

Complexity vs. Fairness: Exploration of Implementing an Automated Process for Employee Assessment

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Abstract

As a personnel activity in a major automotive company an analysis of the satisfaction with the performance appraisal system was undertaken. Two groups – employees with and without leadership function – were interviewed comparatively to determine which predictors influence job satisfaction and acceptance of performance appraisal. Results indicate significant differences between groups. In general, executives have a more positive attitude towards the performance appraisal system than other employees. Merely for the factor practicability executives show a lower degree of satisfaction. The dimension fairness was identified as the strongest influencing factor for overall satisfaction with performance appraisal for both groups. For executives fairness alone determines satisfaction with performance appraisal. Other employees however also value a transparent and comprehensible performance appraisal system.

Keywords: performance appraisal, leadership, fairness

1. Introduction

With performance appraisals as a personnel management tool various intentions are pursued. These include rewards and sanctions as well as gain in knowledge and experience for employees and organisation (Dickinson, 1993). However, they are part of the less favoured tasks by executives. This particularly applies for formal, time intensive performance appraisal processes with fixed dates and obligatory performance appraisal dialogue (Schuler, 2004). Commonly, not motivation and performance enhancement but rather frustration and rejection by executives and employees are caused. The problem with negative attitudes by appraiser and appraisee is, that appraisal system and its outcome are not accepted. Possible results are conflicts, dissatisfaction, and a lack of identification (Dickinson, 1993; Gilliland & Langdon, 1998).

The opinion about the performance appraisal process and the trust in the evaluations system by the person concerned is key to its long-term effectivity (Lawler, 1967). The dimensions fairness and practicability often prove to be lasting influencing factors. Unfairness can be one of the biggest sources of disturbance in social contacts. Fairness refers to the extent to which processes and distributed end results are received as equitable, appropriate, and consistent.

The fairness perceived by employees has significant influence on acceptance of performance appraisal and the satisfaction with the whole appraisal system (Gilliland & Langdon, 1998).

Comprehensiveness and user friendliness of an evaluation process are especially demanded by executives. A practical, easily understandable, and user-friendly system leads to more positive reactions than one that is complicated and difficult to understand (Schuler & Marcus, 2004).

2. Questions and Hypotheses

Since a performance appraisal system is not accepted in big automotive company, a personnel action is undertaken to investigate the opinions by employees and executives about the performance appraisal system practiced. The purpose is to identify the reactions to the system by both groups and hereby work out the reasons for their dissatisfaction. The identified flaws are to be changed to enhance satisfaction and acceptance so effectivity can be won back.

The analysed appraisal system was introduced about four years prior to data collection. Assessment takes place once a year. Performance is evaluated on the basis of five criteria in five grades each.

In this case, a quantitative analysis is realised. Three hypotheses are investigated: (1) Attitudes by interviewees towards performance appraisal reflect in several dimensions; (2) The interviewed groups show different attitudes towards the performance appraisal system and (3) Attitudes towards the performance appraisal system predict the acceptance of it varyingly strong.

3. Sample and Measuring Tools

Data was collected via written employee survey. Surveys were conceptualised differently for employees and executives. The survey for executives was fitted for the view by a rater. The survey for employees was directed at individuals who receive performance appraisal and feedback.

For the dimensions performance appraisal system, results and processes of the performance appraisal, feedback, development and training, as well as demographic variables Items were generated. The variables were constructed on the basis of assumed problem fields, as suggested by Bungard et al. (1996). The items were drafted with the help of existing scales by Giles and Mossholder (1990), Leventhal (1980), Folger et al. (1992), Greenberg (1986), Landy et al. (1978), and Gilliland and Langdon (1998) and fitted for the given state of the problem. Predominantly, closed questions were asked which were answered by crossing out the applicable option on a seven-stage scale. Additionally, open questions to complete each theme unit were added as well as for biographic details. The employee survey consisted of 45 items, the survey for raters of 44 items.

In different, but thematically identical surveys 102 executives and 522 employees were interviewed over a three week period. Return of surveys was anonymous. In total, 406 individuals took part in the survey, of this 56 were executives and 350 were employees. This corresponds with a response rate of 65 %, which can be rated as very good. Due to sample size results can be viewed as fairly reliable. The composition of the sample is nearly identical with the composition of the complete workforce of the company.

4. Results and Discussion

Hypothesis 1 is: "Attitudes by interviewees towards performance appraisal reflect in several dimensions." The collected data is analysed via factor analysis (principal component analysis with VARIMAX-rotation). Factors are identified by the items with highest loadings on one

single dimension (above .50). Two separate factor analyses for employee- and rater-survey result in six comparable dimensions: system understanding, system practicability, perceived fairness, supervisor competence, satisfaction with feedback, and satisfaction with development and training. Thus, hypothesis 1 is confirmed.

Individually, the executive group showed a differentiated view on performance appraisal. More dimensions are identified: effort, appraisal's accuracy and usefulness, criteria for assessment, opportunities for participation during feedback, feedback fairness, potential of improvement's usefulness.

To test hypothesis 2, analysis of variance is conducted. Hypothesis 2 is: "The interviewed groups show different attitudes towards the performance appraisal system". Groups differ significantly in terms of performance appraisal perception. A high value implies strong rejection. Significant differences can be identified for system understanding (M (executives) = 3.46, SD = 1.46; M (employees) = 3.93; SD = 1.50; $F(1, 404) = 4.79$; $p < 0.05$), supervisor competence (M (executives) = 2.09, SD = 1.93; M (employees) = 3.11; SD = 2.26; $F(1, 404) = 10.27$; $p < 0.001$), and feedback (M (executives) = 2.56, SD = 1.23; M (employees) = 3.23; SD = 1.66; $F(1, 403) = 8.54$; $p < 0.001$). Thus, hypothesis 2 can be confirmed partially.

Via regression analysis hypothesis 3 is tested: "Attitudes towards the performance appraisal system predict the acceptance of it varyingly strong". The dimension fairness is identified as the most influencing factor for overall rating of satisfaction with appraisal. This is true for both the whole sample and separate observation of executives and employees.

For employees, significant correlation between observed reactions and overall acceptance can be identified via five factors: system understanding ($\beta = .14^*$, $p < 0.05$), system practicability ($\beta = .08^*$, $p < 0.05$), perceived fairness ($\beta = .480^{***}$, $p < 0.001$), supervisor competence ($\beta = .11^*$, $p < 0.05$), and development ($\beta = .13^*$, $p < 0.05$). These five factors explain 54 % of the data variance.

For executives, only the factor fairness wields significant influence on satisfaction with the performance appraisal system. Its influence is extremely strong ($\beta = .47^{***}$, $p < 0.001$) and explains 63 % of data variance. It is striking that therefore, overall acceptance by executives is determined by only one factor whereas for employees five factors are decisive. This one factor also predicts satisfaction with a higher probability (63 %) than the five factors for employees (52 %).

Unfairness is identified as the main source for the lack of acceptance. Therefore, it is recommended to focus on this factor. Moreover, system understanding should be improved by pointed information. Employees' performance should be observed precisely and documented continuously to ensure transparent and objective appraisal. Specific assessment training is recommended. It is suggested to standardise the single steps for appraisal and to make them more distinct. Clear instructions for performing assessments and feedback should be worked out. Daily, informal feedback would ward off unrealistic expectations by employees. Fairness and accuracy are enhanced by adjusting evaluation criteria for the different tasks that are observed. The automatization of appraisal processes is supported to achieve consistent standards and higher user friendliness.

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