception of Performance Improvement	.25*	-.18	-.03	.37*	.04	.29*	-.09	--		
9. Manager's Perception of Performance Improvement	.00	-.06	-.07	.10	-.10	.01	-.20*	.14	--	
10. Manager's Perception of Performance	.10	.18	.61*	.19	.37*	.13	.36*	-.11	.01	--

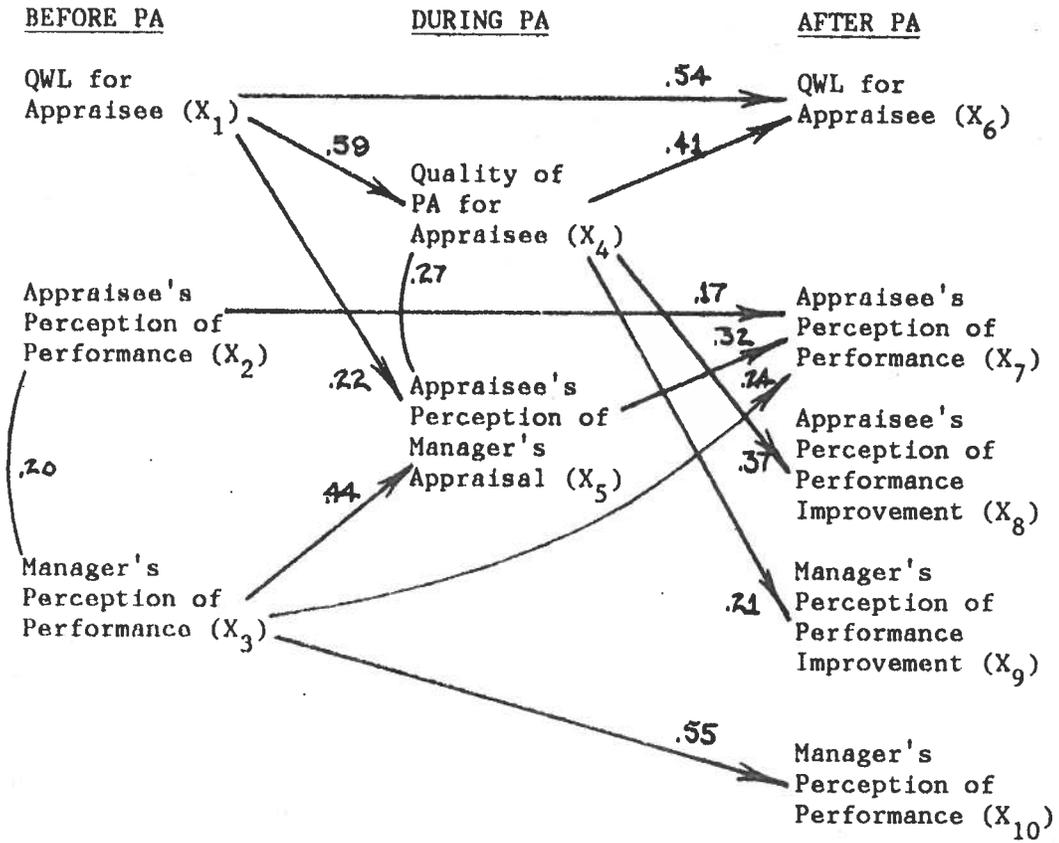
*, $p < .05$

"before" measures only the two performance measures were significantly intercorrelated (.20). Despite the fact that they are supposed to be measures of the same performance their correlation is low. QWL and performance are not correlated concurrently. The "after" measures show similar intercorrelation patterns although the size of the correlation between the two performance measures is .36, indicating increased agreement between managers and appraisees about performance. The appraisees' perceptions of improvement in performance were positively correlated with their QWL (.29) and the appraisees' self-appraisals negatively correlated (-.20) with the managers' perceptions of performance change. Table 5 also reveals high correlations among all three quality measures (.61, .77, .73).

Figure 4 presents a path diagram depicting the results of the regression equations outlined in Figure 3. The path coefficients associated with arrows in Figure 4 are significant beta coefficients from the appropriate regression equations enumerated in Figure 3. Arrows representing statistically insignificant betas ($p > .05$) have not been depicted. The path coefficients depicting the effects of latent, residual variables, L_1 , are enumerated in the footnote. The curved lines represent correlations between concurrent variables. The association between X_2 and X_3 (.20) is the zero-order correlation already mentioned. The association between X_4 and X_5 (.27) is the part of their zero order correlation (.40) not accounted for by path coefficients from common antecedent variables [i.e. $.27 = .40 - (.22)$ (.59)]

Figure 4

Path Results* Describing PA as an Event Intervening in the Performance and QWL of the Appraisee



*Path coefficients of latent variables:

$$p_{40} = .78, p_{50} = .85, p_{60} = .53, p_{70} = .85$$

$$p_{80} = .91, p_{90} = .98, p_{100} = .78$$

INTERPRETATION OF RESULTS

The results depicted in Figure 4 will be discussed moving from left to right, reflecting the logic underlying the analysis.

Quality of PA and Appraiser's Perception of Manager's Appraisal

The overall quality of the PA process is significantly influenced only by ongoing QWL ($p_{41}=.59$). On the other hand, the Appraiser's Perception of the Manager's Appraisal is significantly affected by both the Manager's prior Appraisal ($p_{53}=.44$) and QWL ($p_{51}=.22$). There is also a degree of common variation between QPA and the Appraiser's Perceived Appraisal ($(.27)^2 = 7.3\%$) indicating that both are partially results of (unmeasured) occurrences taking place during the PA event.

These results indicate that although one might expect the Manager's Perception of Performance to impact on the Quality of PA felt by the appraiser, the only significant impact is from prior QWL. The Appraiser's Perception of Performance does not appear to affect his/her Perception of the Manager's Appraisal. In the process of the PA event there is some degree to which QPA and the perceived level of the appraisal have a common basis, other than the fact that each is partially explained by the prior QWL.

Apparently the quality and message of the appraisal event cannot be entirely separated; although they are distinguishable, as are the impacts of their antecedents. The results illustrate the earlier assertion that the PA event is one which simultaneously engages both QWL and performance issues, potentially intervening in the balance between the two. This is especially pertinent since the concurrent correlations reveal that at any

point in time an organizational member's QWL is independent of that member's perceived performance. The fact that neither QPA nor the perception of the Manager's Appraisal is impacted by the Appraisee's own perception of performance, is an indication of the intervening nature of PA.

The following sections discuss the effects that PA quality and message have on subsequent QWL and performance.

PA Effects on QWL of the Appraisee

At first glance, although there is considerable continuity with the prior state of QWL ($p_{61}=.54$), the path diagram of Figure 4 seems to indicate a substantial PA impact on QWL ($p_{64}=.41$). In fact, however, this effect is not much of an intervening one. Since QPA itself is heavily influenced by prior QWL, QPA is primarily an indirect path by which QWL perpetuates itself. There is, however, some effect due to unexplained QPA variation. Interestingly, the Appraisee's Perception of the Manager's Appraisal had no effect on QWL for the Appraisee. This finding indicates at least three possibilities: either (1) the level of the Manager's Appraisal has little impact on the subordinate's needs, (2) some unmeasured individual level variable such as subordinate's self-esteem (Baird, 1977) is moderating the relationship, or (3) managers "couch" feedback of performance level so that the potential effects of that feedback are moderated by the way they are couched and given meaning by the context in which they are presented. If the creation of such a context is part of the quality of PA then the results suggest that the third possibility is operating. The direct impact on QWL by PA is due to the quality component of the appraisal event. The quality of the context

created for feedback of performance level is important to individual needs not what the level of the appraisal is. There are no direct QWL effects of feeding back appraisals of high or low performance levels. Such a finding may come as a surprise to managers who shy away from feeding back low evaluations and who never hesitate to feed back the high ones, apparently assuming a quality impact in direct relationship to the ratings.

PA Effects on the Appraisee's Perception of Performance

The ways in which PA affects the appraisee's perception of Performance mirrors its impact on QWL. Prior QWL and the Quality of the PA event have no direct effect on the Appraisee's Perception of Performance. Other than the indirect effects of prior QWL through its impact on the Appraisee's Perception of the Manager's Appraisal, the Appraisee's Perception of Performance is impacted by the prior perceptions of the appraisee ($p_{72}=.17$) and the manager ($p_{73}=.24$) and by the Appraisee's Perception of the Manager's Appraisal ($p_{75}=.32$).

The relative weightings of these three influences are important. Appraisees apparently base their subsequent self-appraisals primarily on the message they received through PA. Stubborn adherence to one's original self-appraisal--through defensiveness or otherwise--is seemingly not a strong tendency in this sample. It is clear from these results that in an organizational context with an established and accepted PA tradition PA does contribute significantly to satisfying the organization's needs by bringing the individual's own evaluation of performance more in line with that of the organization (assuming, of course, that managers reflect the organization's perspective). This effect is independent of PA effects on individual QWL. It is not clear whether this effect is achieved by

changing the actual performance of the subordinate or by changing the subordinate's definition of what good and poor performance is. Although both may be contributing, the increase in concurrent correlations between manager and subordinate appraisals from "before" to "after" indicates that much of the effect is due to increased agreement with the manager's definition which shows no change due to PA.

PA Effects on Performance Improvement

Perceptions of Performance Improvement due to PA were not influenced by perceived appraisal levels but rather by the Quality of PA. Only the impact of the QPA on the Appraisee's Perception of Performance Improvement ($p_{84}=.37$) can be considered a substantial effect. QPA impact on the Manager's Perception of Performance Improvement ($p_{94}=.21$) achieved significance as a path coefficient but the total amount of variance explained was insignificant. Nevertheless there is a definite tendency for QPA to be positively related to performance improvement as perceived by both participants. Presumably these apparently shared perceptions reflect a reality of performance change attributable to the PA event. That QPA has simultaneous positive effects on both QWL and Perceptions of Performance Improvement illustrates most clearly the integrative role performed by PA. Increases in QWL for the appraisee can be accompanied by perceived performance improvement because of PA.

These results and those in the previous section illustrate the different roles performed by the two components of the PA event, the appraisal itself and the manner in which that appraisal is delivered. The appraisal itself clearly has an impact on the subordinate's perception and evaluation of performance. The subordinate's view of performance becomes

more closely aligned to the manager's view. This information does not motivate performance change, however. It is the quality of the context in which the appraisal is made and delivered that does so. The quality of the event not only results in performance improvement but also leads to a higher quality work environment that helps ensure high quality PA events in the future.

PA Effect on Manager's Perception of Performance

The Manager's Perception of Performance shows no effect from PA. This, in part, indicates the essentially unilateral nature of PA as usually practiced in organizations. While PA has a definite effect on the Appraisee's Perception of Performance it does not change the manager's perception. Integration is served by evidently moving the appraisee's judgment of performance closer to those used by management. These results conform to the assertion above that performance is an expression of organizational and not individual needs. Any actual performance change implied in the previous section is apparently not large enough, or too recent, to be picked up in the Manager's Perception of Performance.

CONCLUSION

The function of appraisal is to integrate the individual and the organization. The way both individual and organizational needs are met through PA is instructive. The PA event has two aspects: 1) an evaluative message about the appraisee's performance and 2) the quality of the context in which the message is delivered. The evaluative message, when communicated, provides the appraisee with information about the performance needs of management and evidently does serve to shift the appraisee's own definition and evaluation of performance. The message alone does not meet the needs of management or the appraisee, i.e., neither performance nor QWL change due to the PA message. The quality of performance appraisal provides these effects. Evidently, only when the PA event meets the needs of the appraisee (and therefore heightens his or her QWL in general) does the appraisee meet the organization's needs through improved performance. A message in a low quality context may lead to understanding of performance needs but a withholding of performance improvement. A high quality context without an accurate evaluative message may lead to higher QWL and an urge to improve performance but with distorted knowledge of performance needs.

Although the above effects of context quality and message are separate it would not be wise to overlook the partial but significant commonality between them: that is, evaluative message and PA quality are correlated. PA quality and message may be partially confounded because both are being expressed through the same medium, the PA event (McLuhan, 1964).

The findings here give us an indication of what would happen were the evaluative content of the message and the quality of the event to become completely confounded. In a poor performance situation, for instance, a manager would have to sacrifice the expression of performance needs (by avoiding low evaluations) in order to heighten QWL and to improve performance, or if low evaluations were made to clarify performance needs their QWL and performance change would be sacrificed. Both possibilities are characteristic of the paradoxical, dysfunctional situations in which managers frequently find themselves. The results of this study indicate that the paradox is not necessarily a given in the PA situation. It is possible to separate PA quality and message.

One suspects that separation of quality and message is difficult for managers to achieve when left to their own devices, just as the leadership literature has been somewhat pessimistic that a leader can "naturally" adopt both person-oriented and task-oriented styles. It is not clear whether the separation between quality and message found in this study is due to the well established formal PA traditions in the sample or is simply a reflection of people's general ability to separate them. Nevertheless, the data clearly show that PA constitutes an intervention in the appraisee's self-appraisal of performance. Whatever informal, ongoing performance feedback that these managers give their subordinates does not appear to have the impact of the formal PA event. On the quality side, the PA event is less an intervention and more a continuation of the general QWL. This may reflect a lopsided stress in PA systems on controlling the evaluative measurement and message and not the quality of the context in which they occur. Managers are usually left to their own devices in this regard.

To what extent it is possible to control the quality component of PA through formal system design or training is an open question. It is clear from this study, however, that it is a component necessary to achieve the integrative function of PA, and must be considered at least on a par with the performance evaluation itself. Just as we correctly worry about the validity of our performance measurements to avoid jeopardizing organizational needs, we must also worry about the validity of our PA practices in meeting individual needs because without the integration of the two neither will be accomplished.

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