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**THE IMPACT OF DISCUSSING SALARY
ACTION IN THE PERFORMANCE APPRAISAL
MEETING**

**CEO PUBLICATION
T 82-1 (20)**

J. BRUCE PRINCE
Concordia University

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March 1994

Partial financial support was provided by the General Electric Corporation and by the Organizational Effectiveness Research Programs, Office of Naval Research (Code 452) contract N00014-81-K-0048; NR 170-923.

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ABSTRACT

The impact of discussing vs., not discussing salary action on process characteristics (e.g., participation), content characteristics (e.g. work-planning) and PA outcomes (e.g., utility and satisfaction) is examined in a sample of supervisor subordinate pairs. Also contingency factors are evaluated to see if they moderate the impact of discussing salary. The results indicated that salary discussion tended to have a positive impact on process, content and outcomes. Of the five contingency factors investigated, only performance level had an intervening impact. Low performers, compared to the high performer group, evidenced a more positive relationship between extent of salary discussion and PA characteristics and outcomes. Reasons and implications are discussed.

The topic of performance appraisal (PA) is heavily laden with alternative perspectives on its purposes, prescriptions, and underlying dynamics. In contrast to the dissonant voices on many aspects of PA, there is near perfect harmony on one aspect of PA. Over the past 25 years many articles (Beer and Ruh, 1976; Beer, 1981; Meyer, Kay, and French, 1965; and McGregor, 1957) and textbooks (Wexley, 1979; and Porter, Lawler, and Hackman, 1975) have concluded that the discussion of salary actions during performance appraisal sessions has, at best, no positive impact on developmental outcomes (such as subordinate learning and performance improvement) and, at worst, actually thwarts the achievement of those objectives. In addition, it is often suggested that discussing salary can cause the subordinate to be defensive, closed, and mistrustful.

An early catalyst to much of this thinking was Douglas McGregor (1957). He pointed to the many problems in appraisal and advocated a management by objectives (MBO) approach that included subordinate involvement in the appraisal process. A few years later, Herb Meyer and his colleagues published a key article (Meyer, Kay, and French, 1965) that recommended adopting "split roles in performance appraisal." They reasoned that it was ineffective to use the PA tool to achieve subordinate development and improve future performance and, at the same time, use the tool to communicate the supervisor's evaluation and determine salary action. They advised, instead, that discussing the supervisor's evaluation and planned salary action should be accomplished separately from the developmental session. Although they suggested that this recommendation was research-based, they presented logic rather than data to support their argument that when pay is discussed other things are not heard and people are defensive.

The logical or theoretical support provided for the "split roles" advice was two-fold. First, discussing subordinate development and planning future performance was said to require that the supervisor take the role of helper. Discussing the evaluation used to justify the recommended salary change action, on the other hand, put the supervisor in the role of judge. Meyer, et al. (1965) argued that there is an incongruity between these roles and attempting to wear both the helper and judge hats in the same meeting leads to confusion and generally unsatisfactory results. Second, Meyer, et al. (1965) argued that since the subordinate's self-evaluation is generally more positive than the supervisor's evaluation, the subordinate will tend to get defensive when the supervisor shares his/her (lower) performance evaluation while justifying salary action decisions. This defensiveness will severely constrain the accomplishment of meaningful future work planning, goal-setting, subordinate participation, and subsequent performance improvement. They went on to point out that this defensiveness can even prevent the subordinate from hearing what is said during the appraisal session. Finally they suggest that pay is so important to many people that they will go to the appraisal meeting focused on planned salary action and not hear many of the other things which are said.

Recent work in attribution theory also suggests the likelihood of subordinate defensiveness. Mitchell and Wood (1980) argue that the subordinates will tend to attribute performance problems to external causes such as the job, company policies or even poor supervision. The supervisor, on the other hand, will tend to attribute the causes of inadequate performance to something lacking in the subordinate (e.g.,

effort, ability, role understanding, etc.) rather than the context. This disagreement on the basic causes of performance deficiencies could limit the extent that constructive action planning and goal-setting will be accomplished.

Meyer, et al. (1965) imply that while defensiveness may not be avoidable, constructive activities and eventual performance improvement stemming from the total appraisal process are possible. In their view, the separation of the counseling or development activities of the process into a separate meeting which excludes salary action discussion facilitates the achievement of two crucial processes that cannot be achieved in the evaluation session: (1) high subordinate participation, and (2) the establishment of specific work plans and goals. Participation and goal-setting, in turn, are seen as leading to goal attainment or performance improvement. In a later article, Meyer (197_) goes even further and suggests that pay not be related to performance level at all and that only a counseling and developmental session be held.

There are several questionable assumptions that underlie the "split role" perspective. One is that a supervisor can effectively discuss future work plans and goals without presenting (or reiterating) his/her evaluation. It seems likely that the supervisor's evaluation will be present in the developmental session simply because areas of perceived weakness will be focused on.

A second assumption is that a subordinate will accept the separation of the pay discussion even though it is an important topic to them. This too seems questionable given the importance of the topic and the policy of most organizations to connect pay to performance. Indeed not discussing

pay may have the negative effect of denying an important reality and creating an artificial situation which both parties find unreal.

A third assumption is that the discussion of the planned salary change action and the accompanying presentation of the supervisor's evaluation of performance will have a negative impact on (1) the level of subordinate participation, (2) the level of work planning and goal-setting, (3) the extent to which the subordinate gains an improved understanding of duties, responsibilities, and ways to improve performance, and (4) eventual performance improvement. One argument why discussing pay will improve these factors is that the inclusion of this important topic will create a realistic situation that will motivate both parties to better prepare for the meeting and commit more care and energy to the discussion.

A fourth assumption is that situational factors do not moderate or alter the effects of discussing salary. The split roles prescription is typically advocated for all situations despite the fact that such things as the favorableness of the rating, level of frequent feedback, and the quality of the supervisor-subordinate relationship might influence the consequences of discussing salary. Again, arguments based on other research can be developed why all of these might moderate the impact of discussing salary.

A review of the literature reveals that these assumptions have not been directly tested. The Meyer, et al. (1965) research was designed to determine the impact of criticism on subordinate participation, and work planning on goal attainment. They did not directly test the impact of discussing salary action. The assumed negative impact of discussing

salary action was either based on logic or inferred from indirect data. Given the widespread acceptance that the "split roles of PA" perspective has enjoyed and the frequency in which this advice is given, a direct test of the impact of discussing salary change in an appraisal meeting is past due.

METHODOLOGY

Sample

Two separate samples were used. Both groups consisted of supervisor and subordinate pairs from nine different sites of a large multi-industry company. The nine participating sites represented different industries ranging from nuclear energy to consumer products to aircraft engines. Interviews with PA administrators at each of the sites indicated that there was a wide range of PA practices and philosophies across sites.

The first sample, called the "Before-After" sample, consisted of supervisors and subordinate pairs that were scheduled to have an appraisal meeting in the last quarter of 1979. Questionnaire data were gathered from each in September prior to the meeting ("Before" questionnaire) and in December or January subsequent to the appraisal event ("After" questionnaire). This group was a random sample, stratified by the subordinate's hierarchical level and functional area. It included approximately 600 supervisor-subordinate pairs. The research plan required that supervisor-subordinate pairs be identifiable by the researchers. To accomplish this, individual questionnaires were coded by the research staff at the university and put into envelopes labeled with their names. These were distributed by personnel representatives in on-site, one-hour group administration sessions. Upon completion of the

questionnaire the respondents would insert it into a return envelope. These completed questionnaires were gathered by the personnel representatives and sent to the research staff. In a few instances respondents selected the option of sending the questionnaires directly back to the university. A check of these direct mail-backs indicated they consisted mainly of people not convened in group administrations. Due to such things as geographical dispersion and frustrated attempts to get them to scheduled group administration sessions, the personnel representatives at a few sites had mailed the questionnaire to them to be completed and returned directly to the university.

In total, data were gathered from 571 pairs. In some cases, either the supervisor and/or subordinate responses gathered before or after the appraisal meeting were missing due to scheduling conflicts (including rescheduling of PA meeting) and staffing changes (promotions, transfers, terminations, etc.) over the six-month period between sample determination and the final data collection point. These changes and conflicts left 233 pairs with complete data from each of the four questionnaires, 322 pairs with complete subordinate data, and 311 pairs with complete supervisor data.

The second group, called the "After Only" sample, consisted of supervisor-subordinate pairs that were scheduled to complete an appraisal session during the first quarter of 1979. This random sample was stratified in a manner similar to the Before-After sample. They completed the supervisor and subordinate versions of a questionnaire under controlled circumstances similar to the first sample in September 1979. The lag between the actual PA meeting and the questionnaire administration

averaged 7.44 months. Of the initial 600 pairs, supervisor and/or subordinate data was obtained from 523 pairs. Complete data was obtained from 408 pairs. A total of 448 subordinates and 460 supervisors provided data.

The questionnaires used in both samples included many of the same items. In some cases, slight wording changes were required given respondent differences (supervisor versus subordinate) and whether the PA meeting was in the future or the past. The similarity between questionnaires provided us an opportunity to use the After Only sample to test the replicability of the Before-After sample results and to determine if the Before questionnaire had sensitized the respondents and altered the way they responded to the After questionnaire.

Measures

Six questionnaires were used: supervisor after-only, supervisor before, supervisor after, subordinate after-only, subordinate before and subordinate after. The questionnaires administered after the completion of the PA meeting included questions on the content and process characteristics of the meeting, its outcomes, and the context of that event. Questions relevant to each of those logical categories were included in separate factor analyses. A principal component analysis with estimates of communalities in the diagonals and VARIMAX rotation was used to identify the most reasonable interpretation of the salient dimensions of the appraisal meeting, its outcomes and the context of the PA event. Factors that: (1) had clear, discernible item factor loadings, (2) were easily interpretable, and (3) could be replicated in each of the four analyses (supervisor and subordinate responses in both the Before-After

and After Only samples) were used in this research. Basic statistics for the resulting scales, including the Cronbach Alpha reliability coefficients, are presented in Table 1. These scales utilized subordinate perceptions after the PA meeting and do not deal with supervisor's views of the PA event.

As can be seen in that table, the alpha coefficients for the Before-After sample are generally quite good. The scales for the After Only samples sometimes included a subset of items used in the Before-After scales. The lower number of items on particular After Only scales contributed to some lessening of the coefficient magnitude, but the alpha levels are still generally acceptable. The items in each scale are presented in Appendix I.

Insert Table 1 About Here

The scales dealing with the meeting characteristics involved those dealings with how the event was conducted or process characteristics and what was discussed or content characteristics. The process variables were: (1) Participation-Ownership (from Greller's (1978) "ownership" scale) which is more psychological than behavioral and indicates the subordinate's perceived opportunity to participate in a sense of shared responsibility for the appraisal; (2) Participation-Contribution (from Greller's (1978) "contribution" scale) which focuses more on behaviors and effects and indicates the subordinate's perceived impact on the decisions made; and (3) Supportive Climate which indicates the extent the meeting was viewed as relaxed, constructive, and trusting (versus tense, destructive, and distrusting). The content variables were:

(1) Work Planning and Goal-Setting which indicates the extent the meeting included establishing future work goals, discussing ways to improve performance, and sharing related information; (2) Career Development Focus which indicates the extent on which the subordinate's future career was focused; (3) Performance Attributes Focus which indicates the extent the discussion focused on the subordinate's effort, results achieved, job-related behaviors, and skills and abilities; and (4) Salary Change Focus which indicates the extent the discussion focused on communicating and explaining pay decisions.

Three outcome measures of the appraisal event were used. Utility indicates the subordinate's perceived amount of learning or improved role clarity that resulted from the appraisal meeting. This scale included three items from Greller's (1978) utility scale plus two related items. The Satisfaction with PA scale includes three items from Greller's (1978) satisfaction with the appraisal scale, plus several semantic differential responses describing the subordinate's reactions (deflated vs. enthused, resentful vs. committed, anxious vs. calm, etc.). The third outcome was a single item measure of the subordinate's perceived Performance Improvement that resulted from the PA. The responses were anchored in phrases widely used and understood in the company and ranged from (7) Improved Very Much to (4) Stayed About the Same to (1) Fallen Off Considerably.

Five possible intervening situational factors were analyzed using items from the supervisor and/or subordinate "Before" questionnaires. These data were collected two-to-three months prior to the PA and well in advance of the PA characteristic and outcome measures drawn from the

"after" questionnaire. The five contingency measures are: 1) a single item measure of the supervisor's perception of the subordinate's performance level, 2) a three-item scale ($\alpha = .81$) of the subordinate's perceived job clarity which measured the extent job duties are clearly understood, (e.g., "I understand clearly my exact job duties and responsibilities"), 3) an eight-item scale ($\alpha = .90$) measuring the quality of relationship between the subordinate and manager (e.g., tense vs. relaxed distrusting vs. trusting, hostile vs. friendly, etc.) as perceived by the subordinate, 4) a single-item measure of the subordinate's belief that PA should only be done for the subordinate's development, and 5) level of agreement on performance which was determined by looking at the differences between the supervisor appraisal and the subordinate's self-appraisal.

Analysis

To address questions concerned with the impact of salary change discussion on the performance appraisal meeting and its outcomes, two groups were created based on responses to the salary change focus scale. The "not discussed" group indicated salary had been mentioned "not at all" or had been "mentioned in passing." The "discussed salary change" group included those indicating that salary discussion ranged from being given "moderate attention" up through "dominated the discussion." Mean levels of content, process and outcome variables in each of those groups were evaluated using T-tests.

Given the centralness of participation and goal-setting to the "split roles" thesis, a second set of analyses evaluated the impact of salary action discussion under different levels of those key variables.

To do this, four groups were created by dividing the salary change "discussed" and "not discussed" into high and low participation-contribution subgroups. The "low participation" group had disagreed with such items as "influenced the goals that were set," and had a score of less than four (out of seven possible) on that scale. The "high" group had agreed with the participation items and scored four or higher. Additionally, another set of four groups were created by splitting the salary discussed versus not discussed groups into high and low work planning and goal-setting subgroups. The "low" groups had indicated that such things as "supervisor and subordinate plan future work goals" had happened "not at all" up to "to some extent" (3.0 or less on the 7.0 scale), while the "high" groups had indicated such things happened "to a large extent" up to a very great extent (greater than 3.0 on the 7.0 scale). The mean levels of the three criterion measures in each of the two sets of four groups were evaluated using one-way ANOVA. Where there was an overall significant F-value, the Duncan procedure was used to evaluate the distance between each subgroup mean.

The five contingency factors described in the measures section were used to evaluate the possibility that the relationship between salary change focus and other PA variables may be situationally specific. To explore this possibility, subgroup correlation analysis between the extent of salary focus and other PA variables was used. The subgroups used in the correlational analysis were determined empirically (mean splits) or based on logical considerations.

The first factor--performance level--was used to split subordinates into a low to average performance level subgroup (N = 164) which consisted

of those whose supervisors rated their performance as "slightly exceeded normal standards" or lower, and a high performer subgroup (N = 133) with ratings of "exceeded normal standards" or "far exceeded normal standards." Previous research on performance appraisal has indicated the importance of this variable. Notably, Cummings and Schwab (1973) base their contingency model of PA on the subordinate's performance level.

High (N = 174) and low (N = 118) job clarity subgroups were created by mean splits, as were high (N = 118) and low (N = 117) quality of relationship subgroup. Both of these factor tap important dimensions of the context in which the PA process takes place. Perhaps, jobs that are more clearly specified present a context in which the information required to address performance improvement areas are relatively easy to identify and communicate. In such situations, the information load would be much lighter and less subject to any distortion associated with discussing salary action. Additionally, a high quality relationship could also contribute to less distortion and more understanding since the subordinate would be more trustful and both would have a sound basis for working through any defensiveness.

The subgroups based on the subordinate's belief that PA should be done for the subordinate's development were created by placing those who responded with "strongly agree" to "slightly agree" into the "agreed" subgroup (N = 96) and those who responded with "slightly disagree" up through "strongly disagree" into the "disagreed" subgroup (N = 216). Those that reported they "neither disagree nor agree" were excluded from the analysis. Inclusion of salary action discussion is seemingly inconsistent with this belief and could be particularly problematic in those circumstances.

The final contingency factor evaluated was the level of agreement or performance level. This measure was developed by subtracting the supervisor's evaluation from the subordinate's self-appraisal of current performance. These items mirrored each other closely and has the same anchors. Pairs in which both indicated the same evaluation or were one off from each other (i.e., the difference score was 0, 1 or -1) were designated as the "agreed" subgroup (N = 222). Those pairs in which the subordinate's self-rating was greater than the manager's by two or more (i.e., the difference score was two or more) with in the "disagreed" group (N = 59). Appraisals where a basic disagreement on performance level does not have to be worked through should be much simpler and a constructive, non-defensive discussion of ways to improve performance is more likely to take place.

RESULTS

The analysis of the general impact of salary discussion is presented in Table 2. The results in the Before-After and After Only samples are quite consistent with each other and in exactly the opposite direction predicted by the "split roles" logic! Wherever there is a significant difference between the salary change "discussed" and "not discussed" groups, it is in the direction of the group that focused on salary change having a higher mean value. This result is replicated in the second sample on some of the variables central to the "split roles" thesis (i.e., work planning and goal-setting, utility of PA, and satisfaction with PA). The results of the analysis on the participation-contribution scale narrowly miss being replicated in the After Only sample ($p = .056$). Of

the remaining comparisons, only one does not follow the same pattern and in that case the means are numerically the same (supportive climate in the Before-After sample).

Insert Table 2 About Here

The second set of analyses focused on the combined impact of different levels of participation or work planning and goal-setting and the extent that salary change was discussed on the outcomes of PA. The analyses addressing this issue are presented in Table 3. Again, the results present a consistent picture and, again, the results do not conform to the predictions derived from the "split roles" logic. Clearly, extent of salary discussion is not exerting a powerful influence. The results of the Before-After sample quite consistently present a pattern of the two high work planning and goal-setting and the two high participation subgroups (#4 and #2 columns) being the highest on the three criteria measures irrespective of whether salary change was discussed or not discussed. With one exception, this same pattern was replicated in the After Only sample. In the exception, the discussed salary subgroup (#4) is significantly higher in level of performance improvement than the subgroup that did not discuss salary change (#2). When participation or work planning and goal-setting was present in lower levels (subgroups #1 and #3), the criterion mean in the subgroup with salary discussion (#3) is either no different or significantly higher than the "not discussed" subgroup (#1) mean. The three instances where the "salary discussed" subgroup (#3) was higher occurred in the Before-After sample and is not replicated in the After Only samples.

Insert Table 3 About Here

The results concerning the five contingency factors are presented in Table 4. To aid the interpretation of the subgroup correlational analysis, the zero-order correlations for the whole sample are also presented. Only performance level, as evaluated by the supervisor prior to the PA, appears to have a consistent intervening impact in the Before-After sample. All of the correlations in the subgroup whose supervisor rated their performance as average or below are higher than the corresponding correlation in the high performer subgroup. In five out of the nine correlation pairs, the difference in magnitude is significant. Work planning and goal-setting, participation-ownership, and satisfaction with PA is significantly more positively correlated with salary focus in the low to average performer subgroup than in the high performance subgroup. Two additional variables central to the "split roles" logic-- participation-contribution and utility of PA--also showed a definite trend toward this same pattern (the z-values are in the $.05 \leq p \leq .10$ range).

Insert Table 4 About Here

There is marginal evidence in the Before-After sample that the level of agreement between the supervisor's performance evaluation and the subordinate's self-evaluation impacted the relationship between the extent of salary discussion and the content, process, and outcome characteristics of performance appraisal. Here the subgroup that evidenced disagreement in ratings tends to have higher positive

correlations between salary discussion and other PA characteristics. The magnitude of the correlations with participation-contribution was significant at the $p \leq .10$ level, while the correlation with supportive climate reached the .05 alpha level.

As is the case in the previous analyses, the contingency predictions derived from the split roles logic are not supported. The pattern of differential correlations between the performance level and level of agreement in performance evaluation subgroups not only does not support the thesis, but tends to be in the opposite direction.

A replication analysis on the five possible contingency factors was performed with the After Only sample, but are not included in Table 4. The pattern of relationships found in the Before-After sample were not generally confirmed. For the most part, the magnitude of all the correlations in the subgroups were fairly low and did not depart significantly from zero. This is no doubt traceable to the lower correlations with salary change discussions found in the total After Only sample (see Table 4). The clear pattern of lower correlation found in the After Only sample are, at least in part, explained by the generally lower reliabilities of those scales and, in particular, by the unknown (but probably lower) reliability of the single-item salary change discussion scale. Additionally, the longer time lag between the appraisal meeting and completion of the questionnaire (7.44 months in the After Only sample versus around two months in the Before-After sample) and the increased problem of faulty recollection of the PA meeting with the After Only sample can help to explain the lower level of correlations.

DISCUSSION

The results are in marked contrast to the usual wisdom about the impact of salary action discussion on the performance appraisal meeting. First, the results of the T-test analysis point to the conclusion that where there is a relationship it is positive,. Second, the ANOVA results underscore the conclusion that discussing salary change does not have a negative impact on the three outcomes of PA. It does confirm the positive relationship of participation and goal-setting to PA noted by Meyer, et al. (1965), and many others. This second analysis indicated that the positive impact of salary change discussion is quite weak and is overshadowed by the effects participation and goal-setting have. However, there were some indications that salary action discussion had more of a positive impact when participation and goal-setting were present in low amounts.

Finally, the subgroup correlational analyses found one intervening variable that consistently moderated the generally positive impact of salary discussion to the PA event. When performance, as rated by the manager prior to the interview, is low or average, salary action discussion was significantly correlated with all of the content, process, and outcome variables investigated. The key PA variables we have focused on frequently (i.e., satisfaction with PA, utility of PA, work planning and goal-setting, and participation-contribution) had the highest correlations, ranging between .28 and .45. However, when that performance rating was high, all of those correlations were not significantly different from zero. Furthermore, the difference between each pair of correlations reached the $p \leq .10$ level seven out of nine times.

The next question is: Why? What explanation is there for these results? One possible explanation is that when the performance appraisal session contained a salary discussion it was more substantial in terms of information. This increased level of information, in turn, facilitated the achievement of higher levels of participation, work planning and goal-setting, utility, etc.

There are two likely reasons for this. First, presenting the specific amount of salary change can be informative in and of itself. It can help communicate what particular aspects of the subordinate's performance are really valued. Note that a particular item in the utility scale is, "I have a clearer understanding of what my supervisor expects from me." Also low satisfaction stemming from being evaluated by unclear or unknown criteria could also be improved by the increase in information presented to the subordinate. Second, having a salary change discussion can contribute indirectly to the information content of the PA by encouraging the manager to give more specifics to back up the evaluation. Presenting an evaluation associated with a low or mediocre pay raise can be quite uncomfortable. Perhaps the supervisor relieves some of this anxiety by preparing for the interview more completely and, thus, is able to back up those uncomfortable evaluations with specific details. The managers in the "salary change not discussed" group would logically find it much easier to gloss over those negative evaluations quickly or not at all, or perhaps sandwich them between a couple of uninformative positive comments. Many authors have noted the positive impact of specific, concrete feedback (Locke, 1968; and Porter, Lawler, and Hackman, 1975), and the tendency of supervisors to avoid confronting poor performance

(Lawler, 1981). Certainly, being in the position of having to defend against such comments as, "How come I'm not getting more money," would provide plenty of encouragement to either have a response to such questions or provide that information up front. Managers that do not present salary change information lack this situational prod to be completely prepared for the PA session and more descriptive during it.

The contingency analysis results that performance level moderates the effects of salary discussion support this line of reasoning. The finding that salary discussion was more positively related to PA characteristics and outcomes with the low or average performer can be partially explained by an increase level of preparation and care in execution by the supervisor to handle this particularly difficult situation in which the subordinate must be told that performance is lacking and salary change will reflect that fact.

A second possible explanation for the results is that the discussion of salary may energize the discussion. This, in turn, can lead to real subordinate participation, which has been shown to favorably affect commitment to the objectives set and enhance the subordinate's understanding of the objectives (Mitchell, 1973; and Maier, 1970). The presentation of specific information (like the explanation of why he/she is getting such and such a raise) gives the subordinate something to react to and elaborate upon. Whether or not the increased subordinate involvement stemming from salary change discussion is positive would depend primarily on the manager's skill level. The company in which this research took place has demonstrated a fairly high level concern that performance appraisals be done effectively. Their willingness to fund

this research effort, as well as others, is one manifestation of this concern. Perhaps, with a less concerned company and a less skilled group, the manager would not be as generally able to turn salary discussion induced subordinate involvement into positive outcomes.

Related to this point is the view that the subordinates want to discuss pay since it is important and they see a natural relationship between pay and performance level. When it is not discussed, they do not take the discussion seriously enough since it is not dealing with important topics, hence they are neither satisfied, energized, nor motivated to participate.

The above explanations of the results obtained has strongly suggested that salary action discussion contributes to subordinate learning (as measured by the utility scale) and satisfaction associated with PA through its positive impact on work planning and goal-setting and participation. While not definitive, due to the cross-sectional nature of the data, some preliminary path analysis has supported this point. When utility was regressed on all process and content characteristics in the Before-After sample, the beta weight for salary change discussion was not significant. The beta weights for participation (.15) and goal-setting (.49) were significant, as were the zero-order correlations between salary discussion and goal-setting (.31) and participation (.19).

CONCLUSION

Overall, the data suggests that it is a mistake to create formal PA procedures that "outlaw" the discussion of salary action in appraisal meetings which focus on subordinate development and attempts to improve future performance. At best, excluding salary discussion may not hurt anybody. Our data, however, strongly indicate that the exclusion of salary discussion will not improve the process by facilitating subordinate learning or satisfaction with PA, or contribute to eventual performance improvement. Other aspects of the PA meeting (e.g., participation and work planning and goal-setting) appear to be much more critical to the effective functioning of a PA system. Those other aspects are what should be focused on. Concern with when and where salary change discussion takes place not only appears to distract PA system designers from more important issues, but it may also give them an unjustified sense of security.

Table 1

SCALE STATISTICS

<u>Process Variables</u>	<u>Sample¹</u>	<u>Alpha²</u>	<u>Number of Items</u>	<u>Mean</u>	<u>Length</u>	<u>SD</u>	<u>N</u>
1. Participation- Ownership	B/A	.79	3	4.69	1-7	1.39	340
	AO	.77	3	4.78	1-7	1.34	453
2. Participation- Contribution	B/A	.78	3	3.80	1-7	1.43	334
	AO	.73	3	4.11	1-7	1.33	450
3. Supportive Climate	B/A	.90	5	5.27	1-7	1.34	337
	AO	.86	5	5.29	1-7	1.14	445
<u>Content Variables</u>							
4. Work Planning and Goal-Setting	B/A	.89	8	2.52	1-5	.88	322
	AO	.62	2	2.50	1-5	.88	448
5. Discuss Perform- ance Attributes	B/A	.83	4	3.75	1-5	.87	338
	AO	.69	3	3.81	1-5	.77	450
6. Career Develop- ment Discussion	B/A	.85	2	2.53	1-5	.94	340
	AO	.86	2	2.62	1-5	.94	452
7. Salary Change Discussion	B/A	.71	3	2.29	1-5	.98	325
	AO	--	1	2.12	1-5	1.12	452
<u>Outcome Variables</u>							
8. Utility of PA	B/A	.89	5	4.17	1-7	1.24	334
	AO	.88	5	3.83	1-7	1.25	449
9. Satisfaction with PA	B/A	.86	3	3.61	1-7	1.32	337
	AO	.85	3	4.17	1-7	1.50	446
10. Perceived Perform- ance Improvement	B/A	--	1	4.40	1-7	.91	339
	AO	--	1	4.50	1-7	.92	448

Note: 1. "B/A" refers to the Before-After sample; "AO" refers to the After Only sample.
 2. Standardized Cronbach alpha coefficients were used to assess reliability.

Table 2

T-TEST ANALYSIS

Appraisal Meeting Characteristics	Before-After Sample		After Only Sample		t-value
	SALARY CHANGE		SALARY CHANGE		
	Discussed (N=156)	Not Discussed (N=166)	Discussed (N=282)	Not Discussed (N=166)	
<u>PROCESS</u>					
1. Ownership (Participation)	4.56	4.81	4.70	4.90	-1.66
2. Contribution (Participation)	3.56	3.97	4.01	4.26	-1.92
3. Supportive Climate	5.32	5.32	5.27	5.32	-0.39
<u>CONTENT</u>					
4. Work Planning and Goal-Setting	2.30	2.74	2.44	2.61	-2.01*
5. Discuss Performance Attributes	3.70	3.81	3.79	3.87	-1.07
6. Career Development Discussion	2.41	2.66	2.58	2.65	-1.06
<u>OUTCOMES</u>					
7. Utility of PA	3.37	3.83	3.73	4.00	-2.25*
8. Satisfaction with PA	4.00	4.50	4.04	4.39	-2.43*
9. Performance Improved	4.37	4.43	4.44	4.62	-2.09*

*p ≤ .05

**p ≤ .01

***p ≤ .001

Table 3

ONE-WAY ANOVA

Subgroups based on:	Utility of PA				PA Satisfaction				Performance Improvement					
	Overall F-value	#1	#2	#3	Overall F-value	#1	#2	#3	Overall F-value	#1	#2	#3	#4	
1. Salary Discussion and Work Planning and Goal-Setting														
Before-After Sample (N=322)	34.32*** ²	3.00 ^A	4.43 ^C	3.31 ^B	4.65 ^C	26.74***	3.64 ^A	5.41 ^B	3.95 ^A	5.15 ^B	6.71***	4.23 ^A	4.77 ^B	4.22 ^A
After Only Sample (N=448)	38.24***	3.38 ^A	4.38 ^B	3.07 ^A	4.46 ^B	17.82***	3.80 ^A	4.47 ^B	3.52 ^A	4.85 ^B	9.28***	4.24 ^A	4.56 ^B	4.22 ^A
2. Salary Discussion and Participation-Contribution														
Before-After Sample (N=322)	25.08***	2.80 ^A	4.05 ^C	3.34 ^B	4.12 ^C	13.53***	3.50 ^A	4.61 ^C	4.07 ^B	4.80 ^C	5.54***	4.17 ^A	4.66 ^B	4.21 ^A
After Only Sample (N=448)	26.22***	3.17 ^A	4.10 ^B	3.29 ^A	4.33 ^B	16.70***	3.45 ^A	4.42 ^B	3.84 ^A	4.66 ^B	16.01***	4.29 ^A	4.70 ^B	4.11 ^A

*p ≤ .05 **p ≤ .01 ***p ≤ .001

Notes: 1. The subgroups are coded as follows: #1--low Participation or Work Planning and Salary Change Not Discussed; #2--high Participation or Work Planning and Salary Change Not Discussed; #3--low Participation or Work Planning and Salary Change Discussed; and #4--high Participation or Work Planning and Salary Change Discussed.

2. If the Overall F-value reached significance, the Duncan procedure was then used to evaluate the distance between subgroup means at the .05 level. Means within each homogeneous grouping (at the .05 level) are coded with the same alphabetic code (A, B or C). The lowest grouping is coded as "A", the next higher as "B", etc.

Table 4

CONTINGENCY ANALYSIS

Salary Discussion Correlated with	Whole Group		Supervisor's Evaluation		Job Clarity		z-value
	B/A Sample (N=322)	AO Sample (N=448)	Low or Average (N=164)	High (N=133)	Low (N=174)	High (N=118)	
1. Participation- Ownership	.14**	.06	.26*	-.01	.16*	.18*	--
2. Participation- Contribution	.19**	.10*	.28***	.07	.18**	.34***	--
3. Supportive Climate	.07	.00	.21**	-.12	.08	.04	--
4. Work Planning and Goal-Setting	.31**	.04	.45***	.11	.26***	.28***	--
5. Performance Attri- bute Discussion	.16**	.03	.25***	.01	.07	.23**	--
6. Career Development Discussion	.17**	.02	.24***	.09	.16*	.13	--
7. Utility of PA	.23**	.06	.33***	.12	.27***	.22**	--
8. Satisfaction with PA	.25**	.04	.42***	.03	.25***	.24**	--
9. Perceived Perfor- mance Improvement	.07	.08	.15*	.00	.12	.11	--

*p ≤ .05 **p ≤ .01 ***p ≤ .001

Note: 1. Z-values less than p = .10 are not included; values between p = .10 and p > .05 are included, but not asterisked.

Table 4 (continued)

Salary Discussion Correlated with	Quality of Relationship			PA only for Development			Supervisor and Subordinate Performance Rating		
	Low (N=118)	High (N=117)	z-value	Disagree (N=216)	Agree (N=96)	z-value	Agree (N=222)	Disagree (N=59)	z-value
1. Participation- Ownership	.19*	.05	--	.11	.16	--	.08	.26*	--
2. Participation- Contribution	.34***	.15	--	.18**	.19*	--	.15*	.37**	1.58
3. Supportive Climate	.04	-.08	--	.01	.16	--	-.01	.28*	1.98*
4. Work Planning and Goal-Setting	.28***	.26**	--	.31***	.31***	--	.29**	.35**	--
5. Performance Attri- bute Discussion	.23**	.04	--	.11*	.18*	--	.13*	.10	--
6. Career Development Discussion	.13	.15	--	.15*	.20*	--	.13*	.26*	--
7. Utility of PA	.22**	.26**	--	.21***	.25**	--	.20**	.35**	--
8. Satisfaction with PA	.24**	.24**	--	.20**	.36***	--	.20***	.37**	--
9. Perceived Perfor- mance Improvement	.11	.16*	--	.09	.01	--	.07	.00	--

*p ≤ .05

**p ≤ .01

***p ≤ .001

SCALE DESCRIPTIONS

Process Variables:

A. Participation-Ownership¹

1. My supervisor and I share responsibility for the way the appraisal went.
2. My supervisor invited my participation.
3. The appraisal covered most of the issues that were important to me.

B. Participation-Contribution¹

1. I made suggestions about how the job might be done differently.
2. I had an impact on the way things were to be done in the future.
3. I influenced the goals that were set.

C. Supportive Climate²

Please circle the number that best described the appraisal interview:

1. Tense vs. Relaxed
2. Friendly vs. Hostile (Reversed)
3. Constructive vs. Destructive (Reversed)
4. Trusting vs. Distrusting (Reversed)
5. Open vs. Reserved (Reversed)

Content Variables:

D. Work Planning

Please indicate to what extent the appraisal and/or interview actually accomplished purposes listed below:

- *1. Supervisor and subordinate plan future work goals.³
- *2. Advise subordinate on how to achieve career goals.³
- *3. Plan developmental activities for the subordinate.³
- *4. Lay out specific ways in which subordinate can improve performance.³
- *5. Inform subordinate of job requirements.³
- *6. Inform subordinate of skills lacking.³
7. Setting future performance goals for me.⁴
8. Ways to improve my performance.⁴

E. Discuss Performance Attributes³

To what extent was the actual evaluation of your performance based on the following?

1. The results I achieved in my job.
2. My job-related behaviors.
3. My skills and abilities.
- *4. The effort I put into my job.

F. Career Development Discussion⁴

How much was each of these areas discussed?

1. My career and personal development.
2. Specific career development goals for me.

G. Salary Change Discussion

How much was each of these areas discussed?

1. My salary⁴

Please indicate to what extent the appraisal and/or interview actually accomplished the purpose listed below.

- *2. Determine appropriate pay.³
- *3. Communicate and explain pay decisions.³

Outcomes of the Appraisal Process:

H. Utility of PA¹

1. The appraisal helped me learn how I can do my job better.
2. I learned a lot from the appraisal.
3. I have a clearer idea of what my supervisor expects from me because of the appraisal.
4. I obtained information that enabled me to make specific changes to better my performance.
5. I more clearly understand my exact job duties and responsibilities.

I. Satisfaction with PA¹

1. I was satisfied with the review.
2. I feel good about the way the appraisal was conducted.
3. There are many ways in which I would have liked the appraisal to be different. (Reversed)

J. Subordinate's Perceived Performance Improvement

As a result of performance appraisal, my performance has:

(1) Improved very much, (2) Improved, (3) Slightly Improved, (4) Stayed about the same, (5) Fallen off slightly, (6) Fallen off, (7) Fallen off considerably. (Reversed)

Response Scale Information:

1. These items used the following seven-point response scale: (1) Strongly Disagree, (2) Disagree, (3) Slightly Disagree, (4) Neither Disagree nor Agree, (5) Slightly Agree, (6) Agree, (7) Strongly Agree.
2. These items used a seven-point semantic differential scale format.
3. These items used the following five-point response scale: (1) Not at all, (3) To a moderate extent, (5) To a very great extent.
4. These items used the following five-point response scale: (1) Not mentioned, (2) Mentioned in passing, (3) Given moderate attention, (4) Given considerable attention, (5) Dominated the discussion.

*Indicates item was not included in scale for the "After Only" sample.

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