Factors Affecting Employees’ Perceptions of the Performance Appraisal Process

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2011
Title of thesis:
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Abstract:
This thesis adapts the process perspective on HRM (Bowen & Ostroff, 2004), which explains how by motivating employees to collectively assume desired attitudes and behaviors HRM systems can contribute to organizational performance, to the context of performance appraisal (PA) practice. Thus, by applying this logic to PA practice, this thesis aims at developing a theory of PA implementation by exploring the factors potentially influencing employees’ perceptions of the PA process features.

The study starts by reviewing the literature in fields of SHRM and PA research, so as to indicate the developments in these areas leading to a focus on individual employee perceptions, and the scarceness of research on Bowen and Ostroff’s framework, which is considered by many commentators (e.g. Nishii, Lepak, & Snell, 2007; Guest, 2011) as one of the most comprehensive to date approaches to studying the multilevel relationships among HRM, individual, and organizational performance.

This thesis has been designed as a majorly exploratory multiple-case study, comprising the semi-structured interviewee data from 11 middle- and lower-level managers, and specialists with no direct subordinates. The respondents have been sampled from two subsidiaries of different organizations representing industrial services and logistics industries, located in Dubai and Shanghai respectively. The interviews followed a predefined guide, and consisted of both purely exploratory inquiry into interviewees’ thinking behind the possible influences on their perceptions, and more explanatory assessment of employees’ agreement with a list of predefined factors.

The analysis of interview data revealed a number of patterns concerning the roles of the design characteristics of the PA process, supervisor, HR manager, and general manager of a unit, and associated factors, in influencing employees’ perceptions of the PA process features. This set of findings thus provides practical implications for the design and implementation of PAs in organizations. Moreover, the findings suggest that structure of the relationships among factors and employees’ perceptions is more complex than has been initially suggested by Bowen and Ostroff (2004), as some PA process features seemed likely to explain the others, and thus further investigation in this direction is needed.

Keywords: HRM, performance appraisal, employee perceptions, HRM process.
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1 INTRODUCTION

1.1. Background

For the past two decades the contemporary economic environment has been evolving as a global marketplace characterized by intensified worldwide competition and increasing clientele' demands in terms of time, technology, and service. Under such conditions all functional areas within organizations have been challenged to demonstrate their contribution to the overall performance (Ferris, Arthurt, Berkson, Kaplan, Harrell-Cook, & Frink, 1998). For the human resource management (HRM) function that “has traditionally been viewed as a cost to minimize and a potential source of efficiency gains” (Becker & Gerhart, 1996: 780), the call to justify its ability to create value has been particularly sound.

The first stream of research suggesting the existence of positive relationship between HRM and organizational performance, linking the function to the business strategy, has emerged in the mid-1980s (e.g. Miles & Snow, 1984; Walton, 1985). However, these works assumed mainly semi-prescriptive form and did not provide any solid evidence in support of the claim (Guest, 2011). Only by the mid 1990s, an initial flow of empirical evidence advocating the explicit connection between HRM and organizational effectiveness has started to appear, for example in prominent works of Arthur (1994), Huselid (1995), Delery and Doty (1996). In the next decade, following the accumulation of an extensive body of work, literature reviews within the field started to appear. Among the most notable, was the review of 104 articles discussing the relationship between HRM and organizational performance in the years 1994-2003 (Boselie, Dietz, & Boon, 2005). According to this review, despite the obvious progress, advancement in the field at that stage had been limited to a mere acknowledgement of the ‘black box’. So-called, the term served to describe a largely uninspected stage between some form of HRM intervention and a chosen indicator of organizational performance. While the discovery of the ‘black box’ was followed by many calls for the investigation of its contents, besides some brief speculations researchers seldom tried to actually look inside (Boselie et al., 2005).

The debates within the field also concerned whether HRM should be conceptualized as a multiplicity of independent practices or rather a set of integrated and mutually reinforced practices (Boselie et al., 2005). Among the HR practices that have been
studied separately, the performance appraisal (PA) practice is arguably one of the more crucial ones in terms of organizational performance and appears to be an indispensable part of nearly any HRM system (Shrivastava & Purang, 2011). The essential role played by PA’s is confirmed by the fact that performance evaluation decisions are critical for the sequential HR actions and outcomes (Judge & Ferris, 1993). Indeed, as Boselie et al. (2005) have noted, the performance appraisal practice has been among the top four most studied in relation to organizational performance, together with the training and development, contingent pay and reward schemes, and recruitment and selection. According to Batt (2002) these four key practices constitute the most common conceptualization of strategic HRM (SHRM): 1) selective hiring of highly skilled employees, 2) investment in their training and provision of opportunities for personal discretion, 3) monitoring of employee progression towards selected performance indicators, and 4) rewards for meeting or surpassing their targets. However, the PA is not limited to complementing the other mentioned components. Its importance extends as a determinant of other functions’ outcomes, namely assessment of training and development needs, and facilitation of reward and promotion decisions.

Currently the domain of HRM research finds itself in a stage of development referred to as “growing sophistication” (Guest, 2011). Following the development of knowledge about various HRM practices, the focus within the field started to shift from attempts to identify the most appropriate set of HRM practices to studying the efficiency of their implementation. Pivotal at this phase of development and central to this thesis is the work by Bowen and Ostroff (2004). They propose a process perspective on HRM and highlight the importance of the context in which HR practices are implemented. HRM process is conceptualized as a vehicle that can be utilized by the management to send messages to employees about the desired and rewarded behaviors, necessary to achieve organizational goals (Bowen & Ostroff, 2004).

Building on the previous work (Ferris et al., 1998; Kopelman, Brief, & Guzzo, 1990) Bowen and Ostroff (2004) argue that through the employees’ perceptions of the work climate, HRM systems influence their attitudes and behaviors, as well as organizational outcomes. Sequentially, authors position the organizational climate as a mediator of the HRM-firm performance relationship, which becomes a meaningful construct only when employees’ perceptions of it are shared. They proceed with identifying a number of design features that allow HRM systems to create common or shared employee perceptions of the HRM process and thereby of the organizational climate. In more
recent work, Nishii, Lepak, and Schneider (2008) supported Bowen and Ostroff’s (2004) idea of the importance of understanding employees’ perceptions of the HRM process in uncovering characteristics of the linkage between HRM and organizational performance.

The thesis investigates three features of the HRM process, as identified by Bowen and Ostroff (2004), namely PA process visibility, validity, and fairness, in an attempt to uncover the factors affecting employees’ perceptions of these features. In doing so, the current work aims at extending the work by Bowen and Ostroff (2004) by looking further inside the ‘black box’ through the lens of employees’ cognitive processes, deemed responsible for the effectiveness of HRM and thus organizational workforce.

1.2. Aim of the thesis

This thesis builds on the theory of HRM implementation, initially developed by Bowen and Ostroff (2004), more specifically it focuses on the features of the HRM process that, given the appropriate configuration, would allow for the effective implementation of HRM systems. Due to the fact that the practices constituting HRM systems vary across organizations, reflecting different strategic approaches, and that the main focus of this work concerns the HRM process, rather than HRM content (the various practices and their specific goals), this thesis was structured around the one very generally implemented HRM practice, likely to allow for the comparison of individual responses from different corporations. The chosen practice also had to be significant both in terms of playing an important role in the overall HRM system, in order to elicit an appropriate depth of respondents’ reflections. For the discussed purposes, this thesis focuses on the performance appraisal (PA) process.

The importance of this practice within the overall HRM system stems from the fact that the PA, as a determinant of individual performance, represents a critical process to managing organizational effectiveness, the information generated in the outcome of the PA providing input for other HR actions and processes, such as rewards schemes and training programs (Judge & Ferris, 1993). Thus, from the employees’ perspective PA decisions are crucial for the individual outcomes, such as rewards and promotions, and employee training and development, hence it is expected that employees’ perceptions of this practice are particularly informative.
Based on the above, the aim of this thesis is formulated as following:

*This thesis aims at developing the theory of PA implementation by exploring the factors potentially influencing employees’ perceptions of the PA process features.*

From this aim the three questions are devised that should allow answering the central question of the thesis:

1) How do the employees’ perceive the situational features (visibility, validity, and fairness) of the PA process?

2) Why do they perceive them the way they do?

3) What might have affected their perceptions

1.3. Structure of the thesis

This thesis consists of six chapters: introduction, literature review, methods, analysis and preliminary findings, results and discussion, and conclusions.

The second chapter of the thesis, the literature review, introduces the account of extant research in the areas of HRM and organizational performance, the process perspective on HRM, and the performance appraisal practice. The first part of this chapter builds on Guest’s (2011) classification of major phases in the development of HRM research. This historical perspective on the field of HRM should inform readers of the developments within this research area that have led to the focus on the employee perceptions, as the ultimate measures of the HRM effectiveness, through which the HRM practices might enhance the organizational performance. Such approach is also believed to provide the rationale for the current study, by specifying the place of the focal research topic with respect to the current developments within the field, and emphasizing its importance in light of the research demands issued by the multiple commentators.

Thus, the review of HRM-organizational performance research is framed within the three main stages, adapted from one of the most recent reviews of the field’s literature by Guest (2011). These stages are: the beginnings and empiricism, theoretical backlash and conceptual refinement, and growing sophistication and HRM process. As the titles suggest, the first stage describes the general rationale for the increased attention to the HRM and the first empirical works on the relationship between the HRM and increased
organizational performance, the second stage looks at the critiques of empiricism and conceptual refinements aimed at answering them, whereas the third stage reviews the developments leading to the focus on employees’ perceptions and the process view of the HRM as a means to study these perceptions. The discussion then moves to the performance appraisal research, and by utilizing the same approach identifies the point at which the HRM and PA theories converged so as to investigate the individual perceptions. The combination of evidence from these two fields and specification of the framework, from which this thesis aims at answering its research questions, finalize the literature review chapter.

The third chapter, methods, introduces the research strategy, chosen in order to answer the main question of investigation; the approach to data collection, and the logic behind specification of cases for the study; and the analytic techniques used for the data analysis. The forth chapter, analysis and preliminary findings, includes the last stage of cross-case analysis and the preliminary results. The fifth, results and discussion, frames the results of the study within the relevant literature in order to establish the plausibility of findings. In the sixth, the author concludes the thesis, provides the implications of results in terms of both theory and practice, and their limitations, linking the previous chapters and the background of this study.

1.4. Delimitations

Due to the limited resources, time, and space constraints, from the nine HRM process features proposed by Bowen and Ostroff (2004), this work directly analyzes only three: visibility, validity, and fairness (process and outcomes). These features are believed to be responsible for fostering the distinctiveness, consistency, and consensus situational characteristics of the PA process, facilitating the creation of shared perceptions about the desired and rewarded behaviors, thus cultivating organizational climate.

However, this thesis does not aim at studying the full set of relationships among the individual, unit, and organizational-level processes ultimately leading to organizational outcomes. Thus, as explained later in the methods chapter, while Bowen and Ostroff’s theory of ‘HRM strength’ concerns both the ‘level’ of individual employees’ perceptions of HRM process features, and ‘variance’ in these perceptions, construct operating at the higher levels of analysis, the explicit focus of this work is on the former.
1.5. Key definitions

This section provides a few key definitions used throughout the thesis.

**HRM process:** a set of features, characteristic to HRM systems, that send signals to employees allowing them to form shared perceptions about the attitudes and behaviors expected by the management (Bowen & Ostroff, 2004).

**HRM process features:** Bowen and Ostroff (2004) have defined nine metafeatures of the HRM systems fostering their distinctiveness, consistency, and consensus, which operate at the micro-level of climates and are responsible for shaping employees’ perceptions of the HRM practices, and thus the psychological climates, which then through processes of social interaction are posited to promote organizational climates. The description of these features is provided in the literature review and Appendix 1.

**Performance appraisal (PA):** a discrete, formal, organizationally sanctioned event, usually occurring once or twice a year, which is based on clearly stated performance dimensions and/or criteria that guide the appraisal procedure, and often applies quantitative scores, assigned to reflect perceived employee's job performance on these dimensions or criteria, and these scores are later shared with the appraised employee (DeNisi & Pritchard, 2006). PAs provide the information relevant for various personnel decisions, including promotions and rewards, employee development and training programs, and performance feedback (Cleveland, Murphy, & Williams, 1989).
2 LITERATURE REVIEW

2.1 Human resource management and organizational performance

2.1.1 The beginnings and empiricism

The earliest indications of the relationship between HRM and corporate performance started to appear in the managerial literature in the 1980s (Guest, 2011). According to Miles and Snow (1984), there were two main reasons for the management to start paying an increased attention to the HRM. First, under the challenge of the increased global competition, companies started to invest in improving their HRM systems as a way to restore their competitive positions. Second, the role of HRM was recognized as important for the long-term strategic planning, as the economy was on the verge of the new, service-based stage of high technology (Miles & Snow, 1984). Walton (1985) noted that particularly in high-wage countries, success heavily depended on the superior performance, which in turn required increased employees’ commitment. Therefore, he argued that control-oriented workforce management models, dominant at the time and assuming low employee commitment, could not match the standards of world-class competition and required serious revision.

As Sparrow, Schuler, and Jackson (1994) later claimed, when technology and capital became commodities in the domestic markets, the only thing that could distinguish the firms, and help them achieve competitive advantage, were skills in managing their human resources. Ultimately, the shifting foci in management philosophy required adequate development of policies and practices of managing people. On the wave of the increasing attention to HRM as a potential source of competitive advantage, the HR specialists demanded participation in the strategic planning processes, arguing that only by incorporating HRM in overall business planning would allow corporations to meet their long-term needs (Miles & Snow, 1984). These developments in managerial though served as antecedents of a new focus in the HRM research, namely the linkage between HRM and organizational strategy, or strategic HRM (SHRM).

In of the first studies within the newly emerged SHRM field, Miles and Snow (1984) differentiated three major strategic orientations: defensive, prospective, and analytic, each requiring a distinct approach to the management of human resources. Based on the review of the leading corporations within these strategic modes, Miles and Snow (1984) described the roles that HR departments were to assume. As a conclusion of the
analysis of the different roles played by the HR departments in these corporations, the authors prescribed four principles by which SHRM systems could be implemented:

1) Top managers within HR departments should have at least conceptual knowledge of all of the services needed to acquire, develop, allocate, and maintain managers and employees.

2) HR departments should comprehend the language and processes involved in strategic planning.

3) The strategy of HR departments should be aimed at matching that of organizations.

4) HR departments should act as professional consultants to the business units.

Advancing the idea behind SHRM, Schuler and Jackson (1987) identified various role behaviors, required from employees by different organizational strategic foci, and HR practices necessary to facilitate them. In a later article, Jackson, Schuler, and Rivero (1989) expanded their previous work by finding that configurations of the HR practices, used by corporations, differed as a function of such organizational characteristics as manufacturing technology, industry sector, organizational structure, and organizational strategy. These works of the period, among others, brought crucial implications for the development of modern HRM theories. While their prescriptive nature suggested the existence of a relationship between HRM and organizational performance, no empirical evidence was provided in support of this notion.

The first flow of statistically analyzed research on the relationship between the HRM and organizational performance emerged in the beginning and halfway through the 1990s, a period characterized by Guest (2011) as empiricism. One of the first studies within this stream was Arthur’s (1994) investigation of the HRM’s effects on turnover and manufacturing performance in the US steel mills. Arthur hypothesized that HRM model emphasizing employees’ commitment would result in superior organizational performance as compared to that under the control approach to managing human resources. He then presented a number of arguments in support of this argument.

As Arthur claimed (1994), a commitment HRM strategy, characterized by decentralized decision-making, formalized participation mechanisms, and appropriate training and reward schemes, empowered and motivated employees. Building on Thomas and Velthouse (1990), Arthur also argued that these conditions were likely to facilitate alignment between individual and organizational goals, and to engage the workforce in organizational citizenship behaviors (OCBs). Consequently, due to the aligned goals, organizations could reduce resources allocated to controlling employee compliance
(Locke & Schweiger, 1979, as cited in Arthur, 1994). In addition, OCBs, defined as unrewarded, discretional employee behaviors, were assumed to promote the efficient and effective organizational functioning (Organ, 1988).

In one of the most influential works of the period Huselid (1995) has studied similar relationships concerning the HRM’s impact on turnover, productivity, and corporate financial performance. As a point of departure in his discussion, Huselid referred to the resource based view of HRM (Barney, 1991; Wright & McMahan, 1992) as a potential source of competitive advantage. The question however was, and has remained (Guest, 2011), how this potential could be realized? Continuing Arthurs’s (1992, 1994) attempts to answer this question, Huselid (1995) mentioned the unpublished Bailey’s (1993) work on employees’ discretionary efforts, which argued that organizational human resources were frequently ‘underutilized’, because employees rarely performed at their maximum potential. In turn, through influencing employees’ skills and motivation HRM systems could elicit discretionary employee effort and yield returns beyond any relevant cost (Bailey, 1993).

One way to influence employee skills was through acquisition and development of organizational human capital. Carefully designed selection, based on relevant and reliable criteria, was believed to have crucial importance for the quality and type of organizational skillset (Bailey, 1993). However, even highly skilled employees could be ineffective if appropriately configured motivational mechanisms were not in place. As an example of such mechanism, Huselid (1995) referred to the performance appraisal (PA) practice, aimed at assessing individual or team performance, and linking it with various forms of incentives, deliberately aligning individual interests with that of organization. Finally, Bailey (1993) contended that the effectiveness of even highly skilled and motivated employees could be hindered by an inappropriate organizational structure, if employees having superb understanding of their jobs were not allowed to use their skills and abilities so as to improve current job processes. Therefore, another way of enhancing organizational performance through HRM configuration, proposed by Bailey, was to provide organizational structures facilitating employees’ participation and engaging them in the development of their own work processes. Combined, these HRM practices, aimed at improving different aspects of organizational performance, were defined as High Performance Work Practices (HPWP) (Huselid, 1995).

Basing on this argumentation, Huselid (1995) formulated two main assumptions about the connection between HRM and organizational performance. First, if there were a
specific configuration of HRM practices enhancing employees’ discretionary efforts, their implementation would be expected to impact the outcomes directly controlled by employees, such as turnover and productivity. Second, if the returns from investments in superior set of HRM practices exceeded its real cost, as suggested by Bailey (1993), then lower employee turnover and higher productivity should have consequently added to corporate financial performance.

If prior works of that period, such as Arthur’s (1994) research in steel industry, and MacDuffie’s (1995) in automotive industry, have provided evidence for the impact of HPWP or high-commitment HR practices (MacDuffie, 1995) on employee turnover and organizational effectiveness, research on the relationship between such practices and corporate financial performance was scarce. As Huselid (1995) claimed, although works of Schuster (1986), Kravetz (1988), and Ichniowski (1990) provided some indications of the positive relationship between high performance/high commitment HR practices and corporate financial performance, their findings were subject to various limitations, such as sector specificity, or inability to control for the firm size or industry.

As an answer to shortcomings of preceding research, Huselid (1995) claimed to have incorporated in his study the full range of HRM practices, and investigated their effects on both immediate employment outcomes and corporate financial performance, while taking into account a broad range of industries and firm sizes. In the initial stage of this investigation, Huselid’s (1995) main hypothesis stated that systems of HPWP would decrease employee turnover, improve productivity and contribute to corporate financial performance, while employee turnover and productivity would mediate the relationship between HPWP and financial performance. Huselid (1995) also referred to the concepts of ‘internal fit’ (Baird & Meshoulam, 1988, Miles & Snow, 1984) and ‘complementarity’ (Milgrom & Roberts, 1995), and hypothesized that internal synergies and strategic, or external, fit of HRM practices would matter for organizational performance.

Huselid’s (1995) study contributed an unprecedented for that period body of evidence in support of the notion that investments in HPWP were likely to decrease employees’ turnover, boost their productivity, and enhance corporate financial performance, while found no support for the hypotheses concerning fit. Moreover, Huselid noted that the HPWPs’ effects on corporate financial performance were only partially explained by their impact on employee turnover and productivity, thus requiring further studies of the relationship between HRM and organizational performance.
2.1.2. Theoretical backlash and conceptual refinement

Shortly after the stage of empiricism, which in addition to Huselid’s (1995) landmark study included a large body of research investigating the correlations between HRM and organizational performance (Boselie et al., 2005), followed a period of theoretical backlash (Guest, 2011). There were several voices arguing that theoretical conclusions about the relationship between HRM and organizational performance had significantly outpaced their empirical grounding. Among the authors who early on have voiced a sound concern about the theoretical constraints of SHRM were Dyer and Reeves (1995). They argued that the majority of studies within the field were restricted in theoretical rigor, had relatively small samples, and were typically conducted in non-cumulative manner, impeding the development of coherent theory. Although having generally agreed with the logic underlying prior research, they contended that even if internally consistent bundles of HR practices did contribute to organizational effectiveness, it was still unclear how and why did this influence take place.

Becker and Gerhart (1996) raised similar concerns arguing that several explanations for the superior bundles were plausible. First, was based on the notion of complementarity, reflected in a view that a bundle of practices could be more than the sum of individual practices, stemmed from the resource-based view of the firm (Barney, 1991). However, some authors (e.g. Applebaum & Batt, 1994; Pfeffer, 1994) claimed that the set of best practices could in fact be identified, and these practices would have universal positive effects on organizational performance. However, as Becker and Gerhart (1996) argued, for a notion of best practices to have generalizable effects in the context of SHRM, it would have to take on a form of a higher-level characteristic. Authors claimed that one such characteristic could be the ‘architecture’ of HRM system, whereby companies with different approaches to the design and implementation of HRM practices could be at the same time utilizing similar architectures. Becker and Gerhart contended that while the arguments behind both of these approaches to bundling HRM practices were reasonable, they were seldom studied and lacked empirical grounding.

Concluding this review of seminal papers in the stages of empiricism and theoretical backlash, studies within these two periods have resulted in major advances within the field of HRM and organizational performance, providing the first evidence-based stream of support for the importance of HRM in determining organizational outcomes. At the same time this research area became increasingly confusing in terms of terminology, methodology, and interpretation of results. As a consequence, numerous
researchers (e.g. Dyer & Reeves, 1995; Becker & Gerhart, 1996) concluded that, despite all the promises, the theory of HRM and organizational performance still was on its infancy and required serious revision and refinement.

Delery and Doty (1996) brought some theoretical clarification by clearly distinguishing among three theoretical modes that had been employed in the field. These theoretical modes and associated with them assumptions are depicted in Table 1.

<table>
<thead>
<tr>
<th>Theoretical perspective</th>
<th>HR practices</th>
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<tbody>
<tr>
<td><strong>Universalistic/‘Best practice’</strong></td>
<td>Some HR practices are always better than others, and their positive effects are universal across companies</td>
</tr>
<tr>
<td><strong>Contingency</strong></td>
<td>The relationship between the use of specific HR practices and organizational performance is contingent on organizational strategy. In order to achieve superior performance practices should be aligned with organizational strategy</td>
</tr>
<tr>
<td><strong>Configurational</strong></td>
<td>The system of HR practices will exhibit higher effects than any of its individual components. In order to achieve superior organizational performance two types of fit should be achieved simultaneously: HR practices should internally fit each other within the HR system, and HR system should externally fit organizational strategy</td>
</tr>
</tbody>
</table>

**Table 1. Theoretical perspectives on SHRM (adapted from Delery & Doty, 1996)**

Building on these conceptualizations, authors have examined their applicability with respect to organizational performance. As a result, Delery and Doty (1996) concluded that each of these perspectives was viable and required different assumptions about the relationships among the HR practices, strategy, and organizational performance.

Another conceptual advancement came from the resource-based view of the firm. Some other authors argued that the organizational workforce consisted of multiple employee groups, different in their instrumentality to competitive advantage, both in terms of valuable skills and their inimitability. According to Lepak and Snell (1999, 2002), workers’ employment modes, and associated with them HRM configurations, would also vary depending on the instrumentality of these groups. This approach to HRM suggested that organizational workforce should not be seen as a united whole (Snell & Lepak, 1999, 2002), a perspective almost unitarily applied in the preceding empirical literature. This view of firm’s human resources led to another focal shift in HRM research, implying the need for multilevel analysis, where individual employee-level investigation would complement that of organizational-level. Thus, the following developmental stage in HRM-organizational performance research area, termed by Guest (2011) as ‘growing sophistication’, has been gradually unfolding.
2.2. Growing sophistication and HRM process

Since the emergence of increased attention to the HRM, seen as a possible response to the turbulently changing economic reality of the 1980s, HRM research has been divided into two independently developing areas: the strategic and the functional orientations (Wright & Boswell, 2002). Strategic orientation, as discussed above, implied studying HRM effects at the organizational level, focusing on the variance in selected variables across corporations. In contrast, traditional functional approach to HRM, concentrated on the effects of HRM practices with respect to a multiplicity of individual, or small group, outcomes such as motivation, productivity, and quality. Based on this division of analytical perspectives, Wright and Boswell (2002) proposed the terms 'macro' to refer to the organizational-level outcomes, and ‘micro’, implying lower level of analysis, these terms are used later in this chapter.

Another distinctive dimension of HRM research concerned the general approach to practices, juxtaposing the concept of HRM systems to the traditional focus on their components. While both approaches were employed at various levels of analysis, the logic behind the alignment of practices into systems came mainly from the more recent macro focus in the HRM. Conversely, as Wright and Boswell (2002) claimed, majority of the micro HRM literature has been extensively examining the effects of individual practices, aiming at their technological sophistication, usually achieved by demonstrating the efficiency of these practices in isolation from other components of the systems in which they were embedded.

As an outcome of more than two decades of intensive research, both the functional and strategic approaches to HRM have amassed an impressive body of work, despite that some questions were yet to be answered. While functional HRM research at the micro level has produced significant technological advances in the implementation of practices (e.g. 360-degree performance appraisals), its extensive focus on individual components risked neglecting strategic and configurational contexts, in which these practices were utilized (Wright & Boswell, 2002). In turn, while strategic research at the macro level has established the existence of the relationship between the HRM and organizational performance, the contents of intermediate linkages comprising this relationship were still unclear (Ferris, Hochwarter, Buckley, Harell-Cook, & Frink, 1999). A major criticism of the macro approach concerned the lack of theoretical and methodological rigor. In addition, the uniformity at the lower levels of organization assumed by the macro approach, resulted in neglecting variance across individuals.
Given the interrelatedness of these limitations, it was becoming increasingly evident that in order to overcome them and advance the development of HRM and organizational performance research area, both micro and macro approaches should be used in complementarity.

As an example of growing sophistication in terms of both theory and research methods, noted by Guest (2011), Bowen and Ostroff (2004) advanced the HRM process theory that simultaneously addressed organizational, group, and individual processes and the dynamic linkages among these levels of analysis. Bowen and Ostroff (2004) argued that when studying the relationship between HRM and organizational performance, macro researchers have implicitly assumed multilevel linkages among the HRM practices, organizational outcomes, and individual employee characteristics. However, the attributes of HRM systems, critical for the activation of these relationships have not been appropriately examined (Ferries et al., 1999). Hence, Bowen and Ostroff (2004) developed a multilevel framework of HRM implementation, explaining how through motivating employees to collectively assume desired attitudes and behaviors, HRM systems could contribute to organizational performance.

In contrast to the traditional approach to HRM systems in terms of their constituent practices, this framework assumed a process perspective on HRM. Bowen and Ostroff (2004) defined the process as a set of features, characteristic to HRM systems, that send signals to employees allowing them to form shared perceptions about the attitudes and behaviors expected by the management. This perspective is consistent with Ferris’s et al. (1998) arguments that by forming employees’ perceptions of specific attributes of the work climate HRM systems can influence their attitudes and behaviors. Building on this view, Bowen and Ostroff (2004) positioned ‘climate’ as an important mediator of the relationship between the HRM and organizational performance.

At the micro-level, the importance of climate as a construct mediating the relationship between the HRM and performance is indicated by the fact that psychological climates reflect the organizational customs, routines, practices, and employees’ perceptions of the behaviors management expects, supports, and rewards (Schneider, Brief, & Guzzo, 1996). While organizational climate, aggregated from the perceptions shared by the members of organizational units, indicates what is collectively seen as important, including what behaviors are expected and rewarded (Schneider et al., 1996). Given such conceptualizations of climate, both on micro and macro levels of analysis, the critical role of the HRM, as a key example of organizational policies and practices, in
shaping climate perceptions, is evident. In turn, the impact of organizational climate on organizational performance outcomes, by facilitating macro-level behaviors, has been empirically supported (e.g. Gelade & Ivery, 2003; Johnson, 1996).

Although Bowen and Ostroff’s (2004) discussion focuses on the process dimension of HRM system, the importance of HRM content cannot be underestimated. In fact, the authors have argued that for the HRM system to facilitate a linkage to organizational performance, both HRM process and content should be closely integrated. As has been previously noted, HRM content refers to the set of practices, comprising overall HRM system, aimed at attaining specific organizational goals. As follows from the review of SHRM literature, there has been much debate among the scholars of configurational universalistic, and contingency, perspectives on what practices compose effective HRM systems, and whether there are alternatives to superior HRM systems. As Delery and Doty (1996) contended, multiple systems of practices could be equally effective, as long as they foster the development of appropriate climate around organizational strategy.

Bowen and Ostroff (2004) argued that the content of an HRM system alone may not suffice in eliciting appropriate collective attitudes and behaviors, due to the potential differences in employees’ interpretations of the HRM practices, leading to varied psychological climate perceptions. They conceptualized HRM process as a means to achieve and maintain the effectiveness of HRM systems. They authors argued that certain HRM process characteristics, allowing its constituent practices to send unambiguous messages to the employees and thus facilitate the emergence of shared organizational climates from the individual level perceptions, served to describe strong HRM systems and were crucial for their effective implementation.

Bowen and Ostroff (2004) posited that individual’s ability to make unambiguous and confident attributions about the cause-effect relationships of HRM practices depends on the distinctiveness, consistency, and consensus of the HRM system. Subsequently, Bowen and Ostroff have identified nine process features of HRM systems that should foster systems’ perceived distinctiveness, consistency, and consensus. Finally, Bowen and Ostroff conceptualized the strength of the HRM system in terms of its efficiency in achieving collectively shared interpretations of the HRM messages. Collectively shared cause-effect attributions to the HRM practices, in turn, were assumed to cultivate organizational climates. Following sections provide the description of the HRM process features focal to this thesis, while the description of other features is attached in the Appendix 1.
**Distinctiveness**

Bowen and Ostroff posited that the distinctiveness of HRM system concerns situational characteristics allowing it to stand out in the environment, by attracting attention and arousing interest. They have specified four HRM process features, necessary to foster distinctiveness: visibility, understandability, relevance, and legitimate authority. Visibility of HRM practices, which this thesis focuses on, represents the extent to which these practices are salient and easily observable. As Kelley and Michela (1980) have claimed, the notion behind salience is that individuals tend to attribute effects to the causes that are most salient in the environment at the time the effect occurs. Applying this notion to the HRM context, Bowen and Ostroff (2004) argued that salience and visibility are the basic conditions for the employees to make sense of HRM practices. In addition, they contended that for the desired effects of practices to occur, they should be visible throughout the considerable part of employees’ daily work activities.

**Consistency**

Following the principles of causal attribution (Kelley & Michela, 1980), in order for the individuals to make accurate and confident attributions, distinctiveness of the event, which facilitates its perceived importance, should be complemented by the consistency of its effects over time and modalities. Applying this logic to the HRM context, it can be inferred that for the employees to make sense of the expected behaviors and attitudes, the outcomes of such behaviors should be consistent across the time, practices, and employees. Bowen and Ostroff (2004) have identified three process features that are likely to foster consistency: the instrumentality, validity, and consistency of the HRM messages. Validity, which is the second process feature this thesis focuses on, refers to the extent to which the practices exhibit consistency between their declared purpose and what they actually do (Bowen & Ostroff, 2004). Bowen and Ostroff argued that practices failing to demonstrate their advertised effects send contradictory messages and result in idiosyncratic employees’ interpretations.

**Consensus**

The final HRM system characteristic that might lead to the creation of strong situation, when integrated with distinctiveness and consistency, is consensus. According to Kelley and Michela (1980), individuals are more likely to make accurate attributions when the perceptions of the stimuli-effect relationship are shared. As has been previously stated,
shared perceptions are necessary for the emergence of organizational climate. Bowen and Ostroff (2004) have identified two main process features that cultivate consensus in employees’ perceptions of the HRM practices: agreement among the principal HRM decision makers, and the perceived fairness of HRM practices. The fairness of the HRM system, which is the third and last HRM process feature this thesis focuses on, concerns the adherence of the system’s constituent practices to the principles of procedural, distributive, and interactional justices (Bowen, Gilliland, & Folger, 1999).

The above discussed characteristics of the HRM practices, namely their distinctiveness, consistency, and consensus, as well as the features, fostering these characteristics, serve to define the HRM process. These constructs operate at the micro-level of climates and are responsible for shaping employees’ perceptions of the HRM practices, and thus the psychological climates, which then through processes of social interaction are posited to promote (shared) organizational climates. The process perspective on HRM provides organizations with a device for the design and effective administration of the HRM systems, allowing them to send unambiguous and consistent messages to employees about what behaviors and attitudes are required of them by the organization (Bowen & Ostroff, 2004). Bowen and Ostroff have designed perhaps the most comprehensive to date multilevel framework offering an interesting possibility to investigate the contents of the proverbial ‘black box’ between the HRM and organizational performance (Nishii, Lepak, & Schneider, 2008).

There is however very few examinations of this theory. One of the most obvious reasons for that is its complexity, in terms of both theory and research methodology, and the amount of resources necessary to study the multi-level relationships, especially across organizations (Guest, 2011). However, a handful of works have to some extent built on Bowen and Ostroff’s (2004) theory of HRM process. In one of the more clear cases, Sanders, Dorenbosch, and de Reuver (2008) found that high-perceived distinctiveness of the HRM practices, as a function of their relevance, legitimate authority, and internal consistency (see Appendix 1) was associated with higher affective commitment. While the effects of consensus among the policy-makers about the content of the HRM system, on employees’ affective commitment have not been established. In a more recent study Nishii et al. (2008) employed a somewhat similar approach to that of Bowen and Ostroff (2004). They have generally agreed that understanding employees’ perceptions of HRM practices is important for the realization of desired organizational outcomes. However, their main idea was that employees’ attitudinal and behavioral
responses to the HRM practices were determined by the individuals’ attributions about management’s purpose behind the implementation of these practices.

Thus, while there has been some (scarce) research on the effects of employees’ causal attributions to the HRM practices, no research has attempted to analyze factors that foster employees’ perceptions of the process features themselves. As already noted, this is the purpose of the present study. This purpose is further discussed below but first the examination of prior literature, specifically on the performance appraisal practice, is needed, since, as also noted above, the investigation of the factors influencing perceptions of HRM process features focuses on the performance appraisal practice.

### 2.3. Performance appraisal

This section of literature review starts with the definition of performance appraisal (PA), and briefly introduces the main developments in a long history of PA inquiry. In addition, it also discusses most recent academic trends and defines the areas where the research has been lacking so as to provide theoretical rationale for the focal study.

According to DeNisi and Pritchard (2006), ‘performance appraisal’ refers to a discrete, formal, organizationally sanctioned event, usually occurring once or twice a year, which is based on clearly stated performance dimensions and/or criteria that guide the appraisal procedure. As an evaluation process, PA often applies quantitative scores, assigned to reflect perceived employee’s job performance on previously defined dimensions or criteria, and theses scores are later shared with the appraised employee (DeNisi & Pritchard, 2006). Although PA may serve multiple goals, providing the information relevant for various personnel decisions, including promotions and rewards, employee development and training programs, and performance feedback (Cleveland, Murphy, & Williams, 1989), underlying these objectives is an ultimate purpose—to improve employee performance under a broader scope of performance management systems (DeNisi and Pritchard). PA decisions represent critical influences on subsequent HR actions and outcomes (Judge & Ferris, 1993), and it is not surprising that the practice has been attracting systematic academic efforts for more than nine decades to get an understanding of its various facets.

Given such a long history of this academic field, one could easily assume that the knowledge accumulated throughout the decades would have sufficiently informed the practitioners how to effectively utilize performance appraisals. However, the sentiment
across the PA literature signals rather the opposite, with a multiplicity of commentators agreeing on the limited applicability of PA research, and widening gap between the research and practice (e.g. Bretz, Milkovich, Read, 1992; DeNisi & Pritchard, 2006). And the major reason for this gap, as according to DeNisi and Pritchard (2006), is in that performance appraisal research has been majorly focused on measurement issues, since 1940s to 1980s, and rater’s cognitive processing, dominant throughout the 1980s, while neglecting the greater underlying cause, namely performance improvement.

Although according to Ilgen, Barnes-Farrell, and McKellin (1993), the cognitive process approach, has contributed to performance appraisals in organizations in several ways: by 1) highlighting the importance of observations as a basis for evaluation decisions; 2) breaking a conventional belief that rating errors provide evidence for rating inaccuracy; 3) questioning a view of appraiser as simply a reporter of the observed information, by arguing that reports already included indirect evaluations; 4) and cautioning the use of archival PA data as criteria for the purposes other than for which ratings were initially acquired. However, as Ilgen et al. (1993) concluded, these contributions were limited, and this body of research has reached a point of diminishing returns, as additional simple demonstrations of cognitive effects were not needed. Moreover, in line with Banks and Murphy (1985), Ilgen et al. (1993) argued that if research continued along its path, the gap between PA theory and practice would only widen. Bretz et al. (1992) have voiced similar concerns, arguing that studies of appraisal issues in isolated settings hindered the effects that needed investigation, and that for the PA research to progress, attention must be paid to the eventual impact of situational and contextual variables.

The social context theory came to complement the research on cognitive processing and try to overcome some of its limitations (Judge & Ferris, 1993). The general argument behind this notion is that performance appraisal decisions occur in a social context and that context has significant impact on the effectiveness of PA, as well as participants’ reactions to the appraisal process (Levy & Williams, 2004). Levy and Williams (2004) have consequently composed a framework of social context of performance appraisal, which consisted of distal variables, as well as process and structural proximal variables, ultimately influencing rater and ratee behavior. Building on Murphy and Cleveland (1995), authors defined distal variables as contextual factors, including organizational climate and culture, organizational goals, and broader HRM strategies that indirectly influenced both ratee and rater behaviors through the proximal variables. Structural proximal variables, in turn, represented aspects of the system constituting the design of
the PM systems, and thus reflected functional orientation (Levy & Williams, 2004). Subsequently, the authors defined the process proximal variables as factors affecting cognitive dimensions of how performance appraisals were conducted.

However, as pointed out by Levy and Williams (2004), perhaps no other topic within the PA literature has seen such substantial increase in academic attention since 1990 as ratee reactions to PA processes. Authors assumed that this interest came to being as a consequence of transition in the field from purely measurement focus to a greater attention to contextual factors. The main assumption here is that even the most validly constructed, in psychometrical terms, PA systems would be ineffective if employees did not perceive them as fair, important, and valid (Levy & Williams, 2004). As follows from the review of more than 300 articles related to social context theory of PA in the years 1994-2004 conducted by Levy and Williams (2004), most of the works concerned with ratee reactions to PA have investigated this issue from the perspectives of justice, employee participation, and feedback. Within the works focusing on fairness of the PA process, researchers have typically approached the topic from due process perspective, arguing that perceived fairness of PA will be higher if three elements of due process are present in performance evaluation: adequate notice, fair hearing, and judgment based on evidence (Folger, Konovsky, & Cropanzano, 1992; Erdogan, 2002).

With respect to feedback acceptance, however, Levy and Williams (2004) claimed that the evidence that feedback has actually resulted in improved performance was mixed at best. Building on Ilgen, Fischer, and Taylor (1979), authors have contended that if receiver of the feedback does not perceive the message to be fair, the feedback to be specific and accurate, or the source of feedback trustworthy and competent then it is likely that the feedback will be ignored. DeNisi and Pritchard (2006), in turn, have stated that it is rather impossible to expect employees to change behavior through PA and feedback unless employees react to feedback in the intended ways. And, according to the authors, for the employees to actually change their behavior and improve performance, they have to believe that there is a need to improve. Therefore, DeNisi and Pritchard (2006) argued that in order to get the PA research back on track to performance improvement, the investigation in this direction has to continue.

Finalizing the review of PA literature, it can be concluded that after the decades of limited functionality, the research in this initially applied field has started to gradually recover its focus on improved performance. It has become evident that the extensive focus on evaluator's cognitive abilities, or accuracy of rating scales cannot explain the
varying outcomes of the practice in terms of individual performances. Moreover, it is quite surprising that researchers’ efforts throughout several decades have concentrated mainly on the sending side of the appraisal communication, while assuming uniform reactions from the receivers. In vein with recent trends in more generalist HRM field, where focus has shifted to employees as the ultimate drivers of organizational performance, PA researchers have come to agree that in order to assess the practice’s effectiveness research should be directed at employees’ perceptions of performance appraisals, as the determinants of individual performance.

2.4. Integrating theory

From the review of literature on HRM and PA, it is clear that research in these areas went through similar patterns in their development, and both arrived at the conclusion that employees’ perceptions play pivotal role in the effectiveness of implementation of HRM practices. Bowen and Ostroff’s (2004) theory of employees’ perceptions of HRM practices builds around the principles of causal attributions (Kelley & Michela, 1980), whereby employees make cause-effect attributions to HRM practices when interpreting the kinds of behaviors and attitudes that management expects, supports, and rewards. In turn, this thesis assumes that performance appraisal process represents a major means of conveying management expectations to the individual employees, and that understanding how employees perceive this communication, and what factors influence their perceptions is important.

As has been previously noted, the research linking employee attributions to enhanced individual and organizational performance is scarce. In one of the very few works that examined the potential influence of PM systems on employee attitudes and behaviors, Biron, Farndale, and Paauwe (2011) argued that particular structural configurations might drive employees’ attention to performance-related issues, which are important from the organizational standpoint. Although the authors have focused on a broader, as compared to the PA, concept of performance management (PM), the fact that PA in this thesis is being viewed not solely as appraisal discussion but also includes clear linkages to other components of PM, such as rewards and promotions, as well as training and development opportunities, and, should mitigate potential impediments to generalizing overall conclusions of their study to the focal study. Similarly to Bowen and Ostroff (2004), Biron et al. (2011) claimed that organizational approach to selecting, designing, and utilizing HRM practices, sends signals potentially influencing employees’ attitudes
and behaviors. Based on the interview data from 16 high-performance companies, the authors suggested that such formal practices as the senior management involvement, regular communication of performance expectations, and alignment of organizational and individual goals, might contribute to the PM/PA effectiveness.

In another recent work, Boon, Den Hartog, Boselie, and Paauwe (2011) investigated the relationship between employee perceptions of HRM practices and employee outcomes from the perspective of person-organization (P-O) and person-job (P-J) fit. They have found that some relationships between the perception of HRM practices and employee outcomes appeared to occur indirectly, through P-O and P-J fit. The authors concluded that managing employee perceptions of HRM might be a worthwhile goal for firms, as they can affect organizational performance. In terms of the future research, the authors have called for the examination of what factors, such as the leadership styles, previous experiences, and personality, influence these individual perceptions. The second part of this advice is closely related to what this thesis is set out to study. From the perspective of the HRM process, PA practice represents a perfectly suitable device for eliciting employees’ perceptions of organizational signals in terms of their characteristics.

Based on the literature reviews in both the SHRM and PA fields, and the two above mentioned works by Biron et al. (2011) and Boon et al. (2011), on the relationship between the employees’ perceptions of HRM practices, and their outcomes, it might be implied that the topic of this thesis is relevant and theory of the HRM process features is applicable to the PA practice’s context. Not only the research on the perceptions of HRM practices in general, and specifically with respect to the PA, is scarce but also the investigation of factors that might affect these perceptions is both called for and has not been spotted in literature. Although the general theory about the factors influencing employees’ perceptions of HRM practices is lacking, and the present study is therefore partly exploratory, it also has explanatory elements. The next section identifies a number of factors that are likely to influence employee perceptions of the HRM process more generally but at the same time of the three process features of the PA practice that this thesis focuses on, i.e. its visibility, validity, and fairness. However, it is important to note that no hypotheses, regarding the specific relationships among these factors and perceptions of process features have been made, rather the purpose is to understand their potential role in determining employees’ perceptions of the process features. The original list of factors can be found in the Appendix 3.
2.4.1. Factors likely to influence perceptions of the HRM process

The PA process itself

The first non-exploratory factor that this thesis focuses on is ‘the PA process itself’. The initial idea behind the inclusion of this factor was to make employees think of PA from the functional perspective, that is to reflect on the issues directly concerned with its nature and structure. This is thought to shed light on specific design characteristics and focused upon what employees may perceive to affect the visibility, validity, and/or fairness of the performance appraisal practice.

Role of the supervisor

The second factor, ‘role of the supervisor’, has been extensively studied in PA research, although from a different perspective. According to Levy and Williams (2004), the role of raters’ attributions in the PA process has received considerable attention within the social context theory research. Authors contended that raters’ attributions for ratees’ behaviors have, in part, determined evaluators’ reactions and ratings. As an example of such research, Johnson, Erez, Kiker, and Motowidlo (2002) found that evaluators’ liking of appraised subordinates, as well as attributions concerning their behaviors, mediated the relationship between ratees’ reputation and raters’ reward decisions. While these findings highlight the importance of considering attributional processes, involved in raters’ PA decisions, the research on ratees’ attributions, which are involved in their perceptions of PA decisions, is lacking. It is therefore interesting to examine the role of supervisors in the PA process, as the employees perceive it.

The general manager of the unit

Inclusion of the third factor, ‘the general manager of the unit’, has been devised from Bowen and Ostroff’s (2004) notion of legitimate authority. According to the authors, senior management's, or the general manager's in case of this thesis, involvement in the design and implementation of HRM practices increases the likelihood of alignment among their purpose and organizational goals, and enhances the perceived status of the HRM function. Consequently, GM’s involvement into the implementation of the PA process is expected to result in the practice’s higher perceived visibility (Biron et al., 2011) validity, and legitimate authority. While legitimate authority has not been studied directly, Haggerty and Wright (2010) argued that it is precedent to other features of the HRM process, and thus should be manifested throughout the employees’ perceptions.
The HR manager of the unit

The factor, ‘the HR manager of the unit’, has been included in order to assess employees’ perceptions of the HR function’s role in implementation of the PA practice and, specifically, the function’s influence on the process features. On one hand, this can allow to assess the perceived status of HR function, as has been discussed above. On the other hand, it can provide insights into the distribution of roles among HR specialists and line managers in PA implementation. Traditionally HR functions’ responsibilities concerned the design, implementation, monitoring, and administration of PA (PM in Biron et al., 2011). However, if HRM is to contribute to the organizational performance, HR managers should share their responsibilities for the implementation of HRM practices with the line managers but, at the same time, they should keep a predominant role in this partnership (Dany, Guedri, & Hatt, 2008).

The employee colleagues

The choice of ‘employee colleagues’ as a factor stems from the notion that employees’ causal inferences are not exclusively produced by internal sense making but are complemented by causal explanations collected from relevant others (Taylor & Fiske, 1991, as cited in Bowen & Ostroff, 2004).

Previous experience and particular work situation

The inclusion of ‘experiences with PM elsewhere’ and ‘your particular work situation’ as specific factors deemed to potentially influence employee perceptions of the HRM process features, reflects the fact that employees' attributions might be influenced by the individual differences, such as past experiences, as the attributions they make are ultimately based on how employees selectively attend to information about HR practices as well as how they process that information (Mischel & Shoda, 1995, as cited in Nishii, Lepak, & Schneider, 2008). While, the factor ‘the corporate/regional headquarters’ is beyond the scope of this study and has been included as a part of a broader research project, for which the data was collected, as discussed in the methods chapter along with the more specific way, in which the role of these factors was studied.
3 METHODS

3.1 Research strategy

The process of inquiry in this thesis is designed as an exploratory multi-case study with explanatory elements and the use of qualitative instruments. Specificity of the case study, as a research strategy, is that it seeks to investigate a contemporary phenomenon in its real-life context, especially when the division between phenomenon and its context is not readily observable (Yin, 1981). As claimed by Yin (2003), the most appropriate research design should connect the empirical data with the study’s initial research question. Yin makes a distinction between the research approaches that aim at investigating “what” questions (exploratory), and “how” and “why” questions (explanatory). While the main purpose of this thesis is to discover “what/which” factors might affect employees’ perceptions of PA process features, the answer to this question is induced from their responses about “how” they perceive these features, and “why” they perceive them the way they do. However, what distinguishes this approach from purely explanatory is that this thesis does not aim to explain the “how” and “why” in terms of their statistical significance, which could be best done by the use of statistical methods through assessing the relative explanatory power of influencing constructs, but to explore and understand them.

The exploratory case study is most appropriate when there is no systematic research on the main topic of inquiry and no formulated hypotheses to test (Streb, 2010). According to Eisenhardt and Graebner (2007), the central notion here is to inductively develop theory from the data by recognizing patterns of relationships among constructs within and across cases, as well as their underlying logic. They argue that justification for the phenomenon-driven, as opposed to the theory-driven, research stems from the importance of the phenomenon and the lack of plausible theory and empirical findings explaining it. For these purposes, the literature review provided the evidence in support of the importance of the PA process for organizational performance, and emphasized the lack of systematic research that would assess the factors affecting employees’ perceptions of this process.

In the oft-cited paper, Eisenhardt (1989) has explicated the process of building theory from case studies. As the initial step in this process, she has recommended defining the research question, as it focuses efforts, and possibly specifying a priori constructs, as it allows researchers to measure constructs more precisely. If these constructs emerge as
important throughout the research progress, their empirical grounding in the outcome of the study will be firmer (Eisenhardt, 1989). However, she advised that it is important to keep in mind that in this kind of inquiry both research question and pre-defined constructs are provisional. Following this argumentation, the research question in this thesis was devised in somewhat broader terms while at the same time retaining focus on the studied phenomenon. Sequentially, some factors that have not been investigated under the given circumstances, yet based on the related theories might have some influence on employees’ perceptions of the PA process features, have been specified in the concluding section of the literature review. Nevertheless, the data is approached by striving for the idealistic state ‘of no theory under consideration’ (Eisenhardt, 1989: 536), as no specific relationships among the factors and employees’ perceptions of the PA process features have been assumed and no hypotheses regarding these potential relationships have been formulated.

According to Eisenhardt and Graebner (2007), the choice of multiple over the single case study has a number of advantages: it allows for more empirically grounded theory formulation, enables broader exploration of research questions, and facilitates a comparison across cases, which clarifies the nature of the emergent findings. The main challenge of this approach concerns the sampling of the cases, as it has to be based on purposeful considerations allowing for the theory development within these cases. Eisenhardt and Graebner (2007) have defined a “polar types” technique as one particularly important approach to sampling, where the extreme cases are selected in order to identify contrasting patterns in the data. This sampling technique has been pursued in the present thesis.

3.2. Data collection

3.2.1. The background project

The data for this study has been collected as a part of an ongoing research project on performance management in multinational corporations (MNC), jointly administered by the Hanken School of Economics and University of Vaasa. The project is sponsored by TEKES (Finnish Funding Agency for Technology and Innovation) and the Academy of Finland. The data has been assembled by multiple members of the research team from both the Hanken School of Economics and the University of Vaasa. Data has been collected in 12 major Nordic MNCs, representing various industries, and their 103 units
around the world, in two major project stages. The author of this thesis has taken part in both stages of this project as a research assistant, however has not participated in the data collection process.

In the first stage of the project (Feb–Sept 2010), data collection was based on extensive survey and completed questionnaires acquired from 106 units, comprising 930 individual responses with a 78% response rate. 10 respondents from each unit have been selected for the survey using the following criteria:

1) Fairly even balance between managers (with direct subordinates) and professionals (professionals with no direct subordinates).

2) Respondents 1-2 hierarchical steps from the General Manager (i.e. they report to the General Manager or to a manager who reports to the General Manager).

3) Respondents from a range of different departments/functions, but not from HR.

As has been previously mentioned, one of the main purposes of the first study was to assess the ‘strength’ of HRM systems (Bowen & Ostroff, 2004) in units, measured as the average rating for the process features (level) and the extent of agreement about the level among individuals (variance). The findings indicated that ‘strong HRM’ systems, characterized by high level and low variance, were seldom achieved, with the main challenge coming from the variance in individual responses within the units. At the same time, the survey data was not sufficient to explain the discrepancies in individual perceptions, and hence identify the factors affecting the HRM system’s strength. Thus, the research continued in the form of exploratory case studies in selected units, in order to identify the factors that could explain within-unit variance in employees’ responses.

In the second stage of the project (Nov 2010-ongoing), data collection was designed in the form of semi-structured interviews within the units with maximum variance both in terms of the level and variance of the responses to the survey questions measuring employees’ perception of the PA process features. The total number of units selected for the second round of data collection was 27. In units where the access to conduct a case study was granted, the research team has contacted the HR manager in order to arrange interviews with the GM, the HR manager, and the approximately 10 respondents, which participated in the preceding survey. The choice of interviewing technique and description of the interview guide for the second stage of the project, as well as the rationale for the case selection and unit of analysis for this thesis are provided in the following subsections.
3.2.2. Case selection and unit of analysis

As a result of the second round of ongoing data collection, so far 59 interviewees in 10 units within 6 participating corporations have been conducted. As has been stated in the description of the research strategy, this thesis is designed as a multiple-case study. However, given the obvious space constraints of a graduate work, the limited amount of cases could be chosen for the analysis. Thus, employees from two units have been chosen as case studies for this thesis. In order to avoid confusion in terminology, it should be stated at this point that the only unit of analysis in this thesis is the individual employee. Nevertheless, due to the lack of clear criteria by which individuals could be sampled theoretically, and the desire to follow Eisenhardt’s (1989, 2007) recommended sampling technique, the higher-level considerations have been taken into account in order to provide the rationale for the choice of cases.

As has been noted in the previous section, the units chosen for the second stage of the project were the ones that displayed maximum variation both with respect to the ‘level’, and ‘variance’ of responses about the PA process features (visibility, validity, and fairness). Drawing on Bowen and Ostroff (2004), the ‘level’ here refers to the mean score of the employees’ ratings of constructs measuring the features of PA process, while ‘variance’ is measured by the standard deviation from that mean. Unlike the ‘variance’, ‘level’ also operates at the individual level of analysis, simply reflecting individual employee perceptions of visibility, validity, and fairness. In fact, Bowen and Ostroff (2004) advised using individual as a primary unit of analysis of HRM strength, as employees’ perceptions and attributions reside on the individual level.

The author believed that relatively low variance in perceptions would allow for some specific factors, related to either low or high perceptions of the PA process features, to be more readily observable (referred to by several employees), than if the variance was high, and employees referred to the multiplicity of factors. Therefore, in an attempt to focus the study on the factors affecting the ‘level’ of individual employee perceptions of the PA process features, the author of this thesis tried to control for the ‘variance’. Thus employees were chosen from the units, in which the variance of employees’ perceptions of the PA process features was close to the average among all the units studied in the first stage of the project. The second consideration concerned the researcher’s attempt to control for the institutional-level variables that could affect the implementation and administration of PA systems within units in a variety of ways. For instance, the author decided not to sample employees from the units located in Germany, where the
compensation system was based on the employees’ tariff group, creating differences in bonus distribution among the various employee groups, which in turn could affect their perceptions of distributive justice in ways unrelated to the PA process itself. The third criterion for the case selection was aimed at ‘polarization’, which author believed could be achieved by sampling employees from the units with high and low ‘levels’ of employees’ perceptions of the PA process. Finally, the fourth criterion concerned the hierarchical level of respondents; the choice here followed the Bowen and Ostroff’s (2004) suggestion to study the perceptions of HRM practices at the lower levels of organizations, thus the scope was limited to middle-level managers and specialists.

Concluding this logic, the two subsidiaries from which individuals have been sampled had ‘variance’ close to the average among all other units, and were ‘polar’ opposites in terms of the mean scores of employees’ answers to the PA process features measures. These two units belonged to two corporations from the industrial service and logistics sectors, and were situated in Dubai and Shanghai respectively. The former had ‘low’ level, and the latter high ‘level’. Hence, the resulting sample consisted of 11 respondents representing middle- and lower-level management, and specialists. Figure 1 provides the overall population of units from which the data was available for this thesis; highlighted units are the ones, chosen for the analysis.

Figure 1. 'HRM strength in units available for the 2nd stage of the project
3.2.3. Interviews

Due to the fact that the interviews were carried out as a follow-up after the initial round of survey data collection, and were purported to explore the reasons for the resulted variance in employees’ assessment of the PA process features, it was essential for the researchers to ensure that all the topics of particular interest would be covered and the data would allow for the within- and cross-case comparison. Thus, for the discussed purposes of both the broader project and this thesis, researchers have chosen to use the semi-structured interviews with the interview guide. According to Patton (2002), this interviewing technique allows the researcher to efficiently use the limited time, and to ensure that all respondents follow the predefined line of inquiry, while preserving the in-depth open-ended nature of their answers. In addition, this approach to interviewing facilitates measuring the a priori constructs (Eisenhardt, 1989) and structuring the data for further comparison and analysis. Interviews held within the sample of 11 employees, discussed in previous section, lasted for approximately one-one and a half hours, have been digitally recorded for further transcription, and followed an interview guide, predefined specifically for this employee level. The example of an interview guide used for the managers and professionals can be found in the Appendix 2.

The first section of the interview guide concerned employees’ background information: gender, nationality, length of employment (in company, unit, and current position), the most important responsibilities of the current job, number of subordinates (if any), the appraisal format (single or multi-source), the criteria on which appraisal was based, and whether employee had a performance-related pay. Such information could have been used for the various statistical purposes, and for measuring certain features of the HRM process, such as e.g. consistency among the performance criteria and strategic goals of organization, or the emphasis on important behaviors and performance-related pay; however these considerations are beyond the scope of this thesis, which explicitly focuses on the features of visibility, validity, and fairness of the PA process. Similarly, the second section of the guide, which has comprised questions about the employees’ experience of the PA discussion, is also irrelevant for this study.

In the third section of the interview guide, which serves as a basis for this thesis’s data analysis, employees have been sequentially provided with four sets of statements, which served to measure each of the four separate features of PA process: visibility, validity, fairness of the process, and fairness of the outcome. In turn, the respondents have been asked to indicate, on a five-point scale (from strongly disagree to strongly
agree), the extent of their agreement with these statements. Following paragraphs provide the description of statements, measuring the features of the PA process.

The measure of visibility of the PA process has been build around Bowen and Ostroff’s (2004) claim that in order to foster distinctiveness, HRM practices should be salient and visible throughout the considerable part of employees’ daily work activities. This construct has been measured as the extent of employees’ agreement with the following statements:

- There is a lot of emphasis on the PA process in this unit
- I often think about the PA process in this unit
- The PA process plays a highly visible role in this unit

In turn, validity of the PA process reflects Bowen and Ostroff’s (2004) argument that HRM practices should exhibit consistency between their declared purpose and what they actually do, for the employees to perceive them as valid in making attributions. Therefore, it was assessed as a level of employees’ consensus with the following:

- The PA process really helps me understand how I perform in my job
- The PA process clearly helps me focus on important behaviors
- The PA process really helps me deliver desired results

Sequentially, PA fairness is viewed in terms of the process, and outcomes. Performance appraisal practice is particularly important in defining fairness of the HRM, whereby employees judge the fairness of their performance ratings and rewards associated with them (distributive justice), the consistency and appropriateness of the PA (procedural justice), and the feedback that comes with communication of performance ratings (interactional justice) (Bowen et al., 1999). Thus, fairness of the PA process reflects the degree, to which employees perceive that:

- The PA process is applied without bias
- I have enough influence over the decisions made in the PA process
- The PA process is carried out based on accurate information (about my performance and factors influencing it

With respect to distributive justice, Bowen and Ostroff (2004) argued that employees’ perceptions of what distribution principles take place in which situations influence the
consensus among employees. Thus, **fairness of the PA process outcomes** has been assessed as employees’ perceptions of the following statements:

- On the whole, the outcomes of the PA process (rewards, career and development opportunities) reflect fairly my contribution to the organization
- On the whole, the outcomes of the PA process (rewards, career and development opportunities) reflect fairly the effort I have put into my work
- On the whole, the outcomes of the PA process (rewards, career and development opportunities) are fair (justified), given my performance

After initially rating each separate statement, the respondents were asked to explain their reasoning behind the rating, which represented the purely exploratory part of the study. Subsequently, as an explanatory part, the interviewees were provided with a list of factors, described in the end of the literature review chapter, and asked to specify the ones, which from their perspective could have influenced their perceptions of the rated constructs. However, this list was presented only to facilitate interviewees’ thinking as to the kinds of factors that could be appropriate, and they have not been asked to reflect on the factors that respondents themselves did not consider as influencing.

### 3.3. Data analysis

Simultaneously with the data collection, digital interview audio recordings have been gradually sent to the linguistic agency for transcription. Transcribed interviews were later forwarded to the project manager and given to the author of this thesis for the further analysis. As has been previously noted, interviews have lasted approximately an hour-hour and a half, and the transcript of an interview of such length consisted of 12 to 15 pages of text on average, accumulating to about 140 pages from 11 transcripts to analyze. Evidently, not every piece of information is relevant to the main topic of the study, and thus the first step in qualitative data analysis usually aims at data reduction. According to Miles and Huberman (1994), data reduction is a part of analysis, where the researcher takes analytical decisions about which pieces of data to code, and which patterns best represent these pieces, in order to sharpen, sort, focus, and organize data in a way allowing for the ‘final’ conclusions to emerge and to be verified. One of the main methods of data reduction is coding, whereby codes are attached to the data parts of various lengths, depicting their meaning, and allowing the researcher to retrieve and organize these pieces of information in coherent, important for the study ways (Miles and Huberman, 1994).
At the preliminary stage of analysis, the author used qualitative research software nVivo 9 in order to conduct first-level coding and generate the data extracts for the further analysis. According to Miles and Huberman (1994), first-level, or descriptive, coding is a technique for summarizing segments of data with little interpretation; in this thesis first-level categories were simply drawn from the interview guide, and served as a way to organize the data according to the interview sections. This, allowed the researcher to focus the investigation on the most important bits of information concerning the employees’ thinking behind the ratings they assigned to the process features, and their views on the list of factors predefined by the research team. Thus, the descriptive codes, PAFeaturesWhy and PAFeaturesFactors, served to combine the information about employees’ perceptions of PA process features and their perceptions of factors that might have affected these perceptions, across all the interview transcripts. Having coded the interviews, the author has extracted the information combined under these codes from the 11 interviews chosen for the study; these extracts have then served as a basis for the within- and cross-case analyses.

As noted by Eisenhardt (2007), a critical aspect of empirical research is presenting the evidence from which the theory emerges; for a single-case study that simply implies a relatively complete narrative following the storyline of the case, which usually consists from extended field notes and various sources of supporting evidence. However, for the multiple-case study such approach is unfeasible, as a rich description of each particular case absorbs the emerging theory in incomprehensive body of text. One way to prevent that from happening, while at the same time facilitating systematic data analysis, has been proposed by Miles and Huberman (1994), who argued for the use of visualizations as a method to display and analyze the data. In contrast to combining the extended case descriptions, this technique allows the researcher to build visual data formats that permit viewing and coherently arranging the whole data set in the same place in order to facilitate careful comparisons within- and across-cases, detecting differences, trends, and patterns, and ultimately leading to valid conclusions (Miles & Huberman, 1994). As one of the generic illustrative display formats, Miles and Huberman (1994) proposed matrices, set up as tables of rows and columns, which are particularly appropriate for ‘exploratory eyeballing’ but can also lead to more causal explanations, and be compared with similar matrices from other cases in the study.

Thus, following the extraction of the abovementioned codes, the analysis progressed to the construction of within-case matrices. Each interviewee in this thesis represents
individual case and has a number assigned from 1 to 11 in order to preserve employees’ confidentiality. Employees with numbers from 1 to 6 represent the unit in Dubai, whereas respondents from 7 to 11 are employed in Shanghai, the names of their respective companies are also undisclosed for the ethical considerations. In these matrices, the column labels have gathered employees’ quotes concerning their perceptions of high or low level of the PA process features (row labels), and had an empty cell for the researcher to input an inferential code, interpreting the reasons influencing these perceptions. In addition to eliciting the essence of employees’ perceptions, meaningful to the main questions of this study, such matrix allowed for the categorization of emerging themes among their respective positive or negative effects on respondents’ perceptions of the process features. Following this procedure, the researcher was able to establish a number of within-case themes, as influencing factors, which then served for a cross-case investigation.

The cross-case analysis has been designed as a synthesis of within-case findings, as claimed by Yin (2003), this approach combines the results from the individual cases allowing for identification of cross-case patterns leading to the more robust findings. After the condensed data from within-case analyses is gathered into the meta-matrices, analysis proceeds with further data division and clustering (Miles & Huberman, 1994). Therefore, having recorded all the inferential codes from each case, these codes were then collected to build the meta-matrix. Within this matrix, similar themes from individual cases have been grouped under the more general categories, on the basis of which the researcher moved to constructing the pattern codes. According to Miles and Huberman (1994), pattern codes function similarly to statistical factors, grouping distinct data pieces into more inclusive and meaningful constructs. As the finalizing step of analysis, created categories have been each assigned to the most appropriate influencing factor: supervisor, HR manager, process itself, work situation, influence of colleagues, GM influence, and previous experience. Presentation of findings, as well as implications and limitations, are discussed in following chapters; the final meta-matrix can be found in the Appendix 4.
4 ANALYSIS AND PRELIMINARY FINDINGS

Following 'the voices from the trenches', consecutive sections provide insights into the employees’ perceptions of the PA process features and the variety of factors influencing these perceptions, grouped with respect to: different stages and characteristics of the PA implementation, various roles played by the HR and general managers of the units, and influence of supervisors. The likely negative and positive effects of these factors on the perceived visibility, validity, and fairness of the PA process are also suggested in the following sections.

It needs to be reminded that the three different statements are measuring each of the features, and in the majority of the cases, employees might have assigned a high grade to one of these statements, while the other two could have been rated low. Moreover, even if all of the statements were rated high, while expressing the reasoning behind the rating, the respondents might have mentioned some less positive issues or concerns, which then were interpreted as factors potentially contributing to the lower level of that feature. The reasons for getting beyond the actual rating lie in the explorative nature of this study, as its aim is not to provide the definite rationale behind the numerical values assigned to the statements but to explore the multiplicity of issues that go through the employees’ mind when they are making sense of these statements. Thus, in order to avoid confusion, employees’ ratings of the statements measuring the visibility, validity, and fairness of the PA process are given in the Table 2. The description of statements is given in the previous chapter. As can be seen from the table, the ratings for fairness in cases 1 and 6 are absent, however given the idea behind the rating, as discussed above, that affects neither the analysis nor the results of this study.

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Table 2. Employees’ ratings of the PA process features
4.1. Employees’ perceptions and the PA process

Unlike none of the other factors influencing employees’ perceptions of the PA process features, the impact of various characteristics of the way in which PA has been carried out was found instrumental with respect to all situational features under investigation. The overarching opinion about the PA process has been that as intended, performance appraisal is an extremely important tool, while with regard to how well it was actually implemented—employees’ reflections were mixed at best. Preliminary factors emerged from the data and their anticipated effects on the perceptions of process features are depicted in Figure 2. Dotted lines in Figure 2 represent indirect relationships.

![Figure 2. Employees' perceptions and configuration of the PA process](image)

Visibility

Concerning the visibility of the PA process, building on Bowen and Ostroff (2004), its level has been measured on three dimensions: the perceived emphasis, importance, and frequency, with which employees were thinking about the PA process during their daily work. In the following paragraphs, these dimensions are examined through the lens of both positive and negative reflections of the interviewed employees.

Thus, arguing for the importance of the performance appraisal process, the interviewee 8 has referred to it as a major means of communication with the supervisor, noting that during the daily work such interaction is not always possible as either the superiors are unavailable, or the employees are not confident enough to share their thoughts:

“I think it’s very important, because everyone can let the boss know what individual, the staff, are thinking about. This is very important, because normally, staffs, they can’t tell what they are thinking to the boss because firstly for the business department they are always very busy, they have no time to exchange with their boss. Also some staffs may worry if I raise my thoughts to boss, [he/she] will consider whether this is problem situation to the company. So I think this PA is very good chance for every staff to dig out thoughts to the boss and discuss with the boss.”
Thus, the PA process in this case has been seen as an opportunity for the employees to raise their concerns to the otherwise unreachable superiors. It can be implied that this perception of the PA might have been influenced by the variety of factors such as the organizational culture, cultural power distance, or the proximity of the employee’s daily operations to the appraiser. At the same time, this notion seems to reflect the principles of interactional justice (Erdogan, 2002), whereby employees are given the opportunity to express their opinions without the fear of being punished, and are allotted adequate time to discuss the full range of issues (Roberts, 2003). The general logic suggests that if the PA process is conducted in a fair way, and employees are aware of the opportunity to express their concerns, then they are more likely to perceive the process as visible than if such opportunity was not provided. Such interpretation, if accurate, implies that either the interactional, or the procedural, or both types of fairness have a potential to influence employees’ perceptions of visibility.

In a similar vein, interviewee 3 has reflected on whether the PA process was visible in the unit, suggesting that his perception was influenced by the possibility to suggest certain improvements that the PA allowed:

“Yeah, because, you know, when for example I brought somehow kind of improvement, what do you say, suggestions, then he applied in the unit and it worked, you know, so I see that it is working… And it was for the improvement of the work of the whole unit and it was done accordingly so.”

Moreover, he added that during the PA discussion, his suggestions for the improvement were among the major issues discussed:

“… [The supervisor] was asking regarding our ideas about the improvement of the system within the unit and for the whole performance, not just for my performance. So we brought out, actually he was open to receive this feedback and I always provide it and it was good, because he was very, very much open and he let us to express and this was the main thing.”

Although this comment did not directly concern the visibility of the PA process, in light of interviewee’s 3 previous reflection, it seems logical to assume that the kinds of improvements mentioned in the quote for the visibility, are explicated in the second citation. It then might be suggested that employee participation in improvements of their work processes is another configurational factor, which might affect the perceived visibility of the PA process. It might be also inferred that if these improvements are actually implemented so that the employees can see their contribution, then it is likely to contribute to the higher visibility of the PA process. Thus, encouraging employees to take part in improvement of their work processes, and recognizing their efforts, should support the effective implementation of the performance appraisal process.
Concerning the frequency, with which employees think about the PA during their daily work, one valuable insight came from interviewee 2, who noted that:

"...If I am in my day job and I have got thousand and one things to do and I am doing things that I shouldn't be doing or, you know, I do sit back and think, I need to make sure that this mentioned in my performance appraisal and I guess, because there is a lot of emphasis on it and it is spoken about, you do remember that there is something happening every six months at least, you know. If I am doing something that isn’t in my objectives and I have spent a lot of time on, then I will make sure that I make a note of these, so they can be brought up in the performance appraisal."

One thing that might be implied from this answer is that in order for the employees to continuously think about the PA, in addition to the key performance indicators (KPIs), the process should account for their daily performance, which seldom directly relates to these indicators. In fact, this statement reflects one of the major themes that have emerged from the interviews, that is the importance of alignment among the individual goals, KPIs, and the execution of employees’ actual responsibilities, for the perceived effectiveness of the PA. In Bowen and Ostroff’s terms, this theme reflects the concept of relevance (see Appendix 1) of the PA suggesting that for the process to be perceived as distinctive, and arguably visible, it should be designed in a way such that it aligns employees’ important goals with the goals of organization. Thus, in order to increase the relevance of the PA process, the employees’ operational responsibilities should be aligned with the KPIs. If such goal congruity in the PA process is absent, it is likely to result in lower perceived relevance of the process, and as a consequence lead to its lower perceived importance. While in interviewees’ 2 case the perceived relevance of the process has been increased by incorporating her daily performances, not directly reflected in the KPIs, into the appraisal discussion, in the majority of the 11 selected cases, the perceived relevance of the PA was problematic.

One of the factors, associated with the lack of alignment among the goals and the actual execution of employees’ responsibilities, has been the perception of the PA process as a formality, which seems to negatively affect the perceived level of visibility. When asked to reflect on the statements about the perceived importance of the PA and frequency of thinking about the process, disagreeing with both statements, interviewee 4 claimed:

"...When I think in terms of visibility, I believe it needs to be something integral to the way we execute our work, and consistent throughout a year. And I don’t see that it is anything near that. That’s my understanding of visible. It becomes extremely visible at such a time when we need to formally check the boxes to say this process has been done. Then it is extremely visible. I get pop ups on my computer and in my e-mail all the time. But in terms of us actually using this throughout the execution of our work, I think we spend around 50 000 man hours per year working, and this should be a part of that, not one hour a year."

Similarly, interviewee 1 stated the following:
“For me there is a lot of emphasis on having done the process, a lot of ticks and boxes have you done, have you set objectives, have you pushed the button in our tool and it is very important. There are a lot of reports that we are asked to produce, saying who has and who has not done... And we know that we type full stop in the tool—your name comes off the list. So basically you can put in one objective that... has no relevant sort of value to the actual process itself but we have got a tick in the box saying it is done. And that’s where I think we have been driving ourselves as to say you’ve done it. I think that’s got a lot of attention, the KPI says you will do it.”

The first comment reflects the notion that while the formal mechanisms increase the importance, and arouse interest around the PA, this happens only when the time for the PA discussion is nearing. However, as Bowen and Ostroff mentioned, for the situational characteristics to increase the distinctiveness of the PA process, the features of salience and visibility should be present throughout the major part of the employee’s daily work routines and activities. It seems that one way to achieve the visibility of the process is by the higher relevance of the PA process, such as in interviewee’s 2 case. Specifically, if employees’ daily activities are reflected in the PA process it is more likely that they will think about the PA process more often than if there was no alignment among the goals and the execution of operational responsibilities.

Interviewee’s 1 case seems to resemble the previously discussed one in that the formal pressure on the execution of the process increases the visibility of the PA, however the personal goals that are set in the PA appear to have no relevant connection to the KPIs, based on which the employees’ performance is being ultimately assessed. In addition to that, interviewee 1 mentioned that the company’s requirements regarding supervisors’ responsibilities in conducting the PA have been limited to assigning a grade, providing feedback, and updating the system, without the detailed guidelines on how exactly each of his tasks had to be executed. For the line management with prevailing technical background, and thus lacking HR expertise, this could have detrimental effects on the effectiveness of the PA implementation. This issue is majorly concerns the distribution of responsibilities among the HR and line managers, discussed in greater details in the section on the role of the supervisor and HR managers of the unit in the PA process. It should be also noted that interviewee’s 4 remarks about the disconnection of goals have to some extent been affected by his previous experience in another companies:

“...Absolutely, in smaller companies, not multinationals, in two companies that I have worked for, we had a variable-based system in place and I think a major difference between what we had there and what we have here, is that there was a strong link between strategy of the company, the business strategy, the tactical plans and the execution. Work that everybody had, the work he was doing, he could see through the entire chain, how your work was connected to the strategy. Here it seems to be a disconnect, when there isn’t too much awareness of what the, what the strategy is or what the goals, ambitions and the tactical plans to fulfill these goals and ambitions are, and it comes out in our level, and we are forced [to tell] the workforce that the targets that we are searching in some way support the strategies but we are not aware of how and why.”
This notion reflects the fact that employees’ perceptions of their general work situation, and the PA process in particular, are affected, at least to some extent, by their previous experience, especially when it concerns the criteria based on which they evaluate these practices or their work situation.

Summarizing the views on the visibility of the PA process, in terms of the factors associated with its implementation, it can be suggested that in order for the PA to play a visible role in employees’ daily activities, performance appraisal system should be designed in a way that would allow the employees to improve their working processes, instill in them the feeling of trust in the opportunity to share their thoughts and concerns, and most importantly align the performance measures by which they are being evaluated during the PA with their operational responsibilities.

Validity

In turn, the validity of the PA process has been measured by the extent of employees’ perceptions of its utility in terms of helping them understand own performance, focus on important behaviors, and deliver desired results. Here, the disconnection among the goals and employees’ daily performance has had the most salient impact on the low level of employees’ perceptions of the PA process validity. As interviewee’s 4 comments suggests, the potential consequences of such misalignment might be extremely harmful for the effectiveness of the performance appraisal implementation:

“I think, this is one of the fundamental flaws, there is no connection between the goals that we have set, the KPIs and the execution of our actual responsibilities. The performance appraisal process clearly helps you focus on important behaviors. Again I strongly disagree, in fact I’d say the opposite, it destructs us from what we actually have to do, because of this disconnect. The performance appraisal process really helps me to deliver the desired results. I would say that I am neutral to this, because regardless of the performance appraisal as professionals I think we try to do our job and deliver the results they expect of us. At least I do think so…”

In a similar vein, interviewee 1 has claimed that:

“[There are] two parts what we are supposed to do, there is setting of objectives with strategy and where we want the business to grow and I think we are very poor at setting... We are then very poor actually connecting them individual objectives to the strategy, which is individuals should be doing something to help achieve that objective. And we don’t do that well…”

These statements then bring the point that the problems of the PA validity might stem not only from the misalignment between the practice’s espoused and inferred purposes, as defined by Bowen and Ostroff (2004), but also from the previously discussed notion of relevance, whereby the employees’ do not perceive the PA process as helping them in understanding the own performance, focusing on important behaviors, and delivering
desired results in case when they perceive no connection between the measures of their performance, their operational responsibilities, and contribution to the strategic goals.

Among the other factors that have negatively affected perceived level of the PA validity, employees have mentioned the need for local customization of the PA content, difficulty to translate the priorities in the PA system into the real job, and inability of supervisors to provide good feedback on performance. Thus, interviewee 8 has claimed that:

“For topics in the PA, we discuss. The topics are nearly similar. Sometimes just make difference in wording. But you know every area and every country is different situation. Like some thinking is different, so I think the topics need to be somehow revised, just according to the local staff, what they think, to leave some more area to the local staff to give the feedback to the company.”

According to the interviewee 8, the idea behind this statement is that standardized PA questionnaires do not capture the variance in operational realities across the countries in which organizational units might be situated. Besides, as he has contended, in the developing countries such as China, the majority of the staff is quite young and is constantly looking for the development opportunities, therefore in order to satisfy their demands, the company should provide more space for these cadre’s growth. Moreover, with respect to the local customization of the PA formats, employee 11 has noted:

“I think if there is a factor, the PA, I think will be the one, the PA itself is very good, very useful for us, when we make action plan for the next year, but in China it’s a little different from other countries, because the PA is in English, I think not all of our colleagues can understand directly, because sometimes I also can’t understand quite, I cannot catch the real point, so it’s not the PA process itself but it’s just, maybe some development on this.”

It is quite surprising that global corporations with years of experience on international markets might encounter such problems. Moreover, reflecting on the preparation for the PA, specifically filling-in the forms used for the system, interviewee 11 added:

“I think for most of the Chinese, they don’t understand the PA quite well, so their answers are different from each other. Most do not get the key point, to give the answer to what you want to know. That’s just my understanding. At the same time we did the PA year after year. Lots of colleagues try to copy and paste for the new year directly, so I get the PA similar to the last year, and everybody’s maybe similar to each other, because they try to discuss with each other and try to understand the PA, what they want to know, but they can’t understand correctly…”

If from the first sight these issues might appear insignificant, the idea about a number of employees in the strategically critical units, as well as positions within these units, not being able to understand the ways by which the company collects their feedback, undermines any efforts to improve the effectiveness of the PA systems. This issue draws attention to the understandability of the practice’s content, mentioned by Bowen and Ostroff (2004) with respect to the distinctiveness of the process (see Appendix 1). In terms of the PA validity it might be interpreted that if employees do not clearly perceive
the information conveyed by the PA process, initially aimed at facilitating their understanding of their own performance and setting their goals, then they are likely to perceive the process as less visible as well as valid in terms of carrying out its purpose.

Another factor that has been found potentially affecting employees’ perceptions of the PA process validity is the appraiser feedback. Although the issues typically studied with respect to the appraiser feedback, such as the appraiser motivation in giving feedback (Levy & Williams, 2004), and the fairness of feedback procedure (Erdogan, 2002), point out to the personal characteristics of the supervisors; in this case it is viewed as a structural feature of the PA process. The latter is reasoned by the fact that in the case of interviewee 1, the company did not provide any guidelines on how the managers should approach and prepare for the feedback, suggesting that the problem concerns more the design of the performance appraisal process, of which feedback is an integral part and likely one of the most important components. Another reason for treating feedback as a structural issue comes from the fact that in contrast to the other cases, where this factor has been found as affecting employees’ perceptions, interviewee 1 referred to it at a general level of organization as opposed to the influence of the individual rater:

“[We] don’t set ourselves up to give good feedback and when we do come to give it, as my experience has been, we had about 10 minutes or it has been a phone call or not at all, it is in the letter...I have been given ratings in all years with exception of last, I have been communicated my rate, and have been promoted in the eight years, so I would not be unhappy with what I have... But I am disappointed in the quality of the feedback and how I can improve, so it is all very well, be that: we rate you as exceeding and promote you; but that is not feedback, that is just a score...”

In turn, factors associated with the high level of the PA process validity were: the clarity of the goals, and employee participation in improvement of their working processes, as previously discussed, the latter factor has been also found to influence the visibility of the PA process. According to the interviewee 2, due to the clearly defined goals, the PA process has helped her to focus on important behaviors and perform better:

“The objectives are clearly defined in the MIP (PA in company’s lexicon) process, so at any point you can go back and have a look at what your what you are meant to be achieving in the next six months or where you are supposed to be at.”

Additionally, she has claimed that the appropriately defined, and mutually agreed upon goals have aided her contribution to the company beyond the daily work:

“I think they [goals] are set in a meaningful way, because it is a two way discussion, it is about me saying, I want to be able to do this, I want to make these changes, I want achieve this. In the discussion it may be that my supervisor, my manager says to me that, well, yes, how about if you do this, this and this as well. If you didn’t have objectives set, then you wouldn’t really; you’ll just be doing a day job and not really achieving anything..."
This case represents the situation when the understandability and relevance of the PA process positively affect its perceived validity. This is generally advisable for the desired effects of the PA implementation to take place. Likewise, interviewee 7 shared these views, while also adding that due to the PA process the work can be improved by discussing the possible improvements during the PA:

"After the PA, you can indeed achieve some changes in your job... For example, coordination and cooperation among different departments, I hoped it could be better. I thought it would be better after the PA discussion. However in practice it might not be so. Of course what I thought might not be 100% correct. Many things need to be re-evaluated after practice. For example, I would suggest a solution and leader would also find it good. But the result in reality is not so good."

This finding is similar to the one concerning the visibility of the PA process, where the employee perceived the process as more important due to the fact that he could suggest some particular improvement to the process during the PA discussion, and more visible when these improvements were actually implemented. As the interviewee’s 7 comment suggests, similar inferences can be made with respect to the validity of the process, that is when the achievement of the desired results is impeded by some constraints to the work activities, the employees’ are likely to perceive the PA as more valid if the process helps to identify and implement the solutions to these constraints. However, even if the anticipated changes have not occurred, the value-expressive voice is likely to contribute to positive employees’ reactions to the PA (Cawley, Keeping, & Levy, 1998).

Concluding the discussion of the potential influences of various characteristics of the PA process implementation on the perceived validity of the performance appraisal, it can be inferred that the main impediments to the effectiveness of the PA process stem from the disconnection in individual and organizational goals, as well as the employees’ execution of actual responsibilities. The lack of clarity in the PA implementation and the inability to provide the appropriate feedback on employee performance, might also negatively affect the effectiveness of the PA in enhancing employees’ performance. If these deficiencies can be improved, the clarity in goals is likely to allow employees to focus on important behaviors and keep better track of their own progression towards these goals. This, coupled with increased employee participation in the improvement of the own working processes might result in higher perceived validity of the PA system, and allow employees to make more confident attributions about the desired behaviors.

**Fairness**

The following situational feature of the PA process, discussed in relation to the design of the performance appraisal and its effects on employees’ perceptions, is fairness of the
PA process. This construct has been drawn from the notion of procedural justice, and is measured by the employees’ perceptions of the PA as applied without bias, carried out based on the accurate information, and allowing them influence the decisions made in the process (Broeckner, Wiesenfeld, & Diekmann, 2009).

The factors mentioned by the employees when reflecting on the high ratings of the PA process fairness included: possibility to express own thoughts and receive constructive feedback, and compromise as a basis for the PA decisions. From the definition of these factors it becomes clear that procedural and interactional types of fairness in this thesis are generally treated as the same. The reason for this is indicated by the fact that from the PA perspective, making a clear distinction between the two is rather difficult, as the traditional differentiation between the fairness of the organization and the fairness of the appraiser (Masterson, Lewis and Goldman) is hardly applicable to the PA context. That is, due to the fact that appraiser enacts organizational procedures it is problematic to distinguish to which extent the fairness is influenced by these procedures or by the appraiser. Thus, as interviewee 7 mentioned with respect to the compromise in the PA decisions:

“If there is something that I bring up and leader finds it not good, we would still follow the fact, to see whose idea is better. Maybe we would still first try it with leader’s idea. I would also tell him if I observe any problems. If you disagree with him right on the spot, it might not be that good. It would be better if we try out both of our ideas and see which one is better. It’s very common to have disagreements. It’s just a matter of compromise...”

Similarly, interviewee 3 has commented that:

“The process is going fairly, because we were open to express, whatever we want and he also gives us feedback and so we were informed about our weakness and how to deal with it...”

Both feedback on performance and compromise as a basis for the decisions are related to the concept of interactional justice, concerned with the two-way communication and the fairness of interpersonal treatment (Bowen et al., 1999). Thus, according to Bowen et al. (1999) the PA process is perceived fairer when employees are treated with respect, especially during the feedback delivery, which in turn increases their trust in appraiser. A two-way communication implies employees’ right for fair hearing, associated with the notion of the due process (Erdogan, 2002), and encouragement to participate in the improvement of the own work processes, which has already been mentioned in relation to the positive perceptions of visibility and validity.

Although the majority of the employees have generally perceived the process as fair, some important concerns have been raised that may hinder these perceptions of, and as
a consequence, impede its effective implementation: the transparency of the process, subjectivity of the PA decisions, and perception of PA as regimented procedure. Concerning the transparency of the PA process, interviewee 5 has mentioned:

“In terms of the question about transparency...] it is supposed to be a transparent process and a completely clear organization, everybody should know who everybody is, what their responsibilities are, who their PAs are, who their successors are, and what the ladder is like. But at the moment is only, you will only know, if you are on a succession list, if you are told as an individual, nobody else will know, we will have a nominee. That’s rather, that’s rather conflicting to, as to what you are trying to achieve...”

Interviewee 9 has shared similar views, claiming that the process lacked transparency and objectivity, as the PA decisions represented only supervisor’s perceptions, and did not reflect employee’s actual effort from the perspective of organization. Likewise, with respect to the PA being based on the relevant information, interviewee 5 has noted that:

“The process is carried out based on accurate information. Disagree, because usually it is based on...feel. So if you get ... to answer ... on the worst case, you know, you have ten quantitative (KPI) is based on, you know, results performance, dollars, percentage points. Yeah, it could be actually accurate, couldn’t it, but it never is. It never is. So, I would disagree on that one.”

If the first reflection has more to do with the problems of career planning and employee development opportunities having detrimental effects on the individual performance, the second reflection points back to the issue of misaligned goals, which dominated the discussed perceptions of visibility and validity, taking the implications of individual performances to the higher levels of organization. Such notions have been particularly evident from the interviewee’s 4 answers:

“Is the process applied without any bias in a fair way? Yes, I agree, I think it is... in terms of my personal (reviews) and again the discussions with colleagues I think this is, this goes across, the interview itself is conducted fairly. I have enough influence over the decisions made in the performance appraisal process-I disagree. I have made these points to... both my interviewers in previous cases of the MIP (PA in corporate lexicon). And funny enough they agreed with what I was saying, but we were nonetheless forced into following through with the process, which is why I think that it comes from top down. So again I disagree that I have enough influence. The targets were imposed on me but seemingly imposed on them... Performance appraisal process is carried out based on accurate information. The problem again is the KPIs that we are looking at, this is the issue, so we are looking at wrong KPIs but in my opinion the information that we are looking at is actually accurate, so I agree. Information is accurate, but in a wrong context, information doesn’t relate to my performance.”

Therefore, the reasons for the subjectivity in supervisor’s decisions might stem not only from the interpersonal relations with the subordinate but also from the fact that the objective measures of actual employees’ performance are not always available due to the disconnection in individual goals, KPIs, and the execution of actual responsibilities, that comes from the corporate level. In other words, KPIs that are difficult to translate into individual goals are being imposed on the unit managers leaving them little space for maneuvering in PA decisions. This, in turn, contributes to the negative employees’
perceptions of the PA process fairness. Therefore, two ways to minimize the perceived subjectivity of the process are by aligning the performance criteria, used to appraise employees, with their actual responsibilities, or by establishing the goal setting at the unit-level, allowing the unit managers to define the most appropriate measures for the employee and unit’s performance. In summary, it might be suggested that in order to improve the perceived fairness of the PA process employees should be subjected to the timely and relevant feedback, given the opportunity for the fair hearing, and provided with clearly defined performance criteria, which reflect their effort in daily operations.

With respect to the fairness of the outcomes of the PA process, the construct has been measured as the employees’ agreement with the notions that the overall outcomes of the PA fairly reflect their contribution to the organizations, the efforts they have put into work, and their own performance. The transparency of the process, similarly to the first type of fairness, has also been found to play an influencing role in employees’ perceptions. According to the interviewee 9:

“I think they have already decided on the bonus, even if we don’t do PA. It’s based on your daily performance. It can’t be that during the daily work I don’t work hard, but during the PA I made a great speech and my performance can be considered better.”

One the one hand, this statement might reflect the view previously proposed by various employees regarding the visibility and validity of the practice indicated by treating it as a formality. On the other hand, it suggests that the employee might be simply unaware of the principles based on which the reward decisions are made. Given that the same respondent has previously expressed the view that the process lacks transparency, the second interpretation of the statement might have a right to exist. The consequences of such unawareness were mentioned by Bowen and Ostroff (2004), who argued that the insufficient transparency in the pay administration outcomes, or the performance criteria, is likely to limit the employees’ ability for sense making about the most appropriate response patterns, and incentives available for performing in ways desired by the organization. Besides that, the outcomes of PA decisions have been seen unfair when they rewarded behaviors chosen by the employees rather than the ones important for the organization. As interviewee 1 said:

“So I think it is about what we want the process to achieve. And if you really want to reward the performance is got to be the performance that we want, not what I choose to do.”

The issue of disconnection among the goals and employee actual performance has been also salient with respect to the outcomes of the PA, as indicated by the interviewee 4:
“Well, the first one 3d I strongly disagree again, because my performance isn’t being measured. The paradox is that my performance maybe terrible, but we made me to ... the goals, which again I think are ... to find ... positive. On the other hand I maybe performing my job, but not meeting the followed goals and my appraisal is negative so I don’t think it is fair at all. And it can work either way to my benefit or the company’s benefit or to both. The outcome of performance appraisal process reflects effort that I put into my work. There is no measure referred so I disagree strongly. The whole process of performance appraisal is fair given my performance, again strongly disagree, there is no measure for performance.”

Summarizing these points it can be implied that the employees’ perceptions of the PA fairness, both in terms of the process and outcomes, reflect its general effectiveness, which is perhaps best explained by the validity of the practice. That is, if the employees perceive the process as failing to deliver what it purports, which is accurately measure employees’ performance, than the outcomes of this process are unlikely to be perceived as effective or fair. As noted by the interviewee 5:

“No, it is not fair, because basically if you don’t, if you don’t have a process, which is effective, then how can the outcomes be effective?”

This chapter of the thesis has tried to capture the most salient factors, mentioned in or inferred from the employees’ answers, associated with the characteristics of the process of performance appraisal and the way in which it is implemented, which could have exhibited some influence over the employees’ perceptions of the visibility, validity, and fairness of the PA process. In the consecutive chapters, following the same procedure, the author has attempted to elicit the major components of influences over employees’ perceptions manifested by the roles of their supervisors, colleagues, experiences, and HR and general managers of the units.

### 4.2. Employees’ perceptions and the role of the supervisor and GM

The second category of factors influencing employees’ perceptions of the PA process is related to the role played in the process by the supervisor and general manager of the unit. Preliminary findings are depicted in the Figure 3.

![Figure 3. Employees' perceptions and the role of the supervisor and GM](image-url)
Visibility

With respect to the visibility of the process, the role of the supervisor in performance appraisal has been found to contribute to the higher perceived visibility of the PA process in three major ways: by emphasizing its importance, continuously coordinating the progression towards goals, and feedback. Similarly, employees referred to the role of the general manager as influencing their perceptions of the PA process features by mentioning the PA during the employees’ meetings and highlighting the importance of rewards and development opportunities.

As interviewee 3 has mentioned, when explaining the high perceived visibility of the PA process in the unit:

“From the beginning that I was employed in Dubai it was the first thing that he [supervisor] said that we have MIP and it is done every six months, so we want you to be open minded and express everything. So this was very important for him to do so, because he could understand the employees better through this MIP, even if he couldn’t be able to fulfill them, you know, because he wanted to have feedback and to see what the problem is, so it was visible”

When asked later about the factors from the list that might have affected his perception of visibility, interviewee 3 answered:

“No, the general manager, you know, we receive some video clips and things are important. But I mean regarding in my case, as I have understood this is my own line manager who was, I mean, he who thought that this is important to be done.”

Answering to the same questions, Interviewee 7 has noted that the PA process is visible, and this is reflected in her daily job:

“It’s reflected in the job. From this system one can see very clearly who hasn’t done his/her job. [Every month] a manager would choose one report. Or he would find out about the score of the Shanghai office. Managers need to pay attention to the score. Managers would then communicate with their subordinates if a certain score was not reached. For example, if we had a delay of 3-5 days in the bill processing, our manager would have a discussion with us and find out why. It’s effective in general.”

Afterwards, commenting on the list of factors, she added:

“...Superiors would naturally give you pressure. For example, he would ask you to finish it within 55 days. So this is something from the upper level. We would [discuss about the figures in the system]... leaders would select a certain report. If the figure doesn’t look all right, he would come to us and we would check it. Leader is naturally not with us every day, even though we update the figures daily.”

From these statements it can be inferred that PA process is more likely to be perceived highly visible in situations where the supervisor emphasizes its importance as a part of socialization of the newly arrived employees, and maintains the active part in its daily execution. Besides, it seems that in the departments where the communication of the
general manager is limited, supervisor is likely to play the role of the primary source of legitimate authority, thus supervisor’s involvement into practice’s popularization might be particularly beneficial to increasing the perceived status and importance of the PA process. Sequentially, when the supervisors are involved in continuous tracking of the employees’ performance, as in the interviewee’s 7 case, in addition to the perceived importance of the process this might instill the sense of the increased responsibility in the employees, resulting in self-assessment of the own effectiveness. However, contrary to the interviewee’s 3 case, when employees are subjected to a more frequent and direct communication from the general manager, his/her influence over the perceptions of the PA process visibility seems to be high. According to the interviewee 2:

“When we have our meetings, I am not just talking about one to one meetings, I am talking about staff meetings for anything, it does get mentioned there. I have noticed that it is not something that just up when it is the time of doing performance appraisals, I do hear it mentioned a lot... Probably it would be the general manager of the unit that will bring that up and talk about it. So I think it is the general manager.”

The downside of the supervisors’ role in the PA process might stem from their potential lack of the HR capabilities, which is often the case in the corporations whose workforce skillset is built around technical expertise. As interviewee 1 claimed:

“I think we are very bad in saying he has been a good engineer so he will now be a good manager, so he will be able to do these things. We are not prepared for that either with the HR support we have or in a preparedness of the managers, because we leave a lot up to them. There were detailed forms to fill up to prepare you for that and we don’t have that...”

This statement suggests that the problem of the insufficient HR expertise is not entirely dependent on the line managers themselves, and rather comes from the role of the HR department, and the distribution of roles among the line and HR managers. The latter issues are discussed in greater detail in the following section. However, given that the responsibility for the implementation of the PA process is in the hands of the line managers, they should diligently carry out this duty as important part of their job role, as their negligence of the practice is likely to lead to undesirable outcomes, such as in the interviewee’s 7 case. When asked to describe his last PA discussion, interviewee 7 referred to the experience with his previous supervisor:

“With my previous boss... we never had any dialogue, at the beginning of the year, to sit and talk and to tell me what I should do, what I should not do, you know, what is his expectation from me and what should I do more and what should I do less and all this. I just saw, you know, this MIP been filled in and sent to me. And we never had any dialogue... I spoke out, I told him, what I had in me just to relieve myself. And I am sure that he didn’t like it... So we had one hour talk and I got the minimum [salary]... Yeah, it was just a dialogue, but you know, honestly, I just told him now this is what I was expecting from, what I received instead and, it became kind of personal...”
The consequences of such relationship between the supervisor and subordinate might be leading to the supervisor’s desire to fire the employee, or the employee looking for the opportunity to change the place of employment. Interviewee 7 commented:

“...I heard he was going to get rid off me or I was trying to find somewhere else for myself... I was thinking of maybe, you know, moving outside to some other station within the company, where I could perform on my 100 %, because you know that it affects your [performance]... But when they ask me, I never disclose anything to anyone... because I didn’t want people to have bad feeling, my colleagues especially, especially the new setup, because I wanted this to go forward.”

As this statement suggested this situation could not only affect the performance of the employee but also the overall atmosphere within the department. Besides, given that the personal experiences often serve as a basis for the evaluation of the HR practices (Nishii, Lepak, & Schneider, 2008), it could have resulted in negative effects on the employee’s perceptions of the PA with a new supervisor. In addition to that, if employee would decide to discuss these issues with the colleagues within the department, this could have affected their perceptions as well, as the attributions employees make about the HR practices result not only from their own cognitive processes but also from the information collected from the other actors.

“So it was my first time last year. I didn’t quite understand it. I don’t know its real role. According to my colleagues, it’s not very important. So my colleagues have influenced my rating... They would say that this thing is a formality. It won’t influence you greatly in the future. You can write what you feel like.” (Interviewee 9).

Moreover, as the example of the interviewee’s 9 case suggests that such collective sense making about the PA might have negative effects on the department’s newcomers’ perception of the practice.

Validity

Concerning the perceived validity of the PA process, the role of the supervisor has been associated with the higher perceived utility of the process when: supervisor clarified the important behaviors, provided constructive feedback, and accounted for the extra work. With respect to the first point, when explaining high ratings for the validity of the PA process, interviewee 3 noted:

“Because at the same meeting he was expressing about our performance that if we, he is satisfied or not, he expresses. So we understand then. And even for the second question, he always, he also talks about our weak points and he says for example you are very much pushy when you do this, be a little softer, because I am very direct, so these things he also, you know, mentions. So through this then we can understand that you should... And third question, performance appraisal really helps me deliver, yeah, because he also, you know, because he was emphasizing and things that we should deliver to the clients, so it shows that how we should do our work. So it is really the same as what is written here. It helps delivering the desired results.”
In a similar vein, interviewee 8 claimed that:

“It gives me a very, yes, I think yes, boss will tell me what’s important, since we need to take further priority to do that. And I think we have so many aspects, so many aspects that we need to know what’s the important behavior. And for that my boss will give us directions. You always need to think what’s the important and what’s the second needs to be focused.”

These answers magnify the potential importance of supervisor’s role in the PA process as interpreter of the practice’s message. That is, in the PA process supervisors represent organizational interests and help employees appropriately interpret what behaviors are required of them. Clarifying expectations associated with the employees’ job role, and suggesting what areas of employees’ performance need improvement in order to comply with these expectations, is likely to facilitate the delivery of desired results, thus increasing the validity of the PA process. Regarding the extra work, interviewee 2 said:

“I think supervisor influence... Just mentioning that I should be, that I should be re-visiting the performance appraisal process and that I should make any notes, if I am doing more than what is mentioned on my objectives, if I got and may actually, if, as I am doing my work, I may have an other objective that has come up, it is not on the MIP process that really needs to take priority and is mentioned by my supervisor, if I say, I am doing this, this, this and I am going to make sure that I do by this time. And it will be mentioned to me in the MIP process.”

This remark suggests one way in which supervisors can minimize the negative effects of disconnection in goals, especially if they are being imposed from the corporate level, and do not objectively reflect employees’ actual responsibilities. Namely, if employees’ daily objectives are not tightly related to the KPIs based on which their performance is appraised, supervisors might still recognize the execution of these objectives in the PA process, leading to higher perceived importance and validity of the PA process.

The role of the general manager as the factor influencing employees’ perceptions of the PA process fairness was found in relation to the problem of transparency, according to the interviewee 10:

“...We do not well understand the top management’s decision, how the scores coming out, how they can make the decision, we don’t have so much idea about that, just of course maintain the KPI scores high, the other things they just decide by the top management [GM]... They were discussing about the details, rewards. This one, not just for myself but also for the whole department, office area, they are focusing on that. Compared with the market, other competitors, the reward system should be a little bit higher than presently...”

The problem of transparency in distribution rules and mechanisms, by which the PA decisions are made, has been discussed in the previous section as a characteristic of the PA process design.
**Fairness**

With respect to the fairness of the PA process and outcomes, the role of the supervisor was found to influence employees’ perceptions to the extent of supervisor’s control over the way in which process is conducted. As was previously mentioned in relation to the general characteristics of the PA process, employees perceived the process as fair when: the decisions made during the PA were based on the compromise, employees had the opportunity to freely express their thoughts and receive constructive feedback, and the measures of the employees’ performance were objective. It is evident that these features of the performance appraisal are a function of supervisors’ power and willingness to negotiate the terms beneficial to both parties, motivation to provide timely and relevant feedback, as well as their ability to objectively assess employees’ performance. Basing on the previously discussed findings, the potential impediments to such supervisors’ behaviors might come from the imposed goals, leaving them no space to negotiate the PA decisions with employees, and the absence of objective measures of performance, due to the misaligned goals and KPIs. In addition to that, interviewee 5 has noted:

“And quite often in our organization your line manager, probably one have a background in the aspects for the business, probably have a technical background, and one have those would be a fair reflection. A lot of senior managers and leaders are the ex-technical people, which is a good thing on one hand, but in sense of people management and leadership skills it is the opposite...”

This again points back to the problem of the insufficient HR expertise among the line managers, which affects their commitment to the practice. As has been previously noted, this problem is believed to link directly to the distribution of roles among the HR and line managers. The following section provides evidence for the roles played by the HR managers in the PA process, and factors affecting employees’ perceptions of the performance appraisal process features, associated with these roles.

**4.3. Employees’ perceptions and the role of HR managers**

The major theme that emerged from the interviewees’ reflections about the relationship between their perceptions of the PA process features and the units’ HR managers was the inappropriate role played by theses managers in the implementation of the practice, and associated with it distribution of responsibilities among the line managers and HR practitioners. With respect to the visibility of the PA process, this is best reflected in the interviewee’s 1 comment:

“So HR in the company hasn’t had the priority or the focus, when I think about the HR manager, they were asked, the role they were given, was to be an HR administrator, and only now I have
twelve months here locally that we see that, that we are asking them to be HR managers to start helping us with these things."

These notions might suggest about the low perceived status of the HR managers, which is usually a result of insufficient attention of the unit or corporate top management to the function. Without this attention, the HR function cannot be perceived as legitimate authority. In turn, as argued by Bowen and Ostroff (2004), the legitimacy of authority of the HR function, which facilitates employees’ adherence to performance expectations manifested by the HRM practices as formally sanctioned behaviors, is an important component of its visibility. Thus, the absence of the status of high importance and high credibility is likely to result in lower perceptions of the PA process visibility. Moreover, as Haggerty and Wright (2010) claimed, the legitimate authority of the influencing agents is likely to precede the other features of the HRM process, hence it should be reflected not only on the visibility of the PA process but its validity and fairness as well.

Concerning the second major issue associated with the role of HR specialists in the PA process, interviewee 1 noted that:

“I think we are very bad in saying he has been a good engineer so he will now be a good manager, so he will be able to do these things. We are not prepared for that either with the HR support we have or in a preparedness of the managers, because we leave a lot up to them. There were detailed forms to fill up to prepare you for that and we don’t have that...”

He also added that while initiative to enact the process came from the corporate level, and there was a lot of talk about the PA process being important in order to retain best people, the implementation of the process was left to the individual managers. When trying to discuss this issue with the HR managers of the unit, interviewee 1 noted that these discussions were mainly one on one, and concerned rather motivation of the line managers than how to actually help them in the PA implementation. The interviewee 3 has also mentioned similar point with respect to the factors affecting the validity of PA:

“I think first this is HR should guide the people that if we have such a thing then it should be done. But I think it should be done for the whole employees, not just through manager to manager, because there even the people should know that what is MIP, what is meant by MIP even by itself, you know. It should be given by the HR, not by the line manager.”

In addition to that, commenting on the fairness of the outcomes, interviewee 3 stated:

“I mean to tell you the truth, because when somebody is employed, it should be according to the previous experience, it should be according to the competency and then the potential perhaps they can see this potential and they can train you and you will be advanced at your job. But it is not done, so this is, I do not know, whose job it is, but I think it is the line manager and the HR, they should somehow connect with each other to decide, but I have never seen this here in.”
Although the problem of role distribution in implementation of HRM practices among the HR and line managers is well founded in the HRM literature, there is no conclusive evidence to that matter. According to Dany et al. (2008), in order to complement to organizational performance, traditional HR specialists’ responsibilities in designing, implementing, monitoring, and administrating PM systems (Biron et al. 2011) should be shared with the line managers, however the HR managers should keep predominant role in this cooperation so as to safeguard employees’ interests.

Explaining the low ratings for the fairness of the outcomes, interviewee 3 referred to his previous experience in the other company:

“...Previously I was working in a German company, the same field classification. I was starting with just administrative assistant, then I became manager at the end, because they, really I mean the top manager was assisting each employee by the potentials and they gave you this room for improvement by training. And this was the process. But here it seems that if you come as for example a secretary, then you will stay a secretary to the end. But it is not good. They should see instead of, you know, caring of the people who are strange to the company, who do not know the procedure, who are not competent, they should assist first the employees who are within the organization, but it is not done at all.”

This statement refers to the same problem, as discussed above, of the role distribution, suggesting that HR managers have forgone their main responsibility of assisting the employees. Hailey et al. (2005) suggested that if HR specialists were to move away from their initial role of the ‘employee champion’, devoting much of people-related issues to the line, this would significantly deteriorate the effectiveness of the HRM practices. These negative effects stem from the fact that there are significant barriers for the line managers to successfully take on this role, such as the pressure to deliver short-term results, insufficient time, and training, and the lack of incentives for performing these additional responsibilities (Hailey et al., 2005). These notions seem to fit well to the cases mentioned in this section, suggesting that in order to overcome such problems, HR managers should get back to their initial responsibilities and take more active part in the implementation of the performance appraisal process.
As a result of the interview analyses, a number of major themes have emerged from the data, suggesting a variety of relationships among the independent variables (factors), and the dependent variables (perceptions) (see Appendix 3). First of all, some factors from the a priori list have indeed had an instrumental influence on the employees’ perceptions of the PA process features in ways discussed in this chapter. Secondly, most of the inferences have been made on a basis of employees’ answers prior to being subjected to the a priori defined factors, what, as the author expects, should minimize the potential for bias in the form of forcing the data into predefined categories. In fact, no distinction has been made in the latter stages of analysis among the answers received before and after a list of anticipated factors has been presented to the interviewees, as the final conclusions were to be drawn on purely inferential basis regardless of the a priori constructions. And finally, the aim of this work has not been limited to simply assigning the most appropriate labels to the very general categories, in addition, this thesis set out to explore the constituents of the factors affecting employees’ perceptions of the PA process features. This might provide a basis for future studies, which could examine the weights of focal variables and directions of various relationships among the multiple dimensions of these factors and their impact on employees’ perceptions.

This chapter follows Eisenhardt’s (1989) call for ‘enfolding literature’ as the stage of building theory from case studies, preceding its closure. As Eisenhardt has claimed, the comparison of emergent constructs with theory is an essential part of theory building. It allows the researcher to sharpen limits to generalizability, through juxtaposition of the emergent findings to conflicting literature, or strengthen the study’s internal validity, by combining similarities in phenomena not usually associated with each other, when comparing the findings to the supportive literature (Eisenhardt, 1989).

Thus, as has been mentioned in the previous chapter, the emerged factors have been grouped among the general categories from which they were derived: configuration of the PA process, and roles of the supervisor, GM, and HR managers. Although the other factors from the a priori list, such as previous experience, and influence of colleagues, have exhibited some influence on employees’ perceptions of the PA process, these factors are thought to have rather mediating effects in some specific cases, and no or
small effects in others. The factors constituting the above mentioned categories are given in Table 3. The discussion of these factors is provided in the following sections.

<table>
<thead>
<tr>
<th>Categories</th>
<th>Factors</th>
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<tbody>
<tr>
<td>PA process configuration</td>
<td>Goal congruity</td>
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<tr>
<td></td>
<td>Employee participation</td>
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<tr>
<td></td>
<td>Transparency and Understandability</td>
</tr>
<tr>
<td>HR Managers</td>
<td>Role of the HR function and Distribution of responsibilities</td>
</tr>
<tr>
<td>Supervisor</td>
<td>Feedback</td>
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<tr>
<td></td>
<td>Supervisor influence over importance of the PA</td>
</tr>
<tr>
<td>Other factors</td>
<td>Lack of HR expertise</td>
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<tr>
<td>GM's emphasis on PA</td>
<td>Previous experience</td>
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<tr>
<td></td>
<td>Particular work situation</td>
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<td></td>
<td>Colleagues</td>
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Table 3. Factors affecting employees' perceptions of the PA process features

5.1. **Configuration of the PA process**

The analysis of the interview data has resulted in identifying a set of factors, stemming from the design of the PA process and the way in which it is implemented, that seemed to influence the employees’ perceptions of the PA process features. These factors are shown in the table 3: the congruence of individual and organizational goals, employee participation (both instrumental and value-expressive voices), transparency of the PA process, and understandability of the PA content (see Appendix 1).

**Goal congruity**

The discussion of goal congruity has been emphasized throughout the literature review of this thesis mainly with respect to the research on the relationship between the HRM and organizational performance. Since the appearance of empirical works within the field (e.g. Arthur, 1994; Huselid, 1995), commentators were emphasizing the importance of alignment between the organizational and individual goals, as the major means of enhancing organizational performance.

The idea of goal alignment from the process perspective on HRM, proposed by Bowen and Ostroff (2004), is reflected in the concept of relevance (see Appendix 1). As claimed by Bowen and Ostroff, this notion refers to situational characteristics allowing it to be seen by the individuals as relevant to an important goal. Therefore, authors argue that situation should be defined so that individuals are willing to work towards their goals and, in doing so, contribute to the organization. In addition, Bowen and Ostroff have claimed that the desired behaviors, specified by the means of HRM practices’ content, should be clear and optimally suited for the attainment of these goals. Therefore, the individual goals should be defined so as to align with the organizational strategic goals,
which are communicated along with the desired behaviors, necessary to attain them, through the content of the HRM practices.

Adapting this logic to the context of performance appraisal process, and building on the empirical evidence, the author of this thesis implies that in order to be perceived by the employees as relevant to important goal, the employees' performance measures should be set in a way that allows connecting them to the organizational strategic goals. Thus, these measures of individual performance should be clearly defined and relevant to the employees' actual responsibilities. Although Bowen and Ostroff (2004) referred to the concept of relevance mainly as a process feature necessary to cultivate distinctiveness of the situation, empirical evidence indicated the impact of relevance on the employees’ perceptions of all features of the PA process under investigation. Thus, the relevance of the performance appraisal process, in the form of goal congruity and understandability of the expected behaviors, has been found as likely contributor to high perceived levels of visibility and validity. Whereas, the assumed absence of relevance is believed to have affected the lower perceived levels of visibility, validity, and both types of fairness.

In terms of visibility, the presence of relevance as an influencing factor was inferred on the basis of the interviewee's reflection that daily performance beyond the initially set objectives was noted in the PA process, thus aligning the employees' operational goals with the measures of the employee performance and resulting in the higher perceived importance of the PA process. At the same time, the interviewees 1 and 4 have referred to the PA process as formality, due to the lack of alignment among the KPIs, individual goals, and organizational strategy. Therefore, the absence of relevance was inferred from the incongruences of their actual responsibilities with the ultimate measures of performance. Similarly, employees 10 and 11, perhaps due to the specific nature of their work, have claimed that the business priorities in form of KPIs are taking over the daily work, and the individual goals defined during the PA discussions. While the case of interviewees 1 and 4 suggests that KPIs do not reflect their actual responsibilities, more relevant for the attainment of important goals, the interviewees 10 and 11 tend to treat KPIs as more important than their daily work. However, in all cases the absence of relevance in the PA process contributes to its lower perceived visibility.

Relevance of the PA process as a factor influencing employees' perception has been the most salient with respect to validity. Thus, PA relevance, inferred from the comments in the cases 2 and 6, has been reflected in clearly defined goals and behaviors, allowing the employees tracking own performance, and contributed to the higher perceived
validity. While, similarly to the effects on the visibility of PA, the absence of relevance in the form of misaligned goals and measures of performance, has been presumed from the interviewees’ 1, 4, and 5 claims that KPIs dis not reflect their actual responsibilities, and therefore the PA process could not be valid in terms of helping the to perform or conveying the information about the appropriate behaviors. Besides, the interviewee 4 has claimed that the PA process rather destructs from focusing on important behaviors by defining irrelevant goals. Hence, in these cases, the perceived absence of relevant goals and important behavioral requirements hindered the perceptions of validity.

With respect to the fairness of both process and outcomes, in the case of interviewee 5, the perceived irrelevance of the performance measures has resulted in lower perceived fairness of the PA process. Interviewee 4 has reported similar perceptions, adding that the performance targets were imposed on him and the appraisers. Perceiving the level of both types of fairness low, he has also noted that while the information concerning the performance measures was accurate, the measures themselves were not.

All of the abovementioned interpretations, to a greater or lesser extent, referring to the relevance of the performance appraisal process seem to generally fit both to the Bowen and Ostroff’s (2004) theorization and the logic underlying the works in the field of the HRM. Although purely inferential, these findings suggest possible interrelations among the constructs, not initially defined by Bowen and Ostroff, and therefore represent the potential groundwork for the further studies, aiming at identifying the correct structure and directions of these relationships.

**Employee participation in the PA process**

Employee participation, in general terms, refers to the process whereby the influence is shared among the individuals that are otherwise hierarchically unequal, therefore the participatory management practices aim at balancing the involvement of managers and their subordinates in the decision-making, or problem-solving efforts (Wagner, 1994). With respect to the field of the HRM and organizational performance, Huselid (1995) has mentioned the organizational structures facilitating employee participation in the improvement of the own work processes as one of the HRM configurations potentially leading to the enhanced performance. As has been previously noted in the review of PA literature, the effects of employee participation in the PA process were among the most studied topics with respect to the ratee issues (Levy & Williams, 2004).
According to Cawley et al. (1998), there is a lack of consensus within the literature on employee participation about the meaning and mechanisms underlying this concept, however this thesis applies the conceptualization proposed by the authors, distinguishing between the participation allowing employees influencing the outcomes of the PA process, and the one allowing voicing his or her opinions. Thus, authors argued that the employees value the first type of participation, instrumental, because it implies the potential to influence the external outcomes of the PA, while the value-expressive participation is appreciated regardless of the outcome of the PA process because of the opportunity for self-expression. Both of the employee participation types are drawn from the procedural justice literature, and are associated with the higher employees’ perceptions of process fairness and satisfaction with the PA, representing the desirable features of the PA process design (Cawley et al., 1988).

Thus, the findings presented in the previous chapter suggest that both value-expressive and instrumental participations in the performance appraisal process have a potential to influence employees’ perceptions of the performance appraisal process features. The impact of instrumental participation has been assumed to contribute to the higher perceptions of visibility, validity, and process fairness, whereas the lack of opportunity to impact the decisions in the PA affected employees’ perceptions of both the fairness of the process and its outcomes. In turn, value-expressive participation has been assumed to influence the employees' perceptions of visibility and process fairness.

With respect to visibility, the influence of instrumental participation has been inferred from the interviewees' claim that the PA process was visible because he could provide suggestions to the improvement of the work within the unit, and some of the solutions were applied. Similar expression by the interviewee concerned the high perception of validity. Regarding the process fairness, the inferences about the high perceived level have been made from the interviewees' claims that the decisions making in the PA process was based on compromise, implying the subordinate's ability to negotiate the terms. The influence of the instrumental participation on the negative perceptions of the process fairness has been inferred from the interviewees' comments. The former interviewee indicated the lack of influence over the goal setting during the PA discussion, due to the goals imposed on both the appraiser and subordinate. Whereas interviewee claimed that the influence has been limited by the one-on-one format of the PA, where the supervisor makes most of the decisions. Finally, the employee has
noted that the bonuses were predefined, and participation in the performance appraisal discussion would not change the final outcome of the process, implying no influence.

Concerning the visibility of PA process, the influence of value-expressing participation on the employees’ perceptions has been presumed from the interviewee’s comment that the PA discussion represents the means of communication with the otherwise unavailable bosses, allowing employees share their opinions and concerns. Similarly, reflecting on the perceptions of the process fairness, interviewees claimed that the PA process was fair due to the fact that it provided the opportunity to freely express own opinions and receive feedback from the supervisor.

Following Bowen and Ostroff’s (2004) logic, fairness of the PA process is a combination of employees’ perceptions of whether the process adheres to the guiding principles of distributive, procedural, and interactional justice. They utilize the concept of fairness as a means to foster consensus among the employees with respect to the distribution rules and instances in which they are applicable. In turn, the perceptions of interactional and procedural justice have a potential to increase the transparency of these distributional rules, thereby contributing to consensus among the employees (Bowen et al., 1999). Hence, it might be implied that the construct of fairness in this case operates at the level of shared perceptions, and does not include the additional outcomes of these perceptions at the individual level. This thesis, in turn, approaches this concept from the individual level perspective, and based on the empirical findings, implies that employee participation in the form of instrumental and value-expressive voice is likely to influence employees’ perceptions of the all process features under investigation.

**Transparency and understandability**

The transparency of the PA process refers to the concepts of fairness as has been noted above. Hence, as Bowen and Ostroff (2004) claimed, in order to make confident and accurate attributions about what kinds of behaviors get rewarded in which situations, the principles of distribution should be transparent. It also links to the other situational features of understandability and visibility. That is if the employees are to appropriately interpret the content of HRM practices, the components of these practices should be disclosed in an unambiguous manner (Bowen & Ostroff, 2004).

Thus, the findings indicated that the lack of transparency in the performance appraisal process has negatively influenced the employees’ perceptions of process fairness. Cases
9 and 10 seemed to suggest that the principles by which the performance is rated are rather secretive and do not allow the employees to understand the rules of bonus distributions. Similarly, interviewee 5 has claimed that the lack of transparency in the career progression within the company, whereby the internal career opportunities are being distributed in secrecy, impedes the personnel development.

Understandability of the PA process, in more literal sense than discussed above, has been found as another factor, pertaining to the international environment, influencing employees’ perceptions of the process. Particularly appropriate here is Barnard’s (1938) notion of the organizational communication that cannot be understood and thus cannot have authority (as cited in Bowen and Ostroff, 2004). The issue concerns the employees in Chinese subsidiary, who claimed that due to the complex nature of specific questions in the PA form they could not understand the point behind these questions. Moreover, throughout the time employees started to copy their questionnaires from the previous PA cycles in order to avoid spending time on these issues.

In fact, as Marschan et al. (1997) noted, the language issue has been taken for granted in the multinational management, creating serious impediments to the communication flow among the organizational units. In case of this thesis, the inability to understand the content of performance appraisal resulted in the negative perceptions of its validity, inferred from the interviewees’ 8 and 11 answers. If such issues are not addressed over longer period of time, employees start ignoring the information they cannot understand and externalize the blame for the situation, thus justifying the non-response (Marschan et al., 1997). The other potential outcome of such situation might be the negligence of the performance appraisal process by a larger group of employees experiencing similar problems, what in turn would have detrimental effects on the PA effectiveness.

5.2. Role of HR managers in the PA process

Role of the HR department

The following group of factors influencing employees’ perceptions of the PA process features stems from the role of HR managers in the implementation of the process. The specific literature on such roles, within the field of PA research, has not been identified. Therefore, the conclusions drawn here are based on the works of the HRM researchers. Thus, perhaps the most widely cited classification of the HR role comes from the work by Ulrich (1987), where he specifies four roles, depicted in the table 4, pertaining to the
HR departments and responsibilities that come from these roles. However, as Hailey et al. (2005) claimed, the HR function is troubled with the role ambiguity stemming from the conflicting requirements set by the management on the one side of continuum and employees needs on the other. With the recent focus of the HRM on the organizational strategy, HR departments are forced to assume the more process-oriented roles, such as ‘strategic partner’, given the status of the HR function in the strategic processes, or the more bureaucratic role of ‘administration expert’, when such priority does not exist (Hailey et al., 2005). At the same time, according to Hailey et al., much of the people-oriented issues are being devolved to the line managers, who are, in turn, constrained in their ability to take on these issues, as they are driven by the short-term goals, lack the adequate time and training, and have no incentives to perform the additional roles.

<table>
<thead>
<tr>
<th>HR department role</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration expert</td>
<td>Process-oriented, day-to-day operational focus, management of the firm’s infrastructure</td>
</tr>
<tr>
<td>Strategic partner</td>
<td>Process-oriented, future-focused, strategic management of people and aligning HRM with strategy</td>
</tr>
<tr>
<td>Employee champion</td>
<td>People-oriented, operationally-focused, listening and responding to employees needs</td>
</tr>
<tr>
<td>Change agent</td>
<td>People-oriented, strategically-focused, management of organizational change and transformation</td>
</tr>
</tbody>
</table>

Table 4. Ulrich’s classification of the HR roles (adapted from Hailey et al., 2005)

Distribution of roles among the HR and line managers

However, as Dany et al. (2008) suggest, for the effective implementation of the HRM practices, such as PA process, traditional HR responsibilities, concerned with design, implementation, monitoring, and administration of PA (Biron et al., 2011), should be shared with the line managers. At the same time, HR managers are supposed to play a predominant role in this partnership, to compensate the potential lack of motivation and HR competencies of the line managers (Dany et al., 2008).

Thus, the role of the HR managers and associated with it distribution of responsibilities among the HR and line managers, as well as the lack of HR expertise of the latter, have been found to influence the employees’ perceptions of visibility, validity, and fairness of the outcomes. According to the interviewee’s 1 comment, the HR in the company has had neither priority nor the focus. The HR managers in the unit had an administrative role, and did not provide needed support for the implementation of the PA process. He also added that while the corporate headquarters drove the initiative for the PA, its implementation was left to the individual line managers, not prepared for it neither in their own expertise nor the support of the HR function.
Similarly, with respect to validity, the interviewee 3 claimed that it should have been the HR’s role, guiding the employees through the process. He added that information about the PA should be communicated to all employees, explaining its goals, and the reasons for implementation, not only through the line management. With concern to the fairness of the outcomes, interviewee 3 noted that during the hiring process HR managers should assess employees' potential and communicate this information to the supervisors, to base the employee development and promotions on their potential.

It appears that the theory on the role distribution among the HR practitioners and line managers supports the assertions of this thesis about the possible influencing role of that factor on the perceptions of the PA process features. Bowen and Ostroff’s (2004) theory on the features of HRM process addresses the potential role of the HR function through the lens of legitimate authority. Although the empirical evidence of this study does not directly refer to this notion, the interviewees’ 1 comments to some extent do point out the lack of focus and importance of the HR function, and therefore could have affected the employees’ perceptions. Given the general scarce of the research on the role of HR personnel in the implementation of HRM practices, and particularly the PA process, future research could have looked more into that direction, and examine the possible linkage between the phenomena in more detail.

5.3. Role of the supervisor in the PA process

As has been mentioned in the PA part of literature review, since the focus on cognitive processing developed in the mid 1990s, the issues concerning appraiser’s role in the PA process were extensively investigated with respect to the multiplicity of the outcome variables. The results of data analysis suggested the relevance of the supervisor’s feedback, emphasis on importance, and lack of the HR expertise as factors influencing employees’ perceptions of the PA process.

Feedback

In terms of influencing employee performance, feedback on performance is perhaps the most crucial component of the PA process. Recent research in the PA field suggests that one of the most important issues concerning the feedback is the employees’ willingness to use it (DeNisi & Pritchard, 2006). As DeNisi and Pritchard (2006) noted, the reason for this stems from the believe that unless the employees react to the feedback in the ways intended, no change in behaviors through the PA and feedback could be expected.
from them. According to Levy and Williams (2004), employees are likely to accept and use feedback only if they perceive the PA process as fair, source of the feedback as credible, and the feedback itself as accurate.

In line with the previous research, the findings in this work highlight the importance of feedback in somewhat different light, as it seems that employees’ perceptions of validity of the PA process are highly related to the perceptions’ of the feedback. Translating the feedback acceptability criteria mentioned above into the HRM process terms, it appears that feedback is likely to be accepted if it is relevant to an important goal, conveyed in a fair way, and issued by the legitimate authority. It has been stated earlier that relevance of the message to an important goal seemed to be best explained by the validity of the PA process. Therefore it is asserted that perceived validity of the PA is likely to result in the feedback acceptance.

Thus the interviewees 3, 7, 8, and 9 claimed that the supervisor’s feedback helped them understand the behaviors important for their performance and thus contributed to the attainment by them of the important goals, which is their performance measures. These criteria suggested the suitability of the feedback as a measure of the perceived PA validity. Thus, the feedback should be considered as an important factor influencing the employees’ perceptions of the performance appraisal process.

**Supervisor’s influence over the importance of PA**

As has been argued for in the analysis chapter, in the majority of cases, supervisor is the most proximal actor in terms of the legitimate authority. Besides, given the potentially long history of interaction between the subordinate and supervisor, specific kinds of interpersonal relationship could have developed between the actors, such as trust or affect, generally defined as LMX (leader-member dyadic exchange) (Levy & Williams, 2004). Hence, supervisor’s emphasis on the PA process is particularly important as the factor influencing employees’ perceptions of the PA process features.

As a result of data analysis supervisor’s influence in terms of continuous coordination of the progression towards goals, emphasis on the importance of PA, and suggestions on better performance have been found to positively influence employees’ perceptions of the PA process visibility, in the cases 3, 7, 10, and 11.
**Supervisor’s lack of HR expertise**

The lack of HR expertise, previously discussed in terms of the role distribution among the HR and line managers was found to negatively affect the employees’ perceptions of the visibility and fairness of the outcome of the PA process. Thus, the interviewee 1 has claimed that due to the fact that the majority of line managers come from the technical background, they lack HR expertise and do not possess skills necessary for the effective implementation of the performance appraisal process. Similarly, the interviewee 5 has shared this view adding that having the ex-technical people in place is good in terms of their understanding of the company’s operations but in terms of people management or leadership skills, the effect is the opposite. In such case two things might be suggested: either intensive supervisor’s training or specialization of the HR department into more consultative and assisting rather than administrative role.

**5.4. The other factors**

**The role of general manager of a unit**

Quite surprisingly the role of the general manager of the unit appeared not exhibiting significant influence on the employees’ perceptions of the PA process. While the theory suggests that the legitimacy of authority (Bowen & Ostroff, 2004) is a primary source of the effective implementation of any HRM system (Haggerty & Wright, 2010), and thus should be manifested throughout the employees perceptions of all the other features of the PA process. One explanation for this might stem from the theory of LMX, briefly introduced concerning the supervisor's influence. The other might be coming from the fact that some particular departments are more distant from the general manager's communication than others, and therefore the supervisor is likely to be perceived as the first, in terms of most proximal, actor in the position of legitimate authority. The evidence showed that GM’s emphasis on PA has influenced the perceptions of visibility in the cases 2 and 6, and the perception of the process fairness in the case 2, through the announcement of the upcoming performance appraisal discussion.

**Interaction with the colleagues**

The findings indicate that interaction with the colleagues has been directly implied as a factor influencing the perception of validity and it was the only instance of such impact. The interviewee 9 noted that the colleagues told the PA wasn’t important, and that in
the employees' thinking served as factors contributing to the lower validity. However, the interaction with colleagues certainly does influence the employees' perceptions. As the theory of causal attributions suggests, the individual cognitive processes aimed at establishing the cause-effect relationships are not limited to the internal sense making, and entail the informational collection and processing from the other actors close to the situation (Nishii et al., 2008). Hence, this factor should not be ignored and might represent an important mediating construct in forming employees' perceptions.

**Previous experience**

The influence of the employees' previous experience has not been found to directly impact their perceptions of the process features, besides the case of the interviewee 6, where the experience with the previous supervisor has directly influenced the negative perception of validity, due to the fact that the PA with the new supervisor has not been yet carried out. The other instances represent rather indirect influence on the visibility (case 4) and fairness of the outcomes (case 3). However, the ultimate influence of the previous experiences on the employees' perceptions is obvious, as they might affect the perceptions of any new encounter with the HRM practices and serve as the criteria of their evaluation (Bowen & Ostroff, 2004). Similarly to the previously discussed, this factor is likely to mediate the relationship between the other factors and perceptions.

**Particular work situation**

The influence of particular work situation has been established in only one case, where the constantly changing supervisors and job description have significantly distorted the PA process. Thus the lack of consistency in the organizational environment has been found to negatively influence the perceptions of visibility and validity in the case 5.

In fact, all the discussed above factors are likely to be contingent on the particular work situation to the extent of correlation among the factors and specific characteristics of the work environment. This assumption is reasoned by the fact that the specific work settings define the situational conditions, such as the particularly defined goals, the frequency of interactions with the supervisor and the unit senior management, number of actors within the work unit and so on.
6 CONCLUSIONS

The aim of this study was to explore the employees’ perceptions of the situational characteristics of visibility, validity, and fairness, in term of both process and outcomes, pertinent to the performance appraisal process, in order to identify the factors likely to influence these perceptions. As the literature review shows, both research areas of the HRM-organizational performance and performance appraisal research have converged in the point of acknowledging the importance of the individual employees’ perceptions of the HRM practices in general, and the PA process, specifically to this thesis, as an important indicator of the practices’ effectiveness. As argued by DeNisi and Pritchard (2006), this new focus of PA research might narrow the gap between the research and practice, for which the area of performance appraisal has been criticized for decades.

Based on the theory of causal attributions, Bowen and Ostroff’s (2004) process view of HRM provided an important and unprecedented framework to study employees’ perceptions of HRM practices. For researchers, their theory gave a new way of thinking about the relationship between HRM and performance; for practitioners it provided suggestions about the design of HRM practices, including the PA, potentially leading to their effective implementation. However, empirical research on this framework is still scarce. This thesis has attempted to investigate which factors are likely to influence employees’ perceptions of the PA process, and specifically its visibility, validity, and fairness, including the factors like PA design itself, the supervisor, HR manager, and the general manager of a unit, in forming these perceptions. The study was designed both to explore such as they spontaneously were talked about by interviewees and as reflected upon when directly asked about specific factors.

The interview analyses, discussed in the empirical results section, yielded a number of factors potentially influencing employees’ perceptions of the PA process features. These factors are depicted in the table 3, and the description is provided in the results and discussion chapter.

6.1. Implications for practitioners

As has been noted previously, Bowen and Ostroff’s (2004) theory of the HRM strength is essentially a theory of the HRM implementation, what explicitly suggests its practical implications. Similarly, by studying the employees’ perceptions of the PA process, this thesis has identified a number of factors influencing these perceptions either positively
or negatively. This, in turn, suggests that overcoming the negative impacts of particular factors on the employees’ perceptions, is likely to lead to the higher perceived visibility, validity, or fairness of the process, thus increasing its perceived importance and utility, and leading to the higher actual effectiveness.

Specifically, the performance appraisal process should be designed so as to align the individual and organizational goals, and the measures of employee performance should reflect the execution of their actual responsibilities. In addition to that, inappropriate distribution of the responsibilities among HR and line managers, and the lack of HR support in the implementation of the PA process, have been found contributing to lower perceived visibility, validity, and fairness of the outcomes of the performance appraisal process. Therefore, it is advisable that companies take these issues into greater consideration when designing the PA process.

6.2. Theoretical implications

As the aim of this thesis implies, its main objective was to explore what goes through the employees’ minds when they are making sense of the PA process features, that is, its visibility, validity, and fairness. Thus, this work’s theoretical contribution is at least twofold. First, while Bowen and Ostroff’s (2004) theory specified the situational features of the HRM practices that are likely to lead to the shared perceptions of their content and expected behaviors, this thesis went beyond that in attempting to uncover the factors that influence employees’ perceptions of these features, specifically focusing on three of the features identified by Bowen and Ostroff (2004).

Second, while Bowen and Ostroff’s study does not provide a clear hierarchy of these features and their interrelatedness, this thesis suggests that the perceptions of some features might help explaining the perceptions of others. The example of this is the perceived relevance of the PA process, in Bowen and Ostroff’s terms, which seemed to explain not only the visibility of the process, as the authors have initially suggested, but also its validity. Moreover, with respect to the PA research, where the recent focus has been on the ratee’s reactions and willingness to accept and utilize feedback, the relevance of the PA process, and the seemingly associated validity, seemed, to some extent explain employees’ perceptions of the feedback.
6.3. Limitations and suggestions for future research

The limitations of this thesis are typical to case-study research designs with the use of qualitative data. Therefore, the results of this study are limited by the relatively small amount of cases, and the lack of methodological rigor characteristic to the qualitative data, its collection methods, and analysis. First, the data collected from 11 interviewees, and only two organizational units, may not produce generalizable across populations results. The major limitations in terms of the sample are likely to derive from industry- or work-specific idiosyncrasies in the interviewees' answers.

Second, the richness of qualitative data provides potential to produce thick descriptions (Miles & Huberman, 1994). However, as the authors have argued, this kind of data also significantly complicates the analysis, as it is difficult to navigate through and identify the pieces of information most properly eliciting the answers to the research problems. Additionally, conclusions made on the basis of qualitative data are subject to the researcher's interpretation, and both the researcher's and respondent's biases (Patton, 2002). Hence, the results of this thesis are contingent on the author's interpretation of the respondents' answers, and potential biases in these answers. At the same time, both the qualitative data and the case-study design might also be the strengths of the study. Considering that the main objective of the thesis was to explore the factors potentially influencing employees' perceptions, not to explain or test them, the chosen approach seems appropriate (Eisenhardt, 1989; Miles & Huberman, 1994).

Initially, due to its exploratory nature, this thesis has served as a groundwork for future research by suggesting the presence of a number of influencing factors, and speculating about the probable directions of the relationships among these factors and employees’ perceptions of certain HRM process features. Future research, by utilizing quantitative research techniques and greater samples, could investigate the explanatory power of these factors and the directions of the suggested relationships. In addition, the findings suggested some interrelations among the factors themselves, implying likely structural complexities in the relationship between the factors and employees' perceptions. Thus, these complexities might serve as another possible focus of future research endeavors on the HRM process.
REFERENCES


APPENDIX 1  HRM PROCESS FEATURES

Understandability

Bowen and Ostroff defined the second component of distinctiveness, understandability, as the absence of ambiguity and ease of interpretation of the content of HRM practices. The logic behind understandability is straightforward, as Barnard (1938) has noted: organizational communication that has not been understood could have no authority (as cited in Bowen & Ostroff, 2004). Thus, the authors claimed that in order to make accurate and confident attributions about HRM practices, employees require relevant and unambiguous information.

Legitimacy of authority

The following feature of the HRM process that Bowen and Ostroff believe to facilitate distinctiveness is the HR function’s legitimacy of authority. The concept of legitimate authority refers to the “type of power associated with occupying a formal position, and the resources and status that come with it” (Johnson, 1994: 123). Building on Kelman and Hamilton (1989), Bowen and Ostroff have posited that influence stemming from the legitimate authority is a cognitive process, whereby individuals tend to perceive the behavioral requirements of their own roles as subordinates to the actors occupying superior positions. Haggerty and Wright (2010) claimed that for the HR function to be perceived as authority, it has to be appropriately positioned in the organization, and staffed with top caliber professionals. The legitimacy of authority, and associated with it perceived credibility, are particularly important as the employees’ attributions, based on the interpretations of the message, and the ultimate outcomes of persuasion heavily depend on the characteristics of the message source (Bowen & Ostroff, 2004).

Relevance

The last feature of distinctiveness, relevance, according to Kelman and Hamilton (1989) refers to the qualities of HRM practices allowing them to be perceived by employees as relevant to important goals (as cited in Bowen & Ostroff, 2004). As Bowen and Ostroff claimed, relevance combined with legitimate authority, leads to the influence being perceived by the individuals as sanctioned by superior authority and relevant to their important goals. However for the latter, according to the authors, individuals should also perceive the expected of them behaviors as unambiguous and optimally suitable for the achievement of these goals. They claimed that particularly important here is the
notion of alignment among individual goals and organizational targets. The implication is that for the goal congruity to take place, HRM practices should be designed so as to facilitate employees’ willingness to perform towards goals not only for the own benefit but also in organizational interests.

**Consistency**

Following the principles of causal attribution (Kelley & Michela, 1980), in order for the individuals to make accurate and confident attributions, distinctiveness of the event, which facilitates its perceived importance, should be complemented by the consistency of its effects over time and modalities. Applying this logic to the HRM context, it can be inferred that for the employees to make sense of the expected behaviors and attitudes, the outcomes of such behaviors should be consistent across the time, situations, as well as employees. Bowen and Ostroff (2004) have identified three features that are likely to cultivate consistency: instrumentality, validity, and consistency of HRM messages.

**Instrumentality**

As Bowen and Ostroff have claimed, situational instrumentality refers to ensuring that the expected behaviors, as well as the associated with them employees’ outcomes are clearly defined and the incentives for the performance in the desired ways are provided. Returning to the previously provided criteria for the creation of strong situations, it is evident that these characteristics of instrumentality reflect the formation of consistent expectations for the most appropriate response pattern, and adequate inducements for performing according to that pattern. As Bowen and Ostroff have noted, the line and HR managers should be able to influence employees’ causal attributions to the extent that they possess the power and resources to link the performance of desired behaviors to the outcomes of such performance in a timely and consistent manner.

**Consistency of the HRM messages**

Finally, the consistency of HRM messages, sent by the practices, reflects the congruity and stability of their content. Authors have argued that three types of consistency are required: 1) between the espoused and inferred values, 2) among the practices within the HRM system, and 3) stability of the messages over time. As claimed by Bowen and Ostroff, the first type of consistency is required between the organizational values and goals, as intended by the management, and the employees’ perceptions of these values and goals inferred from their own interpretation of the HRM practices. The idea behind
the second type of alignment—‘internal fit’—in the context of HRM process is that when practices are internally aligned, so should be their message. Following Mischel’s (1968) argumentation, Bowen and Ostroff have claimed that if the employees perceive each of the aligned practices as a separate situation, then the interpretation of their message is likely to have generalizable effects across the on-the-job situations. Touching upon the stability over time, Bowen and Ostroff (2004) referred to Rousseau and Wade-Benzoni (1994), who argued that in the organizations where practices have been in place for a long period of time, the agreement among employees with respect to what is required of them, and what they expect from organizations in return, is likely to be stronger.

**Consensus**

Consequent HRM process feature that might lead to the creation of strong situation, when integrated with distinctiveness and consistency, is consensus. According to Kelley and Michela (1980), individuals are more likely to make accurate attributions when the perceptions of the stimuli-effect relationship are shared. As has been previously stated, shared perceptions are necessary for the emergence of organizational climate. Bowen and Ostroff (2004) have identified two main factors that may lead to the consensus in employees’ perceptions of the HRM practices: agreement among the principal HRM decision makers, and the perceived fairness of HRM practices.

**Agreement among the principle decision makers**

Referring to Fiske and Taylor (1991), Bowen and Ostroff (2004) have stated that the perception of strong agreement among the message senders in terms of its contents increases the chances of consensus among the recipients. Given that the main purpose of the HRM systems is assisting organizations in achievement of their strategic goals, the agreement among principle decision makers, such as higher managerial levels and HR executives, about what kinds of behaviors and attitudes are expected and how these expectations should be communicated to the employees, is critical. Not only it increases the understandability of a message but also its visibility, as with higher agreement among the decision makers, number of influencing agents increases, thus spreading the message across the organization (Bowen and Ostroff, 2004).
Interviewee: _________________________________________

Date & time of interview: ______________________________

Background questions (5 min)

<table>
<thead>
<tr>
<th>Corporation:</th>
<th>Unit:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationality:</td>
<td></td>
</tr>
<tr>
<td>Gender:</td>
<td>Male</td>
</tr>
<tr>
<td></td>
<td>Female</td>
</tr>
</tbody>
</table>

Length of employment in the company: ____________________________

Length of employment in current unit/subsidiary: ________________________

Length of employment in current job/role: _____________________________

Current job/role: _____________________________________________

What are your most important responsibilities? _____________________

Number of subordinates (of which how many do you appraise?): ____________

Who appraises you? (also state if more than one): Position and where they sit
Who else gives input into the appraisal? (i.e. other sources if 360 etc.)

What criteria are used to appraise your performance? _________________

Do you have some form of variable/performance-related pay? If so, what is it linked to?

2. Performance management (10 min)

We would now like to focus on the performance management in your unit. By performance management we mean [INSERT CORRECT COMPANY VOCABULARY e.g. TPP discussion & etc &].

We would first like to discuss the last performance appraisal process cycle that you took part in as a subordinate:

- What happened before the performance appraisal discussion?
- How did you prepare? (i.e., what did you do?)
- How do you think your supervisor prepared?
- What happened during the performance appraisal discussion?
• When did the discussion take place, and for how long?

• What were the most important issues covered?

• What happened after the performance appraisal discussion?

• How, if at all, have you returned to the issues covered?

• Was your experience of the performance appraisal process more positive or less positive than you thought it would be, and why?

3. Process features (15 min)

3.1. Visibility of the performance appraisal practice

One of the things we are particularly interested in is the VISIBILITY of the performance appraisal practice. By VISIBILITY we mean things like [INTERVIEWER READS AND HANDS OUT THE QUESTIONS].

You may remember these questions from the survey (if interviewee participated). We would now like you to rate your answers on the scale provided here after which we will ask you a number of follow-up questions.

Can you then tell us why you answered these questions as you did, i.e. what were you thinking about when answering them?

There are a number of things that might influence your rating, and I would like to make sure we cover all the relevant ones. Some possible sources or factors are listed here [SHOW LIST ON A SEPARATE SHEET]. Has anything related to these people or circumstances influenced how you rated the questions, in addition to the things you just discussed?

3.2. Validity of the performance appraisal practice

Now we would like to discuss the VALIDITY of the performance appraisal practice, i.e. whether it accomplishes what it’s meant to accomplish. Again, we’ll first rate your answers to the following questions.

Can you again then tell us why you answered these questions as you did, i.e. what were you thinking about when answering them?

Here are again some possible sources or factors that may influence rating. Now think about the validity of the performance appraisal practice: has anything related to these people or
circumstances influenced how you rated the questions, in addition to the things you just discussed?

3.3. Fairness of the performance appraisal practice

Next we would like you to talk about the FAIRNESS of the performance appraisal practice. We are interested in two different aspects of fairness: the fairness of the process (i.e. to what extent the practices are carried out in a fair way), and the outcomes (i.e. to what extent the outcomes or the consequences of the practices are fair). Again, we would like to begin by you rating your answers to these questions.

Can you again then tell us why you answered these questions as you did, i.e. what were you thinking about when answering them?

Once more, here are some possible sources or factors that may influence rating. Now think about the fairness of the performance appraisal practice: has anything related to these people or circumstances influenced how you rated the questions, in addition to the things you just discussed?

4. Performance management as signalling (5-10 min)

Next, a few broader questions about performance management:

- What does the performance management system communicate to you about expected behaviours and attitudes?
  - Can you give us any examples?
  - Does anything else come to your mind? Anything in the PA discussion, criteria, feedback or other communication?

- How well does the performance management system motivate you to comply with these expectations?

5. Final questions (5-10 min)

- How do you think the PA process should be developed to more effectively drive both individual and unit performance?
- How would you develop it to make it more fair?
- How would you describe the relative role of the PA process in influencing the performance of the unit? (ELABORATE ON THE ANSWER: WHAT ELSE MATTERS?)
APPENDIX 3  PREDEFINED LIST OF FACTORS

Did any of these influence your rating, and how?

• The performance appraisal process itself?
• Your supervisor?
• The general manager of your unit?
• The HR manager of the unit?
• The corporate / regional headquarters?
• Your colleagues?
• Your particular work situation?
• Your experiences with performance management elsewhere?
• Anything else?
## APPENDIX 4  THE META-MATRIX FOR THE LAST STAGE OF ANALYSIS

<table>
<thead>
<tr>
<th>Visibility</th>
<th>2</th>
<th>3</th>
<th>8</th>
<th>2</th>
<th>3.6</th>
<th>7</th>
<th>1</th>
<th>10, 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Goals</td>
<td>Participation</td>
<td>Communication/ participation</td>
<td>HR talks about PA</td>
<td>GM mentions PA in employee meetings</td>
<td>Supervisor coordinates following goals</td>
<td>Supervisor emphasizes PA importance</td>
<td>Feedback</td>
</tr>
<tr>
<td>Low</td>
<td>Formality/goals/relevance</td>
<td>Previous experience, disconnect</td>
<td>Disconnected/goals</td>
<td>No guidelines</td>
<td>KPis over goals</td>
<td>Corporate drives but no support</td>
<td>Wrong HR role</td>
<td>Line lacks HR expertise</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Validity</th>
<th>2, 11</th>
<th>7</th>
<th>3, 7, 8</th>
<th>2</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Understandability</td>
<td>participation</td>
<td>Supervisor clarifies and demands important behaviors</td>
<td>Supervisor accounts for the extra work in the PA</td>
<td>Supervisor’s feedback helps to want</td>
</tr>
<tr>
<td>Low</td>
<td>Feedback</td>
<td>Goals/relevance</td>
<td>Understandability/locally custom</td>
<td>KPis over goals</td>
<td>Corporate drives but no support</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fairness Process</th>
<th>2</th>
<th>7, 11</th>
<th>3, 9</th>
<th>4</th>
<th>2</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Good evaluation of scores</td>
<td>Compromise fairness</td>
<td>Communication/ fairness/feed back</td>
<td>Goals</td>
<td>GM talks about preparing for PA</td>
<td>GM Transparency</td>
</tr>
<tr>
<td>Low</td>
<td>4</td>
<td>5</td>
<td>5, 9, 10</td>
<td>5</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Bad feedback</td>
<td>Imposed goals</td>
<td>Feel/relevance</td>
<td>Transparency</td>
<td>No influence over decisions</td>
<td>Influenced by the performance of other areas</td>
<td>Experience with the previous supervisor</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fairness Outcome</th>
<th>10</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Many opportunities for development</td>
<td>Compared to those of colleagues and other positions</td>
</tr>
<tr>
<td>Low</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>No emphasis on desired behaviors</td>
<td>Recognized performance does not always get rewarded</td>
<td>Participation</td>
</tr>
</tbody>
</table>

### Legend
- **Blue**: Design of the PA process
- **Green**: Role of the HR
- **Orange**: Role of the supervisor
- **Red**: Role of the GM
- **Light Blue**: Previous experience
- **Yellow**: Colleagues