The Meaning of Procedural Justice in the Performance Appraisal Process

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1 INTRODUCTION

The pay systems based on evaluation are very popular in Finland, where the old pay systems will be and are being substituted by new evaluation based systems in all working life sectors – also in the government sector [1]. Pay systems based on evaluation have very different reward assumptions, pay structures and implementation processes compared to the old pay systems. The old pay systems were mainly based on job tenure, seniority and job titles when the new pay systems reward for skills, performance and the task requirements. [2], [3]. The role of the supervisor has also changed dramatically, because supervisor has the key role in determining especially performance based pay of an employee. These changes increase the need to understand the factors connected to perceived procedural justice and also to consider the traditional assumptions behind performance appraisal. Performance appraisal is threatened by many personal biases and interpersonal conflicts which make the appraisal’s objectivity and neutrality challenged. [4] Thus the success of the new pay systems lies on the accurate and functional evaluation systems but most of all on the skills of the applying supervisors. The object of this paper is to analyze employees’ fairness arguments involving the performance appraisal interview and to understand the meaning of justice rules in the performance appraisal process.

2 ASSUMPTIONS AND REALITY BEHIND APPRAISALS

Performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor where subordinate’s work performance is evaluated. It usually takes the form of a periodic interview (annual or semi-annual). During the interview the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development. Organizations have their own criteria (e.g. profitability, interactive skills) for desired performance and appraisals are conducted with the help of specific appraisal blank-forms and performance measure scales (e.g. 1-5 where 1 refers poor performance and 5 refers excellent performance). Performance appraisal is linked to the employees’ pay. e.g.[5], [6.] In the Finnish government sector the maximum amount of performance based pay can be even 50 % of the person’s base pay [1].

As the history of performance appraisal has shown, there is great difference between assumptions of ideal “scientific oriented”, objective performance appraisals and how appraisals are actually been done [4]. The former orientation refers performance appraisal as a tool or an instrument, which fairness is dependent on the accuracy of the assessment of the performance. This means that appraisals are “tests” offering a valid and accurate representation of how a person under appraisal has actually been behaving. This perspective stresses the importance of the valid and functional measures in performance appraisal but leaves in the same time the users and the objects of the system to a minor role (if you have a good system and instructions, everybody can use it!). This perspective lies on three assumptions according to Folger and Cropanzano [4]; firstly, work arrangements allow for a reliable and valid performance assessment, secondly, raters can assess performance accurately and thirdly, a rational, unitary criterion exists. The reality is often very different. As previous research has declared, supervisors don’t have enough opportunities to observe their subordinates performance and work or the output of the work is hard to observe and measure [7]. Also people are sometimes cognitive misers [e.g. 8], who use categories and other helpful heuristics when assessing social events [9]. Even if the
cognitive processes are correct most of the time, errors occur [4]. Moreover, even if the accurate criterion exists, same criteria can be interpreted in many different ways depending on the interpreter and his/her values and standards. This doesn’t mean that the goal for accuracy is trivial. Accuracy of the appraisal is important but equally important is usually how appraisals are followed through and the results are declared. This makes the social side of the appraisals vivid. [4, 10.]

Folger and Cropanzano [4] suggest that instead of only reaching for “the scientific truth” we should also understand the impact of the procedures used and the social context of the appraisals. This means that the functionality of the appraisals is dependent on those contradictory needs, political elements (e.g. manipulation, impression management) and personal biases and interpretations which exist in every organization. Even though there exists contradictory demands, there is also cooperation, trust and friendly behavior. [4.] Individuals are concerned not only assessment’s just outcome in other words distributive justice e.g. [11], [12], but also the process through which decisions are made, i.e. procedural justice e.g. [13], [14], [15], [16], and how they have been treated in this process, i.e. interactional/relation justice e.g. [17], [18]. This suggests that the satisfaction with the appraisal systems is naturally dependent on the outcomes gained but also heavily on the applied procedures [15], [19]. Thereby the perception of justice is not an irrelevant phenomena to an organization because it can have unexpected consequences. The perception of injustice is suggested to have relationship to many organizational and personal level outcomes like positive relation to personnel turnover, negative relationship with pay and job satisfaction, trust in supervisors and organizational commitment [20], [21], [22]. Thereby it is justified to say that organizational justice might have an important influence on organizations and their functioning.

3 APPRAISALS AND EXISTING JUSTICE RESEARCH

Procedural justice researchers have proposed two theoretical explanations for the psychological processes underlying procedural justice effects. The first one is instrumental control e.g. [13] and the second is relational concerns e.g. [15]. Instrumental control explanation emphasizes the short term perspective; disputing parties want control over the conflict resolution (made by third party) or decision process in order to gain better (or guarantee sufficient) outcomes for themselves. Control over process will assure that third party will get sufficient information and that is considered to make process and decision equitable. Relational perspective takes more long term focus. According to this perspective, people are interested in decision-making procedures because they reflect individuals’ own relationship or standing to the authorities or institutions that employ the procedures. Such procedures have important implications for individuals’ self-worth and group standing. Procedures reflecting a positive, full-status relationship are viewed as fair because they manifest the basic process values in the institution or organization and also individuals’ own organizational standing and status. [23.]

There are many suggestions about attributes that make procedures perceived as fair. In this study these attributes are referred as “justice rules”. Some researchers emphasize more instrumental value of the procedures while others are focusing on the relational side of the procedures. The study of “voice”[13] declares that individuals are more willing to perceive the decision or resolution process fair (and are contended with the result) if they are allowed to present their own view. Leventhal [14] expanded the attributes of the fair procedures to six items. These items or rules can be interpreted in performance appraisal context as following; a) consistency (maintaining consistency in performance standards over time and among employees), b) bias-suppression (constraining self-interest by discussing performance expectations and discrepancies), c) accuracy (training managers and employees to record performance accurately throughout the period and use this record to prepare and justify performance evaluations), d) correctability (instructing managers to listen to the employees opinions and change the evaluation if appropriate), e) representativeness (discussing concerns of the employee and manager throughout each stage of the process), f) ethicality (using procedures that are compatible with existing moral and ethical standards).

Tyler [18] [15] suggest that relational dimensions like individual’s standing (status) in the organization, neutrality in decision making processes and trust in authorities’ fair intentions are important determinants in perception of fairness. Individual’s standing is thought to be conveyed by interpersonal treatment during social interaction. Rude treatment is a sign of lower “inclusion” or status in a group (interest are unlikely to be protected) and polite treatment refers to good status or strong inclusion in a given group or situation. [18.] Interactional or relational justice thus refers to quality of the interpersonal treatment received by an individual (see e.g. [24], [17], [25]). Interactional justice is proposed to have at least two components by itself. The first one is interpersonal sensitivity which refers to politeness and respectfulness of the procedures. The second subpart is explanations or social accounts. People are more willing to accept decisions that are properly explained or justified. [17, [26.]
According to this approach, this study takes a qualitative determined phenomenon with a single interpretation. The organizational psychological literature and research of justice relies heavily on the quantitative methodology tradition, which give little emphasis on individuals own perceptions and interpretation of the justice events and justice rules [28], [29]. These rules of justice are unquestionably very important but more research is needed to answer why they are important and what are the real actions or circumstances in performance appraisal context that violates these rules and makes them salient. Therefore, on one hand, this paper will be developing new methodology for studying procedural justice, but more significantly, the constructivist approach (see [30], [31]) here will enable researchers to look at an ontologically different angle on procedural justice, i.e., procedural justice as a subjective or collective experience instead of an externally-determined phenomenon with a single interpretation. According to this approach, this study takes a qualitative research approach to the justice construct stressing the subjectivity of the justice experience and gives voice to the individuals and their own explanations of the justice events and the contexts they are facing.

4 RESEARCH QUESTIONS

The purpose is to increase the understanding of the contents of the justice rules named in the literature, i.e. what these justice rules mean in the context of performance appraisal interviews. By focusing on injustice expressions, the researchers supposed to get access to the construct of justice. The research question is double-barrelled and can be formulated as follows:

_Which justice rules are salient in performance appraisal interviews and why?_

The question “why” refers to the content of the injustice expressions and the question “which” refers to their theoretical connections to the existing literature (i.e. justice rules).

5 METHODS

This study is a part of the larger research project, which studies evaluation based pay systems in three work life sectors in Finland; government, private and municipal. The data of this study was gathered in 2004 from one government sector organization, which launched evaluation based pay system during the year 2003. However the organization had practiced procedures involving this evaluation based pay system for four years, although evaluations did not have influence on pays during that time. The case organization can be characterized as an expert organization and it employs about 150 employees. For this case research, 27 employees were interviewed. Seven of them were supervisors. Interviews were semistructured (see different styles [32], [33]), focusing on the procedures and experiences involving the annual appraisal interviews. Themes of the interviews covered areas like the development of the pay system, procedures and processes involving the system and needed improvements. The interviews lasted from 30 minutes to one hour.

The method of the data analysis can be characterized as a mixture of both traditional deductive “theory driven” analysis [34] and grounded theory approach [35]. Although the research started with the open perspective to the justice concept, the influence of the previous research was recognized. However the role of the theory was more like analysis supporting than directive. Thus no main categories or themes of justice were decided in advance. Researchers started to read the text with open mind and let the categories and their subcategories “rise” form the text.

The data analysis was conducted according to grounded theory approach [35], [36]. The critical data reduction decision in qualitative studies is to determine the unit of analysis. In this study, the unit of analysis was mentions or expressions of the injustice. As a broader sense, injustice can be defined as a situation, where person feels that she/he has been treated badly. In other words, these situations violated the norms of justice e.g. made the justice construct salient. This refers to the question “why” represented in the research question. All the expressions or references to injustice were collected from the text and coded according to their content. Expressions or references could be either in first person (happened to me) or be general reference to injustice (happened to someone else / generally). Coding was a process of simultaneously reducing the data by dividing it into units of analysis and coding each unit. The process of analyze was divided to different phases (see Table 1). In the first phase, initial 207 expressions of injustice were identified from the text. In the next phase, reduced expressions form every initial expression were created. That way the essential message of each expression was identified. After these two preparation phase, the actual categorization process started. Each reduced expressions were categorized to 12 subcategories. These subcategories were reduced to 8 main categories which were eventually reduced to the
final 3 theme categories. These categories and their subcategories were compared to justice rules existing in the literature and the question “which” represented in the research question was answered.

<table>
<thead>
<tr>
<th>Initial expression</th>
<th>Reduced expressions</th>
<th>Subcategory</th>
<th>Main category</th>
<th>Final theme category</th>
</tr>
</thead>
<tbody>
<tr>
<td>“…I have criticized this system because there are always individuals who don’t highlight their achievements because they are naturally unpretentious…” (H4_A_2)</td>
<td>disparagement</td>
<td>Subordinate’s style</td>
<td>Personal differences</td>
<td>Dynamics in the appraisal situation</td>
</tr>
<tr>
<td>“I think it influences weather you are ready to defend your opinions and don’t just be satisfied with the points supervisor is offering..(H12_A_9)”</td>
<td>Defend</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>“…some supervisors are more critical than others…they tolerate less mistakes than others…(H23_E_6)”</td>
<td>Criticism</td>
<td>Personality of the supervisor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“You can say things very many ways…negative things can be also said in a constructive way…(H9_A_5)”</td>
<td>Constructive feedback</td>
<td>Feedback</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“This is situation of interaction…it is important that I can also say what I think…then we discuss together about it..(H24_A_6)”</td>
<td>Voice</td>
<td>Quality of the interaction</td>
<td></td>
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6 RESULTS
The expressions of injustice were coded to three categories according to their content (Table 2). The injustice expressions related either to 1) dynamics in the appraisal situation, 2) the measurement of the performance and 3) the premises behind the pay system. Each main category and their subcategories will be discussed next.
TABLE 2
THE CREATED CATEGORIES, SUBCATEGORIES AND SUGGESTIONS FOR JUSTICE RULES SALIENCE (VIOLATIONS)

1. DYNAMICS IN THE APPRAISAL SITUATION

1.1 Personal differences

A. The influence of the subordinate’s style

- disparagement
  “...I have criticized this system because there are always individuals who don’t highlight their achievements because they are naturally unpretentious.” (H4_A_2)

- defending
  “I think it influences whether you are ready to defend your opinions and don’t just be satisfied with the points supervisor is offering.” (H12_A_9)

- persuasion
  Sometimes people try to willfully manipulate their appraisals and that situation... (H21_A_4)

B. The personality of the supervisor

- criticality
  “...some supervisors are more critical than others...they tolerate less mistakes than others... (H23_E_6)

- optimism
  “...of course it matters...if your supervisor looks at people with positive view, you will also get more positive results in appraisal... (H19_A_6)

1.2 Interaction

A. Quality of the interaction

- respect
  “It is very important that supervisors also take account the emotions of the subordinate...respect that we are here talking about somebody’s performance... (H6_A_2)

- voice
  This is situation of interaction...it is important that I can also say what I think...then we discuss together about it... (H24_A_6)

- interpersonal chemistry
  “...it is not very easy to rise above interpersonal conflict in a appraisal situation...some people just naturally come along better than others...of course it matters... (H16_A_5)

B. Feedback

- lack of feedback
  “My supervisor didn’t explain why I got those points...she just put them... (H19_A_2)

- constructive feedback
  “You can say things very many ways...negative things can be also said in a constructive way... (H9_A_5)

2. THE MEASUREMENT OF THE PERFORMANCE

2.1. Gathered information about performance

A. Distance between the subordinate and the supervisor
  “My supervisor don’t know how I work, we don’t see very often... (H4_A_3)

B. Lack of supervisor’s time
  “Our supervisors are so busy...I wonder if they have time to examine properly their subordinates performance on a daily bases... (H12_A_3)

C. Lack of experience/knowledge (of subordinate)
  “It is not fair...if new supervisors have to do these appraisals...they just can’t... (H3_A_6)

2.2. Appraisal scale

A. Lack of clear definitions
  “...And I have always said that I wont use these upper scales before somebody tells me difference between 4 and 5 in performance... (H5_E_8)

B. Variety of interpretations
  “...Before there is clear definitions, variety of interpretations exists...we can call this stage same but actually we are talking about different things...it is always subjective... (H6_A_5)

2.3. Performance criteria

A. Vagueness and variety of interpretations
  “What does this mean? These criteria are abstract and overlapping with each other... (H5_E_8)

B. Lack of verification
  “How do you verify criterion “interaction skills” in real life...there are no facts... (H8_E_5)

3. PREMISES BEHIND THE PAY SYSTEM

3.1 Limiting frames of the pay system
  “Is it ok, that there cannot be differences between different working units...in reality some unit can have better performers than other... (H2_E_5)

3.2 Basis of the pay
  “We gain our goals usually in a team...how can be individual contribution separated from the result of the team... (H2_E_2)
7 DYNAMICS IN THE APPRAISAL SITUATION

7.1 Personal Differences

Both supervisor and subordinate bring their personal styles and values to the appraisal situation. Subordinate’s injustice experiences related to claims that subordinates with different personal styles could influence the supervisor’s appraisal process and the result. Employees vary in a way they are acting in a performance appraisal interview. This means that some employees give more resistance to the supervisor and even can influence to the final result. Also the personality of the supervisor was seen to be threat to the objective appraisals. Some supervisors are more critical and tolerate less performance mistakes than more positive ones. Thus the definition of “good performance” is seen very much dependent on the interpreter that is the person who is measuring the performance. Personal differences were seen as threat to the consistency rule of justice.

7.2 Interaction

This category included two subcategories; quality of interaction and the feedback. Quality of the interaction refers to interpersonal respect, voice and chemistry in a performance appraisal. Feedback refers to the amount of explanation or justification, that supervisor gives to the subordinate concerning the appraisal result. These four elements (respect, voice, chemistry and feedback) are closely interrelated. Respect between the evaluator and the object of evaluation seems to characterize a successful appraisal process. When both parties respect each other, appraisal will more likely occur in a polite, up front and constructive climate. Lack of respect enhanced the feelings of indignity and flak because it can be interpreted to violate the justice rule of interactional sensitivity. Also the chance to express one’s feelings or opinions about things under evaluation seems to be very important to subordinates. The existence of “voice” seems to represent two aims; on the other hand it was a way to influence or correct the opinions of the supervisor (concerning the performance of the subordinate), on the other hand the existence of voice in appraisal situation reflects the feeling of respect and dignity; one is heard, respected and his/her opinions are important. Thus these reflected the justice rules of interactional sensitivity and representativeness and correctability. Also the awareness of interpersonal chemistry aroused expressions of injustice. If personal relationship is damaged between supervisor and subordinate, it can have negative influence on the performance appraisal. This could be seen as a threat to the rules of consistency and sensitivity of interaction. Successful interaction in the appraisal situation involves also proper feedback or justification about given appraisals. The lack of feedback was interpreted as unfair because without proper feedback individuals were left alone wondering how they can improve their performance or why they got certain results in appraisals. Subordinates were also concerned how the supervisors gave the feedback. Constructive and justified feedback was more likely interpreted as fair and proper, while unconstructive (without justification, rude etc) was interpreted as demeaning. This made the justice rules of explanation and sensitivity salient.

8 THE MEASUREMENT OF THE PERFORMANCE

This category consisted of expressions, which referred to justice of the used measure (i.e. the used appraisal scales and the performance criteria) and the gathered information about performance. All these expressions of injustice made the justice rules of accuracy and consistency salient.

8.1 Gathered Information about Performance

Expressions of injustice in this subcategory referred to situations, where the information about the performance under evaluation or measures used were not accurate. Distance between supervisor and subordinate refers to situation where supervisor is not working equally close to every subordinate. This creates a situation, where supervisor knows the work and performance of one subordinate better than some other’s. Thus evaluations between different subordinates are based on different amount of either facts or mental impressions depending on how closely supervisor and subordinate are working in everyday life. The subordinate can also work very autonomously, which creates also a challenge to evaluate his/her performance properly. The inaccuracy of gathered performance information was also seen due to supervisor’s lack of time. Many interviewees felt that nowadays supervisors don’t have enough time to examine and monitor subordinates’ performance properly. Also supervisor’s lack of experience or knowledge of working unit or its personnel and their performance aroused feelings of injustice, e.g. newcomer supervisor had to carry out performance appraisals without proper knowledge of his/her subordinates and their performance.

8.2 The Appraisal Scale

The used appraisal scale (e.g. 1=poor, 5=excellent performance) rose questions about interpretation. The lack of clear definitions of each step of the scale was seen as a threat to the equal measurement of performance. It was argued, that for example “good” performance is strictly dependent on the interpreter. Clear examples of the each step of the scale were needed. The lack of clear definition of the scale creates a situation where exists many competing interpretations. The variety of interpretations was seen as threat to the
consistent and unbiased appraisals.

8.3 The Performance Criteria

The injustice expressions related to the performance criteria were very similar to expressions related to the appraisal scale. The used performance criteria were seen as abstract and vague, which easily created multiple criteria interpretations. This was seen to harm the accuracy and consistency of the appraisals. Also the verification of these performance criteria in real life performance was seen blurred; e.g. how to verify criterion “interaction skills” in everyday performance?

9 PREMISES BEHIND THE PAY SYSTEM

This category consisted of two characteristics of the pay system that was perceived to create feelings of injustice; the limiting frames and the base of the pay system.

9.1 The Limiting Frames of the Pay System and the Basis of the Pay

The source of injustice was directed to the pay system’s overall frame of reference. This means premises, where individual supervisor has to apply and execute the appraisals. First, limiting frames of the pay system were seen as a risk for just and fair appraisals. Reaching for the normal curve in the appraisals at the organizational level was seen disturbing and distorted. Strive for normal curve enforced supervisors to execute individual appraisals according to wholeness; everybody can not be a good performer. The logic behind “ideal mean” of given appraisals or the normal curve mindset is to ensure the consistent use of the scale between different supervisors. If one unit differs radically from other units in performance appraisals, its appraisals can be scaled downwards afterwards. This goal was seen contradictory; strive for consistent and just evaluations using normal curve idea decreases the possibility to find out real the differences in performance between individuals or the working units. However it prevents the possibility of biased and groundless appraisal results between units. This was evaluated to decrease the meaning of the pay system.

The base of the performance appraisal is usually individual. This assumption was questioned by asking how individual effort can be separated from the team effort. Individual based pay was seen as a biased base of pay. Expressions of injustice in this category could be seen threatening the justice rules of accuracy and representativeness.

10 CONCLUSION AND DISCUSSION

This paper can agree the previous research in the claim that the construct of justice is very important dimension in the performance appraisal interview. In this study, consistency, accuracy, representativeness, correctability [14] and interactional treatment (sensitivity and explanations) [17], [18] were the most salient rules of justice when individuals were assessing and evaluating their performance appraisal interview. The context or the source of these justice rule violations related to appraisal situation itself (personalities and interaction), measures of the performance (gathered information, used scales and criteria) and the premises behind the whole pay system (frames and the base of the pay).

It is also evitable, that the “objective test” metaphor [4] behind the performance appraisal is insufficient and we must recognize the humanity as a natural part of the appraisals. To improve the feeling of justice in the performance appraisal interviews, the dynamics of the appraisal situation should be recognized. According to the results in this study, mutual respectful and constructive interaction serves both relational and instrumental concerns of an individual (see e.g. [37]). For example the lack of “voice” can though harm both the influence possibilities of an individual and also increase the feeling on inclusion and low status. These results emphasize the importance of the interaction’s quality in appraisals; striving for correct results is not just enough.

The injustice expressions related to the measurement of the performance are also connected to the interaction, especially communication. The accuracy and consistency of the used measure’s criteria and scales are dependent on the shared understanding of their content. This goal for shared understanding between the organization’s members requires communication. By sharing the interpretations related to used scales and criteria, the mutual definition or shared interpretations startS to develop. This means that organizations should encourage informal discussion or support interactive training with free discussion.

The overall frames of the pay system must be decided in every organization. In practice this refers to the balance between freedom in pay questions distributed to the supervisors and on the other hand the assurance of consistent exercise of the pay system between supervisors. This is also a matter of communication; the accuracy and consistency of the appraisals should be gained through mutual understanding of the criteria and scales used – not with artificial scaling afterwards. It is also important to notice the base of the pay. The use of individual or group based pay is always dependent on the jobs, demanded performance and how these are organized in a given organization.

All the above mentioned results make it easy to stress the human side of the performance appraisal. A fine technical pay system by itself doesn’t guarantee the effectiveness of the system; implementing individuals are in the key role when the acceptance and success of the pay system are evaluated. Although these results are
very dependent on the context, they provide useful viewpoints to other organizations implementing similar pay systems. It is possible that the salience of the justice rules differs in the different contexts, e.g. according to organizational size, accumulated experience with the appraisals and the demographic factors.

This study generated some questions, which could not be answered within this paper. There is a possibility that supervisors and subordinates emphasize different justice aspects, which is due to their different roles in the process of appraisals. If supervisors and subordinates stress the different justice dimensions, it is understandable that conflicts arise easily in performance appraisal. Also the impact of actually gained pay on the content of the injustice expressions should be noticed. These could be fruitful approaches for a future research.

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