Consequences of the performance appraisal experience

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Abstract
Purpose – The purpose of this paper is to examine the role of low quality performance appraisals (PA) on three human resource management outcomes (job satisfaction, organisational commitment and intention to quit).

Design/methodology/approach – Using data from 2,336 public sector employees clusters of PA experiences (low, mixed and high) were identified. Regression analysis was then employed to examine the relationship between low quality PA experiences and job satisfaction, organisational commitment and intention to quit.

Findings – Employees with low quality PA experiences (relative to those with mixed and high quality PA experiences) were more likely to be dissatisfied with their job, be less committed to the organisation and more likely to be contemplating leaving the organisation.

Research limitations/implications – The data were collected in a large public sector research organisation where the results of the appraisal were linked to pay increments. Further research is needed to determine the applicability of the results to private sector employees.

Practical implications – The quality of the PA experience varies and a low quality experience results in lower job satisfaction and organisational commitment and higher quit intentions. The challenge for human resource (HR) practitioners is to decide whether the allocation of additional resources to ensure that all employees have a uniformly high quality PA experience is a worthwhile investment.

Originality/value – Research has tended to focus on the relationship between a single feature of a PA process and HR outcomes. Organisations need to acknowledge the importance of the overall PA experience when evaluating its consequences for HRM outcomes.

Keywords Performance appraisal, Performance management, Job satisfaction, Pay, Organizational behaviour, Employee turnover

Paper type Research paper

There is an increasing use being made of the performance appraisal process (Millward et al., 2000; Nankervis and Compton, 2006; Wiese and Buckley, 1998) generally

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motivated by an organisational desire to affect employee behaviours and attitudes and, ultimately, organisational performance (Aguinis, 2009; Gardner, 2008; Murphy and Cleveland, 1991; Shields, 2007). This occurs as a consequence of the establishment of goals at the beginning of the evaluation cycle which provide employees with clear performance targets, the monitoring of performance during the evaluation cycle (which can be used to assist poor performers) and the reinforcement provided for good performance through the provision of rewards, usually in the form of higher pay (Milkovich and Wigdor, 1991). This process is seen to encourage employee performance in subsequent performance cycles (Heneman and Werner, 2005; Mani, 2002).

The capacity to achieve these positive outcomes will be a function of the quality of the performance appraisal (PA) experience. Taking a lead from the operations management field, quality is typically defined as establishing and operating processes that promote organisational efficiency (for example see: American Society for Quality (available at: www.asq.org). The aim of a quality approach is to reduce variation in every process in order to obtain greater consistency (Roberts and Sergesketter, 1993).

PA is a complex process and there is scope for variation, particularly when the supervisor is required to make subjective judgments of employee performance (as compared with an objective performance appraisal where the measurement focuses on the quantifiable aspects of job performance). Subjective judgements have the potential to dilute the quality of the PA process as they may be influenced by bias or distortion as a result of emotion (for example, see Longenecker et al., 1987; Murphy and Cleveland, 1995). Understanding the impact of PA quality is particularly important as Treadway et al. (2007) suggest that PAs are becoming increasingly subjective.

Assessments of quality typically require the involvement of stakeholders (Ghorpade and Chen, 1995). In the context of performance appraisals, a critical stakeholder is the employee: the PA process is designed to stimulate employee performance (Aguinis, 2009). In this paper we use employees as our assessors of PA quality as it is the behaviours and attitudes of employees that are important to the overall success of a PA process (Keeping and Levy, 2000). Employees are sensitive to quality variations in PA as its processes are a powerful determinant of employees’ prospects (for example, promotion, termination of employment) within the organisation. Thayer (1987) suggests PA quality variations will generate strong reactions among employees.

Organisational efficiency can be affected by the quality of the performance appraisal process. In our paper, the focus is on the impact of low quality PA on three indicators of organisational efficiency: job satisfaction, organisational commitment and intent to quit. Past research has typically focused on a single outcome of PA (for example, satisfaction with appraisal feedback: see Jawahar, 2006), though from a practical perspective organisations need to weigh up the combined effects of an appraisal process in order to determine if the advantages outweigh the costs (Taylor et al., 1995).

In this paper, the quality of an employee’s PA experience is determined by combining aspects of the PA process into a measure of their total experience. Our definition of quality, developed in a subsequent section, focuses on the formal appraisal procedures, the enactment of these formal appraisal procedures and the interpersonal treatment of employees during the appraisal process. This approach is a response to
the observation that many organisations equate PA with a single practice, for example, goal setting (Fletcher and Williams, 1996), which is inappropriate. Heathfield (2007) advises that organisations need to make a commitment to the whole PA process, and not just its components, in order to achieve its objectives.

Our particular focus is on those employees who report low quality PA experiences as this can help HR practitioners identify useful areas for improvement. Past research has tended to focus on the positive organisational effects that a single feature of a PA process can achieve, but what is less understood is what happens when multiple aspects of the PA process are working less than optimally. We might anticipate that an employee who has a low quality PA experience does not react at all: the process was intended to promote a range of positive outcomes and in the absence of a positive PA experience the employee fails to react at all. Alternatively, the justice (Adam, 1965) and emotion research (for example, see Fugate et al., 2008) suggests that negative assessments are more powerful drivers of employee attitudes and behaviours than are positive assessments. Therefore, we might expect that when an employee reports a low quality PA experience across multiple features of the PA process that they will indeed react in a negative way. Our study provides an opportunity to test these two interpretations of employee reactions to low quality appraisals.

Understanding the implications of low quality PA experiences is important: a review of the practitioner and academic journals suggests that low quality PA is a continuing challenge for organisations (Gardner, 2008; Heathfield, 2007; Moats-Kennedy, 1999; Merritt, 2007) so the consequences of low quality PA experiences are potentially of interest to many organisations. For researchers, focusing on low quality PA experiences potentially challenges our existing approaches to the evaluation of a PA process. It is implicitly assumed that employees enter into a PA process prepared to fully engage with its requirements (Milkovich and Wigdor, 1991). However, if an employee’s past experiences with a PA process have been of a low quality, it may adversely affect the willingness of the employee to fully engage in a subsequent evaluation cycle. Researchers may therefore need to consider building in a PA experience feedback loop when developing models to test the effectiveness of an appraisal process.

The next section outlines why the quality of an employee’s PA experience can vary. This is followed by a discussion of the implications of low quality PA experiences for our three human resource management (HRM) outcomes. Our hypotheses are then tested using data from 2,336 non-managerial employees of a public sector organisation in Australia. The paper concludes by discussing the implications for HR policy, practice and research.

Assessing the performance appraisal experience
There is a body of empirical research that suggests that performance appraisals do result in increases in employee performance and productivity (Rodgers and Hunter, 1991; Schay, 1988; Taylor and Pierce, 1999). These improvements are seen to derive from the greater employee identification with and commitment to, the objectives of the organisation. Work efforts are directed to activities that will be of benefit to the organisation. Poor performing employees are identified during the evaluation cycle and given feedback on how to improve. They might also undertake some developmental activities (for example, training) in order to rectify performance
deficiencies. Employees are motivated to work at a higher level by the offer of financial incentives that are contingent on their performance, and these financial incentives are important in encouraging the retention of high performing employees (Kessler and Purcell, 1992; Milkovich and Wigdor, 1991). When these positive outcomes are not generated, it is often concluded that the fault lies with the low quality of the PA process (Blau, 1999; Roberts, 1998).

The attitudes and approach of supervisors to the PA process has been identified as a source of quality variations in PA. One source of quality variation derives from the general attitudes that supervisors have towards the process. Many writers have identified the reluctance of supervisors to undertake appraisals. Heathfield (2007, p. 6) notes that “when surveyed about most disliked tasks, managers say they hate conducting appraisals, second only to firing employees”. Wanguri (1995) believes that many practitioners see appraisal as a necessary evil in corporate life. As a consequence, Pettijohn et al. (2001, p. 337) suggest that supervisors conduct appraisals in an “arbitrary and perfunctory manner” as they believe that “conducting performance appraisals requires considerable amounts of time and effort, generates few rewards and adds considerably to the manager’s level of conflict and stress”. Latham et al. (1993) believe that managers often avoid the appraisal process because they either fear the consequences or they feel the potential returns from their appraisal efforts are not worthy of the required investments.

A second source of quality variation derives from the way supervisors exercise their responsibilities under an appraisal process. Researchers have demonstrated that supervisors make mistakes (for example, halo errors, recency effects, central tendency: see Milovich and Newman (2002) for a full list of rating errors), are uncomfortable about providing negative feedback (for example see Chen et al., 2007), often put off doing appraisals (Bratton and Gold, 1999) or apply their own set of internal values about performance when assessing their employees (Murphy and Cleveland, 1995). In order to encourage supervisors to conduct high quality performance appraisals, a supervisor is likely to find the assessment of their performance is partly a function of the way they manage the evaluations of those who report to them (Curtis et al., 2005).

This discussion demonstrates that supervisors are a major source of quality variations in PA, but quality is ultimately the assessment made by the recipients of the process, namely employees.

Like supervisors, employees have been found to regard the PA process with “fear and loathing” (Thomas and Bretz, 1994). Taking a lead from the justice literature (see Fortin, 2008 for a review), there are two schools of thought (instrumental and relational) that identify the criteria that employees apply when assessing PA quality. According to the instrumental school of thought, employees value PA process controls as it promotes predictability (Thibaut and Walker, 1975). Process controls can be established through operation of formal procedures (such as the right to present evidence to a supervisor) and enhance quality by ensuring that the process applies to all employees equally (Hendrix et al., 1998). The relational school of thought postulates that individuals care about PA quality because it signals their status and worth within the organisation. The relational school of thought emphasises the needs for belonging and self-esteem and acknowledges the informal actions of someone in a position of authority over the employee (Hendrix et al., 1998). Further, an individual’s standing is thought to be conveyed by their interpersonal treatment during social interactions
Combining these two schools of thought suggests that PA quality is a function of both PA procedures and treatment. Employees evaluate the formal organisational procedures (and the way they are enacted) as well as how they are treated by PA decision-makers when assessing the quality of their PA experience. Having identified the meaning of quality in a PA context, we now turn to the identification of specific indicators that can be used to generate a measure of PA quality. We focus on four indicators: clarity, communication, trust and PA fairness. The first indicator refers to the extent to which employees are clear about the role and purpose of the PA. This will involve clarity about the PA process and the role it will play in determining an employee’s fate within the organisation. A second indicator is the extent of communication and information flows between the employee and their supervisor. Opportunities to acquire, supply and evaluate information, in conjunction with clarity about PA processes, provide employees with the opportunity to exercise a level of process control. Further, giving an employee the opportunity to express his or her viewpoint is valued in itself and validates his or her belongingness in the organisation. A third indicator of PA quality is the level of trust the employee has for their supervisor. Employees who believe their supervisor is competent and has a good knowledge of their employees’ job duties will be more likely to trust their supervisor and rate their PA experience positively (Greenberg, 1986). Moreover, when employees trust their supervisor, they hold positive expectations about their supervisor’s motives, believing that their manager will act in their best interest. A fourth indicator refers to fair treatment (Bies and Moag, 1986). Employees want to be treated fairly throughout the PA process as this is seen to have an impact on the quality of the outcomes of the process (Fortin, 2008).

**Performance appraisal experience and HRM outcomes**

The importance of the quality of the PA experience derives from its impact on HRM outcomes. The following reviews the literature on three HRM outcomes: job satisfaction, organisational commitment and intention to quit. Each of these HRM outcomes and their relationship with quality of an employee’s PA experience is now examined.

**Job satisfaction**

Job satisfaction is the overall degree to which an employee likes his or her job (Price and Mueller, 1981). Job satisfaction is typically seen as a short-term measure as it can be affected by transitory events. Job satisfaction has been used as a measure of employee wellbeing (Green., 2004) and has also been associated with employee productivity and safety (Harter *et al.*, 2002). High quality PA is intended to increase job satisfaction (Fletcher and Williams, 1996) for which there is some empirical support (see Masterson *et al.*, 2000).

Job satisfaction is the result of an employee’s perception of how well their job provides those things that are viewed as important (Locke, 1976). A high quality PA experience is likely to enhance employees’ feelings of self-worth, achievement,
attitudes about their job and their feelings of a positive standing in the organisation (Lind and Tyler, 1988). It is also likely to generate confidence in the quality of the outcomes from the PA process (Hendrix et al., 1998). High quality PA experiences are therefore likely to generate higher levels of job satisfaction (Fried and Ferris, 1987).

A low quality PA experience may result in a lower level of job satisfaction. The employee is likely to feel that their contributions are not valued as they have limited capacity to exercise any process control and experience some confusion about the performance expectations of the organisation. The process of trial and error in attempting to live up to vague performance expectations will reduce the employees’ feelings of achievement and self-worth and ultimately job satisfaction (Behman et al., 1982). The results of Campbell et al. (1998) suggest that a low quality PA experience may lead to lower levels of job satisfaction. Therefore we hypothesise that:

**H1.** A low quality PA experience will be associated with lower levels of job satisfaction relative to those with high or mixed quality PA experiences.

**Organisational commitment**

Organisational commitment reflects attitudes towards the entire organisation and is typically seen as broader than job satisfaction and is more consistent than job satisfaction over time (Mowday et al., 1982, p. 28). A PA process is intended to promote organisational commitment and ultimately improve organisational effectiveness (Fletcher and Williams, 1996). The psychological contracts and justice literature suggest an employee’s experience of the PA process may affect their willingness to be committed to their organisation.

The psychological contracts literature, especially relational contracts, suggests that when an employer provides a high quality PA experience it will increase the employees’ perceived obligations to the employer which in turn affect their attitudes and potentially their behaviours (Hendrix et al., 1998). Organisational commitment is dependent on maintaining a relationship of consistency and good faith, which can be affected by the quality PA experience (Robinson et al., 1994). A high quality PA experience should lead employees to feel respected by and be proud of the organisation. In turn they are more likely to identify with and internalise the values of the organisation.

According to justice researchers, a high quality PA experience will cause employees to have faith in the system, which can result in higher organisational commitment (Sweeney and McFarlin, 1993). A performance appraisal process is intended to communicate organisational goals and values and give people a “cause they can rally around” (Kuvaas, 2007, p. 381). A high quality PA experience increases the legitimacy of the organisation in the employees’ eyes and thereby their willingness to comply with the goals of the organisation. High quality PA experiences also enhance the evaluation employees make of supervisors and their organisation. The implementation of a high quality PA process affirms the employees’ self-worth and conveys that the organisation and supervisors hold them in high regard and are committed to protecting their rights in the context of organisational decisions (Taylor et al., 1995). Moreover, Pearce and Porter (1986) suggest that employees who believe their contributions are highly regarded are likely to be more committed to the organisation.

In the absence of a high quality PA experience, we anticipate that employees will not feel any sense of reciprocal obligation. If the organisation is not able to provide a
high quality PA experience, employees are less likely to know of, internalise, and be committed to the goals and values of their employing organisation. Further, employees are less likely to have faith in the PA processes or regard it as a legitimate tool of HR management, both of which are likely to contribute to lower levels of organisational commitment. We therefore hypothesise that:

**H2.** A low quality PA experience will be associated with lower levels of organisational commitment relative to those with high or mixed quality PA experiences.

**Intention to quit**

An objective of PA is typically to retain the highest performing employees, though as Griffeth et al. (2000) observe the focus of much of the turnover research has been on the role of merit rewards as a retention tool. It is rare to see studies that include the quality of the PA experience as a predictor of turnover or quit intentions, but as Griffeth et al. (2000, p. 480) argue, PA quality has “as much – if not more – to do with encouraging employees to stay as fair pay amounts”. We assess the relationship between PA quality and quit intentions as the retention of staff is usually seen as a better investment than incurring the costs of recruiting replacements (Mitchell et al., 2001). The withdrawal of employees from the organisation can have a detrimental effect through the loss of institutional memory (Moynihan and Pandey, 2007) as well as negative impacts on the organisations’ reputation and productivity (Hom and Griffeth, 1995).

An employee’s decision to leave an organisation is typically a progressive process. While it may be triggered by some type of dissatisfaction (Hom and Griffeth, 1995) or “shock” (Morrell et al., 2008) the decision involves a series of related cognitive and behavioural considerations before the person actually terminates their employment with the organisation (Campbell and Campbell, 2000). The process begins by having thoughts (withdrawal cognitions) about leaving the current job and then disgruntled employees progressively enact more extreme manifestations of job withdrawal over time (Rosse, 1988).

Quit intentions are a form of withdrawal from the organisation and may be influenced by the quality of the PA experience. Turnover research has suggested that employees tend to withdraw from situations that are counter to their best interests (Fugate et al., 2008). A low quality PA experience could be counter to the best interests of an employee. Uncertainties about the requirements of the PA process and poor information flows means that the employee is likely to feel confused about how to meet their performance obligations. They are also likely to feel undervalued when they believe that their contributions to the organisation are not being effectively assessed or recognised. This in turn will contribute to negative attitudes about their work and organisation. Because of the significance of PA processes to an employee’s prospects in the organisation, we expect that low quality PA experiences will weaken the willingness of the employee to stay within the organisation so offer the following hypothesis:

**H3.** A low quality PA experience will be associated with higher intentions to quit relative to those with high or mixed quality PA experiences.
Methodology and data

Participants and context

The study is based on the results of a mail survey of 6,957 employees of a large Australian public sector organisation ("PSR"). The confidential survey was sent to all employees via PSR’s internal mail system. The surveys were returned directly to the researchers. Completed questionnaires were returned by 3,335 employees, representing an overall response rate of 47.9 per cent. It is important to delineate the reactions of employees from the manager/supervisors as research has demonstrated that attitudes to performance management systems are affected by the role an individual plays within it. Dyer et al. (1976) demonstrate that managers are more supportive of performance-based systems. This result reflects the greater control that managers often have over their work and hence their ability to affect their performance outcomes. The following analysis, therefore, is based on the responses of the non-managerial employees of PSR as it is this group of employees who work under the PA process and whose behaviour the system is intended to affect. After excluding managerial employees (a total of 579 employees) and missing data, the final data set consists of 2,336 non-managerial employees.

Employees of PSR (both union and non-union) are covered by an industrial agreement that provides for a nine-level salary system. Each pay grade has a defined pay range (on average plus or minus 12 per cent from the midpoint) and a number of increments of predetermined size. Usually employees are appointed at the bottom of their pay grade and progression through the increments is based on a positive supervisory assessment of performance. Each year the supervisor and the employee jointly develop performance objectives, which are monitored during the year. At the conclusion of the 12-month evaluation cycle (March 31, irrespective of the start date), the supervisor makes an assessment of the employee based on the agreed objectives, using a five-point scale. Ratings are used to determine increments (employees must receive a three or better in order to move to the next increment), promotions and to provide career advice to employees.

Measures

Dependent variables. There are three dependent variables in the following analysis: job satisfaction, organisational commitment and intention to quit. Job satisfaction was measured by six items from Price and Mueller (1981). A representative item in this scale is “Most days I am enthusiastic about my job”. Organisational commitment was measured using the nine items from Porter et al. (1974). A representative item in this scale is “I am willing to put in a great deal of effort beyond that normally required in order to help PSR be successful”. There is a debate in the literature about the best way to measure turnover. Griffeth et al. (2000, p. 483) report based on a meta-analysis, that quit intentions are good precursors of turnover so we use a measure of quit intentions in our study. Intention to quit was measured by two items from the scale by Porter et al. (1974), with a representative item being “It would take very little for me to change employers”. A summary of the definitions and descriptive statistics for all variables used in the regression analysis can be found in Table I. The correlation matrix presented in Table II shows no evidence of strong correlations between the independent variables.
## Description of regression variables

<table>
<thead>
<tr>
<th>Label</th>
<th>Definition</th>
<th>Low quality PA experiences</th>
<th>High quality PA experiences</th>
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</thead>
<tbody>
<tr>
<td><strong>Dependent variables</strong></td>
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<tr>
<td>Job satisfaction</td>
<td>Job satisfaction as measured by six items from Price and Mueller (1981), alpha = 0.89. Five-point scale with 5 = high job satisfaction</td>
<td>3.24</td>
<td>0.89</td>
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<td>Organisational commitment</td>
<td>Organisational commitment as measured by nine items from Porter et al. (1974), alpha = 0.86. Five-point scale with 5 = highly committed</td>
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<td>0.70</td>
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<td>Intention to quit</td>
<td>Intention to quit as measured by two items from Porter et al. (1974), alpha = 0.70. Five-point scale with 5 = high willingness to quit</td>
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<td><strong>Independent variable</strong></td>
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<tr>
<td>Low quality PA experience</td>
<td>Dichotomous variable where 1 = low overall experience, 0 otherwise</td>
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<td>na</td>
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<tr>
<td><strong>Control variables: demographic</strong></td>
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<tr>
<td>Age</td>
<td>Age in years</td>
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<td>9.30</td>
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<tr>
<td>Education</td>
<td>PhD = 1, 0 otherwise</td>
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<td>0.39</td>
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<td>Female</td>
<td>Female = 1; male = 0</td>
<td>0.35</td>
<td>0.48</td>
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<td>Income</td>
<td>Midpoint approximated from each level of the salary classification system, multiplied by 100</td>
<td>47,990</td>
<td>10,770</td>
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<td>Negative affect</td>
<td>Negative affectivity (the extent to which an individual experiences aversive emotional states over time and across situations) as measured by three items from Watson et al. (1987), alpha = 0.86. Five-point scale with 5 = high negative affectivity</td>
<td>3.11</td>
<td>0.86</td>
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<td>Primary income earner</td>
<td>Primary household income earner = 1, 0 otherwise</td>
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<td>Union</td>
<td>Union member = 1, 0 otherwise</td>
<td>0.57</td>
<td>0.50</td>
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(continued)
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<th>Label</th>
<th>Definition</th>
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<tr>
<td></td>
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<td>Mean</td>
<td>SD</td>
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<tr>
<td>Control variables: situational</td>
<td>Autonomy at work as measured by four items from Tetrick and La Rocco (1987), alpha = 0.71. Five-point scale where 5 = high autonomy</td>
<td>3.43</td>
<td>0.73</td>
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<tr>
<td>Autonomy</td>
<td></td>
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<td>0.73</td>
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<tr>
<td>Job security</td>
<td>Perception of job security measured by three items from Oldham et al. (1986), alpha = 0.85. Five-point scale with 5 = high job security</td>
<td>2.50</td>
<td>0.98</td>
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<td>Resource adequacy</td>
<td>Three items that measure the level of resource adequacy from Iverson (1992). Five-point scale where 5 = high resource adequacy, 1 = low resource adequacy. Alpha = 0.80</td>
<td>2.89</td>
<td>0.90</td>
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<td>Role conflict</td>
<td>Role conflict as measured by three items from Kahn et al. (1964), alpha = 0.74. Five-item scale where 5 = high role conflict</td>
<td>3.19</td>
<td>0.74</td>
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<td>Task independence</td>
<td>Level of task independence in job as measured by a modified five-item scale from Kiggundi (1983), alpha = 0.84. Five-point scale with 5 = high level of task interdependency</td>
<td>3.60</td>
<td>0.64</td>
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Table II.
Performance appraisal experience

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<td>1. Job satisfaction</td>
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<td>3. Intention to quit</td>
<td>-0.48</td>
<td>-0.54</td>
<td>1.00</td>
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<td>4. Low quality PA experience</td>
<td>-0.20</td>
<td>-0.18</td>
<td>0.18</td>
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<td>5. Age</td>
<td>0.17</td>
<td>0.12</td>
<td>-0.18</td>
<td>0.06</td>
<td>1.00</td>
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<td>6. Education</td>
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<td>-0.05</td>
<td>0.03</td>
<td>0.02</td>
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<td>7. Female</td>
<td>-0.01</td>
<td>0.01</td>
<td>-0.02</td>
<td>-0.06</td>
<td>-0.13</td>
<td>-0.16</td>
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<td>8. Income</td>
<td>0.11</td>
<td>0.01</td>
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<td>0.44</td>
<td>-0.35</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Negative affect</td>
<td>-0.26</td>
<td>-0.17</td>
<td>0.19</td>
<td>0.23</td>
<td>-0.02</td>
<td>0.06</td>
<td>-0.04</td>
<td>0.07</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Primary income earner</td>
<td>0.05</td>
<td>0.04</td>
<td>-0.05</td>
<td>0.06</td>
<td>0.16</td>
<td>0.12</td>
<td>-0.38</td>
<td>0.27</td>
<td>0.03</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Union</td>
<td>0.00</td>
<td>-0.04</td>
<td>-0.03</td>
<td>0.04</td>
<td>0.23</td>
<td>-0.06</td>
<td>-0.05</td>
<td>0.15</td>
<td>0.07</td>
<td>0.07</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Autonomy</td>
<td>0.36</td>
<td>0.21</td>
<td>-0.20</td>
<td>-0.24</td>
<td>0.06</td>
<td>0.14</td>
<td>-0.05</td>
<td>0.23</td>
<td>-0.21</td>
<td>0.03</td>
<td>0.02</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Role conflict</td>
<td>-0.16</td>
<td>-0.14</td>
<td>0.21</td>
<td>0.31</td>
<td>-0.01</td>
<td>-0.01</td>
<td>-0.09</td>
<td>0.04</td>
<td>0.27</td>
<td>0.06</td>
<td>0.02</td>
<td>-0.28</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Resource adequacy</td>
<td>0.16</td>
<td>0.20</td>
<td>-0.17</td>
<td>-0.26</td>
<td>0.02</td>
<td>-0.09</td>
<td>0.15</td>
<td>-0.10</td>
<td>-0.29</td>
<td>-0.10</td>
<td>-0.09</td>
<td>0.18</td>
<td>-0.28</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Job security</td>
<td>0.17</td>
<td>0.18</td>
<td>-0.12</td>
<td>-0.15</td>
<td>-0.01</td>
<td>-0.07</td>
<td>0.04</td>
<td>-0.01</td>
<td>-0.14</td>
<td>-0.07</td>
<td>-0.10</td>
<td>0.15</td>
<td>-0.13</td>
<td>0.21</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>16. Task independence</td>
<td>0.49</td>
<td>0.28</td>
<td>-0.25</td>
<td>-0.20</td>
<td>0.08</td>
<td>0.12</td>
<td>-0.09</td>
<td>0.25</td>
<td>-0.16</td>
<td>0.08</td>
<td>-0.03</td>
<td>0.42</td>
<td>-0.13</td>
<td>0.16</td>
<td>0.16</td>
<td>1.00</td>
</tr>
</tbody>
</table>
Independent variable. Our measure of the quality of the PA experience combines items to assess the overall quality of an employees’ PA experience. The earlier discussion of employees’ expectations of a quality PA process suggests that four features should be included in our measure: clarity of performance expectations, level of communications between the employee and their supervisor, trust in the supervisor and the fairness of the PA process.

Clarity about the PA process was measured by three items from Tang and Sarsfield-Baldwin (1996). A representative item in this scale is: “When you took up your current position how clear was it that your performance would be periodically evaluated”. The extent of communications between the employee and the supervisor was measured by six items from Tang and Sarsfield-Baldwin (1996). A representative item in this scale is “How often is the progress toward your goals set in previous meetings reviewed by your supervisor with you”. The level of trust in the supervisor was measured by four items from Tang and Sarsfield-Baldwin (1996). A representative item in this scale is “To what extent do you have confidence and trust in your immediate supervisor regarding his/her general fairness?”. The fairness of the PA process was measured by six items from Tang and Sarsfield-Baldwin (1996). A representative item in this scale is “My last performance appraisal was fair”. Using cluster analysis, these four scales were combined in order to assess the overall quality of an employee’s PA experience. The resulting variable is then used as an independent variable in the regression analysis. A summary of the definitions and descriptive statistics for all variables used to determine the quality of the PA experience can be found in Table III.

Control variables. There were 11 variables included in the regression analysis to control for individual employee differences and differences in the work context. Seven demographic characteristics of the employee were included:

1. age;
2. education;
3. gender;
4. income;
5. negative affect;
6. primary income earner; and
7. union membership.

There were five control variables to account for the situation in which the employee undertakes their work. In the present study the following factors were designated as contextual: job autonomy, role conflict, resource adequacy, task independence and job security perceptions. We include these control variables in recognition of the roles these factors have played in furthering our understanding of job satisfaction, organisational commitment and intent to quit (for example see Mobley, 1977; Riketta, 2002; VanVoorhis and Levinson, 2006)

Method of analysis
This study uses two forms of analysis. First, cluster analysis is utilised to identify the quality of an employee’s PA experience, using the four features of a PA process outlined above. Cluster analysis classifies respondents so that each respondent is very
### Means Correlations

<table>
<thead>
<tr>
<th>Label</th>
<th>Description</th>
<th>Total</th>
<th>High</th>
<th>Mixed</th>
<th>Low</th>
<th>$\lambda^2$ test</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Clarity about PA</td>
<td>Clarity about the performance appraisal as measured by three items from Tang and Sarsfield-Baldwin (1996), alpha = 0.86. Five-point scale with 5 = high clarity</td>
<td>2.78</td>
<td>4.49</td>
<td>2.73</td>
<td>2.18</td>
<td>285.27*</td>
<td>1.0</td>
</tr>
<tr>
<td>2. Communications</td>
<td>Extent of two-way communication between the employee and their supervisor in PA as measured by six items from Tang and Sarsfield-Baldwin (1996). Alpha = 0.83. Five-point scale with 5 = high two-way communication</td>
<td>2.51</td>
<td>3.38</td>
<td>2.65</td>
<td>1.91</td>
<td>29.95*</td>
<td>0.35</td>
</tr>
<tr>
<td>3. Trust in supervisor</td>
<td>Trust in supervisor in PA as measured by four items from Tang and Sarsfield-Baldwin (1996). Alpha = 0.90. Five-point scale with 5 = high levels of trust</td>
<td>3.64</td>
<td>4.61</td>
<td>3.98</td>
<td>2.61</td>
<td>246.54*</td>
<td>0.31</td>
</tr>
<tr>
<td>4. Fairness</td>
<td>Employee perceptions of the fairness of performance appraisal as measured by six items from Tang and Sarsfield-Baldwin (1996), alpha = 0.95. Five-point scale with 5 = very fair</td>
<td>3.55</td>
<td>4.27</td>
<td>3.92</td>
<td>2.58</td>
<td>213.51*</td>
<td>0.29</td>
</tr>
</tbody>
</table>

**Notes:** * $p < 0.01$; a The alpha on these four variables is 0.72. Cluster analysis was used to identify experiences of performance. The number of clusters in the data was identified using hierarchical cluster analysis (complete linkage). Based on the outcome of the hierarchical analysis, non-hierarchical cluster analysis (k-means) was used to identify the final cluster solution (see Sharma, 1996). Cluster analysis generates a variable with the three categories of PA experience. This variable was converted into three dichotomous variables (high, low and mixed PA experiences) and low quality PA experiences (relative to the other types of PA experience) were included in subsequent regression analysis.
similar to others in the cluster on the basis of their experiences of the PA process. In other words, the objective of cluster analysis is to identify clusters that exhibit high within cluster homogeneity and high between cluster heterogeneity (Hair et al., 1999). There are two broad types of cluster analysis: hierarchical and non-hierarchical techniques. Hierarchical clustering techniques do not require a priori knowledge of the number of clusters and these are ideal for determining the number of clusters in a data set. Non-hierarchical clustering techniques require knowledge about the number of clusters but typically yield better cluster solutions than hierarchical methods. Therefore as recommended by Sharma (1996) hierarchical analysis (using the complete linkage method) was first used to determine the appropriate number of clusters. A non-hierarchical form of cluster analysis (k-means) was then used to identify the cluster solution based on the results from the hierarchical analysis.

The second form of analysis used is multiple regression to evaluate the impact of a low quality of the PA experience on our three HRM outcome variables.

**Results**

The results of the cluster analysis presented in Figure 1 demonstrate that there are three internally consistent clusters (as shown by the $\chi^2$ test presented in Table III). Cluster 1 consisted of 639 employees who reported the lowest levels of trust in their supervisor (mean = 2.61), poor communications (mean = 1.91), expressed a lack of clarity about their performance expectations (mean = 2.18), and perceived the PA process as less fair (mean = 2.58) than the other two clusters. This cluster was labelled “low quality PA experiences”. Cluster 3 consisted of 991 employees and was labelled “high quality PA experiences”. This group reported the highest levels of trust in their supervisor (mean = 4.61), felt they had good communications (mean = 3.38), expressed clarity about their performance expectations (mean = 4.49) and perceived the PA process to be fair (mean = 4.27). Cluster 2 consisted of 706 employees who reported uniformly higher levels of trust, communications, clarity and fairness than
those in cluster 1 but lower relative to those in cluster 3. So this cluster was labelled “mixed quality PA experiences”. High and mixed quality PA experience was the omitted category in the subsequent regression analyses.

The descriptive statistics in Table I show that those classified as having an overall low quality PA experience are a little older, male and more likely to be a union member than those classified as having high quality PA experiences. Employees reporting high quality PA experiences work in jobs that have a higher level of autonomy, less role conflict, more supportive co-workers and higher perceived job security than employees reporting low quality PA experiences.

It was hypothesised (number 1) that job satisfaction would be lower among employees with low quality PA experiences. The results in Table IV (column 1) demonstrate that low quality experiences (relative to employees with high or mixed quality PA experiences) are associated with lower levels of job satisfaction ($b = -0.1050, p < 0.01$). $H1$ is therefore supported.

The second hypothesis suggested a positive relationship between the quality of the PA experience and organisational commitment. Table IV (column 2) reports a significant negative relationship between low quality PA experiences and organisational commitment ($b = -0.0979, p < 0.01$). These results suggest that organisational commitment is adversely affected by low quality PA experiences (relative to employees with high or mixed quality PA experiences), providing support for $H2$.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Job satisfaction</th>
<th>Organisation commitment</th>
<th>Intention to quit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$n$</td>
<td>Standard error</td>
<td>$n$</td>
</tr>
<tr>
<td><strong>Independent variable</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low PA experience</td>
<td>$-0.1050^{***}$</td>
<td>0.0358</td>
<td>$-0.0979^{***}$</td>
</tr>
<tr>
<td><strong>Control variables: demographic</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>0.0137$^{***}$</td>
<td>0.0017</td>
<td>0.0073$^{***}$</td>
</tr>
<tr>
<td>Education</td>
<td>0.1037$^{**}$</td>
<td>0.0440</td>
<td>$-0.0383$</td>
</tr>
<tr>
<td>Female</td>
<td>0.0696$^{**}$</td>
<td>0.0336</td>
<td>0.0149</td>
</tr>
<tr>
<td>Income</td>
<td>$-0.0057^{**}$</td>
<td>0.0018</td>
<td>$-0.0043^{***}$</td>
</tr>
<tr>
<td>Primary income earner</td>
<td>0.0587*</td>
<td>0.0341</td>
<td>0.0719$^{**}$</td>
</tr>
<tr>
<td>Negative affect</td>
<td>$-0.1326^{***}$</td>
<td>0.0176</td>
<td>$-0.0345^{**}$</td>
</tr>
<tr>
<td>Union member</td>
<td>0.071</td>
<td>0.0303</td>
<td>$-0.0455^{*}$</td>
</tr>
<tr>
<td><strong>Control variables: contextual</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autonomy</td>
<td>0.1822$^{***}$</td>
<td>0.0256</td>
<td>0.0626$^{***}$</td>
</tr>
<tr>
<td>Role conflict</td>
<td>0.0081</td>
<td>0.0208</td>
<td>$-0.0126$</td>
</tr>
<tr>
<td>Resource adequacy</td>
<td>0.0097</td>
<td>0.0187</td>
<td>0.0613$^{***}$</td>
</tr>
<tr>
<td>Job security</td>
<td>0.0564$^{***}$</td>
<td>0.0156</td>
<td>0.0643$^{***}$</td>
</tr>
<tr>
<td>Task independence</td>
<td>0.5401$^{***}$</td>
<td>0.0289</td>
<td>0.2181$^{***}$</td>
</tr>
<tr>
<td>Adj $R^2$</td>
<td>0.3190</td>
<td>0.1438</td>
<td>0.1453</td>
</tr>
<tr>
<td>Mean vif</td>
<td>1.26</td>
<td>1.26</td>
<td>1.26</td>
</tr>
</tbody>
</table>

**Notes:** $^* p < 0.10$ two-tailed test; $^{**}p < 0.05$ two-tailed test; $^{***}p < 0.01$ two-tailed test. Unstandardised coefficients. Many models of turnover include job satisfaction as a determinant (for example, see Hom and Griffeth (1995). When we include job satisfaction as a control variable, the results for our independent variable remain the same. Copies of these results are available from the authors.
The third hypothesis (H3) suggested a negative relationship between the quality of the PA experience and intention to quit. From the results contained in Table IV (column 3), we see that low quality PA experiences are significantly and positively related to intentions to quit (\( b = 0.1999, p < 0.01 \)). The present study therefore suggests that employees who report a low quality PA experience are more likely to look for alternative employment[1].

**Discussion and conclusions**

Performance appraisals are a foundation element of human resource management: the results of appraisals are used as the basis for many HR decisions. While organisations invest considerable time and resources into PA (for example through training of supervisors) our cluster analysis has demonstrated that the quality of the employee PA experience does vary: some employees had high quality experiences of the PA process while at the other end of the spectrum some employees report low quality PA experiences. Further, our study demonstrates that organisations do pay a price for allowing low quality PA experiences: when employees have low quality PA experiences the organisation will likely incur a penalty in terms of lower job satisfaction and organisational commitment and higher intentions to quit.

**Policy and practice implications**

From a practice perspective the results present two challenges for HR decision-makers. The first challenge is that improving the quality of an employee’s PA experience will come at a cost and HR decision-makers need to decide if the costs needed to bring about an improvement in perceived PA quality are justified given the circumstances of the organisation and the labour market in which it operates. An organisation, for example, that relies on highly skilled workers for its competitive success may be more willing to invest in PA quality than an organisation that relies on low skilled labour drawn from an abundant labour market.

The second challenge is to keep the focus of HR on the whole PA process and not get overly distracted by individual features of the process. HR decision-makers are often reminded (for example, see Schay, 1993) to keep the PA process under constant review, but this may encourage constant tinkering with individual features rather than keeping the focus on the whole PA process.

**Research implications and limitations**

PA is typically described as a system that is intended to promote a range of positive HR outcomes and researchers have demonstrated that individual features of a PA process are associated with the intended positive outcomes (Bratton and Gold, 1999; Fletcher and Williams, 1996). What has remained unclear is what happens when the PA process is in place but does not send the intended signals to employees. Our study shows that when a PA process is in place but provides employees with a low quality experience, not only does the process fail to generate any positive HR outcomes, it actually generates some negative outcomes in the form of lower job satisfaction and organisational commitment as well as higher intent to quit. This is consistent with findings in the justice and emotions literature that negative assessments are powerful drivers of employee attitudes and behaviours (for example, see Fugate et al., 2008).
The results of our study raise some issues for future research. First, our study was conducted in the public sector and the PA process was used to determine pay increments. Employees who achieved a three or better on the five point rating scale were entitled to an increment and 97.8 per cent of the employees in our sample achieved this rating. So despite the fact that the outcome of the PA was favourable for the overwhelming majority of employees (a performance rating sufficient to merit a pay increment) employees’ perceptions of the PA experience influence job satisfaction, organisational and intention to quit, independent of the favourable outcome. It is evident from this study that the PA experience itself, and not just the outcome, influences employee attitudes. It is important, however, to test the generalisability of our findings in a private sector organisation where there is a greater dispersion in performance ratings.

A second issue of importance for future research is the effect of “one off” versus an ongoing low quality PA experience. Future researchers should examine whether employees dismiss a low quality PA experience as a “one off” or whether it colours their expectations of the next performance evaluation cycle. Ongoing low quality PA experiences may generate disillusionment with the PA process and a mistrust of management’s motives for the PA process among employees (Feldman, 2000). Future models of the PA process should, therefore, take account of past PA experiences when assessing the effects of a PA process and this relationship may well be moderated by a range of factors including the purpose of the appraisal process. A low quality experience in an evaluative PA process is likely to generate stronger reactions among employees than in a more developmentally focussed PA process (Youngcourt et al., 2007).

Performance appraisal has attracted a great deal of research attention over an extended period of time but the research has typically been focused on assessing the impact of individual features of the PA process on a range of HR outcomes. Our paper has shown that it is now time to move beyond this narrow approach and consider the combined impact of the PA process and to investigate the unintended as well as the intended consequences of this tool of human resource management.

Note
1. We also ran the three models using only high quality PA experiences as the omitted category. The results for poor quality PA experiences in all our models remained significant: job satisfaction model ($b = -0.1331, p < 0.01$); organisational commitment model ($b = -0.1428, p < 0.01$) and our quit model ($b = 0.2071, p < 0.01$). Copies of these results are available from the authors.

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