ATHABASCA UNIVERSITY

DISTAL FACTORS AND THEIR EFFECT ON EMPLOYEES' PERFORMANCE APPRAISAL RATINGS AND REMUNERATION: A RATEE'S PERSPECTIVE

BY

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A THESIS
SUBMITTED TO THE FACULTY OF GRADUATE STUDIES
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF DOCTOR OF BUSINESS ADMINISTRATION

ATHABASCA UNIVERSITY FACULTY OF BUSINESS

ATHABASCA, ALBERTA
[November 10, 2015]

Athabasca University
FACULTY OF GRADUATE STUDIES

Approval of Dissertation

The undersigned certify that they have read the dissertation entitled

"Distal Factors and Their Effect on Employees' Performance Appraisal Ratings and Remuneration: A Ratee's Perspective"

Submitted by

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In partial fulfillment of the requirements for the degree of

Doctor of Business Administration

The dissertation examination committee certifies that the dissertation (and the oral examination) is approved.

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November 10, 2015

Dedication

I would like to dedicate this dissertation to my wife, Charleen, for being supportive and confident that I would be successful in completing my degree.

Acknowledgements

First of all, I would like to thank Dr. Peter Newsted for being an excellent supervisor and mentor from the outset. In addition, I would like to thank Dr. Kay Devine for her ongoing guidance and support. Next, I would like to thank Dr. Karen Hunter for her valuable support, specifically in relation to the statistical analysis portion of this dissertation. Finally, I would like to thank Dr. Sue Bruning for accepting the role of external examiner and providing valuable feedback. I could not have done this without all of your input and incredible patience.

Abstract

Empirical research and scholarly theory abound within employee performance appraisal (PA) literature, yet the effectiveness and accuracy of PAs remain unresolved within the practitioner community. There have been numerous scholarly calls to explore the possible impacts that distal factors may play in relation to PAs, but these calls have been largely unanswered. This study involved selecting three key distal factors for a quasi-experimental design methodology, using scenario decision-making and analysis. The three distal factors chosen were (a) the macroeconomic environment, in conjunction with the closer organizational distal factors of, (b) organizational life cycle stage and (c) perceived organizational performance. One of eight, fictitious but realistic, scenarios was provided to MBA alumni with feedback on decisions relative to employee performance requested. By keeping employee performance stable it was expected that manipulation of these external factors would result in changes to performance remuneration and ratings when employees self-assess. Of the three distal factors being studied, only the macroeconomic environment had an effect on merit pay regardless of perceived organizational performance being presented. The manipulation of the organizational life cycle was ineffective, and no conclusions can be drawn in relation to this distal factor. Middle-aged males were more aggressive in their salary expectations in a good macroeconomic environment, regardless of whether their specific organization appeared to be performing well, financially, or not. Self-assessed ratings, on the other hand, increased under all scenario conditions to varying degrees (but not significantly) and this could have just been due to chance. The degree to which demand characteristics were

mitigated could have contributed to the lackluster results and, thus, should be investigated before future study replication.

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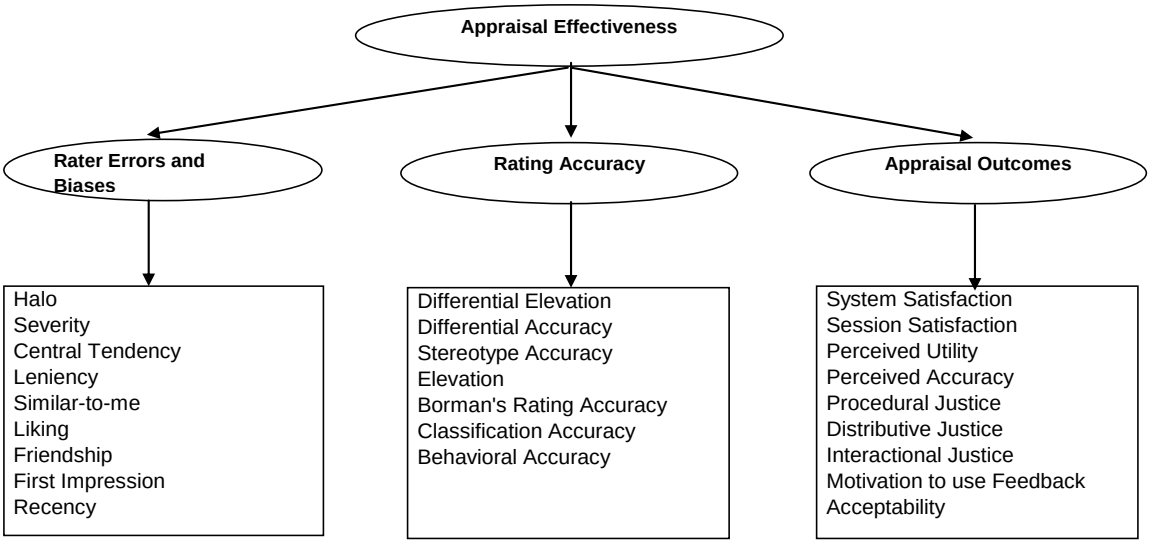
Chapter 1 – INTRODUCTION AND SIGNIFICANCE OF THE PROBLEM

It has been almost twenty years since the release of a well-known scholarly text on performance appraisal (PA) by Murphy and Cleveland (1995). Several suggestions for future research were proposed with the possible influence of distal factors on employee PAs a recurring theme for future investigation. Distal factors are higher level environmental effects and macro-level context factors that are seldom researched in relation to PAs. Although some headway has been made in relation to distal factor influence (Herbert & Vorauer, 2003; Jawahar, 2005; Kirk & Brown, 2003; Tziner, 1999), still a disproportionately low amount of research has been undertaken in this area. Of the distal factors presented in Murphy and Cleveland (1995), the possible influence of a combination of (a) the macroeconomic environment, (b) stage within the organizational life cycle and, (c) perceptions of organizational performance, have not been examined in a singular study. This research will fill this gap and be one of a few studies that has directly tackled this scholarly call.

Employee PA continues to be a significantly researched topic, although research focus has changed, moving from "a measurement based focus on performance appraisal to a social context focus" (Levy & Williams, 2004, p. 889) with the shift, specifically, towards emphasis on measurement of employee reactions. Figure 1.1, from Levy and Williams (2004), graphically presents appraisal effectiveness as being dependent upon minimizing impacts of rater errors and biases, improving rating accuracy, and focusing on appraisal outcomes.

Figure 1.1

Factors Affecting Appraisal Effectiveness



Source: Levy and Williams (2004, p. 890)

While research on rating errors and biases and rating accuracy (Levy & Williams, 2004) continues to receive attention in both practitioner (Long, 2006) and scholarly texts (Murphy & Cleveland, 1995), impacts on the ratee in regard to appraisal outcomes (e.g. satisfaction, justice, perceived fairness) is increasing in prominence (Blau, 1999; Boswell & Boudreau, 2000; Daley, 2007; Dobbins, Cardy, & Platz-Vieno, 1990; Jawahar, 2006; Saari & Judge, 2004; Schaubroeck, May, & Brown, 1994; Whiting & Kline, 2007; Wood & Marshall, 2008).

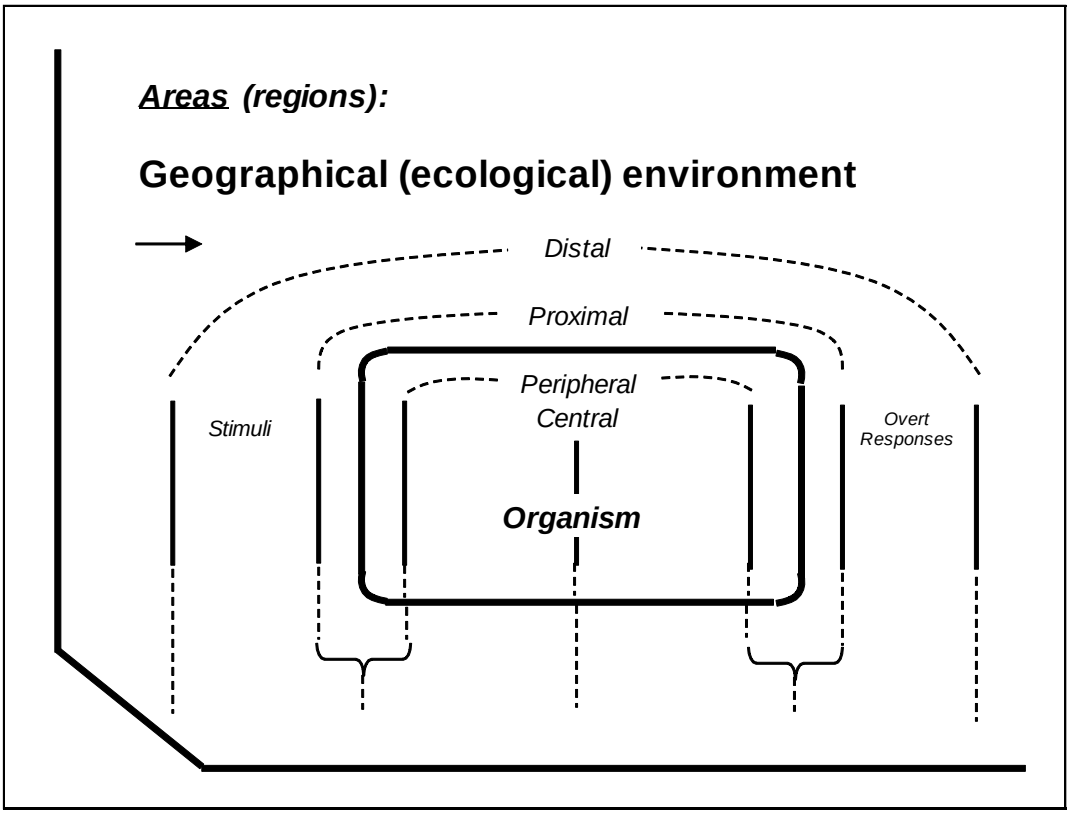
Rater and ratee reactions to PAs are influenced by a variety of proximal variables (or factors) and *may* also be influenced by distal factors (Cawley, Keeping, & Levy, 1998; Levy & Williams, 2004; Murphy & Cleveland, 1995; Tziner, 1999) although, this point still remains chiefly conjecture. The distinction between proximal and distal factors is in relation to the perceived influence that each has on employee performance appraisals: the former considered as directly influential while the latter posited as *likely*

influential, albeit indirectly, possibly through specific aspects of intervening variables between that of the external environment and rater/ratee (Murphy & Cleveland, 1995).

This terminology is not unique to PA however, but comes from psychological theory. The concepts of distal and proximal factors can be traced back to Brunswik's (1952) lens model (Figure 1.2), put forward as being the foundation of the lens metaphor in contemporary research (Wolf, 2005). By utilizing a lens metaphor, one "treats organizations as perceptual systems or *eyes* that scan the environment, filter data, distort and delay information, screen or gatekeep, route messages and disseminate innovation and change" (Putnam, Phillips, & Chapman, 1996, p. 379). Integral to the lens metaphor is perceptual ambiguity and how cues are interpreted by the receiver, especially in cases involving research in information environments (Putnam et al, 1996).

Figure 1.2

Geographical (Ecological) Environment



Source: Brunswik (1952, p. 51)

Below is an excerpt from a section of Brunswik's (1952) book on "*Central-distal vs. peripheral focusing of achievement":*

> Recent psychology has shown that variables located in certain "areas", "layers", or "regions" of the environment or the organism seem more often to be focal than those in others. Some of the most crucial changes of emphasis in contemporary psychology are based on the recognition of the relatively nonfocal, vicarious, "generalized" role of the sensory as well as the motor periphery, coupled with the comparatively focal character of the central as well as the distal regions, both situational and historical, in the case of higher animals at least (p. 21).

So distal and proximal stimuli appear to be outside the organism but do have an effect on higher animals, such as humans. Actively taking these factors into account has been an issue historically, as well:

> Again, there is reluctance to acknowledge factors which are not directly controllable or so removed or otherwise unknown that dealing with them could leave loopholes for rationalistic "innate ideas" or vitalistic "instincts". The existence of a well-defined "anti-instinctivist" movement within classical behaviorism supports this interpretation (Brunswik, 1952, p. 49).

Not surprisingly, grappling with *distal* factors continues to be a contentious issue so focus has tended to be on research involving proximal factors – at least in the case of PAs. Proximal factors (or influences) "represent the various beliefs raters have about the process of performance appraisal" (Tziner, Murphy, & Cleveland, 2001, p. 90), whereas distal factors (or influences) "are those rater concerns that relate to perceptions of the broader organizational context, as opposed to perceptions of PA itself" (Tziner et al, 2001, p. 91). The assumption is that the more distanced the factor is perceived to be, the less influence it will have in comparison to those that are considered closer in proximity to the process itself (Murphy & Cleveland, 1995).

Distal PA factors can relate to both the external and internal environment of an organization. External distal factors encompass societal, legal, economic, technical and physical contexts while examples of internal distal factors include the organizational life cycle and structure, organizational goals, and organizational culture, climate and values (Murphy & Cleveland, 1995). Proximal PA factors are internal to the organization:

> Proximal context factors include the purpose of rating, the organization's policies regarding feedback, the need to document good versus poor ratings, and whatever else the rater is doing at the time he or she fills out performance appraisals (Murphy & Cleveland, 1995, p. 32).

As there has been extensive research involving proximal factors, this study will involve solely distal factors and their possible influence on employee self-assessment of appraisal *rating* and *remuneration* outcomes. Calls from scholars continue to exist as

fruitful areas for future research (Jawahar, 2005; Levy & Williams, 2004; Murphy & Cleveland, 1995; Murphy & DeNisi, 2008; Varma, Budhwar, & DeNisi, 2008) to investigate whether distal factors enter the realm of PAs and rater/ratee behavior, or not: the macro-organizational level being noted as being largely ignored by researchers (IIgen & Feldman, 1983). This study is presented as being one that addresses the issue directly.

The balance of this paper is structured as follows. First, in Chapter 2, background is provided to show gaps in research and multiple suggestions that future studies incorporate distal factors to begin building the knowledge base in this neglected area. Included in this section are potential benefits that can be realized while, concurrently, providing detail surrounding some potentially significant research risks that could be encountered when a study is exploratory in nature. Although the impetus behind this study is scholarly related, practitioner interest and applicability are also key considerations. Next, there will be a review of findings pertaining to proximal factors followed by extant studies that have started investigating more distal factors within the PA field. Finally, the possible influence of the stage within the organizational life cycle will be reviewed along with the role that the macroeconomic environment may play in the PA process. Employee perceptions of organizational performance will also be reviewed as this is another distal factor that could be highly relevant in PAs (Murphy & Cleveland, 1995). This will be followed by a brief literature review surrounding ratings and salary remuneration. Salary remuneration, in this study, pertains to the merit portion of proposed salary increases only. Eight different hypotheses will also be presented based on the specific mix of distal factor conditions.

The third chapter outlines the specifics of this research by discussing the quasi-experimental methodological choice with emphasis on the minimization of demand characteristics. Since distal factors are being studied then how the scenario is presented such as to eliminate (as much as possible) any type of bias is key. The results of the pre-test will also be discussed showing that demand characteristics were sufficiently removed from the scenario design. The pre-test was delivered to a small group of Doctorate of Business Administration students from Athabasca University.

Chapter four includes all the statistical results on rating and merit pay outcomes as a result of the survey being distributed to MBA alumni of Athabasca University. A qualitative analysis of survey responses to an open comment field has also been included.

A discussion will follow in chapter five in relation to an interpretation of the results in chapter four. Limitations and future directions will round out this study pointing the need to investigate further with some modifications to future survey designs and in different research surroundings.

Finally, chapter six includes some final thoughts and concluding comments.

Chapter 2 – LITERATURE REVIEW

General PA Research

Exploring the purpose of PA dates back decades to research undertaken at the General Electric Company, analyzing the move from traditional PA to that of a new system called work planning and review (Meyer, Kay, & French Jr., 1965). The results of the study indicated that comprehensive annual reviews are of questionable value, goal setting improves future performance, and that depending on the appraisal purpose, separate appraisals should be used in judging performance and salary actions (Meyer, Kay, & French Jr., 1989; Meyer et al, 1965). Goal setting and its effect on PAs is widely researched. Research has suggested that a "do your best" proximal goal is inferior to that of one that combines both distal and proximal goals (Brown T. C., 2005; Seijts & Latham, 2001). Although goal setting is posited as having a favourable impact on the receiving end of PAs and the organization, there is heated debate supporting goal setting on the one hand (Latham & Locke, 2006) and expressing extreme caution on the use of goal setting on the other (Ordonez, Schweitzer, Galinsky, & Bazerman, 2009). The debate continues (Latham & Locke, 2009; Locke & Latham, 2009; Ordonez et al, 2009) indicating that theory and extant studies involving PAs still have numerous issues to resolve.

Literature has also shown that PAs are often used primarily for administrative purposes such as training and development, compensation and promotion decisions (Wood & Marshall, 2008) so reducing or eliminating sources of bias have both financial and strategic benefits. In addition, since PAs are a source document when it comes to

terminations (Barrett & Kernan, 1987; Longenecker, Sims Jr, & Gioia, 1987), the accuracy of PAs becomes all that more important from a legal standpoint.

More recently, PA effectiveness research has largely focussed on measuring ratees' reactions, whether positive or negative, and on testing whether there is inherent bias in the methods themselves (Keeping & Levy, 2000). Performance evaluation discrepancies, rather than reactions to the traditional supervisor rating alone, may be a better determinant of ratee reaction (Levy, Cawley, & Foti, 1998). Studies have also looked at PAs in a lab setting related to videotaped lectures in economics (Lance, Woehr, & Fisicaro, 1991) and have even extended to judicial performance evaluation utilizing a variety of methodologies from interviews to tapping existing scholarly studies and secondary sources (Paynter & Kearney, 2010). Findings indicate that raters' evaluation of *performance* includes non-performance based aspects (Lance et al, 1991) and that 360 degree, or multi-rater, feedback can be effective even in the judicial system (Paynter & Kearney, 2010).

Traditionally, research emphasis was directed at proximal factors such as the adequacy of the physical forms used and the ability of both raters and ratees to provide comments and feedback for improvement (Lacho, Stearns, & Villere, 1979). Form and accuracy were important from a legislative perspective in public administration (Williams, Walker, & Fletcher, 1977) given the stipulation that PA be validated. It was in the 1970's that expected benefits of increased employee participation in the process began to take root:

> "The effects of increased participation on appraisees (and appraisers) are less well established, although there are claims that the effects are beneficial. However, the objective evidence in support of these claims is at present only slight" (Williams et al, 1977, p. 12)

More recently, the literature has extended proximal constructs to include such items as self-efficacy of reviewers (Tziner, 1999), rater training and ability to give critical feedback (Asmub, 2008), supervisor-subordinate exchange relationships from a social context perspective (Elicker, Levy, & Hall, 2006) and attitudes toward the supervisor and knowledge of the process (Kavanagh, Benson, & Brown, 2007). All have been shown to have positive direct relationships to employee reactions in the PA process yet the "jury is still out" as to whether PAs are beneficial.

Aside from the traditional supervisor-subordinate PA, other systems have been adopted in practice such as self-appraisal, peer review, upward feedback and assessment centres. In addition, consideration of abolishing the whole system has been posited. In deLeon and Ewan (1997), these alternative feedback systems had their share of benefits and downfalls (refer to appendix A for more detail) that was the impetus behind researching the introduction of 360 degree feedback in their study setting. Employee perceptions of fairness significantly increased, although the authors could not rule out possible Hawthorne effects (Adair, 1984; Gottfredson, 1996; Parsons, 1978); the simple act of employees being part of the research can actually result in increased performance. With only one pre- and post-test, part of the improvement could also be attributed to a combination of employees welcoming change, and "an artefact of dissatisfaction with the previous system, not purely a judgment of the merits of multi-source assessment" (deLeon & Ewan, 1997, p. 32). As suggested by Bracken, Timmreck, Fleener, and Summers (2001), the validity of 360 feedback must go beyond one evaluation period, so longitudinal studies may better substantiate claims of success or failure.

Popular media tend to be somewhat pessimistic of the utility of PA, in general, with two recent articles strongly suggesting that employee performance reviews do not add value (Moore, 2010; Williams R. , 2010) but also note that "there is plenty of research showing that an effective review process has a positive impact on both motivation and performance" (Moore, 2010, p. 1). On the other hand, institutionalization of the performance review shows that the annual review is likely here to stay, even though employees perceive little value and managers, generally, dislike the yearly task itself (Williams R. , 2010). This sentiment is also shared within the scholarly community where the purpose of the PA plays a key role. Specifically, raters tend to put greater emphasis on PA if used as the basis for administrative rewards but, depending on rater *faith* in the PA system, may "view their rating performance as futile and have little or no motivation to produce an accurate appraisal" (Tziner et al, 2001, p. 91).

So, it is quite plausible that the effects of distal influences are even more important to consider in the justification of PA outcomes, given that the consequential impact could be felt beyond that of solely the rater/ratee working relationship.

Definitions

Before getting into greater detail, it seems prudent to present the definitional terms for distal and proximal factors, as well as all of the pertinent constructs that will be the basis for the balance of the paper that follows.

Distal Context Factors "...represent the internal and external environments of organizations" (Murphy & Cleveland, 1995, p. 32). They can include aspects of the environment such as (a) societal, (b) legal, (c) economic, (d) technical and, (e) physical (p. 38). They are "broadly construed as contextual factors that affect many human resource systems, including performance appraisal...not necessarily related only to

performance appraisal, but they may have unique effects on the performance appraisal process" (Levy & Williams, 2004, p. 885).

Proximal Context Factors "...are those that impinge directly on the individual rater" (Murphy & Cleveland, 1995, p. 32) and can be classified as either process or structural (Levy & Williams, 2004).

Macroeconomic Environment Factors "...refers to the degree of scarcity or abundance of critical resources in the environment" (Murphy & Cleveland, 1995, p. 33), in conjunction with the "extent to which the environment changes or remains stable" (Murphy & Cleveland, 1995, p. 33).These authors have indicated that these have been referred to as the most cited facets of an organization's environment, that being, munificence and turbulence (Katz & Kahn, 1978; March & Simon, 1958; Thompson, 1967), respectively.

Organizational Life Cycle Factors represents the developmental stage within which the organization currently resides. Even though stages have been sub-divided up to ten categories, this research will assume the four stage model of start-up (birth), growth, maturity and decline (or revival) as suitable categories for empirical investigation (Jawahar & McLaughlin, 2001; Madhani, 2010; Zheng, Qu, & Yang, 2009) with emphasis being on the middle two that would comprise the majority of organizations.

Organizational Performance Factors pertain solely to the perceived financial performance of the organization in relation to, specifically, the organizational climate that organizational members are a part of in their everyday work life. Although social and environmental factors are key considerations (Cramer, 2005; Epstein, 2009), it is the economic element that will receive singular attention.

Framework

Murphy & Cleveland's (1995, p. 33) framework will be used to select items in each of the two under researched factor groups pertaining to (a) environmental (i.e. macroeconomic environment) distal factors and (b) organizational (i.e. organizational life cycle) distal factors. Potential PA conseqeunces (i.e. performance rating accuracy and remuneration increases) of these factors will be the focus of this dissertation. Murphy and Cleveland admit that their framework provides "an indication of the complexity of the term *organizational environment*" (Murphy & Cleveland, 1995, p. 32). As such, those that show greater promise of being influential were selected.

Distal variables in relation to PAs have encompassed many different factors such as "organizational climate and culture, organizational goals, human resource strategies, external economic factors, technological advances and workforce composition" (Levy & Williams, 2004, p. 885). Tziner (1999) considered distal variables in his study as "general beliefs and attitudes concerning the organizational context" (Tziner, 1999, p. 219) encompassing organizational climate, interpersonal relationships between rater/ratee, value and continuance commitment.

Table 2.1 summarizes some of the more prominent distal factors (further divided between the distal environmental and distal organizational) and proximal factors as noted in Murphy and Cleveland (1995) and Levy & Williams (2004), respectively. Process proximal[1] factors have a "direct impact on how the appraisal process is conducted" (Levy & Williams, 2004, p. 885) while structural proximal[2] factors deal "with the configuration

[1] From Levy & Williams (2004) literature review for the period 1995-2003. These appear to be the more researched variables as compared to structural proximal variables.

[2] From Levy & Williams (2004) literature review for the period 1995-2003. These variables are relatively less researched as compared to process proximal variables yet "are factors that have direct effects on rater and ratee behavior and are directly affected by distal variables" (p. 896)

or makeup of the appraisal itself" (Levy & Williams, 2004, p. 885). It is important to note that even though these factors have been categorized below as distinctly separate, in reality they should be considered to be on a continuum (Murphy & Cleveland, 1995).

Table 2.1

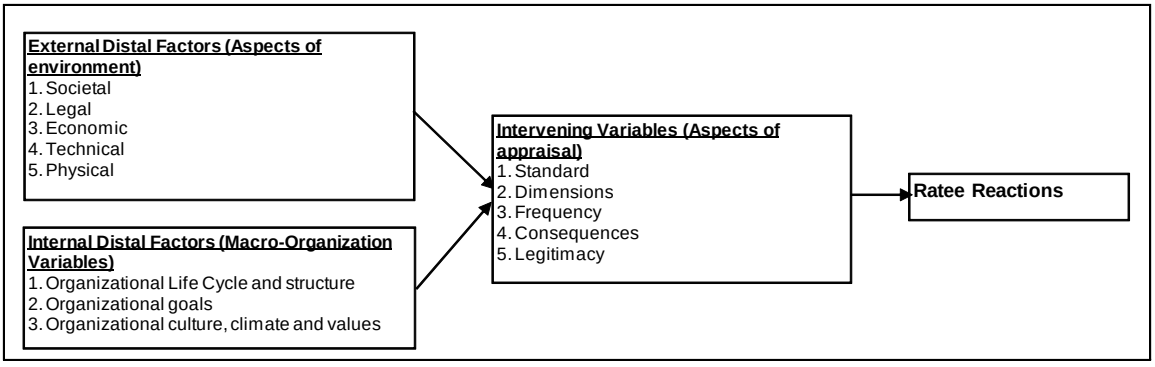
More Prominent Distal and Proximal Factors

Distal Envionmental [1]	Distal Organizational [2]	Process Proximal [3]	Structural Proximal [4]
Societal	Organizational life cycle and structure	Rater issues	Multi-source feedback systems
Legal	Organizational goals	Ratee issues	Performance appraisal purpose
Economic	Organizational culture, climate and values	Leader-member dyadic Issues	Rater training
Technical	Perceived organizational performance	Group dynamics	
Physical			

The link between distal and proximal factors has remained unclear with suggestions that a number of intervening variables connect the environment and organizational life cycle (external distal factors) to that of the behavior of raters and ratees (Murphy & Cleveland, 1995, p. 37). An interpretation of this relationship is presented below in Figure 2.1.

Figure 2.1

Interaction of Factors in Performance Appraisal Context



Adapted from: Murphy and Cleveland (1995)

As indicated by Levy and Williams (2004), there appears to be scant or "little systematic empirical work on the distal variables...other than a bit on culture, climate, and technology issues" (Levy & Williams, 2004, p. 885). They suggest that "perhaps closer examination of the relationships between distal and proximal relationships would prove more fruitful" (Levy & Williams, 2004, p. 885). This has also been echoed in a meta-analytic investigation of 27 studies on employee reactions to the PA process and employee participation, concluding that "the type of participation that an organization uses is dependent on and must be consistent with the larger organizational context within which the performance appraisal system exists" (Cawley et al, 1998, p. 628). Again, a similar suggestion to incorporate "certain organizational features (e.g. goals, formalization, centralization, complexity), among other distal factors, appears to be warranted" (Tziner, 1999, p. 229).

The gap in relation to studying distal factors is understandable given the inherent ambiguity and associated perceived research risk. Reasons have been attributed to (a) lack of theory to methodologically guide this level of research, (b) the large breadth of constructs adding to a high level of complexity to implement in a research setting, and (c) beliefs that their impacts on PA will be small so "why bother?" (Levy & Williams, 2004).

To address each of these concerns, the following is proposed. Firstly, economic theory, in terms of the macroeconomic environment and organizational life cycle, will be used as a base for theoretical guidance. Secondly, the breadth of constructs will be limited to performance ratings and base merit pay remuneration changes.Variance in the above two measures will be examined to determine the strength of their impact on the

employee from the ratees' perspective only. The possibility of small variances has proved insightful in previous studies on effects of organizational climate on PAs (Tziner, Murphy, Cleveland, Beuadin, & Marchand, 1998). As such, this study is exploratory and limited in scope to singular category factors—targeted by scholars as being most influential. As indicated previously, there are numerous external distal factors that Murphy and Cleveland (1995) drew upon from Katz and Kahn (1978) suggesting that (through their research) the following two distal factors are "thought to be highly relevant to appraisal" (Murphy & Cleveland, 1995, p. 409):

a) the perceived performance of the organization, and

b) the culture and values of the organization

This dissertation specifically investigates the first factor (along with the macroeconomy and organizational life cycle) as complexity associated with the second is well beyond the scope of this research.

When it comes to perception, upper management of organizations can have influence insofar as internal communication is concerned. As such, research results that can be acted upon in terms of internal communication would be of considerable use in the practitioner world, as opposed to factors beyond the executive reach. The key here is that *perception*, not *reality*, is the driver and although both can be similar, it is more likely that individual interpretation will vary. Many studies have utilized perception in relation to operational performance and have found that perceptual data from senior managers are not as biased as often as research suggests (Venkatraman & Ramanujam, 1987), and are quite consistent with actual objective data (Poon, Ainuddin, & Junit, 2006; Tzafrir, 2005), and that obtaining objective measures in actual organizational

settings is a challenge that has, historically, led to high survey non-response rates (Ketokivi & Schroeder, 2004; Poon et al, 2006). As such, perceived organizational performance, rather than actual organizational performance, will be the third targeted independent variable for this dissertation.

Many organizations put relatively little emphasis on the PA process so it is very possible that PAs continue to suffer from proximal errors (central tendency, halo) or bias (recency, contrast, similarity, leniency, harshness) (Long, 2006; Theriault, 1992). In privately held organizations, confidentiality of financial and operational performance means that only a select few are privy to this information (Poon et al, 2006). As such, it is highly probable that employees must rely on their own perceptions or beliefs as to the strength of the financial condition of the company and may use widely publicized economic conditions as a benchmark in order to fill the knowledge gap. Because there are tradeoffs between (a) confidentiality of organizational financial performance, (b) open communication and transparency,and (c) inherent problems in conveying financial information to non-financial personnel, organizations will often opt for middle ground and provide incomplete information (Davis, 1997). On the more extreme ends, organizational actions will be more pronounced and, thus, perception (regardless of organizational will or confidentiality) will be largely substantiated by more direct cues, such as employee layoffs in difficult times or, conversely, expedited hirings in healthy organizational climates.

The following section will involve reviewing extant literature encompassing distal and proximal factors that impact the employee PA process. Next, the possible influence of the organizational life cycle stage will be considered along with

macroeconomic factors related to PAs. The role of perception in relation to organizational performance will be reviewed as providing formal audited financial statements is a requirement for only a subset of organizations, and most employees rely on perception. Next, performance ratings and compensation will be investigated. Given the plethora of PA research, this literature review will focus on relatively recent research, encompassing the last decade.

Proximal, Distal and Intervening Factors

The bulk of PA research resides in measurement of the impacts of proximal factors on the receiving end of PA. For instance, Elicker, Levy, and Hall (2006) looked at the employee/employer exchange relationship, voice perceptions and justice judgements (specific proximal factors) and their effects on employee reactions including satisfaction, motivation to improve, perceived accuracy and perceived utility. Reactions depended largely on how ratees were treated in the appraisal process, so the authors suggested that managers be trained on giving employees more genuine voice in the process "through acknowledging individual inputs when communicating the final decision" (Elicker et al, 2006, p. 547).

Employee satisfaction with appraisal feedback, in general, has been posited as having "potential influence on performance and a variety of attitudes and behaviours of interest to organizations" (Jawahar, 2006, p. 14). While it is important to provide feedback to ratees, it is imperative that employee reaction to feedback is taken into account. Specifically, it was found that employees who are satisfied with supervisor feedback are more likely to improve their future job performance and dedication to the organization. This improved continuance commitment (through lower voluntary attrition

rates), in conjunction with future enhanced performance, are benefits that accrue to the organization, rater and ratee (Jawahar, 2006). Rather than rating leniently to gain ratee approval and satisfaction, raters need to focus on employee performance with the feedback.

Although not directly measuring employee overall satisfaction with the PA process, Kavanagh, Benson, and Brown (2007) developed a framework of perceived PA fairness by testing the effects of three factors: process, situational characteristics and personal characteristics. Results indicated a strong positive relationship between PA process variables (participation, attitude towards supervisor and knowledge of the PA system), and supervisor neutrality with that of perceived fairness. The higher the perceived fairness of PA systems, the greater acceptance of decisions of PA outcomes, likely in conjunction with "more positive organizational attitudes such as job satisfaction and organizational commitment" (Kavanagh et al, 2007, p. 147). In other words, perceived fairness of the PA process can have ripple effects on future employee performance and dedication. This is consistent with previous research where employee/employer trust was the driver behind acceptance of the PA system (Reinke, 2003).

In a study of a large public service organization, the *quality* of previous PA experience was linked to future job satisfaction and ultimate intention to stay with an organization (continuance commitment (Meyer & Allen, 1991)) or quit (Brown, Hyatt, & Benson, 2010). Again, proximal factors associated with the process of the PA itself were researched to conclude that:

> …our study demonstrates that oganisations do pay a price for allowing low quality PA experiences: when employees have low quality PA experiences the

> organisation will likely incur a penalty in terms of lower job satisfaction and organisational commitment and higher intentions to quit (Brown et al, 2010, p. 390).

Supervisor/employee relationships and ability to give negative feedback have been shown to be problematic due to the social nature of interactions in the PA interview. For instance, a supervisor's orientation towards providing negative feedback and the approach taken during the PA interview can affect outcome acceptance. It was found that the way the supervisor approached the PA (either as socially problematic or unproblematic) affected the acceptance, discussion and understanding of the issue (Asmub, 2008). If the supervisor perceives that the interview will be problematic beforehand, the outcome could become a prolonged, one-sided PA interview process. Alternately, a positive and perceived unproblematic rater state of mind would lay the groundwork for relatively quick acknowlegement of issues and direct discussion with the ratee, with the difference being that the latter situation is conducive to bring about resolution of PA discrepencies, as opposed to postponement to a future date. On the other hand, studies have also found that the formal PA interview is not useful, independent of whether there was ongoing feedback during the year or not (Bradley & Ashkanasy, 2001).

Technology has been considered as one of many possible distal factors that could affect PA satisfaction (Levy & Williams, 2004). Herbert and Vorauer (2003) juxtaposed two modes of performance communication in an experimental study setting involving introductory psychology student subjects[3]. Subjects were paired up and given the role of

[3] Although recruiting psychology students is less cumbersome a task and represents a convenience (rather than a random sample) concerns regarding this type of sample group date back as far as 1946. Quoting NcNemar (1946, p. 333) "The existing science of human behavior is largely the science of the behavior of sophomores" (Rosenthal & Rosnow, 1969). The uniqueness of this group may hinder extrapolation of results to a larger population.

either judge or target in the evaluation of a persuasive essay. One group utilized traditional face-to-face (FTF) communication while the other was computer mediated (CM), as vehicles in the PA feedback loop. The crux of the study was to establish whether FTF or CM feedback was more effective. From the perspective of the ratee, benefits of FTF communication outweighed that of CM in the areas of feedback acceptance and being understood while rater communication also tended to be much clearer (Herbert & Vorauer, 2003). Whether the rater *liked* the ratee did not affect either mode of feedback communication but this could be partially attributable to a lack of an *a priori* social milieu between participants. Using unacquainted students significantly removes the social aspect and therefore does not necessarily mirror the social conditions of organizations today. This could be more reflective of future organizational states due to technological advances, globalization and the emergence of the virtual organization. Interestingly, even though external outside coders deemed feedback on skills more positive in FTF, this was not reflected in ratee perceptions as there is "perhaps somewhat of a shared understanding of the positivity demands of FTF interaction" (Herbert & Vorauer, 2003, p. 36). In other words, ratees expect more positive feedback when confronted FTF and will take this into account in their interpretation of performance evaluations.

Context could also play a role within PA in relation to raters' perceptions of ratees' "*situatedness"* as compared to others. Simply put, will raters evaluate employees differently even though performance outcomes are identical? Jawahar (2005) used an experimental design with three different sample groups under different scenarios. Although the scenario was geared towards the sales function, applicability to a wider

range of employee stakeholders is plausible where appraisal takes into account significant differences amongst staff and customer makeup. The fact that raters do, in fact, take into account situational differences pushes for the need for organizations to reconsider workload distribution if PAs are significantly based on individual measureable results achieved.

Motivation is linked to performance and is susceptible to different kinds of forces, split into those of distal and proximal (Kirk & Brown, 2003). The concepts of distal and proximal, in relation to motivational theory, have been posited before (Kanfer, 1992). The Kirk and Brown study involved a subject's voluntary participation as a step towards possible promotion. By adopting an expertise evaluation methodology, the result was dually beneficial by not only judging of the overall effectiveness of the training program but also variance in ability within the worker population. The distal construct of *need for achievement* along with proximal *self-efficacy* jointly contributed to the motivation of employees to perform well.

As previously indicated, organizational goals (encompassing aspects related to *intent* and *outcome* (Murphy & Cleveland, 1995)) are one of many internal distal variables. Acknowledging calls from scholars, Shore and Strauss (2008) researched the impact of organizational goals by including a proximal variable (performance norms) in half of their scenarios to see if this factor would "reduce the effects of political motives on performance ratings" (Shore & Strauss, 2008, p. 607), concluding that the provision of performance norms had no effect. Through use of experimental scenarios, they found that performance rating inflation or deflation was correlated with stipulated

organizational goals. Specifically, the presentation of lenient (or harsh) organizational goals corresponded to inflated (or deflated) ratings, respectively.

Organizational climate and rater commitment to the organization were two distal factors studied by Tziner et al (1998) with consequences of high or low ratings being the intervening variable. Eighteen of the 24 predictions were supported, albeit with statistical significance from weak to moderately strong . Overall, there appears to be a linkage between attitudes related to PA and organizational context. As an exploratory study one caveat they raise with a small sample size is that results should be conveyed in a cautionary manner (Tziner et al, 1998).

Employee Self-assessment

In the 1980s, self-assessment of individual performance seemed to come to the forefront as one PA method that could reduce bias in the traditional supervisor led PA. Meyer (1980) found that when self-appraisals were "obtained on a 'compared to others' basis, the leniency error will be strong" (p. 295) but also strongly cautioned against using forced distribution in rating programs. Thornton's (1980) literature review on self-appraisal showed mixed results. On the upside, there tends to be lower halo error. On the other hand, situations where there are inflated self-evaluations, in conjunction with significant gaps in supervisor ratings, will make future PA discussions difficult, especially in situations where self-appraisals are formalized (Thornton III, 1980).

Using self-assessment as the sole source of PA is rare and generally considered not useful (Murphy & Cleveland, 1995) due to inherent bias concerns, as inaccurate overrating of skills and performance is the norm (Dunning, Heath, & Suls, 2004). There are many reasons why this occurs. One researcher put it quite simply, "people believe

they are better than others largely because it makes them feel good to do so" (Brown J. D., 2012, p. 209). Inflating or over exaggerating past performance could also be due to a combination of intentionally motivated inflation or simply problems in memory recollection (Gramzow & Willard, 2006). On the other hand, ideally employees are in the best position to rate their own performance (deLeon & Ewan, 1997) but, for the reasons above, it is unlikely that an unbiased result will ensue.

Although self-assessment can lead to over-rating, this can be largely mitigated if accompanied by other information and assessments by others (Murphy & Cleveland, 1995). Nonetheless, whether self-assessment is a formal aspect of the PA or not, it is likely the ratees will form their opinions (either consciously or subconsciously) at some point in the PA process.

The next section will encompass literature surrounding the three distal factors chosen for this research. Due to limited empirical research of distal factors on PAs, this section will not be as extensive as the one on proximal factors.

Independent Variables

The three distal factors included in this study are the macroeconomic environment, organizational life cycle stage, and perceived organizational performance. Literature involving these three factors will be reviewed below. Unfortunately, there is relatively scarce literature pertaining specifically to the macroeconomic environment and its effect solely on PAs (Murphy & Cleveland, 1995).

Perceptions of Organizational Performance

Judging organizational performance has historically been from a financial performance standpoint but, over the years, has transformed to include performance from

a social and environmental perspective (Epstein, 2009). These three aspects (economic, social and environmental) make up what has been considered the three pillars of sustainable development – that is people, profit and planet (Cramer, 2005). Although social and environmental aspects are important, this section will deal solely with economic, even though the others can impact an organization's financial performance.

An organization's financial performance must be made public if its shares are traded publicly. This is not *required* for organizations that are privately held and, as such, data are frequently unavailable to the general public (Dess & Robinson Jr., 1984). Nonetheless, many organizations do share financial performance information internally (Poon et al, 2006). Determining what to measure and how to define good or bad financial performance is a contentious issue (see, for instance, (Neely, Gregory, & Platts, 2005)) so the provision of actual financial performance information may be of little value.

There are close comparisons to be made between organizational performance and the influence of human resource policies and practices. Debate surrounds causation and human resource management (HRM) practices, leading to the possibly flawed assumption that, for example, profitability and employee satisfaction are located at the effect end of the cause-effect relationship (den Hartog, Boselie, & Paauwe, 2004). In addition, debate surrounds that of manager trust, HRM practices and organizational performance.

> …models rely on the assumption that managers' trust in their employees' influences both HRM practices and perceived organizational and market performance, and that simultaneously HRM practices affect perceived organizational and market performance. The possibility of a reciprocal relationship between these variables cannot be excluded (Tzafrir, 2005, p. 1618).

Paauwe and Boselie (2005) acknowledge Guest's (1997) "plea for theoretical foundation of HRM, performance and link between the two" (Guest, 1997, p. 68) and agree that many theories assume that effective HRM systems are drivers behind firm performance, yet reverse causation cannot be ruled out. Specifically, they point to the following situations that might be conducive to reverse causation: highly profitable firms have the ability to invest more in improvement in HR/training, and, in tougher general economic conditions, expenditures on training and development will be restricted. These, in turn, can affect employee job satisfaction and organizational commitment (Paauwe & Boselie, 2005). By drawing upon research by Schneider et al (2003), they note that "profitability is more likely to cause job satisfaction than job satisfaction is likely to cause profitability" (Paauwe & Boselie, 2005, p. 77). In a similar vein, if we assume that enhancing firm performance is on the receiving end, then determining what aspect of HRM should take credit also becomes a challenge. For instance, Huselid, Jackson, and Schuler (1997) found that strategic HRM effectiveness was linked to increases in quantitative performance measures such as employee productivity and cash flow. The assumption was that "HRM effectiveness affects firm performance; yet other causal models are also possible" (Huselid et al, 1997, p. 185).

Similar concerns are echoed by den Hartog, Boselie, and Paauwe (2004) in a model that includes the possible influence of contextual factors of the internal and external environment. Unfortunately, little headway has been made in answering the question of whether HRM practices influence firm performance, or vice versa (Guest, 2011). This empirical research suggests that the organizational life cycle stage can

influence HRM practices and that employee job satisfaction, in turn, can be similarly affected regardless of the performance management process in place.

As such, there appear to be close links between an organization's financial performance and human resource practices in place. Nonetheless, effective HR practices do not mean that improved organizational performance will result.

Literature has suggested that upper management perception of their organization's performance closely approximates reality (Poon et al, 2006; Tzafrir, 2005). Perceptual measures of organizational performance have utilized comparisons to that of industry competitors as a general benchmark (Delaney & Husalid, 1996). Additionally, it was found that subjective measures of organizational performance correlate closely to objective measures such as return on assets and sales (Dess & Robinson Jr., 1984). Although relying on perceptions of organizational performance is considered a second-best path, with the preferred route being reliance on objective measures of economic performance (Dess & Robinson Jr., 1984), research indicates that perceptual measures may suffice if actual measures cannot be collected (Ketokivi & Schroeder, 2004; Poon et al, 2006).

Influence of the Macroeconomic Environment

Although proximal factors related to distal impacts of the economic and organizational context have been researched, such as the effects of pay freezes on employee attitudes and reactions (Schaubroeck et al, 1994), indirect influences should also be considered.

Literature addressing PA and that of the macroeconomic environment is scarce (Murphy & Cleveland, 1995). There are two specific facets of the environment that have

received significant attention: turbulence and munificence. If the economy is unstable, then it is considered to be turbulent due to unpredictability, whereas munificence "refers to the degree of scarcity or abundance of critical resources in the environment" (Murphy & Cleveland, 1995, p. 33).

The degree to which executive teams accurately perceive effects of resource munificence and industry turbulence on their own organization has received some attention. Sutcliffe (1994) found that perceptual variations are dependent upon a mix of organizational and managerial factors. Accurately identifying Industry turbulence is dependent on the organizational hierarchy in place, while resource availability perceptual accuracy correlated with executive group tenure (Sutcliffe, 1994). Thus, a decentralized, long tenured executive team is the best mix in accurately perceiving both due to the benefits associated with a wider range of perspectives, and effective communication/socialization interaction, respectively.

Building upon hypotheses of Whetten (1987) and Pfeffer and Salancik (1978), Murphy and Cleveland anticipated that in economically prosperous times PAs would become more inflexible and autocratic while, in poor economic times, PAs may be more susceptible to "higher levels of conflict, secrecy, and scapegoating, and to lower levels of morale, satisfaction, and participation" (Murphy & Cleveland, 1995, p. 49).

Interestingly, studies investigating reasons for variance in profitability rates across firms rarely take into account organizational factors. Noting this research void within strategic management, Hansen and Wernerfelt (1989) incorporated economic and organization models in their study of 60 *Fortune* 1000 firms. Factors chosen were economic and organizational climate and they concluded that each "appear to be roughly

independent contributors to performance" (p. 406). Influence was not shared equally,however. Organizational factors accounted for twice as much of the variance. Causation is an unresolved issue but this study does add credence in the ability to blend economic and organizational models to glean insight.

The macroeconomy and organizational life cycle tend to be closely linked (Murphy & Cleveland, 1995) so the next section will entail some crossover.

Influence of the Organizational Life Cycle Stage

Intervening between the distal economic environment and PAs is the organizational life cycle stage. The possible different interpretations of ratees' performance and measurement depending on the organizational life cycle and changing environment are suggested below.

> Typically, as a measurement tool, appraisals are assumed to measure stable characteristics of ratees, but they may also measure or be influenced by the constantly changing environment in which they are part (Murphy & Cleveland, p. 80).

It has been conceived that depending on the stage within the organizational life cycle that the ratio of fixed versus variable pay changes to adapt to changes in the organization's profit margins and cash flows (Madhani, 2010). In relation to sales staff, compensation in the start-up stage should emphasize more variable pay to foster the building of a customer base to drive current sales and take steps in filling the organizational sales funnel of future opportunities. In growth and maturity stages, base pay becomes more pronounced in the compensation mix. This is due to decreased ability to attract new customers and emphasis placed on the maintenance and development of the existing customer base. Finally, in the final stages of decline "lower base pay in the compensation structure is advocated" (Madhani, 2010, p. 496), reflective of similar

challenges experienced in the start-up stage. The one limitation of this study relative to this dissertation relates to specification of sales personnel only as the sample object of study.

Madhani (2010), notes that there are numerous organizational life cycle models that can range from three to ten stages with commonality being that "firms pass through predictable stages of growth and that their strategies, structures and activities correspond to their stage of development" (Madhani, 2010, p. 490). Many studies tend to adopt the four stage model of start-up (birth), growth, maturity and decline (or revival) as suitable categories for empirical investigation (Jawahar & McLaughlin, 2001; Madhani, 2010; Zheng et al, 2009). Further, Jawahar and McLaughlin (2001) posit that emphasis on the employee stakeholder group changes as an organization is born, develops, matures and is subsequently reborn.

In the growth and maturity stages, competition increases and macroenvironmental economic factors become more prevalent. Direct influence of the founder becomes less widespread as organizations move from inception to growth as activities become more complex, and authority and decision-making are pushed further down the organizational hierarchy. This is, in part, due to limitations involving individual bounded rationality (Simon, 1987). Organizational financial information is more tightly held by a select few as compared to others in the public sphere, as financial disclosure to the public (and internally) is not mandatory. Employees and managers (to a lessor degree) will need to interpret cues and form their own opinions of the influence of the external environment through individual sensemaking (Weick, 2001). Research has consistently shown that raters have a tendency to inflate ratings due to negative consequences associated with

unfavourable ratings (Murphy & Cleveland, 1995). As such, only under certain circumstances will ratings deflate.

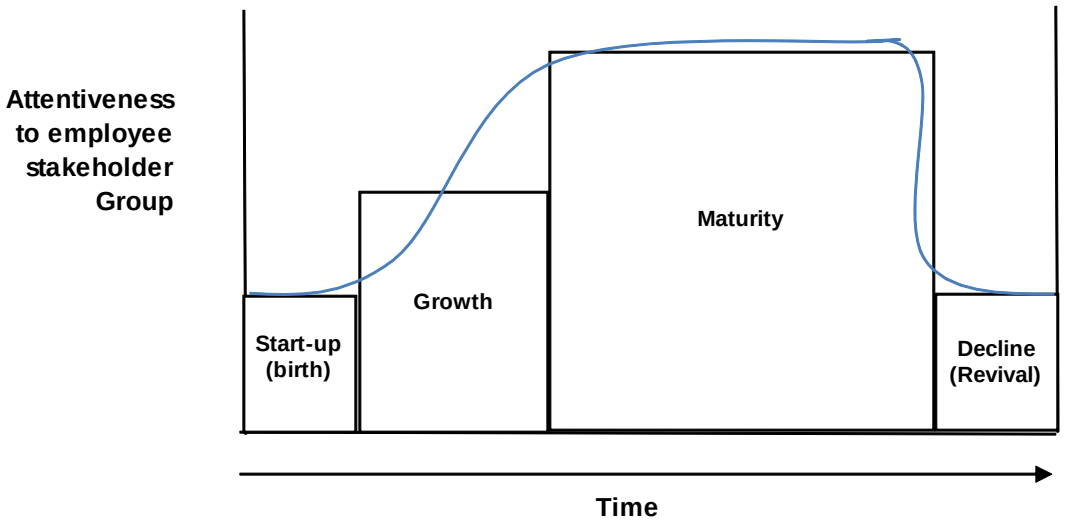
It is unlikely that PA systems will remain static through the life of an organization. Performance criteria will likely change as the organization grows and matures. For instance, in the early *inception* years, performance criteria may focus on an employee's visible competence and then on employee behavior in growth stages (Chen & Kuo, 2004). At the maturity stage criteria become quantitative and outcome based after building up from the acquisition of exploratory knowledge at inception, to adapting behavior in the growth stage. The appraisal emphasizes qualitative criteria in the early stages to quantitative at maturity or based on "three dimensions as input, process and output" (Chen & Kuo, 2004, p. 232), as organizational competitive status changes from stage to stage.

According to Jawahar and McLaughlin (2001), some stakeholders receive more consideration than others, depending on the stage in the organization life cycle. By integrating resource dependency and prospect theory with that of organizational life cycle theory and stakeholder management strategies, Jawahar and McLaughlin (2001) develop a descriptive stakeholder theory noting that the "relative importance of stakeholders will also change as the organization evolves through the stages of start-up, growth, maturity, and transition" (Jawahar & McLaughlin, 2001, p. 405). By importing theory from the area of corporate social responsibility (Wartick & Cochrane, 1985), relative importance is categorized as being reactive, defensive, accommodative or proactive. In the case of the employee stakeholder group, only proactive and accommodative are identified as suitable strategies. Their prominence fluctuates

depending on the organizational life cycle stage (refer to Figure 2.2 below) and appears to echo the stages in prominence. That is, as the organization grows and matures so does the attentiveness to the employee stakeholder group (represented as the blue line in Figure 2.2 below).

Figure 2.2

Organization Life Cycle and Employee Stakeholder Importance



Adapted from: Jawahar and McLaughlin (2001)

Related to the strategies of proactive and accommodative, the differential magnitude is not severe but pertains to the following:

> …proaction involves doing a great deal to address a stakeholder's issues, including anticipating and actively addressing specific concerns…Relative to proaction, the strategy of accommodation is a less active approach of dealing with a stakeholder's issues (p. 400).

As the organization evolves, how the employee stakeholder group is treated (from a PA and remuneration perspective) also changes. In the earlier stages (where

organizational "going concern" issues remain high), employees will be accommodated in the sense that problems will be addressed as they occur. As concerns around organizational survival dissipate, managers will try to anticipate and be proactive in relation to employee performance issues.

The organizational life cycle stage has also been correlated inversely to capital (and financial) disclosure. In one study, it was found that younger organizations in the high tech industry were more willing to disclose information as a signal of their worth and value (Sonnier, Carson, & Carson, 2009).

Dependent Variables

PAs are generally performed annually and tied to remuneration increases. Even though PAs can have training and development, compensation and promotion decision aspects (Wood & Marshall, 2008), the two elements of concern in this research are performance ratings and pay.

Performance Ratings

One of the outcomes of an appraisal process is the performance rating. Common rater errors and biases and rating accuracy issues (refer to Table 1) are quite well known and tend to be discussed at great length in practitioner books (Long, 2006) and scholarly texts (Murphy & Cleveland, 1995), while receiving little mention pertaining to rating outcomes (Theriault, 1992). As such, focus here will be on more recent challenges encountered that could inhibit the goal of improved performance rating accuracy.

Organizational internal political motives with the PA process have received considerable attention as this is one source of intentional bias. While some view political motives in a totally negative light, contributing to the widening gap in PA accuracy

(Shore & Strauss, 2008; Tziner, 1999), others note that appraisals will always have a political component (Longenecker et al, 1987), "sometimes for good reasons" (Longenecker & Gioia, 2001, p. 23), and by taking a top-down approach, and instilling a culture supporting the PA process, these effects can be minimized. On the more extreme ends, some executives support political motives as this allows managerial discretion that can be used to their own advantage (Longenecker et al, 1987).

Timing of the performance appraisal can also have an effect on the PA rating. For instance, whether the supervisor had recently received an appraisal on him/herself could ultimately impact subsequent PAs they perform on their subordinates. A supervisor receiving a superior PA would likely inflate the PA ratings of subordinates, whereas, the converse is true; meagre PA ratings will also flow to the subordinate, reducing their rating, regardless of their actual performance (Latham, Budworth, Yanar, & Whyte, 2008). Studies also indicate that high self-monitors are more likely to rate leniently and inaccurately, especially in cases when there are consequences associated with the ratings (Jawahar, 2001).

There have been numerous scales and methods employed in organizations to rate employees. Murphy and Cleveland (1995) describe the following scales (1-4 below) and methods of defining performance (5-7 below) and indicate what factors might make one more preferable over the other.

1. Graphic Rating Scales
2. Behaviourally Anchored Rating Scales (BARS)
3. Mixed Standard Scales
4. Behavior Observation Scales
5. Performance Distribution Assessment
6. Management by Objectives (MBO)
7. Employee Comparison Methods

Scales one through four are susceptible to intentional and unintentional bias as all require individual or group judgment to be made. It has been suggested that some rater errors and biases can be eliminated by using, for instance, one form of employee comparison method: forced distribution (Stewart, Gruys, & Storm, 2010). In forced distribution, managers must rank their employees from best to worst. Considering that leniency error is the most common then the structure of this PA method would eliminate this possibility. However, it also precludes the notion that two employees might have the same performance. Additionally, it forces one person to be at the top and one person at the bottom, thus indirectly promoting competition among employees and harming teamwork and cooperation (Gerhart & Trevor, 2008). Additionally, this can negatively affect an employee's self-esteem and a lowering of future job performance (Meyer H. H., 1980).

Salary Remuneration and Merit Pay

As previously noted, PAs can serve a variety of purposes. Cleveland, Murphy, and Williams (1989) noted twenty possible uses and, in their study, found that about half of the respondents indicated the top two as being salary administration and performance feedback. Permanent salary adjustments to full-time employees can still occur on a yearly basis along with PAs, even though the two uses might be incompatible (Cleveland, Murphy, & Williams, 1989). Thus, the effects of performance rating errors and biases can have an impact on salary adjustments.

For instance, rater *mood* (described as either positive or negative affect), in conjunction with ratee mood, can have an impact on raises given to subordinates (Daus, 2001). Specifically, positive affect subordinates can expect above average raises

regardless of the rater mood while, conversely, negative affect employees will continually receive the lowest raises. The high raise for the positive employee from the negative manager may be "because they want to change or repair their negative mood and view this employee as being able to help them do this" (Daus, p. 364).

Even though PAs and permanent salary adjustments should be different activities performed at separate times (Zweig, 1991), this does not happen in many companies. Zweig (1991, p. 134) cites the following reasons for keeping them separate:

1. The fact that pay is not a linear function of performance,
2. As time progresses, employees will eventually earn too much, thus endangering their own job security,
3. Purpose of PA is to provide specific, constructive, verbal and written feedback and clouding the process with pay can create a no-win scenario.

Salary remuneration does have upper and lower boundaries especially if the organization utilizes salary grades and salary ranges in their compensation policy. Usually, salary increases include a portion to account for inflation. For instance, it was anticipated that global salary increases would rise from 1.90% to 2.90% in 2010 (Associates, 2009). Permanent salary changes are not implemented evenly across the board in most non-union environments. The variance is generally associated to what is referred to as merit pay.

Merit pay is an incentive based component of an employee's salary that is implemented in order to entice the boosting of employee achievement and productivity (Deckop & Cirka, 2000; Glassman, Glassman, Champagne, & Zugelder, 2010) and intentions to stay (Gerhart & Trevor, 2008). Merit pay has traditionally been associated with the for profit sector but has been increasing in prominince in the not-for-profit sector (Deckop & Cirka, 2000), although manufacturing firms, and sales positions, are

viewed as most suitable for ensuring success (Glassman et al, 2010). Merit pay is intended to reward staff with consistently high performance but employees tend to be skeptical due to inadequate communication from mangement and the lack or correlation between salary levels and differential performance (Gerhart & Trevor, 2008). Tenure also plays a role as merit pay is often impacted by where within the salary range an employee resides (Gerhart & Trevor, 2008). In other words, a newer employee with similar performance levels as a long-term employee would be able to take extra advantage of merit pay, all else being equal.

Research has suggested that when the economic environment is considered unfavourable[4] to the specific organization in question, PAs are more likely to be used for administrative purposes such as salary decisions (Murphy & Cleveland, 1995). As such, this affects how organizational compensation policy, and the state of the economy, can have a monetary influence on the employees' base pay.

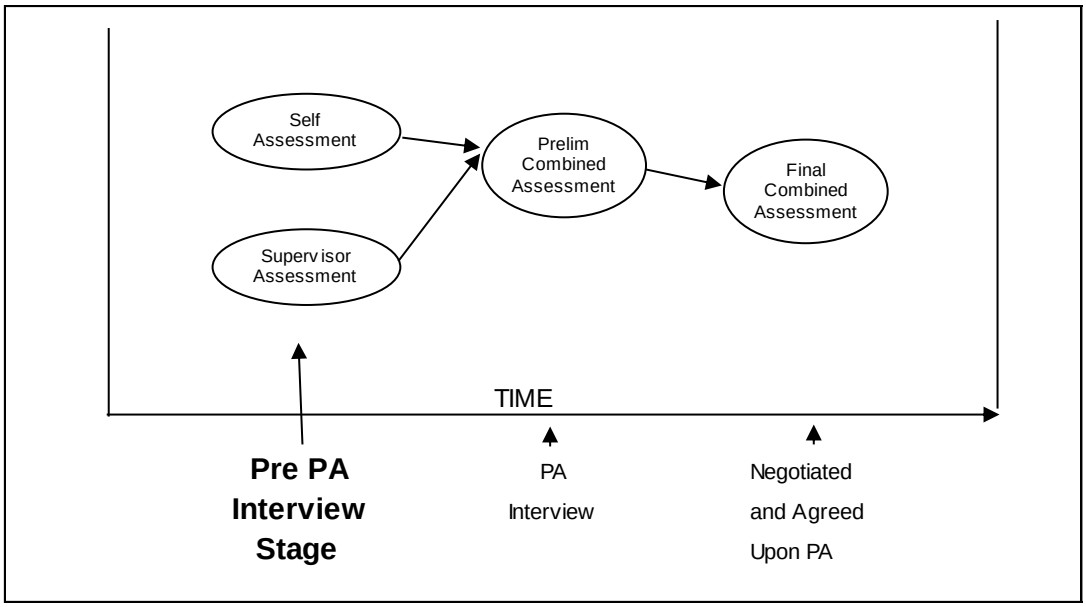
PA Interview Stage of Concern

To repeat, ratings and suggested percentage salary increase will be the quantatitive measures collected as dependent variables. The ratee would be in a position of self assessment, as is the case in many organizations that utilize performance interviews to come to a final PA agreement. As such, this experiment is a snapshot of ratees' interpretation of their performance at the pre-PA interview stage as depicted in Figure 2.3 below. In the pre-PA interview stage there are likely to be differences between that of subordinate and manager. It is in the PA interview that differences are discussed, with a combined final assessment eventually resulting.

[4] Unemployment rate, as an example, is often used to gauge general economic conditions. Since this study is investigating *general* economic conditions then usage of this rather well known metric seems appropriate and would be understood by a diverse target audience.

Figure 2.3

Pre-Appraisal Interview Stage of Concern



Literature Review Summary

Distal factors have received more research attention as of late. Specifically, technology employed in the PA process (Herbert & Vorauer, 2003), consideration of distal motivational factors (Kirk & Brown, 2003) and organizational specific goals and norms (Shore & Strauss, 2008) are influential in the PA process. In certain cases, the effects (if measured individually) may be weak when numerous hypotheses are tackled (Murphy, Cleveland, Kinney, Skattebo, Newman, & Sin, 2003) but, if viewed together they merit further exploration.

The effects of proximal factors on PA effectiveness, accuracy, and acceptance will likely continue to be the focus of research, possibly due to the ability of drawing upon previous research and theory grounded by a longer history of scholarly and practitioner debate. Emerging PA systems, such as 360 degree feedback, include a greater number of stakeholders in the process and, on the surface, appear to somewhat

mitigate the effects of individual rater errors and biases. More longitudinal studies are suggested (deLeon & Ewan, 1997) while investment required to coordinate and implement such systems to *work* (Bracken, Timmreck, Fleener, & Summers, 2001) is one encumbrance to widespread adoption. It is expected that the traditional one-on-one PA system will not be substantially replaced even though concerns about its utility remain unclear and contested (Moore, 2010; Williams R. , 2010).

The external macroeconomic environment and the stage within the organizational life cycle are two distal factors that show the greatest potential influence on PAs, yet researchers appear not to have tackled these factors simultaneously even though some see these as most influential (Murphy & Cleveland, 1995). Linkages between PA outcomes in the form of ratings and remuneration, in conjunction with the stage within the life cycle have been suggested but remain largely untested while including interpretation of macroeconomic factors is rare. Granted, while combining organizational behavior and economic theory is not commonplace, it has been successful in regard to effects on organizational profitability (Hansen & Wernerfelt, 1989). As such, entering the realm of distal factor influence on PAs is not entirely new, and the promise of theoretical guidance on directional influence of economic climate and life cycle stage is present - from both a theoretical (Murphy & Cleveland, 1995) and empirical study (Chen & Kuo, 2004; Jawahar & McLaughlin, 2001; Madhani, 2010) perspective. One important caveat is that there is likely no direct causal relationship to PA. To add further complication, is the human resource management (HRM) debate regarding causation and whether organizational performance drives HRM or vice versa (den Hartog et al, 2004; Guest, 1997; Guest, 2011; Paauwe & Boselie, 2005).

One recommendation is that PAs and remuneration should be discussed with the employee at different times using different systems (Meyer et al, 1965; Meyer et al, 1989; Zweig, 1991) but this is quite often not the case. Timing of the PA can also affect ratee outcomes depending on when the supervisor received their PA (Latham et al, 2008) and rater/ratee mood (Daus, 2001), in conjunction with the current and projected inflation rate. The PA can also be impacted by the rating scale adopted and in place at the time of the PA. Finally, perceptions of financial organizational performance tend to closely approximate those of external parties (Delaney & Husalid, 1996; Poon et al, 2006) and can be used if external measures cannot be obtained (Dess & Robinson Jr., 1984; Ketokivi & Schroeder, 2004; Poon et al, 2006).

Research Question and Hypotheses

PAs can serve a variety of needs. Of particular interest are the *consequences* of performance appraisal to the ratee and rater. Consequences can be in the form of various administrative decisions including promotion and training needs. It is suggested that there is a strong relationship between external economic distal factors and PA consequences. Specifically, in lower munificant economic environments, Murphy and Cleveland (1995)

> "predict that organizations will be more likely to use performance appraisals to make administrative decisions–ranging from salaries and promotions to layoffs–when the economic environment is unfavourable than when it is favourable" (p. 41)

As raters and ratees may be influenced by the external environment, it is suggested that this can have an effect on PA outcomes. In the start-up stage, it is has been

posited that employees will be accommodated (Jawahar & McLaughlin, 2001). Organizational success and culture are largely influenced by the founder (Schein, 1983), so external economic factors will be less important. In the growth and maturity stages, employees take centre stage and will be dealt with proactively, but then will return to being only accommodated in the final decline/revival stage (Jawahar & McLaughlin, 2001).

In favourable economic environments, perceived organizational financial performance will likely be inflated in the minds of raters and ratees. The probability that the economy has had a beneficial effect on an organization's bottom line will be felt more when the overall economy is performing well than when it is not. Confirmation of such a direct relationship will likely remain vague and unsubstantiated . This would be due to a lack of *complete* organizational transparency in communicating results, in conjunction with bounded rationality limitations in individual interpretation. As such, there will be a certain level of reliance on factors from the distal environment.

Research hypotheses will encompass the possible relationship between distal macroeconomic factors, in conjunction with, the particular stage within the organizational life cycle, and perceived organizational performance. It is suggested that performance appraisal ratings and remuneration changes will not remain stable even though actual employee performance is unchanged. The general research question investigating whether these three distal factors influence employee PAs is as follows:

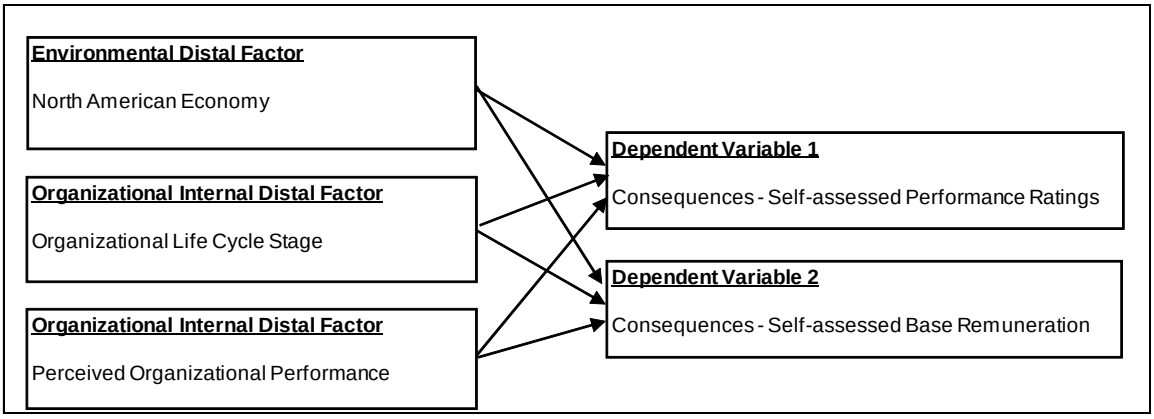
When the macroeconomic environment is "good" or "poor", how will the stage in the organizational life cycle and perceived organizational performance affect employee

self-assessment of their performance ratings and pay, given that their individual performance has not changed from the prior year?

To answer this question, eight different hypotheses are suggested. The following research hypotheses are derived from past research, and are related to the linkages in the framework from Murphy and Cleveland (1995) discussed previously – re-presented in simplified form in Figure 2.4 below.

Figure 2.4

Proposed Framework – Influence of Distal Factors



Adapted from: Murphy and Cleveland (1995)

Only organizations in the growth and maturity stages are under consideration in this dissertation. It has been shown that organizations in the birth stage are significantly influenced by founder traits (Schein, 1983) and that this stage is likely to be short-lived before either (a) entering the growth stage or, (b) skipping directly to the decline stage. There would be many confounding variables that would be at play when an organization's imminent demise is likely. Since the growth and maturity stages are much longer in duration and will encompass a greater number of stakeholders, these are the two stages being investigated.

The macroeconomic environmental distal factor would appear to be related, or connected to, an organization's operational (and financial) performance. For instance, when general employment is high, many organizations benefit from the general increased demand for goods and services. Conversely, certain not-for-profit organizations, such as food banks, would expect somewhat lower demand. Considering that the macroeconomic environment likely does not affect all organizations equally, it's unknown whether ratees will be able to differentiate the level of impact, given limited or incomplete organizational financial performance information. As such, it is posited that ratees will rely on their perception of organizational performance from cues they receive from management, in conjunction with how long their organizational has been in existence.

Growth Stage Hypotheses

The influence of the founder will still play a role (albeit smaller) in the growth stage as limitations to individual bounded rationality (Simon, 1987) force some decision making down the organizational hierarchy. Employees will have moved from being accommodated in the birth stage to having their concerns proactively addressed (Jawahar & McLaughlin, 2001) with employee performance based more on employee behavior (Chen & Kuo, 2004). Internal management's ability to effectively interpret resource munificence and industry turbulence will likely be poor (Sutcliffe, 1994). Nonetheless, management's perception of how the organization is performing will be accurate (Dess & Robinson Jr., 1984; Ketokivi & Schroeder, 2004; Poon et al, 2006; Venkatraman & Ramanujam, 1987) even though formal audited financial statements are not required or will likely be kept confidential with only minimal or incomplete information shared internally (Davis, 1997). Under a poor macroeconomic environment, an organization in

the growth stage would be less able to adapt to longer periods of dismal economic news[5]. Conversely, a good macroeconomic environment should assist organizations in building their customer base.

The following hypotheses stipulate that individual quantitative performance has remained unchanged from the prior PA period and that the inflationary component of the salary increase has also remained the same.

This thinking leads to the following hypotheses when the organization is in its growth stage (refer to Table 2.2 and the discussion that follows).

Table 2.2

Summary of Hypotheses for Organizations in the Growth Stage

Hypotheses	Distal Macro Economic Environment	Perceived Organizational Performance	Employee Self-assessed Ratings	Employee Self-assessed Pay Raise
1a, 1b	Poor	Favourable	Unchanged	Unchanged
2a, 2b	Poor	Unfavourable	Decrease	Decrease
3a, 3b	Good	Favourable	Increase	Increase
4a, 4b	Good	Unfavourable	Decrease	Decrease

Hypothesis 1a – Favourable organizational performance and a poor macroeconomic environment will have no impact on employee PA ratings. Ratings will not change from prior year.

Hypothesis 1b – Favourable organizational performance and a poor macroeconomic environment will have no impact on employee self assessed salary increases. Salary increase percentages will not change from prior year.

Rationale:

[5] Note that a deflation of ratings will only occur under exceptional circumstances (Murphy & Cleveland, 1995)

There will be greater reliance on employee behaviour and organizational commitment rather than employee quantitative performance. Negative impacts of the macroeconomic environment will be somewhat offset by perceived organizational performance. The perception of favourable organizational performance will be inflated as comparison to other comparable players within the industry will have a lower benchmark (Delaney & Husalid, 1996).

Hypothesis 2a – Unfavourable organizational performance and a poor macroeconomic environment will have a negative impact on employee ratings. Ratings will decrease from prior year.

Hypothesis 2b – Unfavourable organizational performance and a poor macroeconomic environment will have a negative impact on employee self assessed salary increases. Salary increase percentages will decrease from prior year.

Rationale:

Although there is a greater reliance on employee behaviour and organizational commitment rather than employee quantitative performance, stable performance will be seen as a contributing factor to poor organizational performance and merit pay will suffer. This scenario is likely the worst case that an organization in the growth stage can experience. As such, this is considered only one of two exceptional circumstance where ratings will deflate.

Hypothesis 3a – Favourable organizational performance and a good macroeconomic environment will have a positive impact on employee PA ratings. Ratings will increase from prior year.

Hypothesis 3b – Favourable organizational performance and a good macroeconomic environment will have a positive impact on employee self assessed salary increases. Salary increase percentages will increase from prior year.

Rationale:

There will be greater reliance on employee behaviour and organizational commitment rather than employee quantitative performance. Positive impacts of the macroeconomic environment will be further supplemented by good organizational performance resulting in remuneration increases higher compared to that of the prior PA. This scenario is likely the best case that an organization in the growth stage can experience.

Hypothesis 4a – Unfavourable organizational performance and a good macroeconomic environment will have a negative impact on employee ratings. Ratings will decrease from prior year.

Hypothesis 4b – Unfavourable organizational performance and a good macroeconomic environment will have a negative impact on employee self assessed salary increases. Salary increase percentages will decrease from prior year.

Rationale:

Although there is a greater reliance on employee behaviour and organizational commitment rather than employee quantitative performance, stable performance will be seen as a contributing factor to poor organizational performance. Negative impacts of the macroeconomic environment will be magnified with remuneration increases suffering slightly as organizational commitment is valued. It would be feared that significantly

lower remuneration could result in voluntary employee attrition. Regardless, ratings and merit pay increases will decrease from prior year.

Maturity Stage Hypotheses

In the maturity stage employees will be accustomed to being treated proactively (Jawahar & McLaughlin, 2001) and the influence of the founder will be minimal (Schein, 1983). Management will be able to effectively and accurately interpret resource munificence and industry turbulence as a result of their tenure and enhanced communication skills having worked in a more diversified management team (Sutcliffe, 1994). The organization will be more likely to weather a poor macroeconomic environmental storm better than those organizations that are in their growth stage. The macroeconomic environment will have less of an influence on an organization's operations but, even small disturbances will be felt greater due to inherent difficulty in being able to attract new customers (Chen & Kuo, 2004) with emphasis tending to be on cost containment, rather than sales growth. Individual performance criteria will move from being behaviour based to quantitative based (Chen & Kuo, 2004). In the maturity stage, it is unlikely that there will be any significant fluctuations in either ratings or salary remuneration; unless cues from factors indicate that the organization may be heading towards the decline stage.

This thinking leads to the following hypotheses when the organization is in its maturity stage (refer to Table 2.3 and the discussion that follows).

Table 2.3

Summary of Hypotheses for Organizations in the Maturity Stage

Hypothesis	Distal Macro Economic Environment	Perceived Organizational Performance	Employee Self-assessed Ratings	Employee Self-assessed Pay Raise
5a, 5b	Poor	Favourable	Unchanged	Decrease
6a, 6b	Poor	Unfavourable	Unchanged	Decrease
7a, 7b	Good	Favourable	Increase	Increase
8a, 8b	Good	Unfavourable	Decrease	Decrease

Hypothesis 5a – Favourable organizational performance and a poor macroeconomic environment will have no impact on employee PA ratings from prior period. Ratings will not change from prior year.

Hypothesis 5b – Favourable organizational performance and a poor macroeconomic environment will have a negative impact on employee self assessed salary increases. Salary increase percentages will decrease from prior year.

Rationale:

Employee performance will be quantitatively driven. Negative impacts of the macroeconomic environment are not felt as organizational performance remains favourable. The favourable performance will be attributable to a strong, dedicated customer base and not individual performance. Ratees will view the poor macroeconomic environment with concern and decrease their pay raise compared to that of prior year.

Hypothesis 6a – Unfavourable organizational performance and a poor macroeconomic environment will have no impact on employee PA ratings from prior period. Ratings will not change from prior year.

Hypothesis 6b – Unfavourable organizational performance and a poor macroeconomyic environment will have an extemely negative impact on employee self assessed salary increases. Salary increase percentages will decrease from prior year.

Rationale:

Although greater reliance is now placed on employee quantitative performance, stable performance will be seen as, possibly, a contributing factor to poor organizational performance. Negative impacts of the macroeconomic environment will be magnified with remuneration increases suffering. The unfavourable organizational performance will be viewed as the result of the overall macroeconomic environment. Merit pay will decline as ratees will also see cues in the form of fewer new hires and cuts to capital and discretionary spending, to name few.

Hypothesis 7a – Favourable organizational performance and a good macroeconomic environment will have a positive impact on employee PA ratings from prior period. Ratings will increase from prior year.

Hypothesis 7b – Favourable organizational performance and a good macroeconomic environment will have a positive impact on employee self assessed salary increases. Salary increase percentages will increase from prior year.

Rationale:

With greater reliance on quantitative outcomes, individual performance and norms will be seen as effective. Positive impacts of the macroeconomic environment will be further supplemented by good organizational performance resulting in remuneration increases higher compared to that of the prior PA. More new hires and increases in

organizational discretionary spending will be apparent. Ratings will increase as norms may be seen as justifiably difficult to achieve.

Hypothesis 8a – Unfavourable organizational performance and a good macroeconomic environment will have a negative impact on employee PA ratings from prior period. Ratings will decrease from prior year.

Hypothesis 8b – Unfavourable organizational performance and a good macroeconomic environment will have an extemely negative impact on employee self assessed salary increases. Salary increase percentages will decrease from prior year.

Rationale:

This scenario is likely the worst case that an organization in the maturity stage can experience. An organization in the maturity stage with unfavourable performance may signal that an organization is about to enter the decline stage. Stable employee performance will be looked upon unfavourably with contribution margins and cash flow being strained. Merit pay will decrease as ratees will also see cues in the form of fewer new hires and cuts to capital and discretionary spending that will likely appear more long-term.

In totality, the combination of study results from these hypotheses will hopefully answer the question of whether distal factors are influential in the PA process associated with the outcomes of ratings and remuneration.

Chapter 3 – METHODS

Introduction

In order to test these hypotheses, eight different scenarios were provided to participants. The scenarios mirror the hypotheses in relation to the particular organizational life cycle stage, macroeconomic environment and perceptions of organizational performance. The following section will expand upon the scenario methodology and its applicability to this research setting.

Scenario Decision-Making

Considering the nature of this relatively uncharted facet of appraisal research, this study was exploratory in nature and from a quantitative, functionalist paradigm. A quasi-experimental design using scenario analysis was the methodological choice as this approach has an accepted track record (albeit somewhat limited) in researching distal factors (Jawahar, 2005; Shore & Strauss, 2008). It has been suggested that the distal macroeconomic environmental factors exhibit the greatest potential influence (Murphy & Cleveland, 1995) among the laundry list of possible distal options. Additionally, the internal distal factor of "stage within the organizational life cycle" could have a mediating (or multiplier) effect. Rather than researching multiple intervening variables, Murphy and Cleveland (1995) suggest that consequences (among other intervening variables) could be the link connecting the two.

Laboratory experimental designs appear to be a preferred preliminary step in research delving into areas in which scholars have built initial theoretical hypotheses, but recent technological advances are changing this approach. The region of electronic employee internet monitoring is an example of research encompassing a distal factor

(technology) that is an emerging area of interest. For instance, Alge (2001) adopted exporatory scenario analysis involving students in an undergraduate management course, while Hovorka-Mead et al. (2002) also included scenario analysis with a similar targeted sample group. As such, scenario analysis was determined to be the preferred method in this research.

The scenarios to be used in this research depict employee performance unchanged from one evaluation period to the next, thus holding performance stable. Context is then manipulated through changes to the external macroeconomic environment and specific organizational life cycle stage (growth or maturity). In addition, perceived organizational performance is manipulated through cues pertaining to employee workload and managment communication of orgnaizational health. In each scenario case, perception and sensemaking are left to the ratee respondents to consider. General macroeconomic environment is provided with direct impact on the specific organization (whether potentially favourable or unfavourable) being proposed as having an unknown impact. It was expected that because employee performance is held stable, the provision of (a) general changes in macroeconomic environmental distal factors , (b) organizational life cycle stage and, (c) perceived organizational performance would result in changes in performance appraisal ratings and remuneration. Having controlled for confounding variables related to the social aspect of PA, only impacts of distal factors *should* account for the variance.

Overall, it was hoped that presenting scenarios as close as possible to what raters and ratees would experience in the real world, would enhance ecological validity (Brunswik, 1947; Brunswik, 1952; Orne, 1962; Orne, 1969) or, in other words, the

ability to infer some level of applicability/generalization of experimental results to the practitioner world. But, on the other hand, the benefits of experimental control and internal validity in lab experiments may, in fact, be at the expense of low generalizability to actual organizational settings (Latham et al, 2008).

Of the relatively few empirical studies that involve researching distal factors (as their primary focus) and their effect on employee PAs, quasi-experimental scenario analysis has been used quite effectively. For instance, Jawahar (2005) utilized an experimental design involving three different sample groups to evaluate the performance of a hypothetical sales person under different conditions. The scenarios used were intended to determine whether situational circumstances affected performance ratings.

Another study by Shore and Strauss (2008) studied effects of organizational goals on performance ratings in a fictitious company in the growth stage of its organizational life cycle. Study participants were provided performance information of a fictitious clerical employee and were given roles of either manager or subordinate. The scenarios depicted either a leniency or severity organizational goal and raters were asked to rate the employee given normative performance information. Both studies kept the facts of the scenario constant but changed the distal context to determine the effect on the appraisal. Adopting a similar methodology given a proven (albeit limited) track record of positive results seems like a rational choice and one that can be empirically supported and replicated in the future.

Scenarios are normally conducted within a lab setting where participants are provided with information of an imaginary (albeit realistic) situation. Unlike other tools such as questionnaires or surveys where there are numerous queries for the participant to

answer, in scenario analysis usually there is only a limited number of questions requiring a response. Of course, many authors also triangulate their findings by including such things as brief questionnaires to glean insight on participant personalities (Shore & Strauss, 2008).

The North American privately held organization in the for-profit sector will be the geographical context of this study. Research has indicated that Western logic based or organizational excellence may not bode well for other geographic regions such as the Middle East where "adaptation to the environment and endurance" (Giangreco, Carugati, Pilati, & Sebastiano, 2010, p. 163) take precedence in the oganizational context. Other geographic regions may also be markedly different (refer to Varma, Budhwar, and DeNisi (2008)). Hence, specification of organizational geographic location was needed. Exclusion of union personnel is also warranted, due to possible confounding variables in relation to influences of collective agreements.

Demand Characteristics

The building of the scenario case requires the most effort. Nonetheless, using multiple scenarios is a necessary requirement to judge variability in the response. Scenarios are a form of experimental design that is susceptable to significant scutiny because of the inherent possibility of biasing the scenario to acheive intended results. Unintended effects of demand characteristics (Orne, 1969) are a special concern. A lack of appreciation in understanding the impacts of demand characteristics can be a researcher's Achilles' heel, so extra caution and due diligence in the preparatory stages were imperative. To mitigate this possibility, experimental "pre-inquiry" testing (Orne,

1969) of the sample scenarios was undertaken on a small sample group. This will be expanded upon in the section below.

The underlying methodological challenge with human subjects is that they are "active, thinking human beings, like ourselves" (Orne, 1969, pp. 143,144), and the subject simply cannot participate as a passive observer (Orne, 1962). Subjects within the laboratory setting will inevitably try to determine what they are being tested on, what they perceive will be *good* or *bad* responses and may adjust responses accordingly. There are three ways to mitigate the possibility of these *natural* human tendencies from confounding the study and possibly causing irreparable damage to the findings. They include postexperimental inquiry, pre-inquiry (the non-experiment) and simulators (Orne, 1969). Each will be briefly discussed below with additional emphasis on postexperimental inquiry as this tactic can be used in both pilot and actual study settings.

The pre-inquiry is a limited form of a pre-test or use of a sample group. In a pre-inquiry, representative subjects are shown what the experiment will entail but they will not actually go through the experiment themselves. The layout of the study setting and explanation of the experiment are provided but "they do not actually go through the experimental procedure; it is only explained" (Orne, 1969, p. 155). In pre-inquiry the goal is to determine whether demand characteristics are at play before full scale implementation in a live setting. Asking subjects in the pre-inquiry what they believe the investigator is looking for as far as *good* responses are concerned is one way to determine the extent to which demand characteristics are in effect.

Simulators, on the other hand, involve an external experimenter with a purpose of separating experimenter bias from that of demand characteristics (Orne, 1969). As

demand characteristics are unintentional, the use of simulators is geared towards locating possible intentional bias in the study itself. Certain subjects *pretend* or simulate that they have been affected by the experiment when, in fact, they have not. The external experimenter is blind to this condition. If the experimenter can differentiate between "real" and simulated subjects then greater confidence is attained in that effects are due to the experiment itself. Each of these was considered in this study although emphasis is placed regarding extra caution, on the part of the researcher, when interpreting results (Orne, 1969).

A post-experimental inquiry asks subjects questions about the experiment post hoc to glean insight as to whether demand characteristics could have been at play. If the "subject knows that he has 'caught on' to some apparent deception" (Orne, 1969, p. 153), then there is a possibility of disqualification so being forthright on the part of the subject is not beneficial. On the other hand, such knowledge on the part of the investigator may require more subjects and delaying completion of the study so cursory postexperimantal inquiry may result. There are also issues surrounding the time factor in recalling past events so utilizing pilot studies is urged where researcher motivation is high and why "pilot investigations are an essential prelude to any substantive study" (Orne, 1969, p. 155).

Therefore, great care and preparation were a necessity in the planning, development and delivery of the scenarios. In this study, demand characteristics are perceived to be a significant concern so a pilot study involving MBA alumni was used to test the scenario and post hoc inquiry in the live setting to assist in triangulating the

results. The intent is to minimize the impact of demand characterictics, as outright elimination within experimental research is futile (Orne, 1962).

The effects of demand characteristics (or experimental demand effects (EDE)) were the impetus behind research from Zizzo (2010), echoing concerns that these effects are inevitable but that the researcher can, in certain circumstances, make use of them to to his/her advantage. Although related to economic experiments, the author provides valuable insight as to the difference between social and cognitive EDE with the former pertaining to the social interaction between experimentor, subjects and peers present in the research setting, and the latter, in relation to the conveyance of experimental information. The most problematic situation ocurrs when "there is a positive correlation between EDE and true experimental objectives and the likelihood of a potential EDE is significant enough that it may act as a potential confound" (Zizzo, 2010, p. 91). Six specific defences are suggested as argumentative support should criticisms arise after the fact:

1. The EDE is the objective of the experiment
2. The external validity defence
3. The magnifying glass argument
4. The post-experimental inquiry defence
5. The direct experimental evidence defence
6. The indirect experimental evidence defence

The first three "revolve around empirical evidence that can be used against an EDE critique" (Zizzo, 2010, p. 93) and, in this dissertation, would not be considered as each assumes that EDE is built into the experiment itself. The scenarios in this research were presented in such a way that neither (a) the stage in the life cycle, nor (b) the macroeconomic environment is depicted as *directly* playing a role. If these factors were

presented as being correlated to the specific organization in question then the first three defences could be entertained, but this is not the case. Defence 5 requires evidence supporting the non-existence of EDE while defence 6 entials ex-post data mining techniques as support. These techniques appear to be more strongly applicable to economic experiments where quantitative data are in abundance and alternative explanations can be used to explain results.

As indicated above, post-experimental inquiry (Defense 4) is often used but, has a limited ability to get to the *truth* by both the investigator and subject due to motivational forces acting as inhibitors. Nonetheless, this research has included pre-inquiry (Orne, 1969) to test for EDE and demand characteristics on a small sample[6], before full blown implementation of the study in a live setting. This study involved multiple groups responding to specific scenarios. It was felt that ambiguity of the scenario and pre inquiries would more than suffice (along with the experimental evidence itself) as suitable strategies to reasonably defend any criticisms presented.

Survey and Scenario Building

MBA Alumni from Athabasca University (AU) were the target population chosen to participate in an on-line survey. The survey was administered through SurveyMonkey. Through embedded survey logic, subjects were randomly assigned to one of eight, fictitious but realistic, scenarios. Demographic information was collected before scenario presentation followed by a number of questions pertaining to self-assessed performance appraisal ratings and pay. Scenarios were manipulated while all other questions were held constant across all scenario conditions. In an open comment field, justification was requested to support their self-assessment ratings and pay. The purpose behind this

[6]Somewhat similar to a pilot test where the aim is to "prevent producing incurably flawed data" (Rosnow & Rosenthal, 2002, p. 228)

request was twofold. First, to allow for a possible post-hoc quantitative manifest content analysis (Potter & Levive-Donnerstein, 1999) should self-assessed ratings and/or salary increase responses be other than expected. Secondly, possibly to glean insight into other factors that may have impacted subject responses to self-assessed ratings and salary increases. Finally, there were questions posed to assist in assessing the efficacy of situational manipulation.

The scenario design incorporated ideas used by Shore and Strauss (2008). Specifically, the subject name was made gender nuetral ("Pat"), whereas Shore and Strauss (2008) chose the name "Kelly". Additionally, in their survey, Kelly was depicted as an employee with a "routine clerical job" (p. 602). This, again, was replicated in the current survey with Pat holding the position of order entry clerk. Tenure was kept to three years so as to leave room for merit pay increases (Gerhart & Trevor, 2008). To convey a sense of organizational performance, the survey included the perspective of upper management as research has shown that this will approximate that of external data (Venkatraman & Ramanujam, 1987). Finally, to minimize possible effects in industry munificance, the organization was presented as serving a very diverse customer base. A sample of one of the survey scenarios is presented in Appendix B. The full survey is presented in Appendix C with, again, the depiction of only one of the eight scenarios.

Survey Sample – Plan

Electronic surveys were presented to graduate alumni from business as these previous students will be more likely to have been on both the receiving and giving ends of the PA process. Many studies utilize graduate students but often note that "breadth of experience" is a limitation. The goal was to recruit subjects from a broad spectrum of

industry that have experience within performance appraisal. Athabasca University (AU) business alumni appear to exhibit traits ideal for this research setting, as anyone admitted to the AU MBA program must have work experience. The average age of an AU MBA student is forty (40), with an average of eighteen (18) to twenty (20) years of work experience, and nine (9) years management experience[7]. Alumni would be a large enough pool of candidates to take on the role of ratee. It has been suggested that effective use of scenario analysis is partly based on subjects with an understanding of its true context (Bay & Nikitkov, 2011). As such, this target sample population would have the requisite base knowledge of PAs; on both the receiving and presenting ends.

Surveying MBA students within experimental design studies is quite common (De Stobbeleir, Ashford, & Sully de Luque, 2010; Jawahar, 2005), possibly approaching excessive. As such, MBA alumni, rather than students, were the targeted sample group. Respondents were asked to provide demographic information including age, gender, work experience, employment status, and industry in which currently employed – as has been the case when research entails student sampling (Kilburn & Cates, 2010). Although Jawahar (2005) opted for changing the participant composition in each of his three experiments (undergraduate students, HR managers and full time managers and professionals enrolled in part-time MBA programs), participant makeup in this study is limited to graduate business student alumni only. In accordance with the hypotheses above, the target was 25 subjects per scenario (refer to Table 3.1). Although scholarly texts suggest utilizing a control group to juxtapose results in quasi-experimental studies (Campbell & Stanley, 1973; Cook & Campbell, 1979; Rosnow & Rosenthal, 2002), the

[7] Source: Director Marketing and Communications, Faculty of Business, Athabasca University

control here will be the review from prior year. It was stipulated that the ratee was "satisfied" with prior year ratings and remuneration increases.

This sample size, number of scenarios and targeted sample population are reasonable when compared to studies in, for instance, the emerging area of electronic computer monitoring (Alder, Ambrose, & Noel, 2006; Alge, 2001; Hovorka-Mead, Ross Jr., Whipple, & Renchin, 2002). Specifically, Hovorka-Mead et al (2002) used 12 scenarios with the number of subjects ranging from thirteen to eighteen per scenario. Table 3.1 shows the scenario compostion and a target of 25 subjects per scenario.

Table 3.1

Scenario Composition

Scenario #	Distal Macro Economic Environment	Life Cycle Stage	Perceived Organizational Performance	Subjects
1	Good	Growth	Favourable	25
2	Poor	Growth	Favourable	25
3	Good	Growth	Unfavourable	25
4	Poor	Growth	Unfavourable	25
5	Good	Maturity	Favourable	25
6	Poor	Maturity	Favourable	25
7	Good	Maturity	Unfavourable	25
8	Poor	Maturity	Unfavourable	25

In researching what motivates a volunteer subject to participate, Rosenthal and Rosnow (1969) (referencing Rosenblaum's (1956) findings) note that response rates increase significantly when subjects are aware that research (in which their participation is requested) is part of a doctoral student's degree requirements. As such, when

recruiting Athabasca University alumni subjects, the underlying reason behind the request was conveyed.

Survey Pretest

Before implementation with a sample of the target population, a pre-test of the survey was undertaken with currently enrolled AU Doctor of Business Administration students. A total of thirteen students completed the pre-test. The purpose of the pre-test was two-fold. From an administrative perspective, input was requested pertaining to (a) the length of the scenario scene, (b) salary increment scale and (c) any general comments to improve the survey. Six found the scenario length to be "just right" while the remainder considered it "too long" One reason given related to the fact that the scenario did not fit onto one page, resulting in the subject wondering when the scenario would "end". The scenario was modified to address this concern. Twelve of the thirteen subjects indicated that the salary increment scale "options provided were ok" so no changes were deemed necessary. There were only a few comments noted for improvement with only one theme recurring. Some would have preferred being able to go back to the scenario but, from a survey design perspective, the ability to "go back" to previous questions (including the scenario scene) was intentionally removed. Subjects were informed to read and re-read the scenario before proceeding. This is consistent with other scenario research "in order to maintain the initial impact of the independent variable without allowing for additional information to confound results" (Nadler, Lowery, & Jackson, 2010, p. 870) thus, minimizing possible demand characteristic effects. In the final survey, subjects were additionally informed that they would not be

able to backtrack to previous questions. In Nadler, Lowery, and Jackson (2010), the survey was paper-based so adherence to their request could not be guaranteed.

In order to further minimize the effects of possible demand characteristics, there were additional questions included in the pre-test only. The goal was to determine whether subjects could predict what the researcher was looking for as far as "good" responses. In other words, responses that would be congruent with what they believed were the researcher's hypotheses. Table 3.2 summarizes the results from questions related to performance ratings and salary changes. Note that the pre-test included two of the eight scenarios only.

Table 3.2

Pre-Test Rating and Salary Increase Responses

Subject #	Scenario	Rating *Should*	Hypothesis	Salary *Should*	Hypothesis
1	2	Remain Unchanged	Decrease	Remain Unchanged	Decrease
2	2	Don't Know	Decrease	Don't Know	Decrease
3	2	Decrease	**Decrease**	Remain Unchanged	Decrease
4	2	Don't Know	Decrease	Don't Know	Decrease
5	2	Don't Know	Decrease	Don't Know	Decrease
6	1	Remain Unchanged	**Remain Unchanged**	Remain Unchanged	**Remain Unchanged**
7	1	Increase	Remain Unchanged	Increase	Remain Unchanged
8	2	Remain Unchanged	Decrease	Remain Unchanged	Decrease
9	1	Remain Unchanged	**Remain Unchanged**	Remain Unchanged	**Remain Unchanged**
10	1	Don't Know	Remain Unchanged	Don't Know	Remain Unchanged
11	2	Don't Know	Decrease	Don't Know	Decrease
12	1	Remain Unchanged	**Remain Unchanged**	Remain Unchanged	**Remain Unchanged**
13	1	Remain Unchanged	**Remain Unchanged**	Don't Know	Remain Unchanged

Five of the thirteen respondents appeared uncertain as to what the researcher was looking for pertaining to rating expectations. One additional respondent felt the same in relation to salary. Of those that thought they could predict researcher expectations, only a few (bolded) were accurate.

The final query posed the following question "Overall, please comment in a sentence or two, what you think was the purpose of this research?" Results are presented in Table 3.3 below.

Table 3.3

Pre-Test Responses to Open-Ended Question

Subject #	Response
1	Gauge self assesment biases based on state of economy and organization against age and gender
2	Does company performance influence self assessment rating and salary increase.
3	To determine if environment affects self-assessment of job performance (where salary is concerned)
4	Determine how perceptions of different factors by an employee can affect their self ratings for performance reviews?
5	not sure
6	Something to do with performance and salary
7	To evaluate perceptions of compensation equity relative to performance
8	No idea!
9	impact of corp performance and impact of prior year performance
10	To determine whether self-assessment performance reviews are affected by the state of the economy and the perception of the employer's economic results and stability.
11	To discover the impact that information that is not directly related to an individual's performance is linked to their self-rating, and therefore linked to their expectations for reward or recognition.
12	H.R. theories indicate that individuals tend to over-value their contribution, so they should demand higher salary change than justified by the average performance of this employee. This research may be trying to reinforce that notion,
13	I think this research is to try to understand what kind of impact external factors such as the age of the company, general unemployment and general company performance has on employee salary and performance rating assessment. I find the scenario hard to empathize with - as it has been a LONG time since I have been a low level employee who would be concerned about such small % pay raises or have so little information about My contribution to the company which is what I think about 80% of my pay should be based on

It was expected that respondents would indicate that at least one of the distal factors would be indicated as being key to the research. It appeared that, even after the survey questions were completed, many respondents were unclear as to the purpose.

Thus, based on these responses and the minimal correct guessing in Table 3.2, it can be concluded that demand characteristics have been significantly removed from the survey.

Once minor modifications were implemented to the survey design, the survey was sent out electronically to AU MBA Alumni. Email requests for participation were sent to 2,473 Alumni with 99 emails bouncing back.

Chapter 4 – RESULTS

Introduction

There were a total of 381 responses, of which 239 completed the full survey resulting in a response rate of 10%[8]. This response rate (before removal of incomplete surveys) is still relatively low as was the case in a study whose target population were MBA students (current and former) responding to an on-line survey (De Stobbeleir, Ashford et al, 2010). In their study, the response rate was 18% and consideration was given as to the possible effect that a passive non-response group would have on the generalizability of results. With reference to Rogelberg and Stanton (2007), the passive non-response group tends to be quite similar to respondents so the low response rate was not a concern.

IBM SPSS Statistics 21 was the primary statistical software of choice in the data analysis sections that follow. In addition, Microsoft Excel was also used to supplement that analysis and produce tables and figures for presentation purposes.

Descriptive Statistics

The age demographics of the sample closely resembled those of the AU Alumni population (see Table 4.1) with mean age (M = 48.09) and standard deviation (SD = 7.69).

[8] The response rate before removal of incomplete surveys was approximately 16%. This is somewhat lower than studies of course and teaching evaluation survey response rates comparing on-line with paper based surveys (Nulty, 2008). Customer response rates to surveys do tend to approximate 10-15% if they are external compared to 30-40% for internal surveys (Donnasacks, 2010).

Table 4.1

Comparison of Research Sample vs MBA Alumni Population – Age

Age	MBA Alumni Sample	MBA Alumni Population
25 years of age or younger		
26-35 years old	3%	3%
36-45 years old	32%	30%
46-55 years old	49%	46%
56-65 years old	14%	19%
Greater than 65 years old	2%	2%

Gender was also consistent with AU MBA Alumni, with a sample response of approximately two-thirds male (62%) compared to a population of 67%. As could be expected, years of employment experience and years of supervisory experience that included doing performance appraisals, tended to be quite high as shown in Tables 4.2 and 4.3 below. The overall result was mean number of years doing performance appraisals (M = 13.60) and mean years of full time employment experience (M = 26.15) with standard deviations (SD = 6.71) and (SD = 7.84), respectively. Granted, PA experience was more spread out. Unfortunately, there were no data available related to the population of MBA Alumni.

Table 4.2

Sample Distribution – Years Doing Performance Appraisals

Years Supervisory Experience that included doing PAs	MBA Alumni Sample
Zero	1%
5 years or less	12%
6 to 10 years	23%
11 to 15 years	23%
16 to 20 years	20%
Greater than 20 years	21%

Table 4.3

Sample Distribution – Years Full-Time Employment Experience

Years Full-time employment experience	MBA Alumni Sample
10 years or less	0%
11 to 20 years	23%
21 to 30 years	46%
31 to 40 years	28%
Greater than 40 years	3%

Subjects were from a very diverse cross-section of the workforce. Population data did not match categorically one-to-one so a reclassification into similar industry groups was performed so as to provide a better match to the industry groups provided in the survey. The reclassification is included in Table 4.4 below. In addition, in Figures 4.1 and 4.2, the resulting depictions for the population and sample by industry employed are included.

Table 4.4

Reclassification of AU MBA Alumni Industry Population Data

Classification per Athabasca University	% Population	% Reclass	% Revised Population	# Survey Responses	% Survey Response
Agri/Forestry/ Renew Resource	1%		1%	3	1%
Arts/Entertainment/Culture	1%	-1%	0%		0%
Construction/Indust Dev/Real Estate	3%	-3%	0%		0%
Consulting	5%	-5%	0%		0%
Distribution	0%	2%	2%	9	4%
Education	6%		6%	21	9%
Energy/Mining/Oil&Gas	10%	-10%	0%		0%
Engineering	1%	-1%	0%		0%
Finance/Insurance	10%	-10%	0%		0%
Gov't - Public Service	8%	3%	11%	31	13%
Healthcare	10%		10%	30	13%
Hospitality	1%	-1%	0%		0%
Information Technology	5%	-5%	0%		0%
Manufacturing	7%		7%	23	10%
Military and Policing	3%	-3%	0%		0%
NFP and Social Service	2%		2%	15	6%
Other	18%	22%	40%	57	24%
Retail and Wholesale Trade	4%	3%	7%	4	2%
Service	0%	17%	17%	42	18%
Transportation and Logistics	2%	-2%	0%		0%
Utilities and Telecommunications	3%	-3%	0%		0%
Missing / No data	3%	-3%	0%		0%
				235	

Figure 4.1

Population Employment Sector

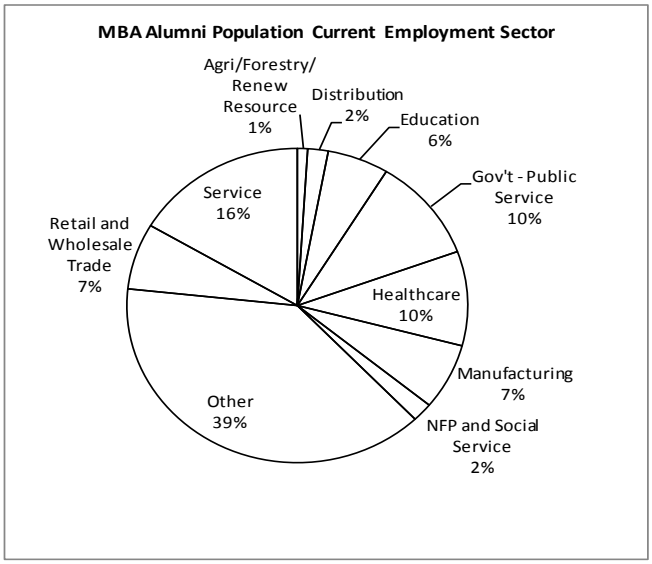
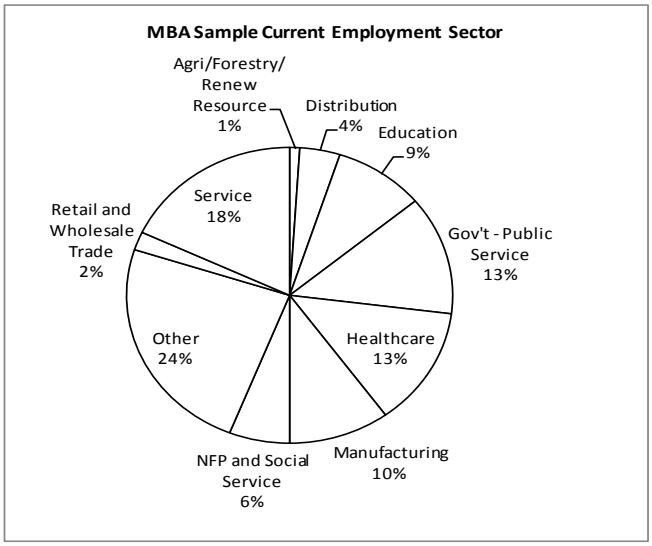


Figure 4.2

Sample Employment Sector



Although the sample and population industry sector representations do differ, there does appear to be a good mix of subjects that participated in this study in terms of their employment sector.

Below, in Table 4.5 is a correlation matrix of control variables (one through six) and dependent variables.

Table 4.5

Correlations between all Control Variables and Dependent Variables

Variables	Mean	SD	Range	1	2	3	4	5	6	7	8
1. Age [a]	48.09	7.69	30 - 70	-							
2. Gender [b]	0.38	0.49	0 - 1	-.03	-						
3. ES [c]	1.29	0.72	1 - 4	.19 **	.03	-					
4. YFTE [d]	26.15	7.84	15 - 45	.69 **	.00	.08	-				
5. YDPA [e]	13.61	6.71	0 - 23	.36 **	-.05	.00	.48 **	-			
6. IS [f]			1 - 10	-.05	.16 *	.08	.00	.03	-		
7. Rating [g]	2.4	0.51	1 - 3	.16 *	.01	-.01	.16 *	.14 *	.00	-	
8. Salary [h]	2.18	0.66	1 - 3	.15	.06	.07	.10	.11	.08	.44 **	-

[b] Gender: 0=*male* , 1=*female* . [c] Employment Status: 1=*Full Time* , 2=*Part Time* , 3=*Self-employed* , 4=*Unemployed* [d] Years Full-Time Employment Experience. [e] Years Doing Performance Appraisals. [f] Industry Sector: 1=*Manufacturing* 2=*Service* , 3=*Distribution* , 4=*Retail* , 5=*Agriculture* , 6=*Government* , 7=*Healthcare* , 8=*Education* , 9=*Other Not-for-profit* , 10=*Other* . [g] Self Assessed Rating: 1=*Decrease from Prior Year* , 2=*No Change from Prior Year* , 3=*Increase from Prior Year* . [h] Self Assessed Salary Increase: 1=*Decrease from Prior Year* , 2=*No Chnage from Prior Year* , 3=*Increase from Prior Year*.

n = 235, * p < .05. ** p<.01.

As would be expected, years full-time employment experience and years doing performance appraisals was significantly correlated ($p < .01$) along with salary increase responses and rating responses ($p < .01$). Age was also significantly correlated to years of full-time employment experience and years doing performance appraisals as well (both $p < .01$).

Scenario Coding Scheme

Participants were required to read a scenario and respond to a number of questions. The scenarios differed based upon the presentation of macroeconomic environmental conditions, perceived organizational performance, and organizational life cycle stage. To facilitate ease of referencing, the following codes in Table 4.6 will be

used going forward. The randomization of scenarios resulted in a range of twenty-six to thirty-four respondents per scenario as the survey assigned subjects to scenarios randomly and not in a sequential basis. The range of usable survey results (before checking for outliers) by scenario is also presented in Table 4.6 below.

Table 4.6

Scenario Coding Scheme

Proposition	Survey #	Code	Life Cycle Stage (S)	Economy (E)	Perceived Performance (P)	Usable Responses
3	1	$S_gE_gP_f$	Growth (g)	Good (g)	Favourable (f)	34
1	2	$S_gE_pP_f$	Growth (g)	Poor (p)	Favourable (f)	30
4	3	$S_gE_gP_u$	Growth (g)	Good (g)	Unfavourable (u)	26
2	4	$S_gE_pP_u$	Growth (g)	Poor (p)	Unfavourable (u)	29
7	5	$S_mE_gP_f$	Maturity (m)	Good (g)	Favourable (f)	31
5	6	$S_mE_pP_f$	Maturity (m)	Poor (p)	Favourable (f)	27
8	7	$S_mE_gP_u$	Maturity (m)	Good (g)	Unfavourable (u)	34
6	8	$S_mE_pP_u$	Maturity (m)	Poor (p)	Unfavourable (u)	28

Outliers

In order to determine which responses would be included in the statistical analysis, a univariate outlier analysis was performed in order to remove certain responses from statistical analysis if they significantly differed from other responses. Given the large number of responses, z-values of +/- 3.0 (Stevens, 2009) or more were targeted for removal. As a result, four (4) cases were removed. One case pertained to a rating outlier (z = -3.39), and three others pertained to salary increase outliers (z = -3.48, 3.08, 3.08).

No more than one case was removed from a single scenario. These four cases were excluded from all further statistical analyses.

Experimental Manipulation Test

An integral part of scenario analysis is being able to effectively manipulate scenario conditions. The primary purpose is to assess the internal validity of the experiments (Kilburn & Cates, 2010) and this is quantified through administration of manipulation checks. Experimental manipulation tests assess the overall degree of variability in responses among differing scenarios to assess the efficacy of the manipulation of independent variables. In other words, did subject responses to questions take into account the effects of differing scenario conditions?

In order to determine the efficacy of the situational manipulation, responses to some of the questions needed to be recoded. Manipulation checks are quite standard in research using scenario decision making (Jawahar, 2005; Shore & Strauss, 2008) except in this current research there were no direct responses to address this aspect. Rather, *helped* or *hurt* questions were used instead to ensure that researcher and method bias did not enter the picture. For each of the independent variables, subjects indicated the degree to which their self-assessment of ratings and salary increases were *helped* or *hurt* by that specific factor on a seven point scale, with 1 being not helped (hurt) at all and 7 being helped (hurt) a great deal. As such, for each independent and dependent variable combination, there were two experimental manipulation responses. These questions were very similar to those that Jawahar (2005) used to test the efficacy of situational manipulation. In his study, Jawahar used additional questions for respondents to quantify by asking the question "how much?" and providing a scale. This research did not include

this additional question, rather used the scale of *helped* or *hurt* responses instead in order to limit the number of questions and keep the survey length manageable. In addition, Jawahar (2005) had one situational manipulation per scenario whereas the current research has three. Asking for a specific percentage as to how much each distal factor helped or hurt would have been too complex and could have resulted in many subjects not completing the survey.

The *hurt* responses were reverse coded and added to the associated *helped* responses. The mean of these responses was then calculated. An analysis of variance was then performed in three different stages with data being split into two categories pertaining to the independent variable situation. This resulted in three analysis of variance procedures on the data for both ratings and salary increases. The results are shown in the Table 4.7, below.

Table 4.7

Effectiveness of Situational Manipulation on Scenario Conditions

Situational Manipulation	Mean Lower	Mean Upper	MS	F-Values	Significance
Ratings – Organizational Life Cycle	4.57	4.64	.315	.373	.542
Salary Increases – Organizational Life Cycle	4.53	4.74	2.478	3.449	.065
Ratings – Macroeconomic Environment	4.00	4.65	24.598	22.49	.000
Salary Increases – Macroeconomic Environment	3.81	4.63	39.613	25.746	.000
Ratings – Perceived Performance	4.33	5.10	34.012	30.363	.000
Salary Increases – Perceived Performance	4.18	5.16	56.887	49.984	.000

Organizational Life Cycle Manipulation:

A single factor ANOVA was performed using organizational life cycle conditions (2 conditions: Growth and Maturity) as the independent variable, and the mean of responses from the organizational manipulation sum of helped and reverse coded hurt items, as the dependent variables. Unexpectedly, results indicated a very weak, but statistically insignificant, effect on ratings ($\eta^2 = .315$, F[.373], p>.10) and salary increase ($\eta^2 = 2.478$, F[3.449], p>.05) items. As such, it can be concluded that the experiment's situational manipulation of the organizational stage on ratings and salary increases was ineffective. As a result, analyses that follow will continue to include all eight scenarios but caution should be exercised in interpreting the actual effect that the organizational life cycle played. In order to mitigate this possible confound, further post-hoc analysis

will be presented later, collapsing the eight scenarios into four by removing the organizational life cycle stage.

Macroeconomic Environment Manipulation:

A single factor ANOVA was performed using macroeconomic environment conditions (2 conditions: Good and Poor) as the independent variable, and the mean of responses from the macroeconomic environmental manipulation sum of helped and reverse coded hurt items, as the dependent variables. As expected, results indicated a statistically significant effect on ratings ($\eta^2 = 25.598$, F[22.49], p<.001) and salary increase ($\eta^2 = 39.613$, F[25.746], p<.001) items. As such, it can be concluded that the experiment's situational manipulation of the macroeconomic environmental conditions on ratings and salary increases was effective.

Perceived Organizational Performance Manipulation:

A single factor ANOVA was performed using perceived organizational performance conditions (2 conditions: Favourable and Unfavourable) as the independent variables, and the mean of responses from the perceived organizational performance manipulation sum of helped and reverse coded hurt items, as the dependent variables. Again, as expected, results indicated a significant effect on ratings ($\eta^2 = 34.012$, F[30.363], p<.001) and salary increase ($\eta^2 = 56.887$, F[49.984], p<.001) items. As such, it can be concluded that the experiment's situational manipulation of the perceived organizational performance on ratings and salary increases was effective.

Overall, it appears that the experimental manipulations for the organizational life cycle were ineffective. Conversely, experimental manipulations of the macroeconomic environment and perceived organizational performance were extremely effective.

Consequently, analyses on all eight scenarios remain such that all hypotheses can be addressed. This will be followed by additional analyses excluding the organizational life cycle stage.

Results by Scenario

Below, in Figures 4.3 and 4.4, are pictorial representations of the results pertaining to self-assessed ratings and merit pay increases. The columns represent the means of each scenario with vertical arrows representing the hypothesized direction of survey responses. Flat bolded black lines reflected a "no change" hypothesis. The solid horizontal line is the base line of the hypothetical employee from the prior year. A four (4) in ratings was "met expectations" with a five (5) corresponding to a 3% merit pay increase.

Figure 4.3

Comparison of Rating Means, Grouped by Macroeconomic Environment Condition

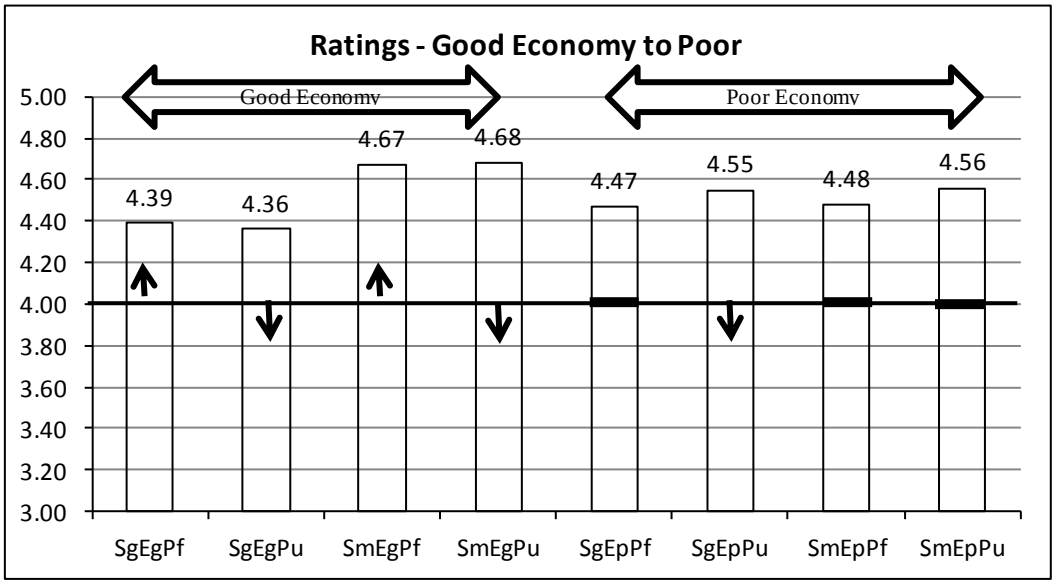
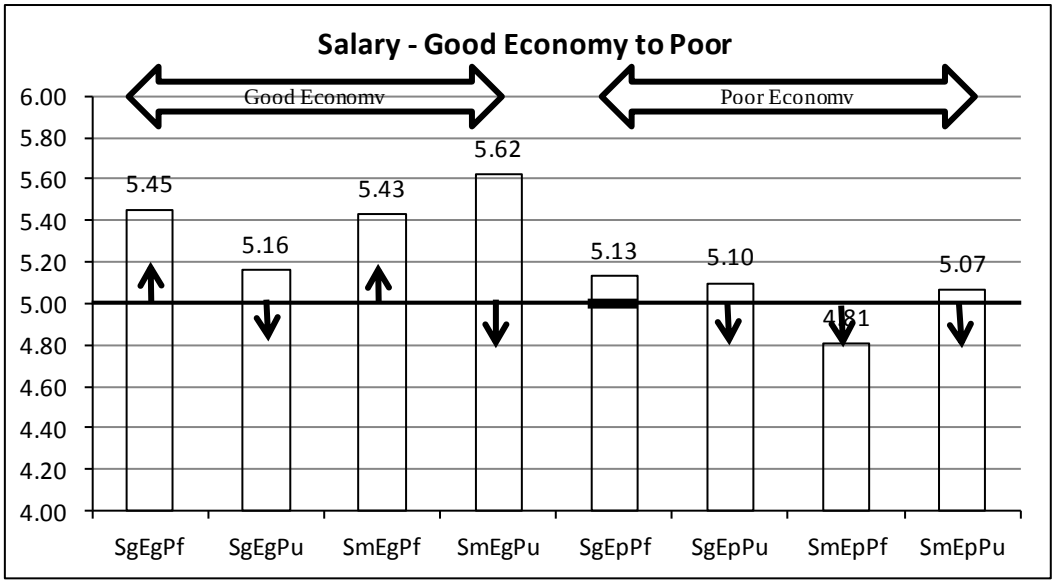


Figure 4.4

Comparison of Salary Means, Grouped by Macroeconomic Environmental Condition.



An ANOVA for ratings and salary increases indicated no overall significant difference between the scenarios ($F_{7,234} = .779$, *ns*) and ($F_{7,234} = 1.622$, *ns*), respectively (please refer to Table 4.8 below).

Table 4.8

ANOVA Results Across All Scenarios – Ratings and Salary Increases

			Sum of Squares	df	Mean Square	F	Sig.
Rating * SCENARIO	Between Groups	(Combined)	2.828	7	.404	.779	.606
	Within Groups		117.793	227	.519		
	Total		120.621	234			
Salary_increase * SCENARIO	Between Groups	(Combined)	14.154	7	2.022	1.622	.130
	Within Groups		283.020	227	1.247		
	Total		297.174	234			

Even though ANOVA results for ratings and salary increases were not significant, further post hoc analysis was carried out. Reasons for this are twofold. Firstly, the fact that the organizational life cycle stage was ineffective could mask possible significant

differences below the surface. Secondly, many scenarios were hypothesized to result in no change to ratings and/or salary increases. As such, statistically significant ANOVA results are not necessarily a surprise.

A Fisher's Least Significant differences (LSD) test is performed to determine whether there are any significant differences between any two specific combinations of independent variables and dependent variable outcomes. In this research, the independent variables are the eight scenario conditions and the dependent variable is the subjects' self-assessed rating. A significance value of $p < .05$ would indicate a statistically significant difference. There were no statistically significant differences in one-on-one scenario comparisons when performing ad-hoc tests for Fisher's Least Significant differences (LSD) for ratings (please refer to Table 4.9).

Table 4.9

Post-Hoc Test – Fisher's Least Significant Differences on Ratings

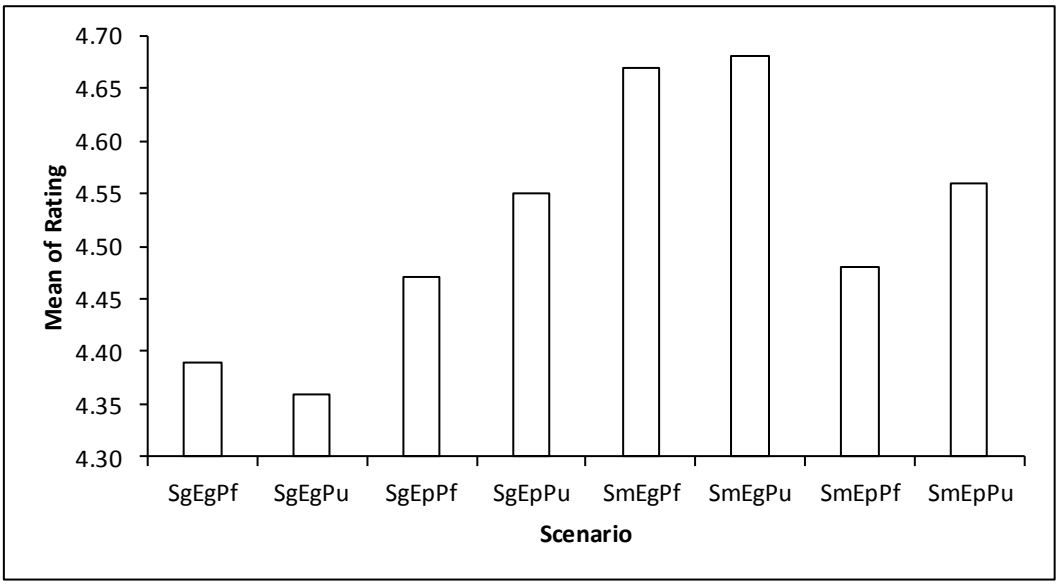
(I) SCENARIO	(J) SCENARIO	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Sg_Eg_Pf	Sg_Eg_Pu	0.03	0.19	0.86	(0.34)	0.41
	Sg_Ep_Pf	(0.07)	0.18	0.69	(0.43)	0.29
	Sg_Ep_Pu	(0.16)	0.18	0.39	(0.52)	0.20
	Sm_Eg_Pf	(0.27)	0.18	0.14	(0.63)	0.09
	Sm_Eg_Pu	(0.28)	0.18	0.11	(0.63)	0.06
	Sm_Ep_Pf	(0.09)	0.19	0.64	(0.46)	0.28
	Sm_Ep_Pu	(0.16)	0.19	0.39	(0.53)	0.21
Sg_Eg_Pu	Sg_Eg_Pf	(0.03)	0.19	0.86	(0.41)	0.34
	Sg_Ep_Pf	(0.11)	0.20	0.59	(0.49)	0.28
	Sg_Ep_Pu	(0.19)	0.20	0.33	(0.58)	0.20
	Sm_Eg_Pf	(0.31)	0.20	0.12	(0.69)	0.08
	Sm_Eg_Pu	(0.32)	0.19	0.10	(0.69)	0.06
	Sm_Ep_Pf	(0.12)	0.20	0.54	(0.52)	0.27
	Sm_Ep_Pu	(0.20)	0.20	0.33	(0.59)	0.20
Sg_Ep_Pf	Sg_Eg_Pf	0.07	0.18	0.69	(0.29)	0.43
	Sg_Eg_Pu	0.11	0.20	0.59	(0.28)	0.49
	Sg_Ep_Pu	(0.09)	0.19	0.65	(0.45)	0.28
	Sm_Eg_Pf	(0.20)	0.19	0.28	(0.57)	0.17
	Sm_Eg_Pu	(0.21)	0.18	0.25	(0.57)	0.15
	Sm_Ep_Pf	(0.02)	0.19	0.94	(0.39)	0.36
	Sm_Ep_Pu	(0.09)	0.19	0.64	(0.47)	0.29
Sg_Ep_Pu	Sg_Eg_Pf	0.16	0.18	0.39	(0.20)	0.52
	Sg_Eg_Pu	0.19	0.20	0.33	(0.20)	0.58
	Sg_Ep_Pf	0.09	0.19	0.65	(0.28)	0.45
	Sm_Eg_Pf	(0.12)	0.19	0.54	(0.48)	0.25
	Sm_Eg_Pu	(0.13)	0.18	0.49	(0.48)	0.23
	Sm_Ep_Pf	0.07	0.19	0.72	(0.31)	0.45
	Sm_Ep_Pu	(0.00)	0.19	0.98	(0.38)	0.38
Sm_Eg_Pf	Sg_Eg_Pf	0.27	0.18	0.14	(0.09)	0.63
	Sg_Eg_Pu	0.31	0.20	0.12	(0.08)	0.69
	Sg_Ep_Pf	0.20	0.19	0.28	(0.17)	0.57
	Sg_Ep_Pu	0.12	0.19	0.54	(0.25)	0.48
	Sm_Eg_Pu	(0.01)	0.18	0.96	(0.37)	0.35
	Sm_Ep_Pf	0.19	0.19	0.33	(0.19)	0.56
	Sm_Ep_Pu	0.11	0.19	0.56	(0.27)	0.49
Sm_Eg_Pu	Sg_Eg_Pf	0.28	0.18	0.11	(0.06)	0.63
	Sg_Eg_Pu	0.32	0.19	0.10	(0.06)	0.69
	Sg_Ep_Pf	0.21	0.18	0.25	(0.15)	0.57
	Sg_Ep_Pu	0.13	0.18	0.49	(0.23)	0.48
	Sm_Eg_Pf	0.01	0.18	0.96	(0.35)	0.37
	Sm_Ep_Pf	0.20	0.19	0.30	(0.17)	0.56
	Sm_Ep_Pu	0.12	0.19	0.52	(0.24)	0.49
Sm_Ep_Pf	Sg_Eg_Pf	0.09	0.19	0.64	(0.28)	0.46
	Sg_Eg_Pu	0.12	0.20	0.54	(0.27)	0.52
	Sg_Ep_Pf	0.02	0.19	0.94	(0.36)	0.39
	Sg_Ep_Pu	(0.07)	0.19	0.72	(0.45)	0.31
	Sm_Eg_Pf	(0.19)	0.19	0.33	(0.56)	0.19
	Sm_Eg_Pu	(0.20)	0.19	0.30	(0.56)	0.17
	Sm_Ep_Pu	(0.07)	0.20	0.71	(0.46)	0.31
Sm_Ep_Pu	Sg_Eg_Pf	0.16	0.19	0.39	(0.21)	0.53
	Sg_Eg_Pu	0.20	0.20	0.33	(0.20)	0.59
	Sg_Ep_Pf	0.09	0.19	0.64	(0.29)	0.47
	Sg_Ep_Pu	0.00	0.19	0.98	(0.38)	0.38
	Sm_Eg_Pf	(0.11)	0.19	0.56	(0.49)	0.27
	Sm_Eg_Pu	(0.12)	0.19	0.52	(0.49)	0.24
	Sm_Ep_Pf	0.07	0.20	0.71	(0.31)	0.46

Rating means by scenario have also been graphically presented in Figure 4.5, below, to further show, graphically, that means between scenarios for ratings varied only

slightly regardless of the scenario condition. Based on the post-hoc comparisons, these variances, as indicated above, are not statistically significant.

Figure 4.5

Rating Means Across Scenarios



Means ranging from a low of 4.36 to a high of 4.68 show, again, that self-assessed ratings did not vary signifantly. As indicated previously (and as shown in Table 4.8), the ANOVA results ($F_{7,234} = .779$, *ns*) support this finding. Of importance is the fact that means were always higher than prior year of 4.0. This is consistent with prior research (e.g. Jawahar & Willaims, 1997; Lefkowitz, 2000; Long, 2006; Taylor & Wherry, 1951; Theriault, 1992) showing that ratings will rarely decline except under exceptional circumstances.

At a high level, the results appear somewhat inconsistent with hypotheses in that there was no common hypothetical direction in which ratings were expected to move yet it appears that slightly upward was the statistical result. Regardless, even this upward trend was not statistically significant.

Salary increases, on the other hand, did result in some significant differences when performing post-hoc LSD tests, as shown in Table 4.10, below and graphically presented in Figure 4.6.

Table 4.10

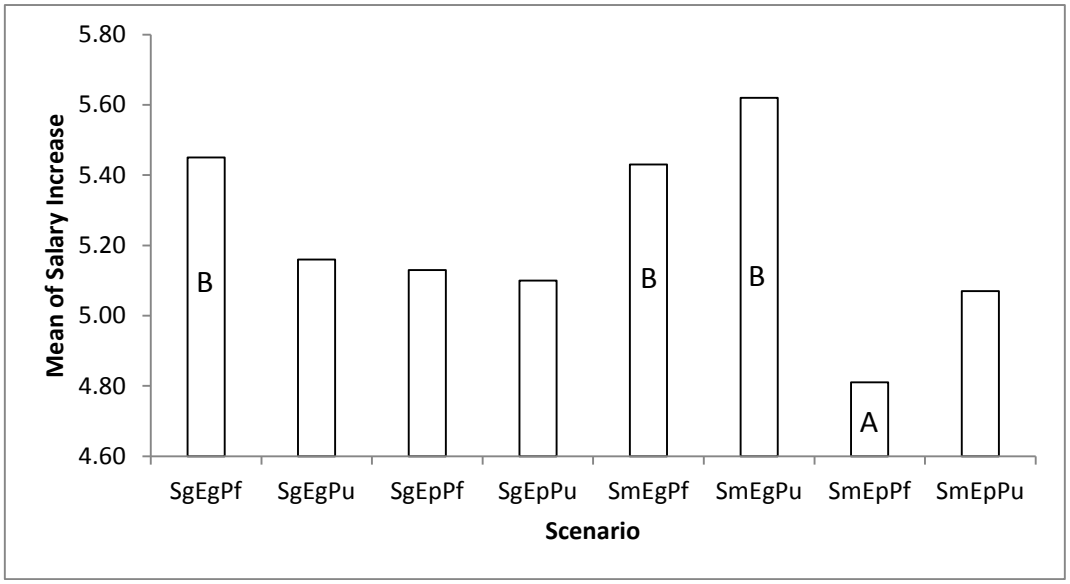
Post-Hoc Test – Fisher's Least Significant Differences on Salary Increases

(I) SCENARIO	(J) SCENARIO	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Sg_Eg_Pf	Sg_Eg_Pu	0.30	0.30	0.32	(0.29)	0.88
	Sg_Ep_Pf	0.32	0.28	0.26	(0.23)	0.88
	Sg_Ep_Pu	0.35	0.28	0.22	(0.21)	0.91
	Sm_Eg_Pf	0.02	0.28	0.94	(0.53)	0.58
	Sm_Eg_Pu	(0.16)	0.27	0.55	(0.70)	0.37
	Sm_Ep_Pf	**.640***	**0.29**	**0.03**	**0.07**	**1.21**
	Sm_Ep_Pu	0.38	0.29	0.19	(0.19)	0.95
Sg_Eg_Pu	Sg_Eg_Pf	(0.30)	0.30	0.32	(0.88)	0.29
	Sg_Ep_Pf	0.03	0.30	0.93	(0.57)	0.62
	Sg_Ep_Pu	0.06	0.31	0.85	(0.54)	0.66
	Sm_Eg_Pf	(0.27)	0.30	0.37	(0.87)	0.32
	Sm_Eg_Pu	(0.46)	0.29	0.12	(1.04)	0.12
	Sm_Ep_Pf	0.35	0.31	0.27	(0.27)	0.96
	Sm_Ep_Pu	0.09	0.31	0.78	(0.52)	0.70
Sg_Ep_Pf	Sg_Eg_Pf	(0.32)	0.28	0.26	(0.88)	0.23
	Sg_Eg_Pu	(0.03)	0.30	0.93	(0.62)	0.57
	Sg_Ep_Pu	0.03	0.29	0.92	(0.54)	0.60
	Sm_Eg_Pf	(0.30)	0.29	0.30	(0.87)	0.27
	Sm_Eg_Pu	(0.48)	0.28	0.09	(1.04)	0.07
	Sm_Ep_Pf	0.32	0.30	0.28	(0.27)	0.90
	Sm_Ep_Pu	0.06	0.30	0.84	(0.52)	0.64
Sg_Ep_Pu	Sg_Eg_Pf	(0.35)	0.28	0.22	(0.91)	0.21
	Sg_Eg_Pu	(0.06)	0.31	0.85	(0.66)	0.54
	Sg_Ep_Pf	(0.03)	0.29	0.92	(0.60)	0.54
	Sm_Eg_Pf	(0.33)	0.29	0.26	(0.90)	0.24
	Sm_Eg_Pu	(0.51)	0.28	0.07	(1.07)	0.04
	Sm_Ep_Pf	0.29	0.30	0.34	(0.30)	0.88
	Sm_Ep_Pu	0.03	0.30	0.92	(0.56)	0.62
Sm_Eg_Pf	Sg_Eg_Pf	(0.02)	0.28	0.94	(0.58)	0.53
	Sg_Eg_Pu	0.27	0.30	0.37	(0.32)	0.87
	Sg_Ep_Pf	0.30	0.29	0.30	(0.27)	0.87
	Sg_Ep_Pu	0.33	0.29	0.26	(0.24)	0.90
	Sm_Eg_Pu	(0.18)	0.28	0.51	(0.74)	0.37
	Sm_Ep_Pf	**.619***	**0.30**	**0.04**	**0.03**	**1.20**
	Sm_Ep_Pu	0.36	0.30	0.23	(0.22)	0.94
Sm_Eg_Pu	Sg_Eg_Pf	0.16	0.27	0.55	(0.37)	0.70
	Sg_Eg_Pu	0.46	0.29	0.12	(0.12)	1.04
	Sg_Ep_Pf	0.48	0.28	0.09	(0.07)	1.04
	Sg_Ep_Pu	0.51	0.28	0.07	(0.04)	1.07
	Sm_Eg_Pf	0.18	0.28	0.51	(0.37)	0.74
	Sm_Ep_Pf	**.803***	**0.29**	**0.01**	**0.24**	**1.37**
	Sm_Ep_Pu	0.54	0.29	0.06	(0.02)	1.11
Sm_Ep_Pf	Sg_Eg_Pf	**-.640***	**0.29**	**0.03**	**(1.21)**	**(0.07)**
	Sg_Eg_Pu	(0.35)	0.31	0.27	(0.96)	0.27
	Sg_Ep_Pf	(0.32)	0.30	0.28	(0.90)	0.27
	Sg_Ep_Pu	(0.29)	0.30	0.34	(0.88)	0.30
	Sm_Eg_Pf	**-.619***	**0.30**	**0.04**	**(1.20)**	**(0.03)**
	Sm_Eg_Pu	**-.803***	**0.29**	**0.01**	**(1.37)**	**(0.24)**
	Sm_Ep_Pu	(0.26)	0.30	0.39	(0.86)	0.34
Sm_Ep_Pu	Sg_Eg_Pf	(0.38)	0.29	0.19	(0.95)	0.19
	Sg_Eg_Pu	(0.09)	0.31	0.78	(0.70)	0.52
	Sg_Ep_Pf	(0.06)	0.30	0.84	(0.64)	0.52
	Sg_Ep_Pu	(0.03)	0.30	0.92	(0.62)	0.56
	Sm_Eg_Pf	(0.36)	0.30	0.23	(0.94)	0.22
	Sm_Eg_Pu	(0.54)	0.29	0.06	(1.11)	0.02
	Sm_Ep_Pf	0.26	0.30	0.39	(0.34)	0.86

*. The mean difference is significant at the 0.05 level.

Figure 4.6

Salary Increase Means Across Scenarios



The means ranged from a low of 4.81 to a high of 5.62, indicating that self-assessed salary increases varied more than their rating counterparts. Specifically, as previously shown in Table 4.8, the ANOVA results ($F_{7,234} = 1.622$, *ns*) support this finding. Of importance is the fact that means were not always higher than prior year of 5.0. Again, overall the results are not statistically significant but this is consistent with hypotheses where directional influences were mixed depending on the interaction of distal factor influences.

In Figure 4.6 above, the scenario denoted with an "A" was statistically significantly different from scenarios denoted with a "B". No other scenario combinations were statistically significantly different. As illustrated in Figure 4.6, scenario SmEpPf was statistically significantly different from scenarios SgEgPf, SmEgPf, and SmEgPu.

Hypotheses Results

Below, in Table 4.11, is a summary of the results and whether rating and/or salary increase hypotheses were supported or not. Note that where there are references in brackets, this indicates specific scenarios where hypotheses were supported in comparison where statistical significance was reached at $p < .05$. For instance, in only a few scenarios for salary increases were there significant differences. Specifically, Scenario 3[b] was significantly different from scenario 5[b], and scenario 5[b] was also significantly different from scenario 7[b]. In two of these cases hypotheses were not supported yet study outcomes did result in some statistically differences.

Table 4.11

Scenario Hypotheses Supported / Not Supported

Hypotheses	Organizational Stage	Macro Economic Environment	Perceived Organizational Performance	Employee Self-assessed Ratings	Supported?	Employee Self-assessed Pay Raise	Supported?
1a, 1b	Growth	Poor	Favourable	Unchanged	Yes	Unchanged	Yes
2a, 2b	Growth	Poor	Unfavourable	Decrease	No	Decrease	No
3a, 3b	Growth	Good	Favourable	Increase	No	Increase	Yes [5b]
4a, 4b	Growth	Good	Unfavourable	Decrease	No	Decrease	No
5a, 5b	Maturity	Poor	Favourable	Unchanged	Yes	Decrease	Yes [3b,7b]
6a, 6b	Maturity	Poor	Unfavourable	Unchanged	Yes	Decrease	No
7a, 7b	Maturity	Good	Favourable	Increase	No	Increase	Yes [5b]
8a, 8b	Maturity	Good	Unfavourable	Decrease	No	Decrease	No

Hypotheses (H) one (1) through four (4) will be discussed first, keeping in mind that these pertain to the growth stage of the organizational life cycle distal factor. Remember the situational manipulation of the organizational life cycle factor was ineffective but, in order to address the hypotheses, discussing in this order will ensure consistency. Also note that subscript (a) denotes rating hypotheses while subscript (b) denotes salary increase hypotheses.

In a poor macroeconomic environmant with favourable perceived organizational performance (H1a, H1b) it was expected that these two factors would essentially offset resulting in no change in self-assessed ratings and salary increases. With a poor macroeconomic environment and unfavourable perceived organizational performance (H2a, H2b) this would result in a decrease in both ratings and salary increases as both distal factors would be seen as negative. The opposite was expected when there was a good macroeconomic environment and the organizational performance was perceived as being favourable. Both would be viewed as good news indicators and ratings and salary increases would increase (H3a, H3b). A good macroeconomic environment would set the landscape for potential favourable organizational performance and growth. When the organization was perceived as performing unfavourably in a good macroeconomic environmental climate, it was hypothesized that this would have a negative effect on ratings and salary increases and both would decline (H4a, H4b). In this scenario there would be strains on cash flow and growth could be seriously impeded.

Only Hypotheses 1(a) and 1(b) were supported with no significant differences in ratings or salary increases across scenarios within the growth stage. No values under Fisher's Least Significant differences tests reached statistical significance for growth

stage hypotheses. Hypotheses two (2) through (4) predicted that ratings and/or salary increases would increase or decline. There were no *p*-values that reached statistical significance (refer to Table 4.9) and, as a result, ratings and salary increases remained unchanged, and therefore hypotheses 2,3, and 4 were not supported.

Hypotheses (H) five (5) through eight (8) will be discussed next keeping in mind that these pertain to the maturity stage of the organizational life cycle distal factor. To reiterate, the situational manipulation of the organizational life cycle factor was ineffective so extreme caution must be exercised in the interpretation of these results. Also note that subscript (a) denotes rating hypotheses while subscript (b) denotes salary increase hypotheses.

In a poor macroeconomic environment with favourable perceived organizational performance (H5a, H5b) or unfavourable perceived organizational performance (H6a, H6b) it was expected that ratings would remain unchanged while salary increases would decline. When there was a good macroeconomic environment and the organizational performance was perceived as being favourable, both would be viewed as good news indicators and ratings and salary increases would increase (H7a, H7b). When the organization was perceived as performing unfavourably in a good macroeconomic environmantal climate, it was hypothesized that this could signal that the organization could be entering the decline stage in its' organizational life cycle and ratings and salary increases would both decline (H8a, H8b).

Hypotheses 5(a) and 6(a) were supported with no significant differences in ratings across scenarios within the maturity stage. As discussed previously, none of the

values in the Fisher's Least Significant differences tests reached statistical significance for maturity stage hypotheses for ratings.

Hypotheses 5(b) and 7(b) for salary increases were supported, based on Fisher's Least Significance test results with significantly higher salary increases when the macroeconomic environment is good (versus poor) under conditions of favourable perceived performance. Although significant differences were found between hypothesis 5(b) and 8(b), this was contradictory to the hypothsized direction of hypothesis 8(b) where, under both scenarios, the salary increases were expected to decline.

Straddling the growth and maturity stages there were significant differences noted between two scenario conditions, based on Fisher's Least Significance test results. Hypotheses 3(b) and 5(b) were supported were there was a significant increase in salary increases in an organization in the growth stage in a good macroeconomic environment and favourable perceived financial performance versus an organization experiencing similar favourable perceived financial performance, in a poor macroeconomic environment in the maturity stage.

Post-Hoc Analysis

Because there were some statistically significant results between scenarios, it was decided that further post-hoc analysis was required. Firstly, an analysis of some of the control variables was performed. Due to the ineffective manipulation of the organizational life cycle stage distal factor, the preceding analyses were the only ones undertaken on an eight scenario basis. As such, the eight scenarios were then collapsed to four by removing the organizational life cycle stage and regrouping the rating and salary increase responses. Similar analysis was then carried out on this data as was done for the

eight previous scenarios. Typically, when a scenario design is used, a discriminant analysis is performed to supplement the results. This was done on the data that removed the effects of the organizational life cycle. Next, a further collasping of the data was done to group the responses into one of the two separate distal factor states. A univariate analysis of variance was undertaken to see if there were any significant differences between the distal factors, in combination or isolation. Essentially, the post-hoc analysis starts at the scenario level and sequentially moves up by collapsing data to glean insight as to whether offsetting of distal factors could have taken place. This leads to the somewhat lackluster results at the scenario level. The final post-hoc analysis was a manifest content analysis on the open comment field. The goal was to count how many times the distal factors were mentioned to see if rating and salary increase responses varied versus responses that were bereft of distal factor acknowledgment.

Post-Hoc Analysis of Control Variable Effects

Below, in Tables 4.12 and 4.13, are means and standard deviations across scenarios with Fisher's least significant differences (LSD) noted between control variables; one table for self-assessed ratings and a similar one for self-assessed merit pay.

Table 4.12

Fishers Least Significant Differences – Ratings by Control Variables

Means and Standard Deviations - Employee Self-Assessed Ratings (i)

	Experimental Conditions (i)																							
	Growth Stage Good Economy Fav Performance SgEgPf			Growth Stage Poor Economy Fav Performance SgEpPf			Growth Stage Good Economy Unfav Performance SgEgPu			Growth Stage Poor Economy Unfav Performance SgEpPu			Maturity Stage Good Economy Fav Performance SmEgPf			Maturity Stage Poor Economy Fav Performance SmEpPf			Maturity Stage Good Economy Unfav Performance SmEgPu			Maturity Stage Poor Economy Unfav Performance SmEpPu		
Variables	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.		Means	s.d.		Means	s.d.
Ratings (N=235)	33	4.39	0.609	30	4.47	0.571	25	4.36	0.569	29	4.55	0.783	30	4.67	0.884	27	4.48	0.753	34	4.68	0.768	27	4.56	0.751
Control Variables:																								
Gender:																								
Male (N=146)	20	4.30[b]	0.571	19	4.53	0.513	15	4.33[b]	0.488	18	4.83[a]	0.786	13	4.54	0.967	20	4.45	0.759	25	4.64	0.810	16	4.50	0.730
Female (N=89)	13	4.54	0.660	11	4.36	0.674	10	4.40	0.699	11	4.09[a]	0.539	17	4.76[b]	0.831	7	4.57	0.787	9	4.78[b]	0.667	11	4.64	0.809
Age:																								
36 to 45 years (N=74)	12	4.17	0.389	9	4.56	0.726	10	4.20	0.422	9	4.67	0.866	8	4.25	0.463	10	4.60	0.843	9	4.22	0.441	7	4.29	0.488
46 to 55 years (N=118)	11	4.36[b]	0.505	14	4.50	0.519	11	4.45	0.522	16	4.38[b]	0.719	15	4.87	0.915	15	4.47[b]	0.743	18	5.00[a]	0.840	18	4.67	0.840
56 to 65 years (N=33)	9	4.67	0.866	4	4.25	0.500	4	4.50	1.000	4	5.00	0.816	4	4.75	1.258	1	4.00	n/a	6	4.50	0.548	1	5.00	n/a
Current Employment:																								
Full-time (N=202)	26	4.38[b]	6.370	27	4.37[b]	0.492	24	4.38[b]	0.576	25	4.56	0.712	24	4.58	0.776	23	4.48	0.730	29	4.76[a]	0.786	24	4.63	0.770
Part-time (N=2)	1	5.00	n/a	1	5.00	n/a																		
Self-employed (N=28)	6	4.33	0.516	1	6.00	n/a	1	4.00	n/a	4	4.50	1.291	5	4.80	1.304	4	4.50	1.000	4	4.25	0.500	3	4.00	0.000
Unemployed (N=3)				1	5.00	n/a							1	6.00	n/a				1	4.00	n/a			
F/T Experience:																								
11 to 20 years (N=53)	8	4.38	0.518	8	4.25	0.463	6	4.17	0.408	6	4.33	1.033	6	4.17	0.408	11	4.45	0.688	2	4.50	0.707	6	4.33	0.516
21 to 30 years (N=109)	14	4.36	0.497	13	4.46	6.600	11	4.36	0.505	12	4.67	0.651	13	4.77	0.927	12	4.42	0.793	22	4.59	0.796	12	4.42	0.669
31 to 40 years (N=66)	10	4.40	0.843	7	4.57	0.535	7	4.29	0.488	11	4.55	0.820	9	4.67	1.000	4	4.75	0.957	9	5.00	0.707	9	4.89	0.928
> 40 years (N=7)	1	5.00	n/a	2	5.00	0.000	1	6.00	n/a				2	5.50	0.707				1	4.00	n/a			
P/A Experience:																								
None (N=2)							1	4.00	n/a										1	6.00	n/a			
5 years or less (N=29)	6	4.33	0.616	5	4.00[b]	0.000	3	4.33	0.577	1	4.00	n/a	3	4.00[b]	0.000	4	4.25	0.500	2	5.00[a]	1.414	5	4.00	0.000
6 to 10 years (N=53)	6	4.67	0.516	5	4.40	0.548	4	4.25	0.500	10	4.70	0.823	11	4.55	0.820	6	4.17	0.408	5	4.40	0.894	6	4.50	0.837
11 to 15 years (N=55)	9	4.11[a]	0.333	7	4.71	0.488	4	4.25	0.500	5	4.20	0.837	4	5.00[b]	0.816	8	5.00[b]	0.926	9	4.78[b]	0.667	9	4.78[b]	0.833
16 to 20 years (N=47)	1	4.00	n/a	8	4.50	0.756	9	4.56	0.726	8	4.63	0.744	6	4.83	0.983	5	4.00	0.000	7	4.29	0.488	3	4.33	0.577
>20 years (N=49)	11	4.55	0.820	5	4.60	0.548	4	4.25	0.500	5	4.60	0.894	6	4.83	1.169	4	4.75	0.957	10	4.80	0.789	4	5.00	0.816

n = 235

(i) Ratings ranged from 1-7.

Results using Fischer's Least Significant Differences test are indicated with superscripts. Means in the same row with sequential alphabetical superscripts are significantly different at p < .05

Means will no superscripts were not significantly different from any other means.

Table 4.12

Fishers Least Significant Differences – Salary Increases by Control Variables

Means and Standard Deviations - Employee Self-Assessed Merit Pay Increase (i)

	Experimental Conditions (i)																							
	Growth Stage Good Economy Fav Performance SgEgPf			Growth Stage Poor Economy Fav Performance SgEpPf			Growth Stage Good Economy Unfav Performance SgEgPu			Growth Stage Poor Economy Unfav Performance SgEpPu			Maturity Stage Good Economy Fav Performance SmEgPf			Maturity Stage Poor Economy Fav Performance SmEpPf			Maturity Stage Good Economy Unfav Performance SmEgPu			Maturity Stage Poor Economy Unfav Performance SmEpPu		
Variables	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.		Means	s.d.		Means	s.d.
Salary Increases (iii)	33	5.45[b]	1.003	30	5.13	0.819	25	5.16	1.068	29	5.10	1.145	30	5.43[b]	1.006	27	4.81[a]	1.388	34	5.62[b]	1.393	27	5.07	0.958
Control Variables:																								
Gender:																								
Male (N=146)	20	5.25	1.070	19	4.89[b]	0.737	15	5.53	0.743	18	4.94	1.305	13	5.46	1.050	20	4.85[b]	1.387	25	5.60[a]	1.291	16	5.13	1.147
Female (N=89)	13	5.77[a]	0.832	11	5.55[d]	0.820	10	4.60[b,c,e]	1.265	11	5.36	0.809	17	5.41	1.004	7	4.71[b]	1.496	9	5.67[f]	1.732	11	5.00	0.632
Age:																								
36 to 45 years (N=74)	12	5.42	1.165	9	5.56	0.882	10	4.80	1.135	9	4.56	1.333	8	5.13	0.354	10	5.00	1.563	9	5.33	1.414	7	5.43	1.134
46 to 55 years (N=118)	11	5.55[b]	0.820	14	5.21	0.426	11	5.73[b]	0.786	16	5.19[c]	0.911	15	5.40	1.121	15	4.67[a,d]	1.397	18	5.89[e]	1.491	18	4.94[f]	0.938
56 to 65 years (N=33)	9	5.67[a]	0.707	4	5.00	0.000	4	4.50[b,c]	1.000	4	6.00[d]	1.155	4	6.00[d]	1.414	1	5.00	n/a	6	5.67[d]	0.516	1	5.00	n/a
Current Employment:																								
Full-time (N=202)	26	5.46[a]	1.104	27	5.04[d]	0.759	24	5.17	1.090	25	5.08[d]	1.077	24	5.29	0.908	23	4.07[b,d]	1.428	29	5.76[c,f]	1.405	24	5.08[e]	1.018
Part-time (N=2)	1	6.00	n/a	1	6.00	n/a																		
Self-employed (N=28)	6	5.33	0.516	1	7.00	n/a	1	5.00	n/a	4	5.25	1.708	5	5.80	1.304	4	5.50	1.000	4	4.75	1.258	3	5.00	0.000
Unemployed (N=3)				1	5.00	n/a							1	7.00	n/a				1	5.00	n/a			
F/T Experience:																								
11 to 20 years (N=53)	8	5.00	1.319	8	4.63	1.061	6	5.17	0.753	6	4.83	1.169	6	5.17	0.408	11	4.73	1.618	2	6.00	1.414	6	5.50	1.225
21 to 30 years (N=109)	14	5.57	0.938	13	5.46	0.776	11	5.27	1.348	12	4.83	1.267	13	5.46	1.127	12	4.92	0.996	22	5.59	1.532	12	5.00	0.853
31 to 40 years (N=66)	10	5.60	0.843	7	5.14	0.378	7	5.29	0.488	11	5.55	0.934	9	5.22	0.972	4	4.75[b]	2.062	9	5.89[a,c]	0.782	9	4.89[d]	0.928
> 40 years (N=7)	1	6.00	n/a	2	5.00	0.000	1	3.00	n/a				2	7.00	0.000				1	4.00	n/a			
P/A Experience:																								
None (N=2)							1	5.00	n/a										1	7.00	n/a			
5 years or less (N=29)	6	5.50[a]	1.049	5	4.20[b]	1.095	3	5.67	1.528	1	5.00	n/a	3	5.00	1.000	4	5.00	0.000	2	5.50	0.707	5	5.40	0.894
6 to 10 years (N=53)	6	5.17	1.472	5	5.00	0.000	4	5.50	0.577	10	4.50[a]	1.509	11	5.45[b]	0.820	6	5.17	0.408	5	5.40	1.517	6	4.83	0.408
11 to 15 years (N=55)	9	5.22	0.833	7	5.29	0.488	4	4.50	1.732	5	5.60	0.548	4	5.25	0.500	8	4.63	1.923	9	5.78	2.048	9	5.11	1.054
16 to 20 years (N=47)	1	7.00	n/a	8	5.75[a]	0.886	9	5.11	1.054	8	5.13	0.641	6	5.17	1.329	5	5.40	1.517	7	5.57[d]	1.134	3	4.00[b,c]	1.000
>20 years (N=49)	11	5.64[b]	0.809	5	5.00	0.000	4	5.25[b]	0.500	5	5.80[b]	1.095	6	6.00[b]	1.265	4	3.75[a,c]	1.500	10	5.50[d]	1.080	4	5.75[d]	0.957

n = 235

(i) Salary increases ranged from 1-9

Results using Fischer's Least Significant Differences test are indicated with superscripts. Means in the same row with sequential alphabetical superscripts are significantly different at p < .05

Means will no superscripts were not significantly different from any other means.

While there were some significant differences pertaining to ratings based on the mix of subjects (refer to Table 4.12), the most marked differences related to merit pay increases (Table 4.13). Using Fishers Least Significant Differences test, gender and age appear to be the main factors affecting the composition of response variability within some of the scenarios.

Specifically, as illustrated in Table 4.13, males in a mature organization, in a good macroeconomic environment experiencing perceived unfavourable organizational performance (SmEgPu) will expect significantly higher salary increases than if in an organization in a poor macroeconomic environment experiencing perceived favourable organizational performance; regardless of organizational stage (SgEpPf and SmEpPf).

Again, as illustrated in Table 4.13, when looking at the female demographic, one noticeable difference occurred when an organization is in the growth stage, in a good macroeconomic environment, yet was experiencing unfavourable performance. In this situation (SgEgPu), using Fisher's Least Significance Differences test, significantly lower salary increases would be self-assessed compared to other organizations in the growth stage, regardless of macroeconomic environmental conditions but experiencing perceived favourable perceived performance (SgEgPf and SgEpPf). This situation is reversed when compared to an organization in its maturity stage under similar conditions of a good macroeconomic environment and unfavourable performance. Salary increases would be expected to be significantly higher under this scenario (SmEgPu) as compared to the above scenario (SgEgPu), as shown in the Fisher's Least Significant differences test.

Significant differences were also found specifically within subjects in the 46 to 55 year range. These results are somewhat different than the situations above. Fishers Least Significant Differences test indicated that the mean of mature organization in a poor macroeconomic environment with favourable performance (SmEpPf) is significantly lower than two other scenarios (SgEgPf, and SmEgPu). This is comparable to the overall results. Now, an organization in the growth stage, with a good macroeconomic environment, and unfavourable performance (SgEgPu) is also significantly higher. Once again, this is a result of the Fisher's Least Significant difference test.

Post-Hoc Analysis After Removing the Organizational Life Cycle Stage

As indicated previously, the manipulation of the organizational life cycle stage was ineffective. As a result, a post-hoc analysis was performed by removing the organizational life cycle distal factor from analysis. In order to do this, the eight scenario responses were reduced down to four categories. An ANOVA (see Table 4.14) was then performed on self-assessed ratings and salary increases to see if there would be any statistically significantly differences without this factor.

Table 4.14

ANOVA Removing Organizational Life Cycle Stage

		Sum of Squares	df	Mean Square	F	Sig.
Rating	Between Groups	.213	3	.071	.136	.938
	Within Groups	120.408	231	.521		
	Total	120.621	234			
Salary_increase	Between Groups	9.676	3	3.225	2.592	.054
	Within Groups	287.498	231	1.245		
	Total	297.174	234			

ANOVA rating mean differences remained statistically insignificant ($F_{3,234}$ = .136, *ns*). Similarly, mean differences in salary increases also failed to achieve statistical

significance ($F_{3,234} = 2.592$, *ns*), but came close. Fisher's Least Significant differences test was rerun again with results for ratings and salary increases presented in Table 4.15 below.

Table 4.15

Fisher's Least Significant Differences – Ratings and Salary Increases

Dependent Variable			Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Rating	EgPf	EgPu	(0.02)	0.13	0.89	(0.28)	0.24
		EpPf	0.05	0.13	0.70	(0.21)	0.31
		EpPu	(0.03)	0.13	0.82	(0.29)	0.23
	EgPu	EgPf	0.02	0.13	0.89	(0.24)	0.28
		EpPf	0.07	0.13	0.61	(0.20)	0.33
		EpPu	(0.01)	0.13	0.93	(0.28)	0.25
	EpPf	EgPf	(0.05)	0.13	0.70	(0.31)	0.21
		EgPu	(0.07)	0.13	0.61	(0.33)	0.20
		EpPu	(0.08)	0.14	0.56	(0.35)	0.19
	EpPu	EgPf	0.03	0.13	0.82	(0.23)	0.29
		EgPu	0.01	0.13	0.93	(0.25)	0.28
		EpPf	0.08	0.14	0.56	(0.19)	0.35
Salary_increase	EgPf	EgPu	0.02	0.20	0.92	(0.38)	0.42
		EpPf	**.462***	**0.20**	**0.02**	**0.06**	**0.86**
		EpPu	0.36	0.20	0.08	(0.05)	0.76
	EgPu	EgPf	(0.02)	0.20	0.92	(0.42)	0.38
		EpPf	**.441***	**0.21**	**0.03**	**0.03**	**0.85**
		EpPu	0.33	0.21	0.11	(0.08)	0.74
	EpPf	EgPf	**-.462***	**0.20**	**0.02**	**(0.86)**	**(0.06)**
		EgPu	**-.441***	**0.21**	**0.03**	**(0.85)**	**(0.03)**
		EpPu	(0.11)	0.21	0.61	(0.52)	0.31
	EpPu	EgPf	(0.36)	0.20	0.08	(0.76)	0.05
		EgPu	(0.33)	0.21	0.11	(0.74)	0.08
		EpPf	0.11	0.21	0.61	(0.31)	0.52

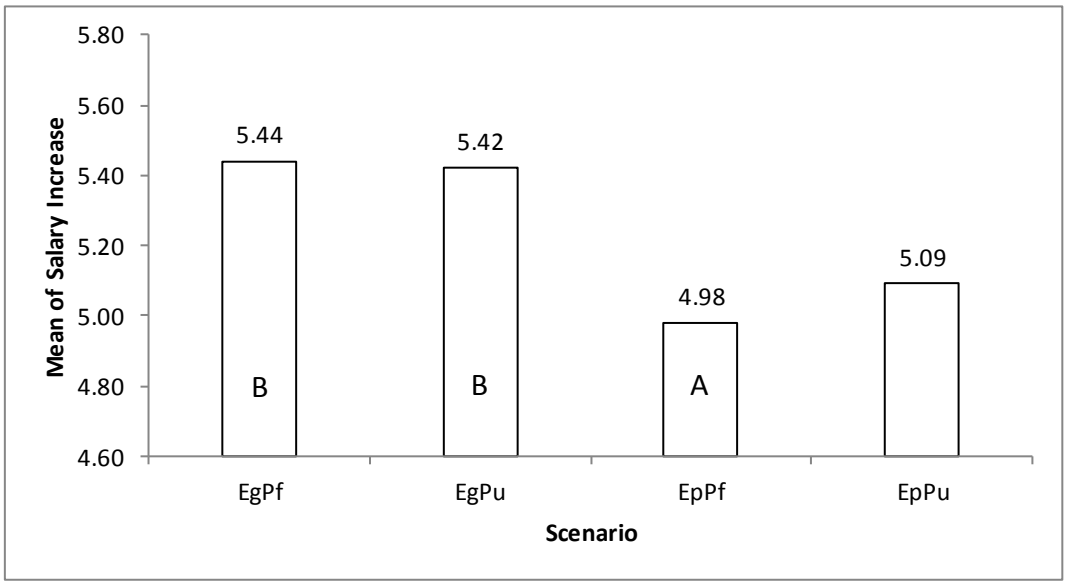
*. The mean difference is significant at the 0.05 level.

For self-assessed ratings, again, there were no statistically significant differences. As illustrated in Table 4.15, Fisher's Least Significant differences test indicated that mean for a poor macroeconomic environment where perceived organizational

performance is favourable (EpPf) is statistically significantly different than that of an organization in a good macroeconomic environment, whether perceived organizational performance is favourable (EgPf), or unfavourable (EgPu). This has been graphically presented in Figure 4.7 below.

Figure 4.7

Salary Increase Means Removing Organizational Life Cycle Stage



In Figure 4.7 above, the scenario denoted with an "A" was statistically significantly different from scenarios denotes with a "B", based on post-hoc tests using Fisher's LSD test. No other scenario combinations were significantly different.

Discriminant Analysis

A discriminant analysis was conducted to predict whether a subject would self-asses their performance rating based on the two predictor variables of (a) the state of the macroeconomic environment, and (b) perceived organizational performance.

The purpose of disciminant analysis is to predict group membership based on a set of predictors or variables. It effectively functions like an ANOVA in reverse. A

discriminant analysis is commonly performed as a second round of analysis in experimental studies. The previously run ANOVA tests determined whether changes in the three independant variables (perceptions of organizational performance, macroeconomic environment, and organizational life cycle stage) had a significant effect on the dependent variables of self-assessed ratings and/or self-assessed salary increases. A discriminant analysis literally flips the variables. As such, given the self-assessed ratings and self-assessed salary increases, what will the discriminant analysis predict the group membership to be? Since the organizational life cycle stage manipulation was ineffective, this variable is dropped from the discriminant analysis from the outset. The question to be answered is whether, on the basis of the reported self-assessed ratings and salary increases, correctly predict which experimental condition (EgPf, EpPf, EgPu, EpPf) the respondents were assigned to?

There are five main assumtions that must be satisfied before results of discriminant analysis can be valid (Poulsen & French, 2015). These include sample size, normal distribution, homogeneity of variances/covariances, outliers, and non-multicollinearity. The sample size in this analysis significanly exceeds the sample size minimum, the samples are normally distributed, and outliers were previously removed. Because the sample size is large then homogeneity of variances/covariances is not an issue, and since SPSS is being used then non-multicollinearity is guarded against as predictors with insufficient tolerance will be automatically excluded (Tabachnick & Fidell, 2012).

The discriminant analysis was performed in two stages on data after removing the organizational life cycle factors and collapsing the eight scenarios into four. The first

stage involved the rating ordinal responses (1= decrease, 2= no change, 3= increase) being the grouping variable. The two independent variables were the macroeconomic environment (either good or poor) and perceived organizational performance (either favourable or unfavourable). If the three groups were of equal size then predicted group membership of 50.0% would be considered meaningful (Burns & Burns, 2008). In other words, predicted group membership of 50% is higher than what could be just due to chance. With three groupings, 33.3% would be considered just due to chance. In the case of ratings, groupings were unequal so predicted group membership had to be calculated (Tabachnick & Fidell, 2012). The result was 50.5% would be considered just due to chance so a significantly higher statistical result would be required. The test of equality of group means resulted in very low F-values for the two discriminant functions produced (*F*[.145], *ns*) and (*F*[.002], *ns*), pointing to very weak discriminant functions. The eigenvalues table resulted in canonical correlations of .035 and .004, meaning that the discriminant functions explain less than 1% of the variability. The Wilkes Lambda of .999 is the converse of the canonical correlation and is interpreted as being the amount of variation not explanied.

After running the discriminant analysis, the fact that the “decrease” group only had two cases resulted in the classification output, in Table 4.16 below.

Table 4.16

Discriminant Analysis – Ratings After Removing Organizational Life Cycle

Classification Results[a,c]

			Predicted Group Membership			
Rating_O			Decrease	No Change	Increase	Total
Original	Count	Decrease	0	2	0	2
		No Change	0	137	0	137
		Increase	0	96	0	96
	%	Decrease	**0.0**	100.0	0.0	100.0
		No Change	0.0	**100.0**	0.0	100.0
		Increase	0.0	100.0	**0.0**	100.0
Cross-validated[b]	Count	Decrease	0	2	0	2
		No Change	0	137	0	137
		Increase	0	96	0	96
	%	Decrease	**0.0**	100.0	0.0	100.0
		No Change	0.0	**100.0**	0.0	100.0
		Increase	0.0	100.0	**0.0**	100.0

a. 58.3% of original grouped cases correctly classified.

b. Cross validation is done only for those cases in the analysis. In cross validation, each case is classified by the functions derived from all cases other than that case.

c. 58.3% of cross-validated grouped cases correctly classified.

The result was that 58.3% of original groups were classified correctly with the same percentage of cross validated grouped cases correctly classified. Cross validation produces a more reliable discriminant function as detailed below.

> "The cross validation is often termed a 'jack knife' classification, in that it sucessively classifies all cases but one to develop a discriminant function and then categorizes the case that was left out. This process is repeated with each case left out in turn. The argument behind it is that one should not use the case you are trying to predict as part of the categorization process" (Burns & Burns, 2008, p. 602).

The diagonals (in bold) are only significant with the "no change" group. It can be concluded that self-assessed ratings (that either increase or decrease) are not good predictors of which experimental condition respondents were assigned. On the other

hand, no-change self-assessed ratings are good predictors to which experimental condition respondents were assigned.

A second discriminant analysis was conducted to predict whether a subject would self-assess their salary increase based on the two predictor variables of (a) the state of the macroeconomic environment, and (b) perceived organizational performance. This was the second stage of the discriminant analysis. As was the case for ratings, salary increase groupings were also unequal. The same process was followed to recalculate meaningful percentages. The test of equality of group means resulted in a low F-value for one of the discriminant functions produced (F[.591], *ns*), and a high F-value for the other (F[4.495], p <.05). This could mean there is some statistical evidence of possibly significant differences between the means of the three groups (decrease, no change, increase) with the macroeconomic independent variable but not for perceived organizational performance. The eigenvalues table resulted in canonical correlations of .200 and .056, meaning that the discriminant functions explain less than 4% of the variability. Again, the wilkes lambda of .957 is the converse of the canonical correlation and is interpreted as being the amount of variation not explanied.

The result was that 41.0% would be considered just due to chance so a significantly higher statistical result would be required. Below, in Table 4.17 is the resulting classification table.

Table 4.17

Discriminant Analysis – Salary Increases After Removing Organizational Life Cycle

Classification Results[a,c]

			Predicted Group Membership			
Salary_O			Decrease	No Change	Increase	Total
Original	Count	Decrease	0	27	7	34
		No Change	0	98	27	125
		Increase	0	51	25	76
	%	Decrease	**0.0**	79.4	20.6	100.0
		No Change	0.0	**78.4**	21.6	100.0
		Increase	0.0	67.1	**32.9**	100.0
Cross-validated[b]	Count	Decrease	0	27	7	34
		No Change	0	98	27	125
		Increase	0	76	0	76
	%	Decrease	**0.0**	79.4	20.6	100.0
		No Change	0.0	**78.4**	21.6	100.0
		Increase	0.0	100.0	**0.0**	100.0

a. 52.3% of original grouped cases correctly classified.

b. Cross validation is done only for those cases in the analysis. In cross validation, each case is classified by the functions derived from all cases other than that case.

c. 41.7% of cross-validated grouped cases correctly classified.

52.3% of original groups were classified correctly, with the 41.7% cross validated grouped cases correctly classified. Although the result includes the "increase" group, it is still well below the threshold required. The diagonals (in bold) are significant under the situation where there is no change in the salary increase only as 78.4% is greater than 61.5% (41.0% x 150%). The diagonals (in bold) are only significant with the "no change" group. As was the case for self-assessed ratings, it can be concluded that self-assessed salary increases (that either increase or decrease) are not good predictors to which experimantal condition respondents were assigned. On the other hand, no-change self-assessed salary increases are good predictors to which experimental condition respondents were assigned.

The results of the discriminant analysis are consistent with the ANOVA results previously presented. As far as ratings, ANOVA results showed no statistically

significant differences. Not unexpected, the discriminant analysis was only effective with the no-change group only. Although ANOVA results for salary increases approached significance, the discriminant analysis had similar results as ratings. Granted, the increase group did show up in the classification table above, but was eliminated once cross validation was performed. Again, having the no change group being effective, but to a lessor degree, is consistent with the ANOVA outcome.

Because the discriminant analysis was only effective with a "no change" group and was poor as far as the two distal factors were concerned, further analysis was required to determine if there were any other interactions that could be at play. This is investigated in the next section.

Post-Hoc Analysis Based on Higher Level Distal Factors

A univariate analysis of variance was performed for both ratings and salary increases to determine whether there were any significant interactions between the higher level distal factors depending on their status, whether taken in isolation, or combined. In many of the original hypotheses as was predicted that, under certain circumstances, the effects of certain distal factors may offset or mitigate the effects of other competing distal factors. A univariate analysis of variance will assist in answering this question as to whether the distal variables had any general or overall effect.

Table 4.18 and Table 4.19 below, show the interactions for each of the distal factors on ratings and salary increases, respectively.

Table 4.18

Univariate Analysis of Variance – Ratings

Tests of Between-Subjects Effects

Dependent Variable: Rating

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	2.828[a]	7	.404	.779	.606
Intercept	4753.807	1	4753.807	9161.097	.000
Scenario_Life	1.344	1	1.344	2.590	**.109**
Scenario_Performance	.066	1	.066	.128	.721
Scenario_Economy	.006	1	.006	.012	.912
Scenario_Life * Scenario_Performance	.004	1	.004	.008	.931
Scenario_Life * Scenario_Economy	1.184	1	1.184	2.282	**.132**
Scenario_Performance * Scenario_Economy	.122	1	.122	.235	.628
Scenario_Life * Scenario_Performance * Scenario_Economy	.011	1	.011	.021	.885
Error	117.793	227	.519		
Total	4929.000	235			
Corrected Total	120.621	234			

a. R Squared = .023 (Adjusted R Squared = -.007)

Table 4.19

Univariate Analysis of Variance – Salary Increases

Tests of Between-Subjects Effects

Dependent Variable: Salary_increase

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	14.154[a]	7	2.022	1.622	.130
Intercept	6352.349	1	6352.349	5094.985	.000
Scenario_Life	.029	1	.029	.023	.880
Scenario_Performance	.052	1	.052	.041	.839
Scenario_Economy	8.624	1	8.624	6.917	**.009**
Scenario_Life * Scenario Performance	2.145	1	2.145	1.721	.191
Scenario_Life * Scenario Economy	2.237	1	2.237	1.795	.182
Scenario_Performance * Scenario_Economy	.419	1	.419	.336	.562
Scenario_Life * Scenario_Performance * Scenario_Economy	.131	1	.131	.105	.746
Error	283.020	227	1.247		
Total	6756.000	235			
Corrected Total	297.174	234			

a. R Squared = .048 (Adjusted R Squared = .018)

No significant variances were noted for self assessed ratings as none of the *p*-values reached levels of statistical significance, although the macroeceonomic environmental condition did show the greatest potential when interacting with the organizational life cycle stage ($F_{1,234} = .2.282$, *ns*). On the other hand, statistical significance was reached for self-assessed salary increases for the macroeconomic environmental condition ($F_{1,234} = .6.917$, $p < .01$). Given the macroeconomic environmental condition seems to be a factor worth considering, it was decided that further post-hoc analysis was worthwhile. Additionally, the fact that there were no interaction effects among the independent variables means that additional analysis of distal factors in isolation could be fruitful and worth investigating.

A similar ANOVA was undertaken but by splitting the scenarios into the three categories of organizational life cycle stage, macroeconomic environmental condition, and perceived organizational performance. That is, the sample of 235 responses has been grouped based on the organizational life cycle (growth verus maturity), again by macroeconomic environmental climate (good verus poor), and finally by perceived organizational performance (favourable versus unfavourable). As such, the 235 responses have been shown three times in these Tables under the distal factor headings to see if the state of the distal factor had a significant impact. Table 4.20 below indicates the relative means, standard deviations, and Fisher's least significant differences between the levels of each distal factor for rating responses. Table 4.21 presents similar results but for salary increase responses.

Table 4.20

Fisher's Least Significant Differences – Ratings by Distal Factor State

Means and Standard Deviations - Employee Self-Assessed Ratings (i)

	Organizational Stage						State of Economy						Perceived Organizational Performance					
	Growth Stage			Maturity Stage			Good Economy			Poor Economy			Fav Performance			Unfav Performance		
	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.
Ratings (ii)	117	4.44	0.636	118	4.61	0.786	122	4.53	0.729	113	4.51	0.709	120	4.50	0.710	115	4.55	0.728
Control Variables:																		
Gender:																		
Male (N=146)	72	4.50	0.628	74	4.54	0.797	73	4.47	0.728	73	4.58	0.705	72	4.44	0.690	74	4.59	0.739
Female (N=89)	45	4.36	0.645	44	4.70	0.765	49	4.63	0.727	40	4.40	0.709	48	4.58	0.739	41	4.46	0.711
Age:																		
36 to 45 years (N=74)	40	4.38	6.280	34	4.35	5.970	39	4.21[a]	0.409	35	4.54[b]	0.741	39	4.38	0.633	35	4.34	0.591
46 to 55 years (N=118)	52	4.42[c]	0.572	66	4.76[d]	0.842	55	4.73	0.781	63	4.51	0.716	55	4.56	0.714	63	4.65	0.786
56 to 65 years (N=33)	21	4.62	0.805	12	4.58	0.793	23	4.61	0.839	10	4.60	0.699	18	4.56	0.856	15	4.67	0.724
Current Employment:																		
Full-time (N=202)	102	4.42[e]	0.604	100	4.62[f]	0.763	103	4.53	0.711	99	4.51	0.676	100	4.45	0.657	102	4.59	0.722
Part-time (N=2)	2	5.00	0.000															
Self-employed (N=28)	12	4.50	0.905	16	4.44	0.892	16	4.44	0.814	12	4.50	1.000	12	4.63	0.957	16	4.25	0.754
Unemployed (N=3)	1	5.00	n/a	2	5.00	1.414												
F/T Experience:																		
11 to 20 years (N=53)	28	4.29	0.600	25	4.36	0.569	22	4.27	0.456	31	4.35	0.661	33	4.33	0.540	20	4.30	0.657
21 to 30 years (N=109)	50	4.46	0.579	59	4.56	0.794	60	4.53	0.724	49	4.49	0.681	52	4.50	0.728	57	4.53	0.684
31 to 40 years (N=66)	35	4.46[g]	0.701	31	4.84[h]	0.860	35	4.60	0.812	31	4.68	0.791	30	4.57	0.817	36	4.69	0.786
> 40 years (N=7)	4	5.25	0.500	3	5.50	1.000	5	5.20	0.837	2	5.00	0.000	5	5.20	0.447	2	5.00	1.414

n = 235

(i) Ratings ranged from 1-7.

Results using Fischer's Least Significant Differences test are indicated with superscripts. Means in the same row with sequential alphabetical superscripts are significantly different at p<.05. Means with no superscripts were not significantly different from any other means.

a,b F = 6.049, p= .016
c,d F = 6.001, p= .016
e,f F = 4.211, p= .041
g,h F = 3.94, p= .051

Table 4.21

Fisher's Least Significant Differences – Salary Increases by Distal Factor State

Means and Standard Deviations - Employee Self-Assessed Merit Pay Increase (i)

	Organizational Stage						State of Economy						Perceived Organizational Performance					
	Growth Stage			Maturity Stage			Good Economy			Poor Economy			Fav Performance			Unfav Performance		
	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.	N	Means	s.d.
Salary Increases (iii)	117	5.22	1.010	118	5.26	1.236	122	5.43[a]	1.135	113	5.04[b]	1.085	120	5.23	1.080	115	5.26	1.178
Control Variables:																		
Gender:																		
Male (N=146)	72	5.14	1.011	74	5.27	1.264	73	5.47[c]	1.081	73	4.95[d]	1.153	72	5.08	1.097	74	5.32	1.183
Female (N=89)	45	5.36	1.004	44	5.25	1.203	49	5.39	1.222	40	5.20	0.939	48	5.44	1.029	41	5.15	1.174
Age:																		
36 to 45 years (N=74)	40	5.10	1.172	34	5.21	1.200	39	5.18	1.097	35	5.11	1.278	39	5.28	1.099	35	5.00	1.260
46 to 55 years (N=118)	52	5.38	0.771	66	5.24	1.313	55	5.65[e]	1.142	63	5.00[f]	0.984	55	5.18	1.056	63	5.41	1.145
56 to 65 years (N=33)	21	5.38	0.921	12	5.67	0.888	23	5.52	0.947	10	5.40	0.843	18	5.56	0.856	15	5.40	0.986
Current Employment:																		
Full-time (N=202)	102	5.19	1.012	100	5.24	1.264	103	5.44[g]	1.160	99	4.98[h]	1.018	100	5.13	1.089	102	5.29	1.191
Part-time (N=2)	2	6.00	0.000															
Self-employed (N=28)	12	5.42	1.084	16	5.31	1.078	16	5.31	1.014	12	5.42	1.165	12	5.63	0.957	16	5.00	1.128
Unemployed (N=3)	1	5.00	n/a	2	6.00	1.414												
F/T Experience:																		
11 to 20 years (N=53)	28	4.89	1.066	25	5.12	1.301	22	5.18	0.958	31	4.87	1.310	33	4.85	1.228	20	5.25	1.070
21 to 30 years (N=109)	50	5.30	1.093	59	5.31	1.235	60	5.50[i]	1.269	49	5.06[j]	0.988	52	5.37	0.971	57	5.25	1.327
31 to 40 years (N=66)	35	5.43	0.739	31	5.26	1.125	35	5.51	0.818	31	5.16	1.036	30	5.27	1.015	36	5.42	0.874
> 40 years (N=7)	4	4.75	1.258	3	5.67	2.309	5	5.20	2.049	2	5.00	0.000	5	6.00	1.000	2	3.00	0.000

n = 235

(i) Salary Increases ranged from 1-9.

Results using Fischer's Least Significant Differences test are indicated with superscripts. Means in the same row with sequential alphabetical superscipts are significantly different at p<.05. Means with no superscripts were not significantly different from any other means.

a,b F = 7.561, p= .006
c,d F = 7.915, p= .006
e,f F = 11.188, p= .001
g,h F = 8.394, p= .004
I,j F = 3.918, p= .05

Graphically, the top-level results are also presented below in Figure 4.8 (for ratings, *n*=235, ratings could range from 1 to 7) and Figure 4.9 (for salary increases, *n*=235, salary increases could range from 1 to 9). After performing ANOVA tests on ratings and salary increases there were no statistically significant results for ratings ($F_{5,704}$ = .625, *ns*) or salary increases ($F_{1,234}$ = 1.508, *ns*)as shown in Tables 4.22 and 4.23, respectively.

Table 4.22

ANOVA for Ratings Based on Distal Factor State

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Growth	117	520	4.444	0.404
Maturity	118	543	4.602	0.618
Good Economy	122	553	4.533	0.532
Poor Economy	113	510	4.513	0.502
Fav Perf	120	540	4.500	0.504
Unfav Perf	115	523	4.548	0.531

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	1.609	5	0.322	0.625	0.681	2.227
Within Groups	360.254	699	0.515			
Total	361.864	704				

Table 4.23

ANOVA for Salary Increases Based on Distal Factor State

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Growth	117	611	5.222	1.019
Maturity	118	621	5.263	1.529
Good Economy	122	663	5.434	1.289
Poor Economy	113	569	5.035	1.177
Fav Perf	120	627	5.225	1.167
Unfav Perf	115	605	5.261	1.387

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	9.513	5	1.903	1.508	0.185	2.227
Within Groups	882.011	699	1.262			
Total	891.523	704				

Figure 4.8

Rating Means Grouped Across Distal Factor Conditions

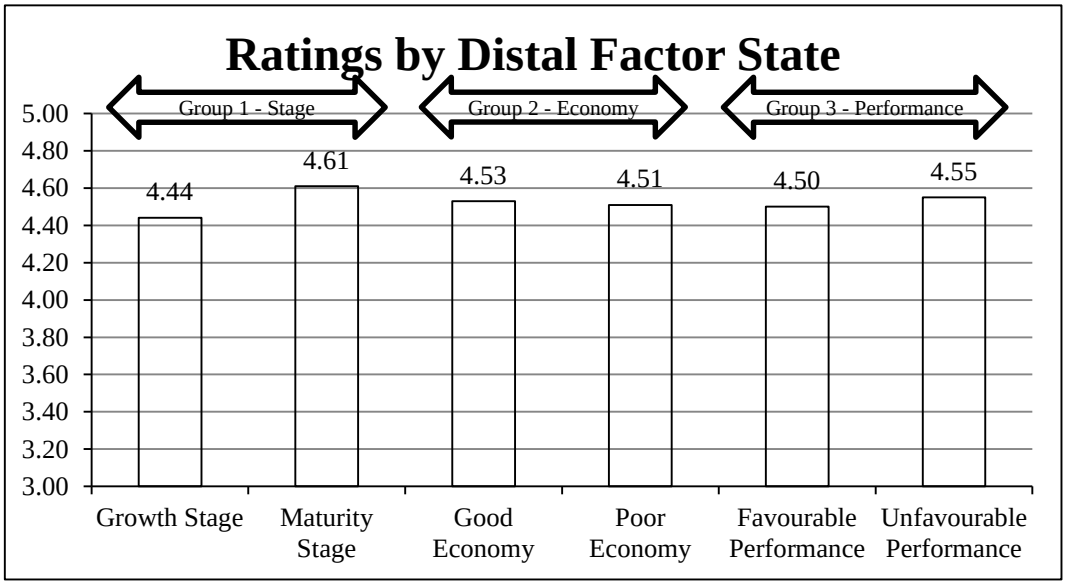
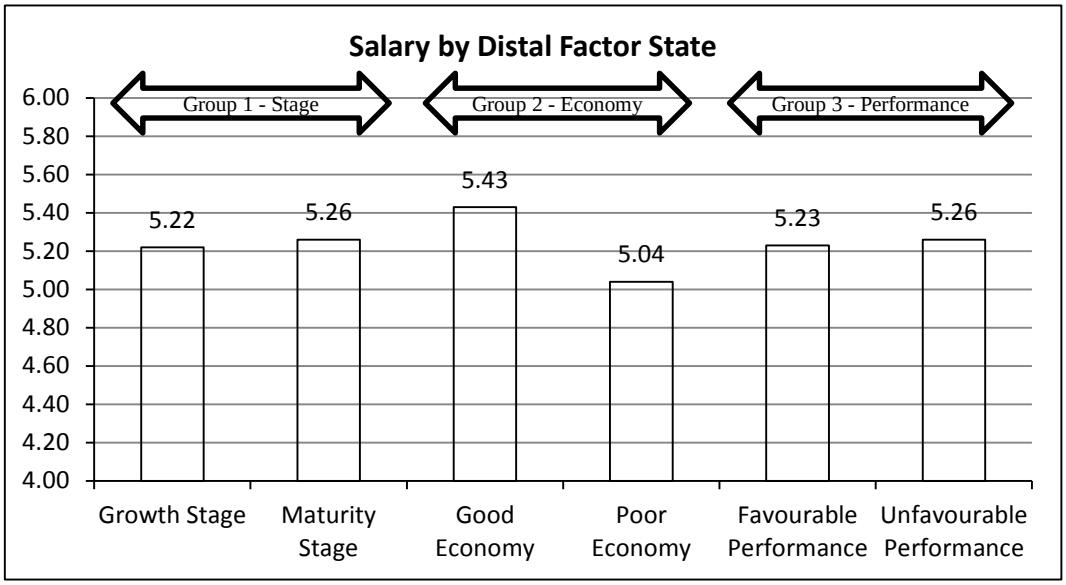


Figure 4.9

Salary Increase Means Grouped Across Distal Factor Conditions.



In reviewing the results of Fisher's LSD test for ratings there were no significant differences at the top level and very few within the control variables. Specifically, when the responses were grouped three times based on distal factor state and compared, no statistically significant difference was noted for overall rating results. Fisher's LSD post hoc tests on salary increases did show that the state of the macroeconomic environment has an impact on self-assessed merit increases. When self-assessing the salary increase they deserve, employees will assess significantly higher salaries when the macroeconomic environment is good versus when it is poor ($F_{1,234}$= 7.561, $p < .01$). These results appear to be largely a result of males ($F_{1,145}$ = 7.915, $p < .01$), specifically in the age range of 46 to 55 years ($F_{1,117}$ = 11.188, $p < .01$).

Post-Hoc Analysis – Manifest Content Analysis of Distal Factor Usage

Table 4.24 below is a result of an analysis of all 235 responses where one or more of the distal factors were noted in their responses (refer to Appendix D for details).

The author was the first reviewer (Rater1) and a PhD student (Rater2) from the University of Waterloo was recruited to be the second coder. Rater2 has taken a qualitative methods course. The nature of the research was explained to Rater2. The author reviewed the comment coding task with Rater2 and he independently coded the responses. Upon completion, the results were compared with the author's. There were 63 cases (approximately 10%) where there were disagreements that were then jointly discussed and re-reviewed. A large portion of these disagreements pertained to whether the inflation rate (as presented in the scenarios) and brought up in many respondents feedback, were related to the economic environmental distal factor. It was agreed that inclusion of the stable inflation rate in all scenario conditions was to help ensure

suggested salary increases only included the merit portion as the inflation rate equaled the prior year salary increase. Overall, agreement was reached on all cases.

Some responses indicated more than one distal factor was present in certain individual responses. Overall, 31% (73 out of 235) of respondents were aware of one or more distal factors and took these into consideration in their qualitative responses. In conditions of perceived unfavourable performance (H2, H4, H6, H8), 47 subjects who noted distal factors had means lower than those of the sample means. When compared to responses that did not mention distal factors, once ANOVAs were run there were no cases with significant differences (refer to the Sig column in Table 4.24 below). Under conditions of perceived favourable performance results were mixed but means tended to be higher (H1, H3, H7), except in one situational condition (H5). Again, no significant differences were noted. Also, the relatively few responses pertaining to the organizational life cycle, further reinforces the finding that this situational manipulation was ineffective.

Table 4.24

Open Comment Field – Manifest Content Analysis

		Total	<--- Responses mentioning distal Factor --->				<-- Salary Increase Response Means -->			
Hypothesis	Scenario	Responses	Org Life Cycle	Economy	Perc Org. Perf.	Total Cases	Mentioned	Not Mentioned	Sig.	Sample Means
H1a, 1b	SgEpPf	30	3	3	9	10	5.50	4.95	0.08	5.13
H2a, 2b	SgEpPu	29	0	4	10	12	4.67	5.41	0.08	5.10
H3a, 3b	SgEgPf	33	1	3	12	13	5.77	5.25	0.15	5.45
H4a, 4b	SgEgPu	25	0	4	4	7	4.57	5.39	0.09	5.16
H5a, 5b	SmEpPf	27	1	2	4	5	4.20	4.95	0.28	4.81
H6a, 6b	SmEpPu	27	0	3	6	8	4.63	5.26	0.12	5.07
H7a, 7b	SmEgPf	30	1	4	5	8	5.75	5.32	0.31	5.43
H8a, 8b	SmEgPu	34	0	8	5	10	5.00	5.88	0.10	5.62
		235	6	31	55	73				

Overall, responses that include mentioning distal factors in the open comment field did result in a greater fluctuation in salary increase means (in some scenarios) when

performing an ANOVA but not to the degree to which statistical significance was reached (all *p*, *ns*).

Regardless, the open comment field did reveal other possible reasons behind the rationale of self-assessed ratings and salary increase decisions. Two of the most repeated factors were tenure (24 times), along with taking an aggressive stance, with the understanding that the performance interview is really a negotiation game (9 times). This will expanded upon in the discussion section that follows.

Chapter 5 – DISCUSSION

The purpose of this research was to determine whether three specific distal factors (organizational life cycle stage, macroeconomic environment, and perceived organizational performance) would have an effect on self-assessed ratings and merit pay increases, given that individual job performance had not changed from the prior year.

Results of this research indicate that the state of the macroeconomic environment significantly influenced self-assessed merit pay increase outcomes. A good macroeconomic environment (as depicted via a low unemployment rate) has resulted in significantly higher self-assessed merit pay increases as compared to an organization in a poor macroeconomic environment. Males in their middle ages (46 to 50 years) appear to be the drivers behind these findings even when perceived organizational performance is poor. This could be a result of older employees consciously (or subconsciously) recalling recessional periods in the economy and how salaries may have been frozen by employers. As such, when the macroeconomic environment is good, this demographic may be more aggressive in their salary expectations even though their specific organization may be going through a challenging time. It could also be due to this demographic focusing more on monetary considerations as planning for future retirement is now on the horizon. This could also be magnified when older employees sense that they are in a clerical position with possibly little chance of advancement due to their age. As such, a more aggressive stance may be taken by these individuals regardless of organizational performance. Asking high but knowing that the settlement will likely be lower may be a risk worth taking. This is somewhat contradictory to a previous study in the EU where it was found that older employees' focus is on intrinsic (autonomy,

personal principles), rather extrinsic rewards such as career progression and material rewards (Inceoglu, Segers, & Bartram, 2012). One import caveat the authors note is that "some of the results might be sample-specific as samples primarily included professionals from the UK and EU countries and may not apply to other populations from more constrained economic situations with less well-designed working conditions" (2012, p. 324). On the other hand, a Portuguese study of private sector firms (spanning 20 years) found that the age-wage profiles declined once workers reached the age of 50-54 (Cardoso, Guimaraes, & Varejao, 2011). As such, workers approaching 50 may be more aggressive in the salary increase expectations.

There were no significant differences when females self-assessed their salary increases when distal factor conditions were grouped. There were significant differences between certain individual scenarios with differences occurring between organizational life cycle stages. Again, since the organizational life cycle stage situational manipulation was ineffective then this could have been just due to chance.

Perceived organizational performance had no significant impact on self-assessed salary increase outcomes.

In this research, the experimental manipulation of the organizational life cycle stage was ineffective as compared to effective manipulations of the macroeconomic environment and perceived organizational performance. This could either mean that the scenario scene did not successfully depict the organizational stage effectively or the organizational life cycle stage was a confounding factor. As such, significant effects involving the organizational life cycle have been touched upon but conclusions cannot be drawn.

Ratings are not impacted by any of the three distal factors investigated in this research. In fact, self-assessed ratings always increased (to varying degrees) regardless of the scenario situation being presented. This could be partly due to self-assessment bias or what is referred to as the "better than average" effect (Brown J. D., 2012; Silvera & Seger, 2004). Since this was not significant then whether this lack of significant fluctuation was just due to chance also cannot be ruled out.

From a hypotheses standpoint, only a few were supported for ratings and salary increases. A summary of hypotheses (and whether they were supported or not) has been re-presented in Table 5.1 below. References in brackets indicate under which comparison scenarios the hypotheses were supported. No brackets indicate that the hypotheses were supported compared to all other scenario condition.

Table 5.1

Scenario Hypotheses Supported / Not Supported

Hypotheses	Organizational Stage	Distal Macro Economic Environment	Perceived Organizational Performance	Employee Self-assessed Ratings	Supported / Not Supported	Employee Self-assessed Pay Raise	Supported?
1a, 1b	Growth	Poor	Favourable	Unchanged	Yes	Unchanged	Yes
2a, 2b	Growth	Poor	Unfavourable	Decrease	No	Decrease	No
3a, 3b	Growth	Good	Favourable	Increase	No	Increase	Yes [5b]
4a, 4b	Growth	Good	Unfavourable	Decrease	No	Decrease	No
5a, 5b	Maturity	Poor	Favourable	Unchanged	Yes	Decrease	Yes[(3b,7b]
6a, 6b	Maturity	Poor	Unfavourable	Unchanged	Yes	Decrease	No
7a, 7b	Maturity	Good	Favourable	Increase	No	Increase	Yes [5b]
8a, 8b	Maturity	Good	Unfavourable	Decrease	No	Decrease	No

As indicated previously, ratings increased (but not significantly) under all scenario conditions. This is somewhat surprising especially considering that individual quantitative performance did not change from the prior year. On the other hand, it has

been extensively researched that ratings will rarely decline unless there are exceptional circumstances (Murphy & Cleveland, 1995). Thus, one conclusion would be that these distal factors are not considered exceptional to warrant a reduction in ratings, regardless of how severely they are presented. As indicated under the situational manipulation efficacy, the organizational life cycle stage appears to be a confounding variable where subjects either did not consider this a deciding factor or were unable to differentiate this as a factor to regard as worthwhile.

Perceived organizational performance, like the organizational life cycle stage, appears to have no effect on salary increases as means were virtually identical in a good macroeconomic environment (higher) regardless of organizational performance. Conversely, in a poor macroeconomic environment the same held true except that salary increases were lower. Research pertaining to perceived organizational performance tends to link this perception to employees' views toward human resource management practices (Delaney & Husalid, 1996) and perceived organizational support; a "general belief that their work organization values their contribution and cares about their well-being" (Rhoades & Eisenberger, 2002, p. 698). Since human resource practices and degree of organizational support were excluded from the scenario scene, this could explain the lack of significance variance in study results.

What is interesting is that the state of the macroeconomic environment took precedence over perceived organizational performance even though responses (in the open comment field of the survey) indicate that subjects were quite aware of the financial condition of the organization. This brings up the question as to whether these factors are not considered or being intentionally ignored because of their possible unfavourable

impact on salary. Since the efficacy of situational manipulation was successful for both the macroeconomic environment and perceived organizational performance distal factors, it is possible that the disregard of bad news could be the deciding factor.

When eliminating the organizational life cycle stage and rerunning the ANOVA for ratings, there were no significant differences. This was further supported when a discriminant analysis was run and only the no change group showed positive results. A similar ANOVA was run for salary increases and even though results were much closer to achieving statistical significance than their rating counterpart, it still fell short. The discriminant analysis supported this as the no change group was, again, the only group to show positive results.

As for reasons why many of the hypotheses were not supported, some explanation is provided by responses in the open comment field. Before doing so, it is important to note that the ineffective situational manipulation of the organizational life cycle stage (as evidenced by the manipulation test results) could have been a major contributor. In addition, the relatively small sample size could have masked the results through higher variability.

But first it is important to investigate whether hypotheses and certain assumptions that some factors would offset others were justified. Since ratings always increased and there was little variance noted between scenario conditions, it can be concluded that distal factors researched in this study had no effect on ratings. As such, only reasons for salary increases will be discussed. The following discussion is a result of a review of comments respondents provided in the open comment field of the survey.

Respondents noted 24 times that tenure was justification for higher salary increases from the prior year, regardless of the organizational age. This was unexpected as the employee was stated as being in the position of order entry clerk for just three years. On the other hand, only a few considered three years in the same position with no improvement in order entry accuracy a pitfall even though company targets had remained unchanged.

A few subjects took an aggressive stance and considered the performance review meeting as a negotiation game. As such, going in with higher salary increases than they expected to actually receive, while understanding that the appraisal interview is where negotiation takes place. This was further supplemented by the fact that this was to be the first performance appraisal with a new supervisor. As such, the philosophy of going in high but agreeing on a lower increase could actually result in a higher increase than originally expected.

Inflation and cost of living allowances were additionally mentioned as justification behind salary increase percentages. The intended inference in the scenario was that meeting expectations and a 3% salary increase were to cover for inflation and any cost of living. Without specifying in the scenario, interpretation was left up to the subject. This interpretation largely resulted in higher increases.

As such, these factors could have led to salary increase suggestions higher than would otherwise be expected.

Implications for Research and Practice

This study will be of interest to the upper echelons of management in organizations that consider their human capital a strategic asset and source of competitive

advantage. Human capital is considered a key strategic resource (Bassie & McMurrer, 2007) for business, so investigating factors that could affect an employee's motivation to perform well has real tangible benefits for executives that are held accountable for organizational performance. This study indicates that the macroeconomic environment takes precedence over perceived organizational performance in the eyes of ratees. As such, depending on management will, in tight organizational cash flow times emphasizing a poor macroeconomic climate (if indeed one exists) in internal communication to employees may be beneficial in preparing employees for future PAs.

The human resource discipline itself would also be interested since PAs are a key responsibility that resides within their departments. The knowledge and insight gained from this research about barriers to effective and accurate PAs can be used to effect change and enhance communication. This research has not only involved distal factors but merit pay. The results of this study do indicate that pay for performance is not well understood, even when subjects were generally well educated and had extensive experience. Merit pay continues to receive a great deal of attention in scholarly literature related to employee satisfaction and distributive justice (McKinney, Mulvaney, & Grodsky, 2013), and to political behaviour in the PA process. For instance, Salimaki and Jamsen (2010) studied the implementation of a merit pay system in three organizations while approaching it from the perspective of the employee. They found that merit pay systems could fail if "employees perceive appraisals are based on favoritism, and pay decisions are based on political agendas" (p. 246). As such, the effects of distal factors and how management could manipulate within a merit pay system would be of great interest.

In addition, this research is a response to a call from academia to determine the strength of the connection between distal and proximal factors within the PA process. Specifically in Murphy and Cleveland (1995), one of the many suggestions in the "directions for future research and practice" includes the following under "levels of context:"

> Distal context variables, by definition, do not affect behaviour directly. What are the intevening variables between distal context and rater and ratee behaviour? What comes between distal factors such as the national economy or the current legal climate and rater/ratee behavior? (p. 407)

There is presently a research void that needed to be investigated to see if practitioners should be aware of and, if so, provide insight into which distal factors matter the most. If particular distal factors are not influential, then being able to remove certain distal factors from further research will be beneficial on its own right for researchers contemplating similar factors for future investigation. This study indicates that the stage in the organizational life cycle is likely the one distal factor that has the least significance of the three of interest pertaining to both ratings and salary increases. The fact that the organizational life cycle manipulation was ineffective means that no conclusions can be drawn that involve the organizational life cycle. It is important that there are further studies that replicate the non-significant results for the organiational life cycle, with an effective experimental manipulation, before anything can be concluded on this distal factor. Perceived organizational performance and the state of the macroeconomic environment have more relevance but related to merit pay increases only. The macroeconomic environment is the one factor with the greatest influence and

the only factor, when salary increase responses were grouped, that showed a statistically significant difference between that of a poor macroeconomic environment versus a good one.

The discriminant analysis showed positive results when salary increases are self-assessed to not change from prior year. The no-change group was a good predictor to which macroeconomic environmental situation and perceived organizational performance situation an individuals belongs.

Limitations and Future Directions

The first, and most significant limitation, is the failure of the experimental manipulation for the organizational life cycle. Analyses of results have been carried out nonetheless, but no firm conclusions can be drawn.

The second limitation is the fact that only traditional one-on-one PA was the subject of this study. As such, generalizability of study results is limited. It is important to note that multi-rater systems have also received considerable attention in the literature. One of the more popular systems is that of 360 degree feedback where ratees "receive anonymous, questionnaire-based feedback from peers, subordinates, supervisors, customers and other co-workers" (Bracken et al, 2001, p. 3). It has been suggested that 360 degree feedback systems should be geared towards developmental needs (Brett & Atwater, 2001) and that there could be significant administration and coordination challenges (Bracken et al, 2001). On the other hand, multi-source feedback systems have been proposed as provoking organizational culture change (Fletcher, 2001) with suggestions that focusing on goal setting and achievement (rather than development) would be new, welcome research territory. As such, future research should investigate

the effects of distal factors within a wider spectrum of PA systems, rather than the traditional one-on-one system that has been largely replaced over the years.

The third limitation is scope related as birth and decline stages of the organizational life cycle have not been investigated.The decision to exclude these stages was in order to result in a manageable number of scenarios. Although both of these stages could be relatively short lived, these stages will, nonetheless, be important to entrepreneurs and organizations facing challenges to their long term survival. The influence of distal factors in these stages would prove to be a fruitful next step, considering that merit pay is a factor and organizations in these stages would likely be more susceptible to the effects of a changing macroeconomic environment and possible internal cash flow restrictions.

Another limitation revolves around exclusion of scenarios depicting stable perceived organizational performance and a stable macroeconomic environment. It has been suggested that when the economy is not clearly in a particular state, there can be greater uncertainty that could affect PAs.

> If the economy is not clearly in a period of inflation, recession, or recovery, this may lead to wide individual differences in perceptions of the munificence of the economic environment (Murphy & Cleveland, 1995, p. 36).

As such, distal factor influence in these unclear and uncertain macroeconomic states should be considered in future research.

Appraisal accuracy and overall employee satisfaction have been closely linked. Employee satisfaction can lead to positive outcomes for organizations through decreased employee voluntary attrition rates and increased organizational commitment (Currivan, 1999; Saari & Judge, 2004). Gaining a better understanding of the broader organizational

context and whether managers take these factors into account when evaluating their employees will be of significant interest within the practitioner community. Future research should replicate this study and possibly include some subjects taking on the role of rater and others as ratee. Of course, replicating this study from the vantage point of the ratee would help determine whether the organizational lify cycle matters or not. This would require a modification to the presentation of the organizational life cycle in the scenario scene, though. Additionally, measuring outcomes such as satisfaction may be another fruitful route as appraisal outcomes have received significantly more research attention (Levy & Williams, 2004) as of late.

Quasi-experimental research is a common methodological choice when building initial hypotheses in relatively new research territory (Alge, 2001; Hovorka-Mead et al, 2002; Jawahar, 2005; Shore & Strauss, 2008). In addition, utilizing current or past MBA students as the sample of study (De Stobbeleir, Ashford et al, 2010; Jawahar, 2005; Kilburn & Cates, 2010) is quite common. Since one downside of quasi-experimental designs is that they tend to be much stronger in internal, rather external validity (Campbell & Stanley, 1973; Kerlinger, 1986; Rosnow & Rosenthal, 2002), future research should be undertaken in actual organizational settings. The social aspect of PA has been shown to be an important factor in PA research. This study has attempted to eliminate this feature through scenario design. In actual organizational settings, how social aspects interact within the distal factor framework needs to be investigated.

Another limitation of note in this study is in relation to subjects taking on the ratee role. Even though their perspective is stipulated as being ratee, it is likely that subjects may incorporate the rater perspective in their responses, given their prior experience.

Within this study, management experience and experience performing appraisals on subordinates were high. This can have its benefits but this can be a double edged sword. This demand characteristic cannot be avoided but is an important caveat when there is role playing and other experiences inevitably enter the decision process, either consciously or subconsciously.

Ratings were also not negatively impacted in any of the scenario conditions, thus, indicating that future research involving distal factors focus on monetary aspects (such as merit pay) rather than ratings.

Replicating this study is suggested with inclusion of a base case. It was presumed that the base case from prior year would suffice but, in hindsight, this additional scenario would have assisted in the statistical analysis. In addition, the assumption that the current year rating and merit pay would have remain unchanged given a status quo state may have been erroneous. Removing the organizational life cycle stage distal factor could also result in a shorter scenario and fewer questions for subjects to answer.

Based on the qualitative feedback requested from subjects as justification behind their rating and salary increase responses, there are some modifications to the scenario situation that could mitigate certain assumptions. A rationale was sometimes provided that was forward oriented or not based on the facts presented. For instance, the following excerpts were taken from comments provided.

"Have demonstrated ability to perform to the expected standards, and plans to be performing even better in the coming year. Also intends to participate in productivity improvement activities to reduce cost, increase efficience, and assist the company in streamlining its' operations"

"My work excels above that of my peers and I am always willing to help others."

"People may not be busy due to changing procedures (better use of technology)."

As such, the scenario could include greater emphasis on the subject to only consider the facts provided in the case and focus on the specific PA being discussed related to the most recent year passed. In addition, stipulating the inflation rate, omitting the negotiation inference in the upcoming PA interview, leaving years of service of the subordinate and supervisor vague, in the scenario are suggested. This would help to alleviate other factors being interpreted by subjects within their rating, salary increase, and justification responses.

Related to the scenario design, blocking subjects from referring back to the scenario situation, was presented as a problem for a few subjects in being able to recollect information. This was intentionally done such that distal factors were not conveyed erroneously as proximal ones. The impetus for this design was to ensure that subjects did not change previous responses if they thought they could give *good* answers more congruent with what they thought were answers that this researcher wanted to see. On the other hand, this restriction could have contributed to the non-significant findings if some responses were based on erroneous memory recollection.

In hindsight, this stipulation may have been too restrictive resulting in some responses provided based on incorrect recollection of information. Future studies should consider removing this restriction as it was a limitation noted by a few subjects.

In addition, situational manipulation questions were placed after subjects had posted responses for ratings and salary increases and, again, the ability to change these responses was removed by scenario design. A replacing of situational manipulation questions to precede the rating and salary increase questions is something worth considering. Also, including traditional manipulation test questions requiring subjects to

quantify the effects on ratings and salary increases would have been helpful. These suggestions may increase the probability of demand characteristics entering responses so future researchers should also take this into account if replicating this study.

Finally, as indicated above, demand characteristics were significantly eliminated almost to the detriment of this study and likely not totally reflective of reality. The state of the macroeconomic environment is generally quite well known and could be used as a "justification tool" in organizational communication. Additionally, organizational performance (although possibly not officially shared with organizational members) could similarly be used in organizational communication to further organizational goals. As such, future studies could take the distal factor conditions from a more proactive approach. That is, possibly stating that employees have been made directly aware of distal factor conditions impacting their organization from recent internal communications. The resulting responses may be markedly different and an interesting contrast to this study.

Chapter 6 – CONCLUSION

In summary, this dissertation research was undertaken due to a combination of scholarly calls, in conjunction with conducting research on factors that can impact employee performance appraisal outcomes. The macroeconomic environment (in both prosperous and recessional times) does appear to have an impact on employee self-assessments of their own merit pay increases regardless of the financial health of the specific organization in which they are employed. No conclusions can be drawn based on the organizational age as the situational manipulation was ineffective. Employees self-assessed performance ratings are not affected by the remaining two distal factors (macroeconomic environment and perceived organizational performance) presented. The significance of these results means that employers should be aware that their own organizational performance may take a back seat to the macroeconomic environment in the minds of their employees when it is time for the employee performance appraisal to take place. As such, employers who keep organizational performance confidential may want to re-evaluate this decision such that employees can consider this when determining what they believe should be their merit pay increase. It is the middle-aged, male employee that will rely on the macroeconomic environment most for cues. Employees will tend to ignore or minimize cues from the macroeconomic environment, if showing signs of recessional times. As such, organizations will also find it beneficial to relay the effects of the greater macroeconomic environment on their business such that employees can make better, well informed decisions regarding personal remuneration. This will assist in the PA discussion that takes place between the employer and employee and may indeed result in assessments that are more aligned with one another.

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Appendix A – Alternative Feedback Systems Benefits and Pitfalls

Method	Benefits	Possible Downfalls
Elimination of appraisal process	➢ Current systems dysfunctional, de-motivating	➢ There are developmental aspects to performance appraisal,
Self appraisal	➢ Individual is *best informed* about his/her effort/behaviour ➢ Employee participation increases likelihood of acceptance and commitment to results	➢ Bias toward over-stating contributions ➢ Gender differences –women tend to rate themselves lower than men[9]
Peer review	➢ Colleagues have good knowledge of each other's behaviour ➢ Found to be a reliable indicator of performance	➢ Competition/friendship may affect ratings ➢ Supervisors lose control ➢ Union concerns ➢ Negative connotation of a disciplinary process with termination as a possible outcome
Upward feedback	➢ Employees can assess leadership abilities of supervisor ➢ Can signal shortcomings that may otherwise go unnoticed ➢ Results in increased teamwork	➢ May provide biased evaluations ➢ Low agreement when comparing self report and upward feedback assessments that is positively correlated with number of subordinates
Assessment centers	➢ Greater validity than traditional method ➢ Decreased probability of biased reviews	➢ Bias can occur in employee selection process for assessment ➢ Since based on management generated standards then leadership *cloning* could result

Adapted from: deLeon & Ewan (1997)

[9] Validity of this statement may not apply today

Appendix B – Example Scenario Situation

Scenario situation provided to ratee subject group for scenario 2

You are an order entry clerk and your manager ("Pat")[10] has indicated that it is time for your annual performance review. You are one of five order entry clerks employed by a manufacturer ("ABC Company") of electronic parts for customers within the automotive, high tech and communications electronic industry[11].

The company is experiencing significant growth within the North American market as global competitors find it difficult to match the level of quality that local customers demand. High quality is considered a key competitive advantage that differentiates ABC Company from both domestic and foreign competition. As such, ABC Company continues to be granted "preferred supplier status" by more and more customers.

Although the company considers itself immune to the economy, you continue to hear reports from popular media that the North American unemployment rate is rising dramatically and that this is expected to continue. The unemployment rate was poor when you started employment with the company but has progressively worsened with the future not appearing to bode well. This feeling is based on current employment information on hand and projections by well known and respected economists.

The company is beyond the early stages of development and is now well within the growth stage.

As such, the influence of the original founder is much less pronounced in the rountine day-to-day operations. You have been told that financial information on company performance used to be common knowledge but, as the company grew, confidentiality of such information became the norm. As an employee, you must largely rely on "what you see and hear" in order to gauge whether the company is doing well or not. Senior managers[12] are quite vocal that business is good, but do not provide any financial detail. Everyone appears busy, employee recruiting is brisk and there are have been no employee layoffs. As such, there are no obvious/apparent concerns regarding the viability of the company. The general sentiment is that times are good and everyone is working hard.

[10] Although gender could play a role, the desire is to attempt to make gender ambiguous. There is a trade-off between presenting a scenario in the "third person" context only and that of using real, albeit fictitious names. The name "Kelly" has been used previously to denote a real person yet leave doubt in the mind of the subject as to actual gender (Shore & Strauss, 2008). In this dissertation, the name "Pat" will be used as this seems even more gender neutral.

[11] This extensive customer base infers that the company is not susceptible to specific industry turbulence

[12] Literature tends to support the belief that perception of organizational performance by upper management is a close approximation to "secondary data" such as experts external to the organization and reports that would be compiled by external agencies (Venkatraman & Ramanujam, 1987)

Your attendance has remained essentially stable year-over-year and your HR file is clean. Performance criteria is primarily judged in relation to order entry error percentage. The company considers 88-92% accuracy to be what a typical employee should achieve. You have consistently achieved a 90% accuracy rating since beginning employment three years ago[13] and the current year under review is no exception. Your manager was hired just after your last performance review was completed by your previous supervisor. The details of the last performance review indicated that your performance "met expectations" and you were given a 3% base salary increase. You were satisfied with last years appraisal. The 3% increase is the mean suggested increase (of a range of 2.0% - 4.0%) for an employee who receives a "meets expectations" performance review. The inflation rate has remained stable over the last year and is not expected to change in the near future. From discussions with peers, you understand that supervisors are given considerable leeway as far as salary increases are concerned with very few suggestions ever questioned or overturned.

You get along well with Pat and are preparing your self-assessment. There are numerous general categories to the employee appraisal form with a seven point scale. The founder considered that the real value of the performance review lies in the subsequent discussion in relation to differences between the employee and supervisor. As such, Pat will also be performing a traditional assessment without input from others in preparation for the upcoming meeting with yourself. In fact, the subsequent performance interview (between the manager and employee) means that differences can be discussed and that both the supervisor and employee could make adjustments before the final appraisal is formalized and submitted for approval by HR. This reconciliation of viewpoints is considered an important part the emerging organizational cultural indentity with "off the record" accounts of supervisor/employee differences commonplace. Nonetheless, debates between manager and supervisor have, historically, been well received by both parties in the past as it is considered integral to building a strong working relationship. In addition, the company stresses confidentiality of these discussions. "What happens in performance interview stays in the performance interview."

Given the above scenario and your previous experience in the role of subordinate, please answer the following questions.

[13] With three years tenure there is likely considerable room for merit pay increases (Gerhart & Trevor, 2008).

Appendix C – The Full Survey

My name is Philip Ferguson and I am a student in the Doctorate in Business Administration program at Athabasca University. As part of the program requirements, I am completing my dissertation and conducting research on employee performance appraisals. The research is from a ratee's self-assessment perspective in relation to performance ratings and merit pay. As part of this research, I am conducting a survey of MBA alumni who have had experience in receiving performance appraisals. My goal is to examine factors that influence the appraisal outcome. You are invited to participate in this study by completing a short questionnaire which will take approximately 15 minutes.

Involvement in this survey is entirely voluntary and there are no known or anticipated risks to your participation. There are very few questions, and those that require a response are denoted by an asterisk (*) to the left of the question. The completion of the questionnaire and its submission are viewed as your consent to participate. If you wish to end your participation at any point prior to completion of the questionnaire, simply close the browser window. Please note that due to the anonymous nature of the questionnaire, the data cannot be withdrawn after the 'DONE' button has been pushed. Please print a copy of this consent form for your records. Benefits of this study include increasing our knowledge of factors that could play a role in the performance appraisal process.

I request that you do not place any personal identifiers on the questionnaire. This will allow me to ensure the confidentiality and anonymity of the responses. All hard copy data will be kept in locked cabinets in my home office. All electronic data will be kept in my password protected computer at my home office. All information and records will be destroyed by confidential shredding. Electronic records will be deleted when all dissertation requirements have been met (approximately by June, 2014).

After all of the data have been analyzed, the existence of the research will be listed in an abstract posted online at the Athabasca University Library's Digital Thesis and Project Room (DTPR) and the final research paper will be publicly available at the DTPR. Upon your request, you will receive an executive summary of the research results. The full research report may be presented in the form of a written report, a conference presentation and/or an article in an academic or professional journal.

Thank you for your consideration of this invitation. If you have any questions or would like more detailed information, please contact me (Philip Ferguson, Philip_Ferguson@dba.athabascau.ca, 117 Boulding Ave, Waterdown, Ontario, L0R 2H3, 905-690-7747). If you have any questions regarding this study, or would like additional information to assist you in reaching a decision about participation, please feel free to contact any one of my research supervisors, Dr. Peter Newsted, Supervisor, Comox,

British Columbia at peter.newsted@mba.athabascau.ca , or Dr. Kay Devine, Supervisor, Centre for Innovative Management, Athabasca University kay.devine@mba.athabascau.ca.

This study has been reviewed by the Athabasca University Research Ethics Board. Should you have any comments or concerns resulting from your treatment as a participant in this study, please contact the Office of Research Ethics at 780-675-6718 or by e-mail to rebsec@athabascau.ca .

Yours truly,

Philip Ferguson

Survey Monkey will be used to host the survey. We are aware that Survey Monkey is hosted in the United States, which may give rise to some concerns. These concerns arise because of the perceived privacy risk as a result of the enactment of the Patriot Act after the 9/11 terrorist attacks. This act permits certain U.S. government officials to obtain access to personal information stored on computers in the U.S. Although extensive safeguards are in place to ensure participant anonymity, complete anonymity cannot be guaranteed because the survey will be completed online. We know of no problems with the use of Survey Monkey to date, and all data acquired via Survey Monkey will be accessible only to myself. No participant will be allowed access to any other participant's responses. Additionally, no personally identifiable data will be collected, and all responses will be aggregated.

*** 1. By clicking "BEGIN THE SURVEY" you agree to the terms above**

- ○ BEGIN THE SURVEY
- ○ I DO NOT WISH TO PARTICIPATE IN THE SURVEY

Thank you for agreeing to participate in this survey.

The following questions are for collecting demographic information only

*** 2. What is your age?**

- ○ 25 years of age or younger
- ○ 26 to 35 years old
- ○ 36 to 45 years old
- ○ 46 to 55 years old
- ○ 56 to 65 years old
- ○ Greater than 65 years old

*** 3. What is your gender?**

- ○ Female
- ○ Male

*** 4. What is your current employment status?**

- ○ Employed full-time
- ○ Employed part-time
- ○ Self-Employed
- ○ Unemployed

*** 5. Please indicate the cumulative number of years of full-time employment experience.**

- ○ 10 years or less
- ○ 11 to 20 years
- ○ 21 to 30 years
- ○ 31 to 40 years
- ○ Greater than 40 years

*** 6. Please indicate the cumulative number of years supervisory experience you have had that included conducting performance appraisals of subordinates.**

- ○ None
- ○ 5 years or less
- ○ 6 to 10 years
- ○ 11 to 15 years
- ○ 16 to 20 years
- ○ Greater than 20 years

*** 7. Please indicate what industry sector most closely resembles your current employment.**

- Manufacturing
- Service
- Distribution
- Retail
- Agriculture/forestry
- Government
- Healthcare
- Education
- Other not-for-profit
- Other

Integral to this survey is full understanding of the scenario situation. There are only a few questions that follow so please take some time to read (and re-read) the scenario. Please note that you will not be able to return to the scenario once you have clicked 'next' at the bottom of this screen. The scenario is one page long.

Scenario -

You are an order entry clerk and your manager ("Pat") has indicated that it is time for your annual performance review. You are one of five order entry clerks employed by a manufacturer ("ABC Company") of electronic parts for customers within the automotive, high tech and communications electronic industry.

The company has been in existence for many years and considers its high quality a key competitive advantage that differentiates ABC Company from both domestic and foreign competition.

The company is beyond the growth stages of development and is now well within its maturity stage.

The influence of the original founder has all but disappeared as evidenced by no involvement in the routine day-to-day operations. You have been told that financial information on company performance used to be common knowledge but, as the company grew, confidentiality of such information became the norm. As an employee, you must largely rely on "what you see and hear" in order to gauge whether the company is doing well or not. Senior managers are quite vocal that business is good, but do not provide any financial detail. Everyone appears busy, employee recruiting is brisk and there have been no employee layoffs. As such, there are no obvious/apparent concerns regarding the viability of the company. The general sentiment is that times are good and everyone is working hard.

You continue to hear reports from popular media that the North American unemployment rate is falling dramatically and that this is expected to continue. This is based on current employment information on hand and projections by well known and respected economists. The unemployment rate was much higher when you started working for the company.

Your attendance has remained essentially stable year-over-year and your HR file is clean. Performance criteria are primarily judged in relation to order entry error percentage. The company considers 88-92% accuracy to be what a typical employee should achieve. You have consistently achieved a 90% accuracy rating since beginning employment three years ago and the current year under review is no exception. Your manager was hired just after your last performance review was completed by your previous supervisor. The details of the last performance review indicated that your performance "met expectations" and you were given a 3% base salary increase. You were satisfied with last year's appraisal. The 3% increase is the mean suggested increase (of a range of 2.0% - 4.0%) for an employee who receives a "meets expectations" performance review. The

inflation rate has remained stable over the last year and is not expected to change in the near future. From discussions with peers, you understand that supervisors are given considerable leeway as far as salary increases are concerned with very few suggestions ever questioned or overturned.

You get along well with Pat and are preparing your self-assessment. There are numerous general categories to the employee appraisal form with a seven point scale. The founder considered that the real value of the performance review lies in the subsequent discussion in relation to differences between the employee and supervisor. As such, Pat will also be performing a traditional assessment without input from others in preparation for the upcoming meeting with yourself. In fact, the subsequent performance interview (between the manager and employee) means that differences can be discussed and that both the supervisor and employee could make adjustments before the final appraisal is formalized and submitted for approval by HR. This reconciliation of viewpoints is considered an important part of the emerging organizational cultural identity with "off the record" accounts of supervisor/employee differences commonplace. Nonetheless, debates between manager and supervisor have, historically, been well received by both parties in the past as it is considered integral to building a strong working relationship. In addition, the company stresses confidentiality of these discussions. "What happens in performance interview stays in the performance interview."

Given the above scenario and your previous experience in the role of subordinate, please answer the following questions

*** 8. Indicate what you would recommend to Pat for yourself as far as a performance rating on the scale below based on the information provided above.**

- ○ Well Below Expectations
- ○ Below Expectations
- ○ Slightly Below Expectations
- ○ Meets Expectations
- ○ Slightly Exceeds Expectations
- ○ Exceeds Expectations
- ○ Significantly Exceeds Expectations

*** 9. Indicate what you would recommend to Pat for yourself as far as a base salary increase on the scale below based on the information provided above**

- ○ 1.0% or less
- ○ 1.5%
- ○ 2.0%
- ○ 2.5%
- ○ 3.0%
- ○ 3.5%
- ○ 4.0%
- ○ 4.5%
- ○ 5.0% or greater

*** 10. In a paragraph or two, please provide rationale and justification behind the suggested rating and percentage salary increase as this will be the basis for communicating results in the performance appraisal interview. Comments here are what you expect to convey to Pat at the performance appraisal interview so please be as specific as possible.**

When responding, please DO NOT provide any personally identifiable information.

Age of ABC Company

*** 11. To what extent do you think that your self-assessment RATING was HELPED by how long ABC Company has been in existence?**

Was not Helped at all — **Somewhat Helped** — **Was helped a great deal**

*** 12. To what extent do you think that your self-assessment RATING was HURT by how long ABC Company has been in existence?**

Was not Hurt at all — **Somewhat Hurt** — **Was hurt a great deal**

*** 13. To what extent do you think that your self-assessment SALARY CHANGE was HELPED by how long ABC Company has been in existence?**

Was not Helped at all — **Somewhat Helped** — **Was helped a great deal**

*** 14. To what extent do you think that your self-assessment SALARY CHANGE was HURT by how long ABC Company has been in existence?**

Was not Hurt at all — **Somewhat Hurt** — **Was hurt a great deal**

State of the economy

*** 15. To what extent do you think that your self-assessment RATING was HELPED by the state of the economy?**

Was not Helped at all — **Somewhat Helped** — **Was helped a great deal**

*** 16. To what extent do you think that your self-assessment RATING was HURT by the state of the economy?**

Was not Hurt at all — **Somewhat Hurt** — **Was hurt a great deal**

*** 17. To what extent do you think that your self-assessment SALARY CHANGE was HELPED by the state of the economy?**

Was not Helped at all — **Somewhat Helped** — **Was helped a great deal**

*** 18. To what extent do you think that your self-assessment SALARY CHANGE was HURT by the state of the economy?**

Was not Hurt at all — **Somewhat Hurt** — **Was hurt a great deal**

Organizational Performance

*** 19. To what extent do you think that your self-assessment RATING was HELPED by your perception of the operational performance of the company?**

Was not Helped at all — **Somewhat Helped** — **Was helped a great deal**

*** 20. To what extent do you think that your self-assessment RATING was HURT by your perception of the operational performance of the company?**

Was not Hurt at all — **Somewhat Hurt** — **Was hurt a great deal**

*** 21. To what extent do you think that your self-assessment SALARY CHANGE was HELPED by your perception of the operational performance of the company?**

Was not Helped at all — **Somewhat Helped** — **Was helped a great deal**

*** 22. To what extent do you think that your self-assessment SALARY CHANGE was HURT by your perception of the operational performance of the company?**

Was not Hurt at all — **Somewhat Hurt** — **Was hurt a great deal**

Thank you for participating in this survey. Please click "DONE" to submit.

Appendix D – Qualitative Responses in Open Comment Field of Survey

Case	Rating	Salary	Growth Stage - Poor Economy - Fav. Perceived Organizational Performance (H1a, 1b) Open Comment Section	Were distal factors mentioned? Org Life Cycle	Economy	Org Perf.	Other Reasons?
111	5	5	**The profitability of the company is irrelevant**. In return for the pay cheque they write they expect the employee to perform X and behave Y. In this case the employee is doing exactly what they have asked. The salary increase percentage range exists in recognition that employees who perform better or worse than X and/or Y should be rewarded accordingly.	No	No	Yes	
124	4	5	Performance at 90% is in the range of the company established standards of meeting expections, not exceeding expectations. Salary increase of 3 per cent is mid point of the 2-4 % range	No	No	No	
128	5	6	Meeting expectation stops being a norm and becomes a premium at the workplace. As a full time employee with the exceptional performance record i expect to be judged as an employee, who requires a higher than average increase The question is winding and leading. I suggest you make it more to the point	No	No	No	Problem with scenario
136	5	6	consistently maintained above average performance; continued to exceed standards in accuracy have demonstrated ability to sustain performance, tenure with the company, looking for financial recognition that takes these factors into consideration	No	No	No	Tenure
149	5	5	I would first thank Pat for her contributions and dedication that has helped in the company secure a **heightened market share**. I would also engage in a conversation as to why Pat's quality score has remained static at 90% over her three year tenure with ABC. This does meet expectations but an 88-92% quality must be improved with experience.	Yes	No	No	Tenure
152	4	5	With expectations set a 88 - 92% I fall right in the middle of meeting expectations which should be considered a good thing. A suggestion of 3% salary increase is based primarily on the fact that this would be consistent with the previous years increase. Anything less than 3% would feel like I had taken a step back.	No	No	No	
160	4	3	The salary increase is in alignment with the rate of inflation.	No	No	No	Inflation
172	4	5	**In the absence of hard financial data, the business appears to be on a stable growth trajectory.** Personal performance is also stable. These factors indicate that an appraisal result similar to last year is appropriate.	Yes	No	Yes	
173	4	5	I am working within the acceptable range for data accuracy and overall I do not have any HR issues so I am a steady but not high achieving employee. As such the 3% increase is in line with my performance.	No	No	No	
174	5	5	performance continues to "meet expectations" with regards to established quality criteria - Another year of direct experience in the current position making me a more valuable asset to ABC - Last year's increase of 3.0% should be expected as this year's performance is comparable to last year's and there are have been **no indications that ABC's is facing any financial constraints** - No issues or concerns with my performance were brought to my attention through the course of this year's appraisal period	No	No	Yes	Tenure
176	6	7	Performance is above expected output and is consistently maintained between appraisals. Feedback is postive - **organization is doing well** - as a solid and consistent employee should be recognized for contributions. % increase is within the supervisor range and is not grossly over previous salary increase.	No	No	Yes	
194	5	5	Given the information provided to the employees Pat is meeting and going a bit above the standard. At no time have they given stretch goals to try and improve preformance, I do see problems comming in the future as there is no real communication taking place the void will soon be **filled with rumors and if the economy continues to drop this will effect plant morale and output.**	No	Yes	Yes	
195	4	5	Based on available data for comparison, this is where I place myself within the distribution. I would like a fair application of the salary policy, and this seems to be fair quantitatively. I would like the results of my appraisal documented, so both me and the organization can refer to them later, if required.	No	No	No	
198	4	5	My performance the last three years has been consistent and I am in the middle of the range for target errors and have been the past three years. Given a salary increase range of 2 - 4% I should therefore receive a mid range increase, suggesting 3%.	No	No	No	
224	4	5	My performance and accuracy are continuing as they have in the past when I was awarded similar meets expectations status and received a 3% increase. So this would be the minimum acceptable now. The factors that have remained constant include my work responsibilities and outcomes and inflation. **It does appear though that unemployment increase might make me worry about job security. So I would not push too hard for a larger increase. My job security depends on the companies continued growth and success.**	No	Yes	Yes	
231	5	5	Quality is key and I have exceeded average quality but still have room to improve.	No	No	No	
237	4	5	Performance aligns with expectations on accuracy and merit increase aligns with or slightly better than inflation. I would comment on Pat's alignment to the expectations and congratulate on the success. I would explain going forward what would be required to exceed expectations and the benefits available to Pat for exceeding expectations. I would also want Pat to understand **the value provided the organization and how the value makes the organization competitive in the current operating environment**.	No	Yes	Yes	Inflation
248	4	5	I'm meeting the basic standard of my job. I've done nothing to suggestion that I deserve an above average increase. i.e. rating is still in the range. no process improvements and/or exceptional work performed	No	No	No	
259	5	5	Based on the information provided it is clear that I am performing at the mean or slightly above. Going in with on target or a little better would show my confidence but also would allow room for upward negotiation and allow the supervisor to raise some scores. Going in too high and unrealistic level will often create potential conflict situation and not improve the final result. One also has to gage your short term salary increase against long term trust and credibility issue.	No	No	No	Negotiation game
266	4	5	This employee is consistently meeting the expectations set within a range. Nothing more, nothing less. She could not expect to receive a greater salary increase than in the past-- nothing has changed. Unless the company changed the error rate range then they cannot indicate this employee is below expectations. I think Pat needs to tell this employee how they can get to the next level if she wants to increase her performance rating and salary increase. Keep doing the same thing, you get the same result.	No	No	No	

267	4	7	Rating from previous year, given accuracy level (90%), was "meets expectations" and salary increase was 3%. Employee has continued to "meet expectations" surrounding accuracy aspect of the job - critical for the clientele they serve. **Company is in a growth phase**, with potentially greater demand on seasoned staff (i.e., workload, training or mentoring new hires) and the employee has been a consistent performer. Norm for salary increases are within a range, up to 4%. While COLA has not changed significantly, employee has shown they are performing consistently and with increased demands, and should be able to expect an increased salary, **given also how well the company is apparently performing** and within the acceptable range.	Yes	No	Yes	Greater demands on staff
291	5	5	Pat appears to be a good employee. He comes to work, performs his job, is 'above' meeting expectations, (90 % compared to the allowable 88%) and has been continously employed for a good period of time. It does seem like Pat 'cares' as he year after year has made requirements and it appears as though he does his job and is of little need for supervision.	No	No	No	Tenure
294	5	6	Seniority, previous and recognized experience and performance continued, personal assessment of "fair" compensation for this work.	No	No	No	Tenure
295	4	5	Pat is performing within the expected range - at the higher end - and should rate him/herself as such and expect an increase in line with that performance.	No	No	No	
300	5	6	Have a long history with the company and may work is very accurate and reliable. I have knowledge and experience and have been part of **the company's success** and would like to participate in it.	No	No	Yes	Tenure
305	4	5	The employee meets the quality standards set by the company and in fact, is right in the middle of the acceptable accuracy range. Therefore without more information, this worker is meeting job expectations but not consistently above average. I would let Pat know my accomplishments,and would asked to be assesssed at a middle rate (3%) because of work performance.	No	No	No	
310	5	5	Assuming Pat has been with the company for awhile, the discussion whould try to identify factors that whould contribute to a higher or lower performance rating. For example, what is Pat doing to improve his performance over past years. What other contributions other than work performance has Pat made to the company. Has Pat set any goals and objectives to improve his performance and what are the achievemnet factors for the goals and objectives. What does Pat think he could do to improve his performance. Has Pat contributed to company social projects? Has he made suggestions that improved the activities of the firm? Does Pat have any expectations as to his future with the company icluding any promotional oportunities? Pat appears to be in the high end of "meets expectations". For negotiating purposes, the raise discussion would start at the slightly above the mid rating scale. This would change based on any contibuting factor that would be identified during the performance interview.	No	No	No	Many - Negotiation
312	4	5	The employee has been a consistently reliable employee in regards to the error ratio in the order picking. He has not exceeded the ratio by any material amount - just maintained the company guidelines for expectations. Attendance has been normal. Based on the these two indicators and with the forecast of inflation, a raise of 3% is fair.	No	No	No	Inflation
315	4	5	I achieved a 90% rate of accuracy which falls within the range expected of employees. I am asking for a 3% salary increase, as it is what I received last year. My attendance has been satisfactory, and I feel a 3% increase is a reasonable expectation.	No	No	No	
321	4	3	Pat year over year has met the expectation, but after so many years in a raw (three years) this is not enough to justify salary increase higher than inflation rate.	No	No	No	Tenure - Should be improving
30 Count	4.47 Rating Mean	5.13 Salary Mean		Count of Yes =	3	3	9	
				Count of No =	27	27	21	

Case	Rating	Salary	Growth Stage - Poor Economy - Unfav. Perceived Organizational Performance (H2a, 2b) Open Comment Section	Were distal factors mentioned? Org Life Cycle	Economy	Org Perf.	Other Reasons?
101	4	5	Évaluation must be aligned on objectives and increases on rules. Objectivity is key.	No	No	No	
102	6	3	A 2% increase is a standard increase. Even if Pat was the best employee, **in today's market a 5% or greater increase is simply not done for whatever reason.** If Pat creates a program that results in a significant improvement then the employee is in a position for a promotion or advancement. That advancement will be where the base salary increase will be.	No	Yes	No	
103	4	6	Pat is a long term valuable employee who is well liked by meme era of their team.	No	No	No	Tenure
108	5	5	Performance versus last year remained stable. Error ratio fell within in the norms or slightly less. Work attendance and performance mets expectation.	No	No	No	
120	6	7	Based on the scenario, I would go in reasonably high and have Pat negotiate me down, expecting that he will come in with another meets expectation or meets or slightly exceeds. I would have to have a couple of specific examples to justify my rationale. **Without specific information on company results or the overall economic situation it would be better to try to get the highest increase possible.**	No	Yes	Yes	Negotiation/ Need Specifics on Economy and Org Perf.
125	4	5	I was given a target for my performance objectives and I met that target. I would, as an employee meeting expectation, expect a "fair" compensation as a result.	No	No	No	
132	5	6	I am slightly above the expectation at 90% accuracy and am consistent with that	No	No	No	
141	4	5	**There are rumors about the business, but no real information about it being less than great.** Some of the signs - people having slack time, comments by mgrs, no new hires suggest that something is a little off - more people than necessary could be indicative of fewer orders or could be indicative of having ramped up to satisfy rapid growth. No information about changes in the approach toward determining pay or in the performance expecations. Given the history - I think status quo on pay increase percntages and the performance rating I can expect would be same as before so have indicated that.	No	No	Yes	Rumours
148	5	6	Attendance is excellent, and perfromance is above 88%.	No	No	No	
158	5	5	Performance is similar to last year. **One reason why the 3.5% was not selected is because of potential down turn in the business.**	No	No	Yes	
163	4	5	I have been a consistent performer and have met performance requirements for my role on an ongoing basis. I keep striving for improvement and I feel I can continue to contribute at a high level.	No	No	No	
166	4	5	Where I have always worked, the "meets expectations" is considered to be the norm. So the 90% is what the employee should be achieving (88%-92%) and is not considered to be exceeding expectations or meriting extra reward. I would not give the high end (4%) of the pay raise as Pat is not at the high end of accuracy and I would explain that there is therefore room for a higher percentage if Pat's targets become higher. While a higher percentage might improve morale, it sets the bar too high if Pat is unable to maintain that figure. I also would not go lower (i.e. 2%) from the year before unless I had a directive and financial information to back it up, ensuring the employee knows it is not based on performance. Would be good to have more details in terms of what others are getting in the unit or if it is a union environment etc., as it is also not good to pit one employee against another. While it is supposed to stay confidential I doubt that pay raises (or lack of same) truly remain private, especially if employees are disgruntled.	No	No	No	
167	4	4	As an employee of said company I consider myself a valuable asset to the organization. **I recognize that financially we are in difficult economic times** resulting in many large projects to be completed this year being postponed or eliminated entirely. With that said my value proposition shifts to reliability and customer focus sustainability. In these times employees such as myself need to be counted to complete all assignments on time and within the cost and timing expectations of the organization, which I have done. (I would provide specific examples). I consider myself to be a team player and with my tenure be counted on to drive improvement projects which will once completed reduce cost, improve processes and **ensure our long term sustainability**.	No	Yes	Yes	Tenure
207	5	2	performance rating is based on data entry accuracy being at the mid-point of the acceptable range as indicated by the company. Rating of slightly above satisfactory is due to being a steady employee with a history of accuracy, no HR issues and a good attendance record. **The 1.5% base salary increase reflects the general economic conditions**, satisfactory performance rating and the general knowledge nature of the position.	No	Yes	No	
208	4	5	Based upon the scenario provided as I recall it personal performance was middle of the acceptable range. It was not superior so "met expectations" is appropriate. Assuming inflation has not changed and **no further confirmed information on company performance I would assume a similar increase**. However my ratings and comments would normally be based upon my self-assessment of my performance vs those of my peers. If I understood the 3% increase or salary increase budget to be a pooled fund and I saw my peers as being producing inferior results or not applying themselves to the same extent as myself, I would increase my quantitiative ranking by increasing my recommended salary increase to greater than 3% with the expectation that they would we allocated less than 3%. I could not however honestly increase my qualitative assessment as the metrics seem clear. Please note, I find the scenario and the methodology of year end performances somewhat underdeveloped and as a theoretical exercise am not sure what you are trying to investigate - self assessment based upon age demographics or ? We use a similar difference process in our formal appraisal process but assessments for annual salary increases are based upon multiple competencies of which a number have no clear cut objective measures. Most are subjective hence the discussion about perceived performance from both leader and subordinate. The more objective measures are generally linked to pay for performance or incentive payout calculations.	No	No	Yes	Problem with scenario

245	4	5	As an employee, my performance objective should be to meet some form of measurable result. In this case, I have achieved the required level of quality by not exceeded it. I have therefore met expectations. If I had achieved a quality percentage of 92% then I would be at the higher end of required performance and if more than 92% then I would have exceeded expectations. In the same vane, since my performance was not better than expected, but not at the low end of the scale I would determine my % merit increase to be somewhere in the middle of the band. 4% should be reserved for those exceeding expectations or for those who are below their median salary. I would tell Pat that due to my consistent level of performance I believe I should be recommended for a 3% merit increase.	No	No	No	
249	6	7	Expectations for non error shipments exceeded therefore expect top of increase scale. No formal indication to expect anything different other than rumors.	No	No	No	Just Rumours
250	4	4	**Based on the status of the industry**, the perceived hiring hold and employees with spare time, employees should be finding work to keep busy. Performance is kept to standard therefore to ask for more than a cost of living increase without exceptional performance (above and beyond was not mentioned) would be out of line. A 2.5% increase may be too high based on the situation provided.	No	No	Yes	
269	4	5	I am interested in contributing to the success of the company, and would like to discuss the overall performance of our company. What is our position in the market, and what are our challenges and opportunities for next year. Is there any interest in the company to look at our performance matrix to see how we can contribute more directly to the overall success. Based on my current objectives, and the fact that my performance is appraised based on error rates,I have again achieved a 90% accuracy rate which is consistent with my previous years performance and a Meets Expectations rating. As a result, I would expect my base salary increase to reflect this rating.	No	No	No	But would like to discuss performance of company
273	5	7	Well there are strict metrics regarding on the job performance which this employee meets. However, there is more to evaluating performance on the job. Effort, i.e. on time, puts in the extra effort, leadership with their peers, a positive attitude. This person demonstrates stability and consistent performance which (or I) is crucial in meeting the clients expectations. Reliability is a strength. That delivers results to the client. There is more to evaluating performance than the hard numbers, and I am an excellent employee!	No	No	No	Aggressive stance
276	4	5	my performance has not changed since last year, when I received a "meets expectations" review and a corresponding 3% increase. -**while my hunch is that the compnay's financial performance may be weaker than last year, I have no real data to support that**. So I would be inclined to recommend same thing as last year, and be prepared to negotiate if necessary based on Pat's response.	No	No	Yes	Need hard facts on company performance / Negotiation
277	5	3	Above average preformance, steady and consistent employee, leads the way for the company based on preformance	No	No	No	
278	5	6	just above the mean	No	No	No	
281	3	6	**Would justify giving a clearer general financial picture of the company and promise to reevaluate later as the company improves** because she is a good employee with excellent perfomance but they are paying what the comapany can afford.	No	No	Yes	
282	4	5	Appeared that there was no increase in productivity from previous year - inflation was holding study and while **management appears to be signaling a slow down** - external indicators appear study. As a result I would go into the meeting outlining what I believe to be a reasonable rating and salary position. I have found in my experience that this approach servers me better in the long rather than pushing the rating and salary higher and seeing if management agrees. Which then leads to a conversation as to why they don't agree and turns the review into a negative experience.	No	No	Yes	
292	4	5	Test	No	No	No	
314	4	5	My work performance over the past year has remained consistent with the previous year. I continue to meet expectations for performance metrics. Given that the average yearly increase is 3%, and that is what the increase was for the previous evaluation period, I believe this is fair and reasonable increase. **I understand that the company is in a stable but profitable position during this current year**. In order to continue to increase our growth I believe that the company should continue to reward employees for retention purposes.	No	No	Yes	Retention purposes
316	6	5	In keeping with good performance over the past 3 years, I have requested 3%.	No	No	No	
336	5	6	His accuracy rate is above average	No	No	No	
29 Count	4.55 Rating Mean	5.10 Salary Mean		Count of Yes =	0	4	10
				Count of No =	29	25	19

Case	Rating	Salary	Growth Stage - Good Economy - Fav. Perceived Organizational Performance (H3a, 3b) Open Comment Section	Were distal factors mentioned? Org Life Cycle	Economy	Org Perf.	Other Reasons?
115	4	5	The information provided portrys the employee as satisfactory, but not stellar. All employees are expected to attend work regulalry and to achieve an error free rate of approximately 90%. That is what is occurring, hence the "meets expectations" rating.	No	No	No	
118	4	6	In light of my continued solid work, tenure with the company and expected COLA consideration, 3.5% seems very reasonable.	No	No	No	COLA / Tenure
119	4	5	this periods performance is in alignment with past years performance in that it is in the acceptable range of 88-92%. not the highest or lowest, nor does it exceed expectations. the base salary range is 2-4% and 3% is in the middle, so thus represents a reasonable increase. inflation is stable so there should be no reason to not get a base salary increase that is at mid range.	No	No	No	Inflation
122	4	5	I have consistently sustained a 90% performance which is high and will continue to strive to sustain and/or do better.	No	No	No	
129	4	5	It's challenging to answer this without the benefit of reviewing the information previously provided. Nevertheless, I recall the accuracy percentage was 90%, which was within the acceptable range. Inflation isn't a factor. I don't recall reading any other information that would warrant a higher lower salary change.	No	No	No	Case Recollection Issue, Inflation
130	4	5	No 360 peer review. Expect to defend position to manager. Manager has little personal history with me so will be biased only by hr history. History has not changed. No indication of goals and objectives from previous years set or achieved. No bonus scheme objectives set or achieved. Proficiency criteria high but not exceptional. No clear improvement in performance over time.	No	No	No	360 Peer Review
142	4	5	Consistant at top end of expected performance Experienced on position requirements get along well within group **Interested in performance of company**	No	No	Yes	
153	4	4	Performance expectations were met with the input accuracy falling within the targeted range. Carrying appropriate work load and require little supervision. **Economy is a little slower and this has impacted wage expectations.**	No	Yes	No	
156	4	5	You continue to perform within expectations achieving benchmark ranges as extablished by the organization but you do not exceed them. You are relibale and consistent and can be counted on to achieve expectations.	No	No	No	
164	5	6	**Perception is that company is doing well so there is no need to worry that the role(s) are not needed nor are they going away anytime soon.** You have been doing a good job and the group along with the company continue to maintain a high standard with clients. There is not much information on the way an employee is evaluated so I would say this is a safe rcommendation.	No	No	Yes	
169	4	7	I've consistently met the expectations of the company in terms of accuracy. The range of 2-4% is for an employee who meets expectations. I am a competent worker with good attendance record. I feel that a pay increase of 4% is justified.	No	No	No	
171	5	7	I have consistnely performed above average and this year is no exception. I am one of the more senior order entry clerks and as a result, am able to help mentor the new hires. I feel I am valuable to the organization and look forward to being part of the **organization's success.** I feel my rating should reflect my above average performanace and comittment as should my merit based increase. I received 3% last year and feel 4% is a reasonable expectation this year.	No	No	Yes	
178	4	4	Pat would seem to be a solid contributor to the business and reliable in expectations. The reasoning for an increase of 2.5%, versus 3% (if average), is the fact that it would be expected that Pat be at the upper threshold of achiving 92% or better success within his job, being in the role for 3 years. This metric has been considered the cornerstone of his position. 3 years within a role should also indicate that the individual should be ready from promotion or taking on of different duties to expand Pat's scope and depth of work and knowledge of the business.	No	No	No	Tenure
182	4	6	I would argue that the quality is important criteria as perceived by the clients. As such, given a history of reliable performance in a position like this that requires significant level of attention to details would call for an increase closer to the ceiling range. However, it is not known that what are the norms and ranges in the industry and what typically other pro data entry clerks perfom. So this is with the assumption that the clerk has done an above average job,	No	No	No	
187	4	5	Based on the information provided in the case study, there are only a few criteria that appear to be part of the assessment: reliability (attendance) and accuracy. The information noted that the employee considered her attendance to be acceptable (no different than before); and accuracy of 90% is in the middle of what expectations are (88-92%). The employee was told that expectations were met, and received a rating of acceptable last year, with a 3% increase. Thus, I would expect the same for this year. It appears there might be some leeway given to a higher increase, however it wasn't clear if this was up for discussion or not. As the employee had average attendance and accuracy performance last year, and received an average increase (3% being in between the lowest rating of 2% and highest of 4%), I'm assuming that anyone that received a higher rating and salary increase had, for example, an accuracy rating of at least 92% or higher.	No	No	No	
190	4	5	Since I performed the same as last year and **my company apparently performed as well as last year**, I should get the same rating and raise as last year.	No	No	Yes	
206	5	7	My performance again is within the mean, 3 years in a row. This would mean that I have a fundamental understanding of accuracy and how it has proven to provide the company with a competitive advantage. Although my role is fundamentally front line, given my track record I have proven consistency, which should account for a higher than average performance rating. My track record would also suggest that I would be suitable for training new hires and /or a team leadership role.	No	No	No	
211	4	5	as an EE, I am performing mid range. Pat should convey what I"ve done well, and what my opportunities for growth are.	No	No	No	
225	5	3	Did not do anything out of the ordinary that would warrant a pay-increase. Simply doing one's job without a significant amount of errors should not lead to a pay hike. 2% is assuming the pay increase aligns with inflation.	No	No	No	Inflation

230	6	7	I have been with the company for a long time, I have consistently met targets, **I am loyal and I have contributed to the growth and success of the company**. Last year I was rated as meeting expectations but I have more experience now and my performance has been consistent and improved over the years. I enjoy working with the company and **I want to grow in my career as the company grows.** I want to work with you in developing a successing plan with clear deliverables so I continue to over perform and be reward accordingly.	Yes	No	Yes	
236	4	5	I have continued to maintain the accuracy rating. I have had no issues since joining the company and my performance over the year has not diminished compared to last year. I realize that I am in the 3rd year of my job, and I expect that the organization will want to see an improvement in performance coming over the following year. With management help, I am willing to make those improvements where it makes sense. The mean increase is 3% and I have met the only performance measure that I am aware of as an employee.	No	No	No	
242	5	5	The rating for penrformance is based on my output vs company standards set for performance...I slightly exceed the minimum and clients are rating service positively so I have some antedotal as well as measures to support my rating. I would start at the high level so there is room for negotiations. I would use the logic that I am slightly over the company standard and performing consistently, have little absenteeism and positive customer feedback. I would talk about the positive relationship I had with the past supervisor and now current one and discuss the past performance and if there were any performance standards set to develop for this performance development period.	No	No	No	Negotiations - Start High
243	4	4	He is a meets employee - nothing to indicate above and beyond performance.	No	No	No	
253	4	5	Assumption - as a new Supervisor, Pat has not established any new benchmarks or communicated any different expectations to the employee since Pat has arrived, and all previous norms remain unchanged from the employee perspective. * Performance remains consistent and within acceptable norms * **Annual increase should remain consistant and there appears to be no macro environmental issues affecting operations and ability to pay.** * Use the meeting to discuss future changes if required, in performance, if Pat wishes to have me focus on certain areas of development, willing to work together.	No	Yes	Yes	
255	4	5	I know that you didn't my last evaluation but based on my previous work, my work achievements for this year were identical to last year and since there was no comments presented to me, I can presume that I met all the expectations.	No	No	No	
256	5	7	Have consistently entered information with a low error rate. (less than 8%). Have been loyal to the company for three years and have **contributed to the success.**	No	No	Yes	Loyalty / Tenure
264	4	5	The only real performance expectation/goal provided in the scenario was an accuracy rating. I assume there are others but can't comment on what I don't know. Given that I have achieved what is the expected accuracy range, I would expect to receive a meets expectations rating. **The financial indicators are such that it appears the company is doing well**, inflation hasn't increased so I would expect to receive the upper end of meets given that I was at the upper end of the accuracy performance indicator.	No	No	Yes	Inflation
271	5	6	Engaged and efficient employee with a rating above expectation. **Contributor to corporate success.** Continued career with company.	No	No	Yes	
280	6	6	I dont have access to my performance stats and error rate now as I cannot go back but that is what I woud refer to. Without being able to go back I am sorry i cannot give you more than this. I would also refert to my better than average attendance record.	No	No	No	Case Recollection Issue
287	5	6	I have consistently been at the top end of the target accuracy range of 82 - 92%. While I haven't exceeded the 92% accuracy I have consistently exceeded been at the top end of the accuracy range. I think this can be described as "exceeding" the lower range of the accuracy target. The 3.5% would acknowledge my long term and consistent performance. **The company is doing well, as I understand, and can afford to compensate me at a rate that is a little more than inflation**. My request is fair and reasonable.	No	No	Yes	Tenure
289	4	7	My performance has been consistent, reliable and meeting expectations since my time of employment. Based on my experience, knowledge and ongoing dedication to the company I woudl like to suggest the upper end of the scale for good performance.	No	No	No	Tenure
302	5	6	Rating: employee has a formal record of meeting manager expectations and HR file is clean and not notification of any issues that employee needs to improved. Furthermost , the PE value from the agency point is that the PR is an agreement of the two parties, but it is not clear explanation of the "what it says in the PR stays in the PR" meaning. Salary increase: It is a practice knowledge that the manager has a free leeway for increases and **the company is doing well. Not financial statements to prove nor the company has given any other directions of cuts or decrease %in increases of salary.**	No	No	Yes	
303	4	6	Job performance and attendance are solid. Given my tenure and the **current economic circumstances in addition to the strength of the company**, retaining reliable and committed employees is important.	No	Yes	Yes	Tenure
33 Count	4.39 Rating Mean	5.45 Salary Mean		Count of Yes =	1	3	12
				Count of No =	32	30	21

Case	Rating	Salary	Growth Stage - Good Economy - Unfav. Perceived Organizational Performance (H4a, 4b) Open Comment Section	Were distal factors mentioned? Org Life Cycle	Economy	Org Perf.	Other Reasons?
104	5	5	Consistently good performer with good historical reviews and no issues.	No	No	No	
109	4	5	My performance has been stable over the past year which is inline with previous years performances. I have a 90% accuracy rate which is within the established performance guidelines for my position. In addition, I have no HR or other personnel issues. I do my work and I do it to the expectations of the company. The stated salary range increase has traditionally been 2-4% and I feel that my performance, as it is in the middle of the stated performance guidelines, should be in the middle of the range.	No	No	No	
112	4	5	Employee may think they are exceptional but they have conducted themselves the same over the last few years and they felt 3% was acceptable. If they haven't tried to increase their accuracy, which is the measure that they believe the appraisal is based one, then they would be expecting the same.	No	No	No	
114	5	6	That my perfromance is better than last year given that situations to produce 100% is beyond my control. I like my job and want to stay with the company but cost of living is rising and I need the extra income to remain above standard of living. **Unemployment is dropping and I feel that the company has made a substantial investment in me as an indivdual and replacing me would be a lost investment.**	No	Yes	No	COLA
127	4	5	The company standards are reasonably high and the subordinate is in the mid range of that standard. As such, the subordinate is appropriately meeting expectations and is deserving of the salary increase that is associated with that rating. Being honest with your superior with respect to how you view your performance is crtical to building a trusting superior/subordinate relationship as well as conveying the message that you are a fair team player. Overstating one's opinion on his or her performance often leads to the superior having the percetion that the subordinate is not in touch with reality or is not a team player.	No	No	No	Subordiate/Supervisor Relationship
131	4	5	- have maintained performance expectations, would expect to have the same level of service and accuracy recognized at the same level as in previous years.	No	No	No	
133	4	6	Have demonstrated ability to perform to the expected standards, and plans to be performing even better in the coming year. Also intends to participate in productivity improvement activities to reduce cost, increase efficiency, and assist the company in streamlining its' operation.	No	No	No	
146	4	5	The error/accuracy rate is well within normal expectations at 90% within the range of 88-92% and has remained consistently so year on year, presumably consistent with the overall team performance range year over year. In other words this employee's performance had held in a stable operational environment. **The sense of toughness within the company could have adversely impacted employee performance as a result of he increasing stressors**, however insufficient information is available to assess this for each team member. It should be considered when setting the final performance ratings and raises. The comment about idle time also raises important questions around why error rates have not decreased, they may have however that isn't clear in the scenario. If the overall error rate did in fact decline then the performance rating and raise should commensurately decline for said employee year over year. More information on the employee's internal partner interactions would be helpful to further clarify the employee's actual performance relative to his peers, this is an important consideration to fairly differentiate each person's performance appraisal.	No	No	Yes	
168	4	4	I recevied a 3% last year but **I suspect the company is not doing well**. My work attendance is stable and I have a clean HR record. My accuracy of 90% is well within our company requriements. Therefore I am willing to accept a lower base salary increase of 2.5%	No	No	Yes	
170	6	3	**In light of the current economy, I recommend 2%**. I know this is likely less than the cost of living, however realistically this feels fair. My belief is that you are hired as a qualified person to execute on the duties as assigned to your role, and anything less than exceeds shows that you are just mailing it in. As a conscientious employee, I feel that you should give a little more than you get, and if you do, then you will exceed the expectations of that role. On the other hand, in the event you are eligible for a bonus, you are likely competing with others in a calibration exercise to determine who gets how much. In this case, you should really strive to make the best of the leverage available and give it all you've to really exceed expectations to maximize your income. Since this is not the case in this instance, then paragraph one applies.	No	Yes	No	
184	5	7	If I am exceeding the expectations, even slightly, the increase should be the top level for those meeting expectations.	No	No	No	
215	5	5	Pat slightly exceeds expectations because she of 90% error accuracy. This means that a 3 % merit increase falls within the 2 to 4 % range. 2% meaning meets expectations.	No	No	No	
221	4	5	With three years of experience, i would expect the performance level to continue to increase and be above average. if we are remaining at the same level and only meeitng expectation then the salary should be at the same level of increase, meets expectation.	No	No	No	Tenure
228	4	5	performance assessment is based on meeting demonstrated commitment to stated expectations, day to day work performance, results and behaviors, **alignment with company performance, external and internal factors that might be an influence** Have been in the position for 3 years, would like to see development opportunities and a plan to reach new goals and new targets	No	No	Yes	

244	4	5	Expectations are 88-92%. I am at the mid point of expectations for my position. My performance is similar to last year in when I received 3% and that seems realistic for this year.	No	No	No	
246	5	6	Pat, your quality rating is slightly above the expected at 90% and you have maintained this level for over a year -- as you know our quality is what gives us preferred status with our customers, something we prize dearly. Coupling this with your great attendance and spotless record I am recommending you for a 3.5% increase this year. In order for you to reach the maximum in the range, I would need to see you acheive a 92-94% quality rating while maintaining your current attendance record. Pat we are very pleased with your results thus far.	No	No	No	
251	5	6	The slightly above rating would be justified given that my performance is slightly better than average. I produce high quality work with little errors contributing to the success of the company. I also feel that 3.5% is fair given the average raises provided. I have had consistently good performance and am an asset to the company.	No	No	No	
290	4	5	performance is well within the normal range. In order to receive an increase larger I would expect an order competion in the 92to 95 percent range	No	No	No	
293	4	5	While the target is 88-92%, my result has remained 90% year over year. My productivity has remained stable as the expectation has not changed, therefore, I continue to be a productive employee meeting my performance target.	No	No	No	
296	4	5	Met expectations	No	No	No	
304	4	5	It does not appear that the employee has made a significant contribution beyond what is considered adequate in his role.	No	No	No	
309	4	6	Consistent performance, long term employee, valuable corporate knowledge,	No	No	No	Tenure
317	5	6	Three year employee with good track record and consistent performance, meeting or exceeding expectations. Should receive average to above average salary adjustment. Looking for feedback from Pat as to how performance rates relative to the other order entry clerks.	No	No	No	
319	4	2	**global economic conditions coupled with performance**	No	Yes	No	
337	4	7	Performance has met expectation which is very good and is expected based on track record. **In such a tought time, company is not in a position to raise increments beyond what has been recommended.**	No	Yes	Yes	
25 Count	4.36 Rating Mean	5.16 Salary Mean	Count of Yes =	0	4	4	
			Count of No =	25	21	21	

Case	Rating	Salary	Maturity Stage - Poor Economy - Fav. Perceived Organizational Performance (H5a, 5b) Open Comment Section	Were distal factors mentioned? Org Life Cycle	Economy	Org Perf.	Other Reasons?
105	4	5	I have been a steady contributor to the team over time and will continue to exceed 90% levels. I work well with the team and enjoy the team relationships. I am interested in ways to extend my performance and enjoy higher levels of compensation. I would like to work with you specifically to build a plan for success. It would be helpful to have greater insight into how our individual performance can help meet corporate goals and objectives.	No	No	No	
107	5	7	Year to yer performance has been excellent and consistency is important.	No	No	No	
116	5	5	It is consistent with my performance the year before in which I met expectations and was given a 3% performance rating. I am making the assumption that my performance has been about the same, i.e. I have approximately the same percentage of no errors as the previous year. I am starting with slightly exceeds expectations in case it is negotiated down to meets expectations.	No	No	No	Negotiation
117	4	5	Based on my continued success of meeting employee expectations (and having previously met expectations) I would expect that the company would also repeat its decision of the % increase. **Global economic factors do not appear to be negatively affecting the company** although un-employment is up **the company is still growing.** Having been treated fairly in the past there's no reason to insist on anything other than what's fair.	Yes	Yes	Yes	
137	4	5	given the scenario, I am in the middle of the range of expectations of the employer...so I would "meet expectations" and be eligible for a 3% salary increase. The historical 3% increase forms the basis for my current expectation regarding an increase. If my error rate had improved to say 94% accuracy, then I would expect a better review and a better salary increase.	No	No	No	
143	5	5	3% is the mean salary increase and my performance falls in the middle of the acceptable range.	No	No	No	
155	4	5	Pat is clearly in the middle of the pack. If I have leeway of 2-4%, then 3% seems reasonable. Pat must convince me that he has gone over and above to get anything higher.	No	No	No	
159	4	5	There has been no indication that Pat has ceased to meet expectations, so, **given that all signs point to the company functioning as usual**, one would expect for the performance rating and salary increase to fall along traditional lines.	No	No	Yes	
165	4	5	Good attendance record, and performing in the middle of expected levels.	No	No	No	
177	6	6	j	No	No	No	
179	4	5	Performance is within the expected range; 90% accuracy rate on an acceptable scale of between 88% - 92%. As well, 3% is the median raise. This employee is 'a good employee'. There are no other circumstances that would suggest a higher raise or rating be offered. However; if the performance appraisal is a rack and stack then it would be important to know the performance rating of the pother members of the team.	No	No	No	PA of other members of the team would help
191	6	5	Met 90% target which is better than the average for the company. I am dependable and low maintenance employee which frees up your time and attention for other tasks. We have maintained our client base. This pay increase would help me stay ahead of increasing costs of living.	No	No	No	COLA
192	4	2	Based on CPI and "meets expectation" criteria. If "exceeds expectations" was the criteria, then I would have selected a higher percentage.	No	No	No	
193	4	5	Meets expectations and a rate increase of 3% was chosen as there is not sufficient information as to other criteria involved in the employee evaluation nor employee performance achievements beyond the mid to high range of employee accuracy. Had information been provided to support activities or achievements beyond (or below) the rating of meeting expectations then a different rating would have been pursued on merit by providing evidence for approval. Providing employee ratings above or below their expectations based on inacurate information or evidence of exceeding or not meeting expectations does not contribute to a fair and consistant performance appraisal process. The current employee appraisal system seems to be abused by employees and supervisors alike.	No	No	No	PA system could be abused by employees and supervisors
218	4	5	3 is in the middle range. I would ask for this. I'm assuming inflation is covered off by this. We are just told it is stable.	No	No	No	Inflation
220	4	4	Pat, your performance continues to meet the company's expectations. Your order entry accuracy is 90%, right in line with our expectations. There are no performance concerns and you continue to be an important part of the ABC team. Given your seniority in the organization I would like to see you take on more leadership and initiatives so that you can continue to develop personally and professionally.	No	No	No	Tenure/Seniority
234	4	6	I would give a rating of MET EXPECTATIONS which is in line with the company's expectation of 88-92% accuracy having attained a score of 90%. The fact that I have consistently performed at 90% over the last 3 years needs to be recognised hence the proposed 3.5% salary adjustment. This would certainly go a long way in motivating me as I strive to attain even better results. In addition, **I would seek to obtain the company's performance to judge whether my performance is contributing to the bottom line and hence the reward is commensurate.**	No	No	Yes	
235	6	3	-Consistent Results withinin expectations since starting with the company -Increase reflects this consistency -Plan should be to increase results in upcoming year. Indoing so, financial compensation will reflect this -Need to consider ways to increase your (employee) profile within the company. This can include anything from change of role, increased results, etc. This will help in the compensation review discussion	No	No	No	
265	4	5	The normal slary increase varies from 1% - 4% and considering work exeperience and consistant performance over the years 3% increase is justified.	No	No	No	
268	5	5	Job expectations were met. Attendance is consistent. I am well trained and performing a great job. I am a loyal employee.	No	No	No	
274	4	5	Average performance given accuracy goals of between 88 and 92%, this employee averages 90%, would need to exceed 92% to get an above average rating, average rating = average increase	No	No	No	

288	5	2	The suggested rating is based on consistent performance within the expected accuracy range, good attendance record, and a track record of solid performance year over year. In terms of base salary increase, a 3% increase would be in keeping with inflation, as well as **aligned with the performance of the organization** and my contribution to it.	No	No	Yes	Inflation
298	4	4	90% quality, solid performer and contributor, higher end of range, loyalty to firm. Expect 2% to be norm, 2.5% to reflect the higher range	No	No	No	
308	4	8	Accuracy percentage for the rating, and pushing the 4.5 to may be land at 4, taking inflation into consideration	No	No	No	Inflation
311	4	3	Performance is consistently positive and in keeping with general expectations, which is positive. Year over year, the performance ratings ratings are in the mid-range for performance therefore her salary increment is mi-range in keeping with her results. While positive consistency is desired, the question to be explored is what can be done to improve performance thus positioning her for greater increments.	No	No	No	
331	6	7	I have been a long term employee and my accuracy rating is excellent. My work excels above that of my peers and I am always willing to help others. Therefore I believe I deserve an exceptional review and a corresponding increase.	No	No	No	Tenure
335	4	3	consistency is the only ongoing criteria met - lack of self improvement (based on assumption that there would of been improvement in error rate from last year review) and **market conditions would point to a more competitive environment**, in combination with lack of improvement - mid point salary increase would match inflation rate (as there is no true improvement bonus)	No	Yes	No	Inflation

27	4.48	4.81	Count of Yes =	1	2	4
Count	Rating Mean	Salary Mean	Count of No =	26	25	23

Case	Rating	Salary	Maturity Stage - Poor Economy - Unfav. Perceived Organizational Performance (H6a, 6b) Open Comment Section	Were distal factors mentioned? Org Life Cycle	Economy	Org Perf.	Other Reasons?
106	5	7	I have been a solid performer with few errors. What I am asking for is not outrageous and others have recieved a greater increase in the past because they asked. From an equity perspective I think I am deserving of the 4%.	No	No	No	
126	6	5	n/a	No	No	No	
154	5	4	she is performing above the acceptable error rate. she is a long-standing, valued and experienced employee.	No	No	No	
157	5	7	- consistent accuracy in processing well within the target range with no issues reported during the year. - 3% is the average amount for an employee that meets expectations and since I feel that I am better than meeting, I would expect a higher increase. - Since I don't exceed the target range, I don't think I can say that I significantly exceed expectations so my salary increase should not be in that range either	No	No	No	
161	4	5	Employee continues to meet expectations of the role; no negative feedback or concerns. Feels like a 'steady Eddy' that the organization would want to keep. As such, keeping the messaging and increase amount consistent with last year should keep the employee satisfied.	No	No	No	
183	4	5	The employee is meeting the mandatory requirements and fits within the range of performance expectations as far as accuracy goes. Employee is not going above and beyond to justify any additional increase. **With the company appearing to experience problems**, it should not be expected that additional bonuses or raise percentages would be expected.	No	No	Yes	
201	6	6	Based on the performance criteria, my performance score is the top percentile Based on the policy that the range is up to 3.5%, I should be eligible for the higher end of the increase **Despite the changes in the economy**, employees in the company have not been notified that the performance increase range has been reviewed or changed in advance of the performance review period, therefore, I do not expect this to be a factor in the meeting with my supervisor.	No	Yes	No	
203	4	5	AS an employee for the past four years I have consistently met the goals of 88-92% currently as 90% as previous year. Do you have any recommnedations as to how I can increase this further?	No	No	No	
210	4	4	Not sure what you're looking for here, but this is my thought: My accuracy rate is consistently at 90% where it has been for the past 3 years and as such is well within the expected rate parameters of 88-92%. I get along with my other 4 workmates and my attendance record is impecable. I would like to know where I stand in terms of my future with the company as **I get the impression that the company is experience some tough times** and I would like to be part of making the company stronger for the future.	No	No	Yes	
212	6	5	**In tough times one cannot appear to be demand more than the norm** -- stating that your perforance was outstanding and demanding more may not be percieved as being a team player. This is your first appraisal wth the new manager and they may have a different opinion and you may need to readjust .	No	No	Yes	Aggressive stance
216	4	3	Performance rating is just an orcastrted exercise in theatrics to entertain HR. It's used to create a record that always includes at least a few negatives or areas where improvement is needed. The employee takes that at face value as constructive criticism, but the truth is that HR wants it to defend any future legal action for wrongful dismissal. There is no relationship to salary increases. Industry norms govern that area.	No	No	No	PAs and for future legal action
217	4	5	The performance rating was based on the 88-92% target for the role and a 90% was within the meets expectations bandwidth. The salary raise was also on par with the average performance and inflation	No	No	No	Inflation
219	5	5	Consistent long term performance at the high end of expected outcomes. If this were real I would take the time to build a better case....	No	No	No	Tenure
238	4	7	Considering that my perfomance has met the company's expectation year in year out, an appreciation for my perfomance should be given over and above the inflation.	No	No	No	Inflation and more
241	4	5	Based on the experience and results from last year's performance review process.	No	No	No	
258	4	5	Have maintained a consistent 90% accuracy rate on order entry - well within acceptable norm of 88%-92%. Feel that this consistent performace would warrant a similiar rating and salary increase as in the past year given that there has been nothing specifically communicated to suggest a change in performance standards for the current review period.	No	No	No	
263	5	4	As Pat I know that performance percentage of accuracy is slightly above expectations, and am therefore in a position to ask for a salary increase that is also above the norm. As a supervisor I know that employees see themselves typically better that what they perform. As the supervisor I would convey to Pat what the hard targets are and where Pat performance was at, as well as what the divisional/plant base salary ranges are. I would let Pat understand that a realistic target is more likely to get approved, and **inline with general market, economic conditions.** I would spend time to thank Pat for steady contributions over the years.	No	Yes	No	
272	4	5	There is no evidence in the scenario which indicates that I have gone over and above this year or seen an improvement in my performance from last year. So I would expect the same as last year based on historical data and past precedents.	No	No	No	
275	5	6	I have consistently reached the higher end of the KPI related to Order Entry Errors - 90%. My attendance is exemplary, I can be counted on to perform my job at a high level. My pay increase should reflect that I am slightly above the norm in my error exceptions.	No	No	No	
283	4	5	No information has been provided to indicate Pat is an above average employee worthy of a higher rating. The ability to do a job efficiently and effectively is meeting expectations	No	No	No	

284	4	5	Company ABC has laid out expected performance goals and an associated range of compensation increases that appear to match the performance. In my opinion, I seem to have met the requirements and so I feel I am entitled to that matched increase in compensation. I would also express to Pat that there could be additonal criteria that the management may want to make clear so that I can continue to improve my performance.	No	No	No	
318	4	4	**Due to the current economic situation the company is in**, I want to show that I understand the larger picture of big business. Therefore even though I have consistently out preformed the standards set by the company I feel it only appropriated to not have exceptionally high expectations on base salary increase this year.	No	No	Yes	
320	4	5	Based on the information provided, it appears that I met the employer's expectations for an "average" clerical worker. This slightly above-average pay increase (above the current 2% rate of inflation) and above the median wage increase is given due to being on the top end of the "data-entry acceptable error scale) and good attendance (no excessive sick days or AWOL sessions). I couldn't expect a better rating or higher pay increase due primarily to the fact that I haven't consistently shown behaviour above what is required for an "average" employee. I haven't done anything special, so I shouldn't expect anything special.	No	No	No	
324	4	5	Order entry correctness of 88-92% is considered acceptable and that is the range I am in so therefore meeting expectations. The salary increase is also the within the specified range for an employee that meets expectations.	No	No	No	
328	4	4	Increase in salary are based on the current rate of inflation and a combination of the gross profit, overall payroll obligations, and net profit of the business unit. In another words what can the unit afford. **If the unit is unprofitable then employees and managment shouldn't expect any salary adjustment at all**. However **if the unit is profitable then the scale is determined by what is affordable** based on the percentage of payroll determined by the payroll benchmark. We try keep payroll at 50% of GP. It is generally the largest expense.	No	No	Yes	Inflation
329	5	6	although you seem to perform in the middle of the pack, based on the short time I have had to evaluate your performance and based on previous performance appraisals of your last supervisor, I beleive you can achieve a higher level of quality therefore I am awarding you a higher than average salary increase as a motivator to exceed your current performance levels.	No	No	No	
330	6	5	I would select the same rating as the previous years and back that up with the fact that i have a 90% accuracy. It is the second highest rating - i would not request the highest rating because in my organization (a financial institution) they are very rarely given and I don't expect that it would be awarded. Also I don't actually think that anyone is really rated that high or they are in the wrong job or should have been promoted to the next level by now. I would ask for a 3% increase which is the same increase as the previous year - my logic is that I have given the same performance and therefore I should get the same increase. While I would expect that **my manager will perhaps counter with the claim that company is not doing as well or that the economy isn't great and there is higher unemployment**, i would argue that my contribution to the company has not decreased. I would expect that the company, in tough times would layoff poor performers and expect even more of the high performers such as myself so I would not be offering a lower increase. If i were to be offered a 2.5% increase i would accept it though.	No	Yes	Yes	In tough times there poor performers should be terminated
27 Count	4.56 Rating Mean	5.07 Salary Mean		Count of Yes =	0	3	6	
				Count of No =	27	24	21	

Case	Rating	Salary	Maturity Stage - Good Economy - Fav. Perceived Organizational Performance (H7a, 7b) Open Comment Section	Were distal factors mentioned? Org Life Cycle	Economy	Org Perf.	Other Reasons?
110	4	5	My work responsibilities have remained the same. I performed them satisfactorily. I didn't do anything drastic or extraordinary to damage or vastly improve processes. I got a 3% raise last year for the same amount and type of work; this year I expect the same.	No	No	No	
113	6	5	Pat performs at 90% rate, so could be better but probably is better than most. In order to achieve higher, Pat should perform at 120%.	No	No	No	
123	5	7	I have consistently achieved a 90% accuracy rating over my three years of employment. With the ongoing recruiting and no layoffs, **the company appears to be doing well. Projections for an improving economy are positive.** ABC Company should reward good employees for a job well-done. I have proven myself to be an excellent employee with my stable attendance record and clean HR file. In the past performance appraisals, I have been generally satisfied with the results; however, now I have more experience and confidence to perform better. I believe that ABC Company should recognize my efforts and rate me higher than "meet expectations" with a further increase to my base salary. I understand that supervisors are given considerable leeway as far as salary increases are concerned. Is that true?	No	Yes	Yes	
140	5	6	Length of service, consistency of output at high end of expectations. Without additional responsibilities or extra-high quality, hard to justify much above average, but slightly.	No	No	No	
162	6	7	As a model employee who has proven over time that I exceed the minimum expectation and have a clean file, I believe that I deserve to be recognized more than the mean. Employee recognition is an important aspect of performance appraisal since employees do not get many opportunities to discuss with their managers how they are doing and where improvements need to happen. Employees are usually a critical element in a company's success and **this company has managed to stay above water and succeed (according to top management) even during a recession that has plagued many companies and seen the unemployment rates increase.**	No	Yes	Yes	
175	4	5	Performance has continued to meet expectations from previous to current evaluation. Salary increase is reflected as such based on the range being offered. I would also discuss with employee whether he/she is looking for opportunities to do more in the workplace, and differentiate between scale of meets to exceeds expectations.	No	No	No	
185	5	5	Cost of living plus performance has been consistent and met all the requirements	No	No	No	
186	4	5	Pat meets expectations. The error rate is on par and I personally expect employees to show up on time and to have good attendance. There does not appear to be anything exceptional or remarkable about the performance. The culture of the organisation seems to be one that rewards meeting expectations with the mid-range increase. That is why I chose 3% for Pat. Depending on the instructions from my manager and **the economic climate I would think the best that anyone with this record could expect would be the cost of living.**	No	Yes	No	
188	5	5	Score higher than the average for accuracy A reliable employee Track record of being consistent	No	No	No	
197	4	5	There has been little change since last year. The employee still meets expectations- hasn't increased production significantly, has not suggested improvements to create efficiencies or done anything outside expectations. **There is nothing to indicate that the economy is gaining at a rate about 2-3% so a standard raise is reasonable.** Merit pay above a standard cost of living increase only makes sense when there are clear and attainable measurements. As there is no system in place to measure and assess, then it is not reasonable to assume a higher pay raise.	No	Yes	No	
199	4	5	I would suggest that I've continued down the same track as previous years. Attendance is good and productivity is good. There is no going "above and beyond" or didn't appear to be any new initiatiives or innovations so cannot suggest "exceeds" expectation. The norm traditionally has been 3% so I would be satisifed (if I continued with my norm performance and outcomes) to receive what I've always received. I would expect Pat to communicate any differing levels of expectations from my previous supervisor way before this performance appraisal to allow time for me to adjust my performance levels. If that had not happened, again I would expect the norm based on previous past practice.	No	No	No	
200	4	4	pat is 'just' an average employee.	No	No	No	
205	3	4	No one deserves more than inflation.	No	No	No	
209	4	5	Performance is in the median range, thus the salary adjustment should be in this range. There was no mention of any extrordinary contributions outside of the job description.	No	No	No	
213	4	5	The employee is consistent in their role and within the tolerance level for the position. The employee shows a steady level of quality and performance. The company enjoys loyalty and the strengths brought to the division but would like to see the employees striving to imrpove in the coming year. The company is also interested in investing in this employee to either excell in their position or to work towards both growing new skills and advancing in the organization.	No	No	No	
214	5	6	I would explain that my performance has been satisfactory with 90% ratings in the most important metric, that my prior performance was in the similar range and that our company tradition is to reward good performance. **Everyone is working and busy so the company must be profitable.** The performance evaluation is a negotiation and everyone knows that. So I start one notch above to try and pull her rating and raise amount up.	No	No	Yes	Negotiation
233	6	6	NA	No	No	No	
239	4	5	The employee is hitting the target range of accuracy. The text does not indicate that the employee has taken on additional responsibility nor have they had any performance issues. Given this, they are meeting the demands of the job based on the goals. Since the employee is just meeting expectations, they should get the median raise.	No	No	No	

240	6	7	The reason for asking for a 4% increase is because the general increase ranges from 2 to 4%. The expectation for accuracy is 82 to 92%. I have achieved a 90% accuracy and rate myself in the category of performing above expectations, close to the top of the scale. Hence, my expectation is to receive the maximum increase of 4% in the range of the increases expected. For the next year, I would like to suggest some additional performance goals tied to the increase that I could expect next year. If I met those goals, then I could expect to receive the increase discussed this year. Eg. A 6% increase for an additional 2 or 3 goals that I am not currently responsible for.	No	No	No	
260	6	7	Exceed the standards of the position in terms of production and accuracy	No	No	No	
261	4	5	The performance metrics are on error rates with the expectations being between 88-92%. My performance was 90% which is squarely in the middle of the range. I believe that this means I am meeting expectations. I give myself a 3% increase because this is the mid range for the 2-4% range. I don't deserve 4% because I am only performing in the middle of the range. Not exceeding.	No	No	No	
270	4	5	Your performance has been consistent and as such, we as your employer will consistently reward your efforts as we have done in previous years. Thank you for your hard work.	No	No	No	
286	6	7	I think if you don't ask, you don't get. Pat seems level headed and a good performer. Often these types can be overlooked because they are easy going and think of birth sides. During a performance review it is a time to be frank, and not limit the expectations of a review or raise. Last year Pat received the average but on most measures her performance is above average. The other issue is that **as the company grows** how she handles herself in the performance review can show leadership and supervisor potential that may not get documented otherwise. Annual performance reviews are not a time to be shy or coy. Also the manager is busy, helping your manager clearly understand a staff's expectation saves time!	Yes	No	No	How the individual performs in the PA is key
299	5	6	I have been delivering a performance that has a higher accuracy level than corporate expectations for my department and have been constantly ensuring that my work is done with the highest standards of professionalism.	No	No	No	
301	5	5	Mid point success Constant but not gaining ground Want to keep happy because still a performer	No	No	No	
306	4	3	90% accuracy Consistant performance = consistant raise.....**considering the stability of the overall company** Sorry, no para....i a, on an ipad	No	No	Yes	Stability of company
325	4	5	My performance is right in the middle of the expected error range, and attendance is acceptable. Overall performance does not stand out as either negative or exceptional. Therefore, the average rate increase would be appropriate. I would also like to show the initiative to improve. First of all, would exceeding the 92% accuracy rate lead to a larger increase? And, if so, is there anything that the company recommends, such as additional training, that could be done to improve.	No	No	No	
327	4	6	Consistently at 90% for over 3 years - falls within "meets expectations" category. **Times seem to be good, company seems to be doing well.** Recognition of consistent year over year performance with higher than previous average increase.	No	No	Yes	
338	4	5	When particpating in a performance appraisal I prefer to first provide a self rating and anticipated salary increase, as part of the critical discussion the ensues in relation to this process. This is my opportunity set the stage for a positive review experience. Since the company considers 88-92% accuracy to be what a typical employee should achieve, I see 90% as being a 'meets expectations' measure. A score of 93% would have warranted a slightly exceeds rating, in my view, and perhaps a score of more than 96% would result in an exceeds expectations. I would like to ask Pat what steps I might take, or behaviours might be desired, that would result in a high level of accuracy, and therefore rating and salary increase. I would expect a 3 to 3.5% salary increase, due to my consistent performance and tenure with the company, but likely shoot for 3.5% to start the conversation off.	No	No	No	Tenure
339	6	7	The performance exceeds expectaions	No	No	No	
30	4.67	5.43	Count of Yes =	1	4	5	
Count	Rating	Salary	Count of No =	29	26	25	

Case	Rating	Salary	Maturity Stage - Good Economy - Unfav. Perceived Organizational Performance (H8a, 8b) Open Comment Section	Were distal factors mentioned? Org Life Cycle	Economy	Org Perf.	Other Reasons?
121	4	6	Consistently meet expectations for entry error expectations; good attendance; consistent performer	No	No	No	
134	4	5	It sounds like Pat is an "average" employee, not overachieving but not underachieving either. Therefore he should receive the baseline increase. It's as simple as that. As an aside, in most real-world companies, a "meets expectations" is considered a failure and might even get that person marked as someone who is not a keeper.	No	No	No	Meets Expectations considered a failure
135	4	5	My accuracy rate is identical to years past and is right in the middle of the acceptable range (hence my self rating of "meets"). Percentage increase should be same as last year (in my opinion) given identical level of performance.	No	No	No	
138	4	4	Pat is an average employee who has been consistent but has not improved performance despite a more challenging corporate environment.	No	No	No	
139	6	5	In this day and age anyone who consistently achieves 90% accuracy, comes to work regularly and has a clean HR file is probably an above average employee. Thus he would warrant an above COLA wage increase in order to retain him.	No	No	No	
144	6	7	IF you don't ask for more, there is no chance of getting more than you really should get. In the interview cover the basic points and stress the extra's that you done over the year, for the company and for co-workers.	No	No	No	Aggressive stance
145	5	7	As the subordinate, I would push a little past the mid point of "meets", with a justification of consistency and predictability across several years. **I would also suggest that the market conditions for employees adds to the need to look after consistent employees.**	No	Yes	No	
147	5	6	I have been a long time employee who has performed my duties very well with a high level of quality and competence. The expectation of employees is between 88 and 92% and i have consistently been at the 90% level, indicating I am above many other employees in my performance category - and I would be interested in knowing how many employees actually achieve the 92% level. Given that the salary increases I have received have been at the 3%, yet I feel I am slightly above normal, I feel that my skills, performance and years of service would allow for this slight 0.5% increase as recognition.	No	No	No	Tenure
150	5	7	90% rating and past % paid for salary increase...	No	No	No	
151	4	5	Based on the scenario my performance has remained consistent relattive to performance measures such as accuracy, attendance, etc. There has been no indication that performance measures, or other expectations have changed, therefore I would expect to attain a similar rating to previous reviews. **External factors such as a tightening labour pool, or internal factors such as company performance should not affect my performance rating**, if appraisal criteria haven't changed. **However, external and internal factors may affect the level of my merit increase but in the absence of any additional information on company financial health (internal factor) this is impossible for me to gauge.** Based on external factors such as a tightening labour pool I could be quite justified in my merit pay "ask". The scenario indicates inflation as stable but doesn't indicate at what level. It could be running at 2% or higher meaning that my merit pay "ask" is modest.	No	Yes	Yes	Inflation
180	5	6	I have three years' experience which allows me to enter data more quickly. This, coupled with my attendance record indicates that I am more than meeting expectations. **The unemployment rate is low and competitors will pay a premium for an experienced clerk. If the company has not shared its financial situation with me, and wishes to hold the line on salaries, the opportunity for dialog is there at this discussion, but I am not prepared to second guess it.** People may not be busy due to changing procedures (better use of technology). That is not affecting my particular job. I have work to do, and am doing it with a consistent accuracy rate and should be compensated fairly for my performance.	No	Yes	Yes	
181	4	5	Work standards have been generally established by the company and the general lack of information sharing would indicate that there is no material change in expectations. While 90% does not indicate that there has been any improvement year over year, a fully meets rating from the prior year with no interim coaching sends the message- carry on- what you are doing is acceptable. I would view myself as a good, solid citizen with relative security and a reasonable expectation of an average increase.	No	No	No	Lack of information sharing
189	4	5	You have continued to meet expecttaion in the order entry accuracy - you do not exceed as you are not delivering above the expectation, but within thre bounds; 3% you were happy with last year, and is related to cost of living increases	No	No	No	
196	5	2	Rating - employee is mid-range of metric for accuacy of inputting orders; employee gets along well with Supervisor so assume expectations are met; employee attends work regularly. % increase: **economy is fragile with few indicators of recovering**; industry is volotile and at risk; % increases of 3% or higher are really not realistic **given condition of industry and economy**; a 1.5% increase is realistic for an employee slightly exceeding expectations; realistic range would be meeting expectations = 1%, above average = 1.5%, and exceeding expectations = 2.0%	No	Yes	No	
202	5	7	The only identified performance standard is that of the data entry which I have been regularly meeting the objective. I have experience and continue to be a reliable employee.	No	No	No	
204	6	6	The rationale I would use is long term consistency of meeting performance requirements of the position.	No	No	No	
222	4	5	My perfomance has fallen within the norm of expected results and there have been no indications of unsatisfactory performance. Given the 2 to 4 percent range, 3 is the expectation.	No	No	No	
223	4	5	According to how I understand performance to be judged, I continue to be in the middle of the target range. I assume others are in the same boat, so I consider myself to be performing well (as expected). (Here I would highlight any distinctions even if they are not part if the formal or informal assessment process.) If these qualities are considered in the review process, then naturally I would rate myself higher than the straight numbers would suggest, in the 4% range.	No	No	No	

227	4	5	I have no information to base the ratings on, given the scenario does not include my performance levels, only past performance rating, that I have acceptable attendance and I have a clean disciplinary file. Also the scenario has no objectives identified for me personally, **so while times are tough**, I think I should maintain my increase level given the absence of data.	No	No	Yes	
247	5	8	Consistently solid performance, attendance and accuracy. Assuming forced ranking against peers in which case, exceeding expectations.	No	No	No	Assume forced ranking
252	4	3	Key points: 1) Attendance is good - this is to be considered a normal expectation. Yes it is desirable but as the saying goes, show up and keep your job. 2) Performance as measured by error rate that is well within expectations for normal; it is not exceptional enough to warrent special favourable consideration. 3) Good relationship with supervisor is to be expected of a reasonable and committed employee. Respect is a two way street and supervisor has shown no disrespect. 4) **Although unemployment is falling; therefore a potentially competitive labour market is juxtaposed to very limited inflation, some expectation of a raise is anticipated.** 5) **Because of perceived productivity levels (not everybody has a full day) anticipate some "rationalization" within the current employment of ABC company.** 6) Expect a 2% (modest) increase because the expectation of a reasonable performer is that he/she will be kept employed. Zero increase will indicate that expectations have changed and it is time to start looking for another job while remaining employed.	No	Yes	Yes	
254	5	6	Slightly above avg. 9expected) using range of 2 - 4 %	No	No	No	
262	5	8	YoY consistently meeting (high) accuracy thresholds. Hence need to be compensated at the higher end of the set band (max 4) with slight upward adjustment from the low performers pool	No	No	No	
279	4	5	My accuracy rating is right in the middle of the range that the company considers acceptable for the typical employee. The range of salary increase is 2-4% for an employee who "meets expectations"; as my accuracy rating was in the middle, my salary increase should also be in the middle of the range.	No	No	No	
285	5	6	I would indicate my record of service with the company, stress my reliability/punctuality and my error rate well within the norm. I would remind him of my track record with the company and my desire to continue withe the company in the current or more senior rolw if a position becomes available. I would suggets that an above average rate increase may be appropriate given the somewhat slower increases in the past. **I would ask about some details on the company performance** and what plans lie ahead for the company and where I may fit into those plans.	No	No	Yes	Tenure
297	6	8	I am a dedicated employee, loyal, etc. I consistently achieve above the minimum performance standards. I know the company well and am committed to its success.	No	No	No	
307	4	3	While my performance has remained consistent **the economic conditions dictate a smaller pay increase than last year.** Hopefully, when the economy turns around, the company can reward my dedication and willingness to forego the appropriate wage increase at this time.	No	Yes	No	
313	4	5	I have consistently met the expectations of the role and perform with in the guidelines and measures provided by my supervisor. Given the my current performance with respect to my peers I believe I am performing as expected and would expect to receive a cost of living increase aligned with my performance. There have been no specific recommendations that there is a need for me to adjust my performance.	No	No	No	
322	4	7	Solid, experienced order entry clerk that meets the performance target consistently. An increase on the higher side of the range is justified by the years of service (3) and **the strong employment situation outside the company.**	No	Yes	No	Tenure
323	5	6	My accuracy percentage at 90% has been consistently better than expectation. I received a 3% increase last year and hope that 3.5% is doable this year given that my accuracy rate is high and that I am a dependable and responsible employee.	No	No	No	
326	4	5	Performance is meets, therefore an average increase is in order. This would of course depend on the existing salary being appropriate for a meets expectation performance.	No	No	No	
332	4	5	Error rating of 90% is around the mid expectations. Nothing exceptional was reported on the employees performance, thus nothing exeptional is warranted for a raise. The 3 % should meet the perceived expectation of the employee without rocking the boat. A performance improvement plan should be devised where increased value add from the employee could result in a 4-5% increase for the next annual review.	No	No	No	Need Performance improvement plan
333	6	7	Ask for something. It's a competitive situation, with only so much additional up-tick available to spread around. You have no reason to assume that they have access to previous assessment information, and yet it is unlikely that you have distinguished yourself enough to make an ask for higher ratings or wage increases legitimately considered.	No	No	No	
334	6	6	Given that the range is between 2% and 4% and it appears as though Pat is performing above average, a better than average increase should be considered. The unknown is competitve wage environment for the field. What is known is that **the unemployment rate is dropping meaning that there will be greater external opportunities which in it of itself will increase wages.** As the competitive landscape could be increasing, it is important to be proactive and convey the message that Pat is valued at the organization.	No	Yes	No	

Count	Rating Mean	Salary Mean				
34	4.68	5.62	Count of Yes =	0	8	5
			Count of No =	34	26	29

Appendix E – Research Ethics Approval Page

MEMORANDUM
DATE: August 30, 2012
TO: Mr. Philip Ferguson
COPY: Dr. Peter Newsted (Research Supervisor)
Dr. Kay Devine (Research Supervisor)
Ms. Janice Green, Secretary, Athabasca University Research Ethics Board
Dr. Simon Nuttgens, Chair, Athabasca University Research Ethics Board
FROM: Dr. Mihail Cocosila, Faculty of Business Research Ethics Review Committee
SUBJECT: Ethics Proposal # FB-12-09F: *Distal factors and their effect on employees' performance appraisal ratings and remuneration: A ratee's perspective*

I am pleased to advise that the above-noted project has now been awarded **APPROVAL** on ethical grounds.

This approval of your application will be reported to the Athabasca University Research Ethics Board (REB) at their next monthly meeting.

The approval for the study "as presented" is valid for a period of one year from the date of this memo.

If required, an extension must be sought in writing prior to the expiry of the existing approval.

A Final Report is to be submitted when the research project is completed. The reporting form can be found online at http://www.athabascau.ca/research/ethics/.

As implementation of the proposal progresses, if you need to make any significant changes or modifications, please forward this information immediately to the CIM Research Ethics Review Committee via mihailc@athabascau.ca for further review. We wish you all the best with your research. If you have any questions, please do not hesitate to contact me.

Best wishes for your timely completion of this very interesting research project.

Best regards,

Mihail Cocosila, PhD
Associate Professor
Chair, Research Ethics Review Committee
Faculty of Business
Athabasca University
E-mail: mihailc@athabascau.ca

FB Research Ethics Review Committee
(A Sub-Committee of the Athabasca University Research Ethics Board)
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