CHAPTER 6

Creating Performance Management Systems That Promote Perceptions of Fairness

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Jay C. Langdon

Jill Carington had been a manager at Suntronics for the past twelve years and was really getting fed up with the management fads that Human Resources kept thrusting upon her. The latest was the most ludicrous yet. Instead of doing its job, HR was "decentralizing" and "empowering" department managers to create their own performance appraisal forms and develop their own performance management process. In the words of HR, "This will allow each department to match its performance management strategy to its strategic business goals." Jill suspected it was simply a way to get everyone else to do HR's job.

HR had suggested that each department form a performance management committee to spearhead the development process. We already have enough people tied up in management committees, Jill thought. If I form yet another committee and assign it the task of developing a new "performance management strategy," who will be left to actually do some work? Instead of forming a committee, Jill called a friend of hers who worked with the county and asked him to fax her a copy of the performance appraisal form used in his department. She looked it over and was impressed with its simplicity: Job Knowledge, Initiative, Quality, Quantity, and Attendance were the performance
dimensions and the entire form was a single page. Jill had her secretary copy the form onto department stationery. *That should keep HR off my back*, thought Jill, as she turned her attention to the real problems that faced her department.

When performance feedback time came at the end of the year, Jill pulled her new performance appraisal form out and began the task of reviewing the twenty-two employees in her department. *Good thing I opted for a single-page form*, she thought as she began the task, *otherwise this would have taken forever.* As she thought about the performance of her employees, however, she realized that she had not worked directly with many of them and really did not know how they were doing. She could go talk with some of the workgroup leaders, but the deadline for getting signed performance appraisal forms to HR was rapidly approaching, so she would simply do the job herself based on what she knew. She had had some trouble with a couple of employees coming in late and missing deadlines, so gave each of them “Unsatisfactory” ratings on the Initiative and Attendance dimensions. She then thought about which employees deserved the biggest annual bonuses and gave each of them “Outstanding” ratings on all dimensions. She rated the rest of the employees of her department “Satisfactory” or “Good,” depending on what she remembered about them. *That should do it for another year,* she thought as she finished off the stack of evaluations.

To provide the mandatory annual performance feedback (which she felt was a waste of time since they all knew if they were doing well or poorly), Jill scheduled a fifteen-minute meeting with each employee. In these meetings, she told the employees that they would receive their annual bonus with their next paycheck and then had them sign the performance appraisal form. She told them not to worry about the ratings since the performance appraisals were just a formality that HR required. In the weeks following the feedback sessions, Jill noticed that attitudes among her employees were noticeably worse. The two employees that received “Unsatisfactory” evaluations would barely look at her. A number of those employees that had received “Satisfactory” or even “Good” also seemed to be upset. Two had put in for transfers to other departments. Jill shook her head and wondered how she would solve this latest problem that HR had created.

This opening case demonstrates a performance management system with many problems. Although extreme in its entirety, all aspects of this case were drawn from actual organizational experi-

ences. It exemplifies how a system can reward, motivate, and develop capable managers and create frustration and resentment among employees that have to use it and their managers. Evidence of these problems can be found in articles that question whether performance appraisal systems (for example, Mathews, 1994). The use of employees’ or appraisees’ perceptions of the management process and generate recommendations for change can develop performance systems and perceptions of fairness.

Perceptions of fairness are important in the organizational decision-making processes of compensation, discipline, and layoff (Cropanzano & Greenberg, 1997), at which procedures and outcomes can be either appropriate. Generally, research indicates that these arise from evaluations of the outcomes (such as the procedures used to determine outcomes), and the way in which the procedures are implemented and explained (interaction with performance appraisals, evaluations of the ratings received and their appropriateness and consistency, explanations and feedback that is given with the ratings).

The importance of considering fairness is demonstrated by examining how perceptions of fair attitudes and behavior can lead to increased commitment to the organization, and decreased turnover (Greenberg, 1997). Extra-role help (helping coworkers) and increased job performance (dissatisfaction with treatment in organizational decision-making) lead to increased organizational participation (Klaas, 1989; Greenberg, 1991). In addition, the likelihood that employees will file grievances (Klaas, 1989).
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ences. It exemplifies how a system that is designed to appraise, re-
ward, motivate, and develop can actually have the opposite effect
and create frustration and resentment on the part of both the man-
gers that have to use it and the employees that are appraised by it.
Evidence of these problems can be seen in the popular press with
articles that question whether performance evaluations ever work
(for example, Mathews, 1994). In the current chapter we focus on
employees’ or appraisees’ perceptions of the performance man-
gement process and generate recommendations on how organiza-
tions can develop performance management systems that promote
perceptions of fairness.

Perceptions of fairness are central reactions to many organi-
zational decision-making procedures, including staffing, com-
pensation, discipline, and layoffs (Folger & Greenberg, 1985;
Croppanzano & Greenberg, 1997). Fairness refers to the extent to
which procedures and outcomes are seen as just, consistent, or ap-
propriate. Generally, research indicates that perceptions of fairness
arise from evaluations of the outcomes received (outcome fairness),
the procedures used to determine those outcomes (procedural fair-
ness), and the way in which the decision-making procedures were
implemented and explained (interpersonal fairness). For example,
with performance appraisals, fairness perceptions arise from eval-
uations of the ratings received and rewards tied to those ratings,
the appropriateness and consistency of the appraisal process, and the
explanations and feedback that accompany the communication of
performance ratings.

The importance of considering perceptions of fairness can be
demonstrated by examining how fairness perceptions influence
important attitudes and behaviors. Research has demonstrated that
fair treatment can lead to increased trust in supervisors, commit-
tment to the organization, and job satisfaction (Croppanzano &
Greenberg, 1997). Extra-role helping behaviors (such as assisting
coworkers) and increased job performance can also result from fair
treatment in organizational decisions (Moorman, 1991; Konovsky
& Cropanzano, 1991). In addition, fair treatment can decrease the
likelihood that employees will file formal grievances or leave the or-
ganization (Klaas, 1989; Greenberg, 1990). On the other hand, un-
fair treatment can lead to adverse behaviors such as sabotage and
theft. For example, Greenberg compared two plants that were
forced to implement a temporary pay cut and found that shrinkage due to theft was much higher in the plant where workers were given a limited explanation for the pay cut than in the plant where workers were given an elaborate and caring explanation regarding the need for a pay cut. Providing this information with interpersonal sensitivity during the implementation of the pay cut had a significant impact on theft behavior. Similarly, in layoff situations, considerable research has demonstrated that fair treatment leads to more positive attitudes and behaviors among both layoff victims and survivors (Konovsky & Brockner, 1993). Thus the positive impact of fair treatment on a variety of important outcomes has been widely demonstrated.

In the current chapter, we focus our discussion on perceived fairness in performance management systems. We begin our discussion with an examination of reasons for adopting performance management practices that are perceived to be fair. We argue that active consideration of fairness is consistent with a trend toward customer-oriented human resource management. We then address the ways of creating performance management systems that are perceived to be fair. This section begins with definitions of both the performance management process and the determinants of perceived fairness. The main discussion then focuses on recommendations for building perceived fairness into each of the steps in the performance management process. We conclude this chapter with a summary of recommendations and a comparison of our recommendations with those found in the popular literature.

### Reasons for Considering Perceived Fairness in Performance Management

It has been argued that for the HR function to be an effective contributor to modern organizations, HR has to adopt a customer service orientation (Bowen & Greiner, 1986; Bowen & Lawler, 1992). The customers of the HR function include line managers and supervisors as well as employees. Customer service means understanding unique customer needs and continually striving to satisfy these needs as they change over time. If the performance appraisal process is perceived by employees as arbitrary and unfair, it is not meeting the needs of the employees as customers. Further, if employees do not agree with and accept the performance appraisal process and outcomes (for example, a performance management system is not meeting the needs of employees and supervisors because the system is perceived as unfair), then performance management processes may be ineffective and problematic. For example, a lack of commitment to the system may be evident in the performance appraisal process, as employees may not be willing to participate in the process or may not take the process seriously. This lack of commitment may manifest itself in lower overall performance ratings. To adopt a customer service orientation, HR must listen to customer input, thereby allowing for a more personal touch in the delivery of HR procedures and services. This approach to HR is that a large body of research recognizes the value of the HR function and the perceived value of HR increases. Although many of the propositions that make up the current approach to HR, research has considered the implications of performance appraisal on attitudes and behaviors. We discuss performance management on attitudes and behaviors in this section.


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...pay cut and found that shrinkage in the plant where workers were paid than in the plant where a caring explanation regarding this information with interpersonalization of the pay cut had a positive effect. Similarly, in layoff situations, managers that fair treatment leads to greater satisfaction among those who have been laid off (Carter, 1989). Thus the positive impact of important outcomes has been discussed in our discussion on perceived fairness.

We begin our discussion on the reasons for adopting performance appraisal systems. We begin our discussion on the reasons for adopting performance appraisal systems. We then address management systems that are consistent with a trend toward management. We then address management systems that are consistent with a trend toward a customer-oriented approach to HR is that a large body of the organization supports and recognizes the value of the HR function, and therefore, the perceived value of HR increases. Although research has not directly assessed many of the propositions that underlie the customer-oriented approach to HR, research has demonstrated the impact of perceptions of performance appraisal fairness on a variety of employee attitudes and behaviors. We consider the influence of fair performance management on attitudes and reactions to appraisals, motivation and performance, attitudes toward the organization, and legal challenges. The various outcomes influenced by performance appraisal fairness are also summarized in Exhibit 6.1.

**Exhibit 6.1. Consequences of Fair Performance Management Systems.**

**Improved Employee Attitudes and Reactions to Appraisals**
- Acceptance of performance evaluations
- Satisfaction with appraisal process

**Improved Employee Motivation and Performance (small effects)**
- Motivation to improve performance
- Performance improvements

**Improved Employee Organizational Attitudes**
- Trust in supervisor
- Organizational commitment
- Intentions to remain with the organization

**Improved Company Position in Legal Challenges to Employment Decisions**
- Increased legal defensibility
- Decreased likelihood of legal challenges (hypothesized consequence)
Attitudes and Reactions to Appraisals

Most directly related to the performance management process, research clearly indicates that both employee acceptance of the performance evaluation and employee satisfaction with the appraisal process are strongly related to the perceived fairness of that process. Steps taken to improve perceptions of fairness, such as providing due process through adequate notice and allowing employees the chance to offer input into the evaluation process, tend to increase acceptance of evaluations as well as satisfaction with the appraisal process (Taylor, Tracy, Renard, Harrison, & Carroll, 1995). Interestingly, these steps to enhance fairness also appear to enhance supervisors’ satisfaction with the appraisal system. From a customer service perspective, it appears that adapting performance management systems to improve perceptions of fairness is an effective means of increasing customer (that is, employee and supervisor) satisfaction. This impact on satisfaction also suggests that supervisors would be more likely to use the appraisal system appropriately and effectively. Indeed, Taylor et al. found that managers reported less tendency to distort or manipulate appraisal ratings after a number of steps had been taken to build fairness into the appraisal process. The impact of perceived fairness on employees’ acceptance of ratings and satisfaction with the appraisal suggests that employees will be more motivated to improve their performance when the rating process is perceived as fair.

Motivation and Performance

Several studies have examined the relationship between perceived fairness and motivation to improve, but the results are mixed. In correlational studies, employees’ motivation to improve has consistently been related to perceptions of fairness. However, when the performance appraisal process is manipulated to increase perceptions of fairness, the manipulation has not been found to have an impact on motivation to improve (Taylor et al., 1995). Perhaps even more important than motivation to improve is the relationship between perceived fairness and performance improvements. Some research has demonstrated small relationships between perceived fairness or practices that enhance fairness (for example, opportunity to participate in the appraisal process) and changes in performance (Nathan, Mohrman, & Saris, 1999; some laboratory studies have demonstrated a performance change in a performance review, but these effects of manipulating performance change have not been found as strong as those found by many factors in addition to motivation and opportunity) and this may be why the appraisal review process has a greater impact on motivation than on performance.

Organizational Attitudes

Some attitudes and behaviors that are related to organizational control include attitudes toward achievement, participation, and organizational commitment (for example, Korsgaard & Roberson, 1995). In addition to being related to performance, attitudes are related to performance among those receiving lower performance feedback (Welker, & Johnson, 1996). As with the importance of perceptions of fairness, it is important to distinguish research methods from research using experimental methods. In fairness and most attitudes and intentions, there are always alternate explanations. Traditionally, the direction of causality is from committed employees toward perceived fairness, or does fairness lead to increased commitment? It is also possible that some third variable affects both fairness and commitment. Far fewer studies have been conducted using experimental methods. However, on the whole, these studies have found that involvement through steps to improve due process and training for employees and management in the appraisal process, as well as meetings to establish self-appraisals as part of the evaluation process, can improve performance. Compared with a control group of...
performance management process, receipt of employee acceptance of the pert-oyee satisfaction with the appraisal and perceived fairness of that process. rations of fairness, such as providing notice and allowing employees the evaluation process, tend to increase well as satisfaction with the appraisal (Harrison & Carroll, 1995). Inter-fairness also appear to enhance su-appraisal system. From a customer that adapting performance manage-perceptions of fairness is an effective (that is, employee and supervisor) dissatisfaction also suggests that supervi-s the appraisal system appropriately et al. found that managers reported pulate appraisal ratings after a num-oo to build fairness into the appraisal d fairness on employees’ acceptance the appraisal suggests that employ- improve their performance when the ir.

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performance (Nathan, Mohrman, & Milliman, 1991). Additionally, some laboratory studies have demonstrated an impact of participation in a performance review on performance improvements, but these effects of manipulating fairness and observing performance change have not been found in field settings (Earley & Lind, 1987). Taylor et al. suggest that performance is determined by many factors in addition to motivation (for example, ability and opportunity) and this may be why improving the fairness of the review process has a greater impact on attitudes and commitment than on performance.

Organizational Attitudes

Some attitudes and behaviors that are more directly under motivational control include attitudes toward one’s supervisor, commitment toward the organization, and intentions to remain with the organization. A number of studies have demonstrated that perceptions of appraisal fairness are related to trust in supervisor and organizational commitment (for example, Folger & Konovsky, 1989; Korsgaard & Roberson, 1995). Intentions to stay with the organization are related to performance appraisal fairness, particularly among those receiving lower performance evaluations (Magner, Welker, & Johnson, 1996). As with all the research demonstrating the importance of perceptions of performance appraisal fairness, it is important to distinguish research conducted using correlational methods from research using experimental methods. Given that fairness and most attitudes and intentions are assessed perceptually, there are always alternate explanations for correlational results. Additionally, the direction of causality is not known (for example, are committed employees more likely to perceive the performance appraisal as fair, or does fairness lead to more commitment?) and the possibility exists that some third variable accounts for the demonstrated relationship.

Far fewer studies have been conducted in field settings with experimental methods. However, one recent study manipulated fairness through steps to improve due process that included extensive training for employees and managers on all aspects of the appraisal process, as well as meetings to establish realistic expectations and self-appraisals as part of the evaluation process (Taylor et al., 1995). Compared with a control group of employees who continued to
use the old system, those evaluated with the new “fair” performance appraisal system indicated that they were more likely to keep working at the agency for at least the next three years. Thus it is clear that perceptions of performance appraisal fairness are important in terms of their impact on employee and manager satisfaction with the appraisal process, as well as employee attitudes toward the organization and intentions to remain with the organization (as shown in Exhibit 6.1).

Resistance to Legal Challenges

A final potential positive effect of attending to perceptions of fairness relates to legal concerns. A number of researchers have suggested that the perceived fairness of the performance appraisal system should be related to decisions about going to court over employment decisions that are based on the appraisal system (see Chapter Two for a more detailed discussion of legal issues in performance appraisal). That is, if individuals feel they have been wronged in some employment decision (for example, promotion or termination) and an unfair appraisal process contributed to this decision, they are more likely to challenge the decision than if they felt they had been fairly appraised and received the same decision. Researchers have not assessed this suggestion, but analyses of legal decisions related to performance appraisals (for example, Barrett & Kernan, 1987; Werner & Bolino, 1997) indicate that features of legal decisions that tend to withstand legal scrutiny are also features that tend to promote perceptions of fairness (for example, providing a formal mechanism for employees to review and appeal appraisal results). Werner and Bolino concluded that issues relevant to fairness and due process were the most salient factors in judicial decisions, whereas more scientific issues of validation and type of rating instrument were virtually ignored.

Creating Fairness in Performance Management Systems

Given the evidence that enhancing the perceived fairness of performance management has positive effects in organizations, the next issue to consider is how to develop performance management sys-
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tems that are perceived as fair. Specifically, we consider those factors
that develop perceived fairness in the performance management
process. The basic model that represents the relationships between
fair performance appraisal practices, perceptions of fairness, and
positive outcome is presented in Figure 6.1. That is, building fairness
into the performance management process through practices such
as self-appraisals enhances employees’ perceptions that the perfor-
ance appraisal is fair. Perceptions of fairness, in turn, lead to pos-
tive outcomes such as increased commitment to the organization.

We begin with a brief overview of the performance manage-
ment process and identify three related processes that make up
performance management. We then identify general determinants
of perceived fairness before examining these determinants in each
of the three performance management processes. The heart of our
discussion is an examination of determinants of fairness as they re-
late to procedures and features of performance management
processes. We use a number of case examples to illustrate these is-
issues and conclude with an examination of the congruence be-
tween suggestions based on fairness research and suggestions
found in the popular press.

The Performance Management Process

Research on performance management has typically studied the
appraisal stage of the process. However, in trying to understand how
to create fair performance management systems, it is beneficial to
examine the process from beginning to end. In this chapter we ex-
amine performance management broadly and suggest that the fol-
lowing three steps are central to the management process: system
development, appraisal processes, and feedback processes. The

| Fair Performance Management Practices | Perceptions of Fairness | Favorable Outcomes |
| Example: Employees complete self-appraisals | Example: Procedural fairness | Example: Commitment to the organization |

Figure 6.1. Fairness Impact Model.
performance management process is summarized in Figure 6.2. Although not a focus of the current chapter, the outermost circle of the figure emphasizes that the three steps in the performance management process are embedded within the organization’s culture or environment (for example, values, norms, strategic goals), which can enhance or reduce perceptions of fairness.

- **System development** includes the creation or modification of performance appraisal instruments, the planning of procedures for assessing performance and providing feedback, and the com-

![Figure 6.2. Performance Management Process.](image)

munication of this development. Development also includes communicating with employees and establishing a process.

- **Appraisal processes** include information on work-related behaviors, completing the appraisal form. Performance appraisals and rewards. This feedback is being used for the next appraisal period.

As suggested in Figure 6.2, these processes are not independent, but interrelated. After feedback is delivered, the decision-making process should be reexamined and modified as necessary. We suggest that the customer service-oriented HR professional (for example, employee and performance appraisal) is solicited following feedback delivered in the performance management process. By supporting the notion of continuous quality improvement, this approach to performance management processes should be a higher priority for managers.

By depicting the performance management processes as we are not trying to suggest that the two processes should occur on an ongoing basis (for example, continuous improvement). We present an interior ring that includes a larger formal performance management cycle that encompasses points throughout the formal process. This ring should be given information that can modify the formal feedback and input augment the feedback and input augment the performance management cycle. Nonetheless, the performance management cycle does serve as a summary of the performance management process. In the following sections, we will demonstrate each of the steps of the performance management process.
munication of this development to relevant parties. System development also includes communicating business objectives to employees and establishing a process for employee goal setting.

- **Appraisal processes** include observing and collecting information on work-related behavior, evaluating performance, and completing the appraisal form. Decisions regarding rewards and promotions are also part of the appraisal process.

- **Providing performance feedback** is the final step in the performance management process and involves the communication of appraisals and rewards. This feedback process leads into goal setting for the next appraisal period.

As suggested in Figure 6.2, the three performance management processes are not independent, but are in fact cyclically interrelated. After feedback is delivered, the entire performance management process should be reexamined and any necessary improvements should be made through further development. Referring back to the customer service-oriented HR approach suggested earlier, customer (for example, employee and line manager) input should be solicited following feedback delivery and this input used to refine the performance management process. In addition to a customer orientation, this approach to performance management embodies the notion of continuous quality improvement.

By depicting the performance management process as cyclical we are not trying to suggest that each step (for example, providing feedback) should only occur once in a given year. Rather, performance management should be a continuous process. In Figure 6.2, we present an interior ring that contains numerous informal performance management cycles that occur within the context of the larger formal performance management cycle. That is, at many points throughout the formal performance management cycle, employees should be given informal feedback and they should be offering input that can modify their performance goals. This informal feedback and input augment the formal performance management cycle. Nonetheless, the three steps of the performance management cycle do serve as a useful way of organizing our discussion of the performance management processes. In the following sections, we will demonstrate how fairness can be enhanced in each of the steps of the performance management cycle.
Determinants of Perceived Fairness

Considerable research has examined the question, What makes a decision seem fair? It is generally recognized that there are three categories of perceived fairness. These include procedural fairness, interpersonal fairness, and outcome fairness. Table 6.1 provides a summary of these categories of fairness and includes brief definitions and examples.

- **Procedural fairness** refers to the appropriateness of the decision process and is primarily determined by whether or not the recipient has a chance to offer input or a voice in the decision. Additional determinants of procedural fairness include the consistency of treatment and consideration and the relevance and lack of bias in the decision-making procedures.

- **Interpersonal fairness** addresses treatment during the formation and communication of the decision. Whereas procedural fairness addresses the formal decision processes, the primary determinants of interpersonal fairness include honesty, ethicality, feedback, and communication. The feedback and include adequacy or thoroughness.

  - **Outcome fairness** is fairness associated with the decision. Outcome fairness is linked with employees with expected or anticipated outcomes. Expectations are formed through prior experiences or conversations with relevant others. For example, employees may form expectations of what evaluation they will receive and that their performance (merit increase) that should follow actual evaluation or reward falls short, outcome will be perceived as unfair. Employees who exceed expectations will be perceived as careless.

The three categories of fairness that fair procedures and interpersonal fairness are associated with fair outcomes. However, it is possible to have an unfair decision (procedural fairness), treatment, but still receive a fair outcome (outcome fairness). Thus, it is possible to perceive that your supervisor did not keep your job and did not seek any input on your performance (thus making the appraisal unfair), and still received a fair outcome (creating outcome fairness).

Research has examined the effects of unfair treatment, and outcomes. One could be that fair procedures or interpersonal fairness will lead to positive outcomes (Brockner & Wiesenthal, 1978). Poor process is fair, or if decision is adequately communicated, individuals may actually perceive those outcomes as positive outcomes.

Research has demonstrated that interpersonal treatment in a variety of settings (range in severity. For example, every positive and negative outcome) are not necessarily reasons for the decision is carefully considered and provided. In the performance appraisal, it has demonstrated that providing...
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Examples of Determinants
- Opportunity to participate in process
- Consistency of treatment and consideration
- Job relevance and lack of bias
- Honest and ethical treatment
- Timely and thorough communication and feedback
- Outcomes anticipated or consistent with expectations

communication. The feedback and communication dimensions in-
clude adequacy or thoroughness as well as timeliness.

- Outcome fairness is fairness associated with the outcome of
the decision. Outcome fairness is based on a matching of actual out-
comes with expected or anticipated outcomes. Further, these ex-
pectations are formed through prior experiences and comparisons
with relevant others. For example, by communicating with cowork-
eres, employees may form expectations regarding the performance
evaluation they will receive and the rewards (for example, bonus or
merit increase) that should follow from that evaluation. If the act-
ual evaluation or reward falls short of this expectation, the out-
come will be perceived as unfair. Evaluations or rewards that meet
or exceed expectations will be perceived as fair.

The three categories of fairness are often interrelated, such
that fair procedures and interpersonal treatment tend to be asso-
ciated with fair outcomes. However, this is not always the case. It is
possible to have an unfair decision process or unfair interpersonal
treatment, but still receive a fair outcome. For example, you may
feel that your supervisor did not know what you were doing in your
job and did not seek any input prior to evaluating your perform-
ance (thus making the appraisal process unfair), but nevertheless
gave you the appraisal and merit increase you feel you deserve
(creating outcome fairness).

Research has examined the relationships between process,
treatment, and outcomes. One consistent finding to emerge is that
fair procedures or interpersonal treatment can make up for nega-
tive outcomes (Brockner & Wiesenfeld, 1996). That is, if the deci-
sion process is fair, or if decision making is thoroughly and
adequately communicated, individuals receiving negative outcomes
may actually perceive those outcomes to be fair. Table 6.2 summa-
rizes the effect of procedural and interpersonal fairness on nega-
tive outcomes.

Research has demonstrated the power of fair procedures and
interpersonal treatment in a variety of contexts with outcomes that
range in severity. For example, even layoff decisions (an extremely
severe and negative outcome) are perceived to be more fair if the
reason for the decision is carefully explained and adequate notice
is provided. In the performance management domain, research
has demonstrated that providing appraisees the opportunity to
Table 6.2. The Effect of Fair Procedures and Interpersonal Treatment on Outcome Fairness.

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<tr>
<td>Negative outcome</td>
<td>Unfair</td>
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offer input into their evaluation can mitigate negative attitudes that result from an unfavorable performance appraisal (Magner et al., 1996). The implication of this research is that *procedural and interpersonal fairness are particularly important when evaluations and decisions are negative.*

**Perceived Fairness and the Performance Management Process**

We have broken the performance management process into three stages related to system development, appraisal processes, and feedback processes. We have also broken the fairness notion into three categories of fairness: procedural fairness, interpersonal fairness, and outcome fairness. In this section we examine each type of fairness as it relates to each stage of performance management.

**Perceived Fairness of System Development**

The development stage of the performance management process is important for fostering initial commitment toward the system. Positive or negative attitudes that form during the development stage are likely to persist once the performance management system is implemented. Procedural and interpersonal fairness perceptions during development are likely to strongly influence these positive or negative attitudes. Although research has not specifically addressed fairness of performance appraisal development, considerable related fairness research provides a number of suggestions for practice.

We begin by listing these practices in detail. We also describe a performance of many of these practices for enhancing fairness in system development.

- Collect employee input throughout the variety of decision situations, on how the recipient has an opportunity to hear the process (Korsgaard & Roberson, 1988). This opportunity for voice when interviewing employees to determine performance dimensions. Employees can also be regarding what sort of performance appraisals as well as how and from whom are selected. In this way, employees as well as the development of the appraisal, react to the "fair" or "related" performance appraisal.

  "How could they develop a job-related? I have been developing that's longer than any of those people in my company. If anyone knows what I have been doing, in addition to this input helping the fairness, employees may feel more comfortable that they helped to develop.

- Ensure that all employees are receiving input and communicating about their performance.
In this section, we describe four important practices that can enhance perceptions of fairness in the system development process:

- Collect employee input through surveys or interviews.
- Ensure that all employees are treated consistently when seeking input and communicating about the development process.
- Ensure that the information collected from employees is relevant and that the system developed is related to the job.
- Explain why a new performance management system is being developed.

We begin by listing these practices and then discuss them in more detail. We also describe a performance appraisal development effort that exemplifies many of these practices. Our key recommendations for enhancing fairness in system development are summarized in Table 6.3.

- **Collect employee input through surveys or interviews.** Across a variety of decision situations, one of the most consistent factors to influence procedural fairness perceptions is the extent to which the recipient has an opportunity to voice concerns in the decision process (Korsgaard & Roberson, 1995). At the system development stage, this opportunity for voice can be provided by surveying or interviewing employees to determine their primary job performance dimensions. Employees can also be asked to provide input regarding what sort of performance appraisal form should be developed as well as how and from whom appraisal evaluations should be collected. In this way, employees are contributing and having a say in the development of the appraisal system. One long-term employee reacted with dismay and resentment when presented a new “job-related” performance appraisal form without being consulted: “How could they develop a job-related performance appraisal without talking to me? I have been doing this job for eighteen years and that’s longer than any of those HR people have been around this company. If anyone knows what’s involved in this job, it is me.” In addition to this input helping to create a sense of procedural fairness, employees may feel more ownership and commitment to a system that they helped to develop.

- **Ensure that all employees are treated consistently when seeking input and communicating about the development process.** Another
### Table 6.3. Fairness in System Development.

<table>
<thead>
<tr>
<th>Determinant</th>
<th>Description</th>
<th>Recommended Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice</td>
<td>Collect employee input through surveys or interviews.</td>
<td>• Interview or survey employees to identify primary job dimensions.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Get employee input about appraisal format and rater sources.</td>
</tr>
<tr>
<td>Consistency</td>
<td>Ensure that all employees are treated consistently when seeking input and communicating about the development process.</td>
<td>• Seek and use input from everyone in a similar manner.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Keep everyone informed regarding the development process (make sure no one is left out of the loop).</td>
</tr>
<tr>
<td>Relevance</td>
<td>Ensure that the information collected from employees is relevant and that the system developed is related to the job.</td>
<td>• Ask job-relevant questions during interviews or surveys.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ensure the developed appraisal system is related to the job.</td>
</tr>
<tr>
<td>Communication</td>
<td>Explain why a new performance management system is being developed.</td>
<td>• Explain the functions of the new performance management system using face-to-face or written communication.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Alleviate concerns about the new system with two-way communication (interviews, conferences, questionnaires).</td>
</tr>
<tr>
<td>Relevance</td>
<td>Ensure that the information collected from employees is relevant and that the system developed is related to the job.</td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>Explain why a new performance management system is being developed.</td>
<td></td>
</tr>
</tbody>
</table>

- Ask job-relevant questions during interviews or surveys.
- Ensure the developed appraisal system is related to the job.
- Explain the functions of the new performance management system using face-to-face or written communication.
- Alleviate concerns about the new system with two-way communication (interviews, conferences, questionnaires).
two-way communication is also likely to be very important in terms of addressing concerns and fears. Again, interviews, questionnaires, memos, and informal conferences can all be used to promote two-way communication.

The discussion so far suggests ways to build procedural and interpersonal fairness into the performance management system development process. Outcome fairness has not been addressed. However, the outcome of the development process is the performance management system. The fairness of this system is most directly evaluated by examining procedural fairness in the appraisal and feedback stages.

**Case Example: University of Arizona Intercollegiate Athletics**

We can illustrate many of the suggestions we have made regarding procedural and interpersonal fairness in the system development stage by describing our recent experiences developing a new performance management system for the Department of Intercollegiate Athletics (ICA) at the University of Arizona. Although this is a department within a large organization, the University of Arizona's human resources department had recently decentralized and ICA was asked to develop its own performance management system. The ICA department has approximately 150 administrative, coaching, support, and clerical staff members occupying over a hundred different jobs. Even staff with the same job title often have very different duties (for example, the life of an "Assistant Coach, Football" varies greatly depending on whether the job is as an offensive or defensive assistant coach). Therefore, the goals were to develop performance appraisal instruments that tapped the essential duties of each job, but to try to limit the number of different instruments to a manageable total.

Procedural fairness in this development process was managed by allowing all staff the opportunity to offer input during development. Initially, all staff members were interviewed, either individually or in groups. Interview questions addressed job duties and performance standards as well as comments on the existing performance management process. Recommendations and concerns regarding the new system were also collected. Through these steps all staff were able to offer input, and this input was collected consistently across the various levels of the department. Two-way communication was also facilitated with the individual and group interviews.

Interpersonal fairness was largely managed with written and oral communication. All staff members were sent a memo from the director of ICA explaining why a new performance management system was being developed and outlining the steps being taken. The system was then presented at several monthly staff meetings, the staff was encouraged to participate in the development process. One of the limitations was the time available to develop the new system and the lack of funds that would be made available by the university, and promotions. Another goal of this project was to change management as a motivation and development tool, and given that merit increases were a major concern among staff was that the new system was seen as an improvement in the perception of impending downsizing. It is true that there were no plans for layoffs, but the new performance appraisal system as a signal from the director of ICA and feedback from consultants developing the system helped to set the tone for the development team also monitored the perception of the new performance management system.

Perhaps as a result of ensuring participation during the development process, real changes to the performance management system were largely positive. Staff expressed enthusiasm regarding the change in the performance management system, because they felt a greater sense of direction and also provide job-related feedback that can be evaluated. Although fairness is a concern at this stage, it is important in the appraisal and feedback processes and the performance management cycle will falter if the process is not well organized in the development stage.

**Perceived Fairness of Appraisal Process**

After the system is developed, the system itself is part of the management is appraisal. Appraisal process fairness on the basis of appraisee performance is being evaluated using some type of evaluation form. Two-way communication and outcome fairness are all relevant to this process. In this section, we will look at that promote perceptions of fairness.
of ICA explaining why a new performance management system was being developed and outlining the steps in the development process. During monthly staff meetings, the staff was informed of the development process by either the director or the administrator who was coordinating the development process. One of the critical issues in this communication was the reasons for the development of a new system. Decisions that would be made with the performance appraisal included merit increases and promotions. Another goal of this new system was to use performance management as a motivation and development tool. Given that performance appraisals had not previously been used consistently for development, and given that merit increases were infrequent, a common fear among staff was that the new system was being developed because of the perception of impending downsizing and layoffs. It is important to note that there were no plans for layoffs, but rather the staff saw the new performance appraisal system as a sign of future layoffs. Communication from the director of ICA and feedback during the interviews from the consultants developing the system helped alleviate these fears. ICA staff on the development team also monitored informal communication networks (for example, an underground newsletter) for concerns regarding use of the new performance management system.

Perhaps as a result of ensuring procedural and interpersonal fairness during the development process, reactions toward the new performance management system were largely positive. Additionally, many of the staff expressed enthusiasm regarding the goal-setting portion of the performance management system, because the goals provide developmental direction and also provide job-related standards by which performance can be evaluated. Although fairness was part of the system development process at this organization, it is important that fairness also be included in the appraisal and feedback processes. If these later stages of the performance management cycle fall short in terms of fairness, the gains realized in the development stage will likely be lost.

Perceived Fairness of Appraisal Processes
After the system is developed, the next stage in performance management is appraisal. Appraisal processes include collecting information on appraisee performance and evaluating performance using some type of evaluation form. Procedural, interpersonal, and outcome fairness are all relevant and important during this stage. In this section, we list and then describe eight important practices that promote perceptions of fairness during the appraisal processes.
• Have employees provide input into the appraisal process.
• Ensure consistent standards when evaluating different employees.
• Minimize supervisor biases during the appraisal process.
• Ensure raters are familiar with the employee's work.
• Ensure appraisal ratings are job related.
• Communicate performance expectations prior to the appraisal process.
• Avoid surprises (for example, unexpected negative evaluations) in appraisal ratings.
• Base administrative decisions on ratings.

These practices are summarized in Table 6.4. We also present a case example of an organization that has included many of these practices in its appraisal process.

- **Have employees provide input into the appraisal process.** As with the system development stage, one of the most important determinants of procedural fairness in appraisal processes is the opportunity for appraisees to have a voice in the evaluation. Korsgaard and Roberson (1995) distinguish between instrumental voice and noninstrumental voice, with the former being the opportunity to influence the appraisal process and the latter being the opportunity to make suggestions but not necessarily influence the process. An example of instrumental voice is when an employee is asked to prepare a self-evaluation and then the supervisor uses this evaluation to develop the final ratings. With noninstrumental voice, self-evaluations allow employees to state their side of the story, but these evaluations may not necessarily influence the supervisor's final ratings. Among a sample of management-level employees, Korsgaard and Roberson found that both forms of voice were equally important in terms of predicting satisfaction with the appraisal review. This demonstrates that having a say in the evaluation process is important above and beyond any influence this say may have in terms of the ultimate evaluation: Therefore, having employees complete a self-evaluation is useful regardless of whether it is simply reviewed by the supervisor or whether it forms the basis for the formal ratings.

In addition to self-appraisals, another mechanism for voice is the opportunity for a formal or informal discussion with the supervisor prior to appraisals being made. When building due process...
into the appraisal process. 

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related. 
ceptions prior to the unexpected negative evaluations) 
on ratings.

In Table 6.4. We also present a that has included many of these 

Table 6.4 Fairness in the Appraisal Process.

<table>
<thead>
<tr>
<th>Determinant</th>
<th>Description</th>
<th>Recommended Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice</td>
<td>Have employees provide input into the appraisal process.</td>
<td>• Have employees complete self-appraisals. • Train employees to share information with supervisors. • Train supervisors to solicit information from employees.</td>
</tr>
<tr>
<td>Consistency</td>
<td>Ensure consistent standards when evaluating different employees.</td>
<td>• Ensure consistency with respect to advance notice, employee input, and collection of performance information. • Train supervisors and standardize appraisal instrument. • Use multipliers, raters, and 360-degree feedback.</td>
</tr>
<tr>
<td>Bias</td>
<td>Minimize supervisor biases during the appraisal process.</td>
<td>• Minimize supervisor biases and establish objectivity in appraisals. • Increase supervisor accountability by having rating reviewed by supervisor’s peers or higher-level management. • Solicit input from coworkers and secondary supervisors.</td>
</tr>
<tr>
<td>Familiarity</td>
<td>Ensure raters are familiar with the employee’s work.</td>
<td>• Ensure appraisal ratings are job-related. • Inform employees of any changes during evaluation period.</td>
</tr>
<tr>
<td>Relevance</td>
<td>Ensure performance expectations prior to the appraisal process.</td>
<td>• Communicate performance expectations prior to the appraisal process. • Match administrative decisions (such as merit increases, bonuses, promotions) to appraisal ratings.</td>
</tr>
<tr>
<td>Communication</td>
<td>Provide continuous feedback during evaluation period.</td>
<td>• Provide continuous feedback during evaluation period. • Inform employees of any changes during evaluation period.</td>
</tr>
<tr>
<td>Feedback</td>
<td>Communicate performance expectations prior to the appraisal process.</td>
<td>• Base administrative decisions on ratings.</td>
</tr>
<tr>
<td>Outcomes</td>
<td>Avoid surprises (unexpected negative evaluations) in the appraisal process.</td>
<td>• Communicate structure of incentive system to employees.</td>
</tr>
</tbody>
</table>
into a performance appraisal system, Taylor et al. (1995) provided employees with training on how to conduct a self-appraisal before having them conduct their self-appraisals. They also provided managers with training on how to solicit performance information from employees. All these steps can be seen as encouraging the opportunity for employee voice in the appraisal process.

- **Ensure consistent standards when evaluating different employees.** Consistency is another determinant of procedural fairness that should be part of the appraisal process. It is frustrating to see coworkers in other departments get higher evaluations and merit increases simply because they have a more lenient boss. Supervisors should use consistent standards when evaluating employees in the same department as well as employees in different departments (Greenberg, 1986a). Consistency should also be ensured with respect to the provision of advance notice, the opportunity for employee input, and the collection of performance information from other sources. Perhaps the most direct way to promote this consistency is with training in all aspects of the appraisal process. This training should emphasize the importance of consistency in terms of employees’ perceptions of fairness. Standardization and formalization of appraisal instruments can also be used to promote consistency.

- **Minimize supervisor biases during the appraisal process.** Related to consistency is the importance of supervisors’ suppressing their personal biases during the appraisal process (Leventhal, 1980). Recall the feeling of injustice of finding out that a low-performing coworker received the same evaluation and bonus as you simply because he or she got along well with the boss. Training and standardization of appraisal instruments can be used to suppress biases, as can the use of multiple raters. Appraisal processes that include 360-degree feedback are likely to be perceived as more procedurally fair because they minimize the chance that any one person’s bias will unduly influence an appraisal decision. Training and rating formats can promote consistency and bias suppression; however, they may not be sufficient to motivate accurate ratings. One technique for motivating consistent, unbiased ratings involves increasing supervisory accountability by having ratings reviewed by the supervisors’ peers or by higher-level management. For example, at one large communications company supervisors prepare preliminary ratings for managerial and professional employees and then meet to present these ratings to department. These peers will often feel they seem excessively lenient, and the supervisor will reexamine the evidence. After consensus ratings are reviewed by higher-level managers, the supervisors may be asked to minimize personal biases and improve their professional judgment and meaning of good and poor performance in the period (Greenberg, 1987). For example, sales managers keep daily logs of earnings, and the salesperson’s performance as a result of the customer’s satisfaction with the system has resulted in substantial communication between managers and salespeople regarding customer service. Perhaps this is why the sales manager is less likely to be perceived as unfair, and how the reaction to the 360-degree approach.

- **Ensure appraisal ratings are accurate and predictive.** Accuracy of procedural fairness in performance appraisal is job relevance of the appraisal ratings discussed with regard to system development at the appraisal stage.

- **Communicate performance expectations.** Appraisal interpersonal fairness degree to which performance expectations communicated ahead of time (Taylor et al., 1995) promoting interpersonal fairness the
m, Taylor et al. (1995) provided to conduct a self-appraisal before ratings. They also provided manipulative performance information as encouraging the opposite appraisal process. When evaluating different employees, the amount of procedural fairness that is seen as encouraging the opposite appraisal process decreases. It is frustrating to see coworker evaluations and merit increases granted by lenient bosses. Supervisors should rate employees in the same department (Greenberg, 1986a) with respect to the probability for employee input, and information from other sources. Perceived consistency with training is essential. This training should emphasize in terms of employees' perception and formalization of appraisal formats.

**When the appraisal process.** Related to supervisors' suppressing their own process (Leventhal, 1980). Reflected in the high-performance rating and bonus as you simply think with the boss. Training and statements can be used to suppress bias. Appraisal processes that are likely to be perceived as more minimize the chance that any one can an appraisal decision. Training consistency and bias suppression; ent to motivate accurate ratings. Persistent, unbiased ratings involve futility by having ratings reviewed by upper-level management. For example, company supervisors prepare and professional employees and then meet to present these ratings to peer supervisors in the department. These peers will often challenge ratings, particularly if they seem excessively lenient, and force supervisors to furnish supporting evidence. After consensus is reached among the peers, ratings are reviewed by higher-level management. Such a system minimizes personal biases and inconsistencies and motivates managers to develop accurate ratings from the onset.

- **Ensure raters are familiar with the employee’s work.** Another procedural fairness determinant discussed by Greenberg (1986a) is the evaluator’s familiarity with the evaluatee’s work. If the supervisor conducting the appraisal is unfamiliar with the employee’s work, his or her evaluations are going to be seen as unfair. Familiarity can be enhanced by the use of supervisor diaries that contain examples of good and poor performance over the course of the appraisal period (Greenberg, 1987). For example, one national food retailer has managers keep daily logs of employees’ performance, both positive (for example, making a notable contribution or going above and beyond for a customer) and negative (for example, arriving late to work or treating a customer rudely). Although time-consuming, this system has resulted in substantial improvements in the communication between managers and employees. Solicitation of input from coworkers and secondary supervisors may also increase familiarity. One potential drawback of 360-degree appraisals is that some of the raters may be perceived as lacking adequate familiarity with the target employee being rated. Research has not yet examined this possibility. It would be interesting to see which procedural fairness determinants are perceived as favorable, which are perceived as unfavorable, and how these contribute to form the overall reaction to the 360-degree appraisal.

- **Ensure appraisal ratings are job related.** Another determinant of procedural fairness in performance appraisal processes is the job relevance of the appraisal ratings. This determinant was discussed with regard to system development, and applies similarly in the appraisal stage.

- **Communicate performance expectations prior to the appraisal process.** Appraisal interpersonal fairness is largely influenced by the degree to which performance expectations and standards are communicated ahead of time (Taylor et al., 1995). To some extent, promoting interpersonal fairness through communication in the
system development stage should also promote interpersonal fairness in the appraisal stage. Employees want to know how they are going to be evaluated. If the standards or expectations change prior to or during the evaluation period, employees need to be informed of these changes. It is important to note that both communication of standards and adequate notice (that is, timing of this communication) are important to interpersonal fairness.

- Avoid surprises (for example, unexpected negative evaluations) in appraisal ratings. In most cases, surprises (unless they are favorable) will lead to perceptions of unfairness. Outcome fairness of the appraisal process arises from both the evaluations that are received and the rewards or punishments that accompany these evaluations (Greenberg, 1986a). If evaluations fall short of expectations based on perceived performance, those evaluations will be perceived to be unfair. To develop realistic expectations, employees should receive continuous feedback throughout the performance evaluation period. Supervisors can also actively manage the expectations of employees before going into the appraisal process. One employee told us that before her first appraisal with her new employer, her manager explained that with her experience level, an average rating would be a remarkable accomplishment. Later, when she received an average rating, instead of being disappointed and discouraged, she was proud of her accomplishments and was determined to gain greater skill and experience to do her job more effectively. In this situation, the rating did not create the outcome fairness, rather the fairness was created by effectively managing expectations through communication.

- Base administrative decisions on ratings. The other major determinant of outcome fairness is the relationship between evaluations and administrative decisions (for example, bonuses or promotions). At one restaurant chain, the absence of an observable link between evaluations and bonuses resulted in employees labeling the bonus pay “pennies from heaven.” Employees form expectations regarding what decisions will follow a performance evaluation. Supervisors should make sure employees have realistic beliefs regarding what outcomes they can expect based on their performance. Some organizations have highly structured incentive systems that guarantee a certain bonus or merit increase based on a particular level of performance. If communicated effectively from top management to employees, this structure should help to re-
duce ambiguity and misperceptions. Increased supervisor accountability, management review can help ensure that ratings are directly linked to accurate performance. This organization’s past performance evaluations will likely also have a strong impact on perceptions. The more that outcomes were emphasized in the past, the less likely employees think future actions are fair (Greenberg, 1986a).

Case Example: Promoting Appraisal Fairness

One organization that does a good job of managing the appraisal process is FINOVA, a provider of software for over two thousand employees across over twenty business units, and a centralized performance management system that is somewhat difficult to ensure. The performance management system has a single department to control the flow of information and from employees and management.

At the beginning of the performance process, employees are sent performance objectives (through the system. Across four performance objectives, each specific, challenging, objectively measured, and related to the company’s strategic objectives with their supervisors and human resources. Having employees play a role in setting objectives builds procedural fairness (through the establishment of something in the organization). At the same time, the accountability is also something that has a strong impact on perceptions of fairness (Leventhal, 1980).

At the end of the year, employees complete objectives form (again, through the system) to indicate the extent to which results met the objectives. Individual evaluations are reviewed by management and even include discussions with the CEO. This extensive review of individual performance minimizes biases that may exist at this level. The objective/priority plan is tied directly to individual objectives, and the extent to which the employee’s performance
so promote interpersonal fairness. Employees want to know how they are faring or expectations change over time, employees need to be informed of both immediate notice (that is, timing of negative evaluations) in rises (unless they are favorable) as. Outcome fairness of the appraisal evaluations that are received at accompany these evaluations fall short of expectations based on the performance will be perceived to expectations, employees should re-examine the performance evaluation process to manage the expectations of the appraisal process. One employee set with her new employer, her performance level, an average rating. Later, when she received a disappointing and discouraged, she decided to gain her job more effectively. In this the outcome fairness, rather than the managing expectations through on ratings. The other major the relationship between evaluations (for example, bonuses or in the absence of an observable raise resulted in employees label as heaven." Employees form expectations follow a given performance sure employees have realistic can expect based on their perception highly structured incentive systems or merit increase based on a communicated effectively from this structure should help to reduce ambiguity and misperceptions. With less structured systems, increased supervisor accountability through peer or higher-level management review can help ensure that administrative decisions are directly linked to accurate performance evaluations. The organization's past performance with regard to allocating rewards will likely also have a strong impact on the formation of expectations. The more that outcomes have been perceived to be unfair in the past, the less likely employees will be to expect and perceive future actions as fair (Greenberg, 1986b).

Case Example: Promoting Appraisal Process Fairness at FINOVA

One organization that does a good job of promoting fairness in the appraisal process is FINOVA, a provider of corporate financial services. With over two thousand employees around the world, a variety of separate financial units, and a centralized performance management system, fairness is somewhat difficult to ensure. A recently developed electronic performance management system has allowed the central human resource department to control the flow of performance-related information to and from employees and managers.

At the beginning of the performance management period, all employees are sent performance objectives forms via the company e-mail system. Across four performance areas, employees are required to set specific, challenging, objectively measurable performance objectives that are related to the company's strategic direction. Employees review these objectives with their supervisors and the completed form is sent back to human resources. Having employees set their own performance objectives builds procedural fairness (through voice and job relevance) and outcome fairness (through the establishment of reasonable expectations). If something in the job or business climate changes, then employees are able to revise these objectives (with the approval of their supervisors). This revisability is also something that has been demonstrated to promote perceptions of fairness (Leventhal, 1980).

At the end of the year, employees and their supervisors are sent the completed objectives form (again electronically) and together they decide the extent to which results met the objectives. Numerical evaluations indicate the extent to which results fell short of, met, or exceeded the stated objectives. Individual evaluations are reviewed by several layers of management and even include discussions between HR representatives and the CEO. This extensive review of individual performance evaluations helps minimize biases that may exist at the supervisory level. The annual incentive plan is tied directly to individual evaluations and is also based on the extent to which the employee's department and the company as a whole
meet their respective objectives. These incentives are determined on strictly numeric bases, such that subjective judgments are minimized.

Clearly, the performance management system at FINOVA incorporates many of the recommendations we have suggested to promote procedural, interpersonal, and outcome fairness in the appraisal process. Employees have ample opportunity to offer input. Evaluations are job related and evaluation procedures are consistent across employees. Performance standards are clearly communicated and are in fact set largely by employees. These standards are also modifiable if circumstances change. Outcome expectations are clearly communicated and outcomes are consistently and fairly allocated. Such fairness in the appraisal process sets the foundation for perceived fairness in feedback communication processes.

**Perceived Fairness of Feedback Processes**

The final stage in the performance management cycle is providing feedback to employees on their performance. As with the appraisal process, all three types of fairness are likely to be important. Additionally, interpersonal fairness is probably the most central and salient fairness perception in the communication stage. In this section we list and then discuss six recommendations for enhancing perceptions of fairness in the feedback processes:

- Ensure that employees are given a voice during the feedback process.
- Allow employees the opportunity to challenge or rebut their evaluation.
- Ensure that feedback is job relevant and does not reflect personal biases.
- Provide timely feedback.
- Provide feedback in an atmosphere of respect and courtesy.
- Avoid surprises during the feedback session.

These recommendations are summarized in Table 6.5. After discussing the recommendations, we present an example of an organization that seems to have included many of these practices in its performance management process.

*Ensure that employees are given a voice during the feedback process.*

We have discussed the importance of both instrumental and noninstrumental voice in the appraisal stage of the performance management cycle. When providing feedback, research has demonstrated

<table>
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<tr>
<th>Determinant</th>
<th>Description</th>
<th>Recommended Practices</th>
</tr>
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<tbody>
<tr>
<td>Voice</td>
<td>Ensure that employees are given a voice during the feedback process.</td>
<td>Use two-way communication and a problem-solving approach when providing feedback.</td>
</tr>
<tr>
<td>Challenge</td>
<td>Allow employees the opportunity to challenge or rebut their evaluation.</td>
<td>Have a formal appeals system in place.</td>
</tr>
<tr>
<td>Relevance</td>
<td>Ensure that feedback is job relevant and does not reflect personal bias.</td>
<td>Focus feedback on the behavior, not the person.</td>
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Table 6.5. Fairness in Feedback Delivery.

<table>
<thead>
<tr>
<th>Determinant</th>
<th>Description</th>
<th>Recommended Practices</th>
</tr>
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</table>
| Voice       | Ensure that employees are given a voice during the feedback process. | • Use two-way communication and a problem-solving approach when providing feedback.  
• Allow employees opportunity to express their views. |
| Challenge   | Allow employees the opportunity to challenge or rebut their evaluation. | • Have a formal appeals system in place. |
| Relevance   | Ensure that feedback is job relevant and does not reflect personal bias. | • Train managers in effective feedback delivery techniques.  
• Focus feedback on the behavior, not the person. |
| Timeliness  | Provide timely feedback. | • Use frequent feedback sessions of informal and formal formats.  
• Provide feedback when the behavior (positive or negative) occurs. |
| Respect     | Provide feedback in an atmosphere of respect and courtesy. | • Train supervisors to use respect and civility regardless of level of performance.  
• Recognize impact of existing relationship with employees on feedback session. |
| Surprises   | Avoid surprises during the feedback session. | • Provide continuous informal feedback.  
• Ensure employees have realistic expectations going into the feedback session. |
the importance of both types of voice—the ability to influence the appraisal discussion and the opportunity to discuss problems and share ideas (Korsgaard & Roberson, 1995). The notion of voice during feedback also emphasizes the importance of two-way communication. Research on providing performance feedback has demonstrated the effectiveness of adopting a cooperative, problem-solving approach during the feedback session (for example, Wexley, Singh, & Yukl, 1973). Such a problem-solving approach emphasizes employee voice and two-way communication. Research on feedback session satisfaction has demonstrated that employees’ participation is the most important predictor of satisfaction in the feedback process (Giles & Mossholder, 1990). Clearly, the more opportunity employees are given to express their views, the more they will perceive the process to be fair and the more satisfied they will be.

- *Allow employees the opportunity to challenge or rebut their evaluation.* Related to the opportunity for voice is providing employees a chance to challenge their evaluation (Greenberg, 1986a). Formalized appeal systems through which employees can challenge and potentially change what they consider to be unfair ratings will improve the perceived fairness of the appraisal and feedback processes. IBM has an extensive program for employees to rebut evaluations. Employees communicate first with their managers, and if disagreements continue to exist, employees can request an “open door” investigation from HR or a panel review from peers and uninvolved managers. These appeal procedures have also been suggested to increase the legal defensibility of the performance management process (Barrett & Kernan, 1987).

- *Ensure that feedback is job relevant and does not reflect personal biases.* In our consideration of the performance appraisal process, we discussed the importance of job relevance and the suppression of personal biases. These suggestions also apply to the feedback process. In fact, steps to ensure accuracy in the evaluation process should promote accuracy and relevance in feedback delivery. Training managers to develop effective feedback delivery techniques can also address both these procedural concerns. Additionally, suggestions in textbooks (for example, Noe, Hollenbeck, Gerhart, & Wright, 1997) and the popular literature (for example, Armentrout, 1993) emphasize the importance of focusing on behavior and results, rather than on the person. Heeding these suggestions should decrease perceptions of job insecurity and increase perceptions of job security.

- *Provide timely feedback.* Research has long demonstrated the importance of timely feedback in changing performance (Ilgen, 1987). Timeliness is also valid in terms of fairness. Tyler and Bies (1990) note that the interpersonal fairness and high importance of timely feedback for outcomes suggest that feedback (whether or not delivered much more frequently than annually)

- *Provide feedback in an atmosphere.* One investment management company found that an appraisal with feedback sessions on actual performance review sessions in formal feedback provided through written summary statements. In the performance appraisal with feedback sessions on actual performance, the managers provided feedback in the formal feedback provided through written summary statements. In the performance management process (Barrett & Kernan, 1987).

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- *Avoid surprises during the formal feedback session.* Perceived outcome unfairness and predictions are not met. When training managers in performance management techniques, tell them that the feedback session supervisors are doing an effective job of feedback to their employees, the emp-
voice—the ability to influence the portunity to discuss problems and treason, 1995). The notion of voice is the importance of two-way commi
ing performance feedback has if adopting a cooperative, problem-
back session (for example, Wexley, blem-solving approach emphasizes munication. Research on feedback rated that employees' participation pr of satisfaction in the feedback 90). Clearly, the more opportunity their views, the more they will per-
he more satisfied they will be.

ity to challenge or rebut their evalua-
for voice is providing employees a tion (Greenberg, 1986a). Formal-
ich employees can challenge and consider to be unfair ratings will
of the appraisal and feedback e program for employees to rebut
icate first with their managers, and st, employees can request an “open
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- **Provide timely feedback.** Research on feedback delivery has long demonstrated the importance of timely feedback in terms of changing performance (Ilgen, Fisher, & Taylor, 1979), and this recommendation is also valid in terms of promoting interpersonal fairness. Tyler and Bies (1990) review evidence on perceptions of interpersonal fairness and highlight the importance of providing timely feedback. By focusing our discussion thus far on the review session, we may be reinforcing the misconception that feedback delivery is an annual or semiannual event. However, given the importance of timely feedback for fairness perceptions, we are suggesting that feedback (whether formal or informal) should be delivered much more frequently and even on a continual basis. One investment management company conducts formal employee appraisal with feedback sessions on a monthly basis. In this way, the actual performance review session provides a summary of the informal feedback provided throughout the appraisal period.

- **Provide feedback in an atmosphere of respect and courtesy.** Research has shown that an employee's perceptions of trust and the manager's ability to treat employees with courtesy and civility are strong determinants of perceptions of interpersonal fairness (for example, Tyler & Bies, 1990). In the performance feedback session, it is particularly important that this respect and civility is present regardless of the level of performance that is being discussed. While training supervisors to conduct effective feedback sessions helps to promote this interpersonally effective behavior, reactions are also based on the interpersonal relationship that exists between the manager and employee before the review session is conducted. Nathan et al. (1991) demonstrated that the interpersonal relationship before the review strongly predicted employees' perceptions of the quality of the appraisal session and their satisfaction with the appraisal session.

- **Avoid surprises during the feedback session.** As with the appraisal stage, perceived outcome unfairness arises when outcome expectations are not met. When training business students and managers in performance management techniques, we continually remind them that the feedback session should contain no surprises. If supervisors are doing an effective job of providing continual feedback to their employees, the employees will know what to expect
when they enter the feedback session. Even if the feedback is negative, it will not be unexpected and therefore will be perceived as more fair. This clearly emphasizes how providing timely feedback can promote outcome fairness, in addition to enhancing interpersonal fairness.

*Case Example: Continuous Feedback at Microsoft*

A good example of a company building fairness principles into its performance feedback processes is Microsoft Corporation. Formal performance feedback sessions are conducted every six months, but informal feedback is provided continually. Every month, each Microsoft employee participates in a one-on-one feedback session with his or her supervisor. In these sessions, the supervisor informally reviews the previous month’s performance and offers advice or developmental counseling as necessary. The manager also allows the employee the opportunity to discuss any concerns.

In the formal performance feedback sessions, performance is assessed in terms of met objectives as well as specific job-related criteria. Given the frequency of informal performance discussions, employees recognize that their supervisors are familiar with their performance and can offer job-related feedback. Employees know that they can challenge their performance evaluation if they disagree with it, but according to one HR representative, this rarely occurs. Employees trust the honesty of their supervisors, and they also know that every appraisal must be approved by a second line manager. All these provisions help enhance employees’ perceptions that the appraisal and feedback processes are fair.

Outcome fairness also results from the attention given to procedural and interpersonal fairness. The continuous feedback allows employees to form realistic expectations of their performance. These expectations make it more likely that the outcome or evaluation communicated during formal feedback sessions will be perceived to be fair. Clearly, Microsoft’s attention to performance feedback processes results in many positive reactions from employees. One employee enthusiastically stated, “I don’t know anyone that does a better job of providing feedback than Microsoft. I always know where I stand and how I’m doing.”

**Conclusions**

In this chapter we have divided the performance management process into three interrelated processes involving system development, appraisal, and feedback delivery. We suggest that within these three processes, organizations should attend to employees’ perceptions of fairness along different dimensions: interpersonal fairness, and outcome fairness.

I. Interpersonal fairness suggestions

- Keeping employees informed
- Offering feedback that is both timely and accurate
- Ensuring courteous, respectful treatment of employees and managers

Finally, outcome fairness can be improved by:

- Providing outcomes (either positive or negative) that are anticipated or expected by the employee
- Maintaining and communicating a consistent evaluative system

Some performance management systems, including appraisals and supervisor training, can significantly influence employees’ perceptions of fairness. Other techniques, such as feedback, would appear to promote fairness and eliminate (or ameliorating) personal biases, but also foster a naive assumption of personal familiarity with the person assessing performance. Therefore, although there are many possible techniques for delivering feedback, we do not have the requisite data to draw sound conclusions about its influence on fairness. Nevertheless, fairness is definitely an area where future research is needed.

Our discussion also suggests that future research should provide supervisors with the tools to improve the fairness of performance management processes and training.
perceptions of fairness along dimensions of procedural fairness, interpersonal fairness, and outcome fairness. Here are the main suggestions regarding procedural fairness:

- Giving employees the opportunity to participate in all performance management processes
- Ensuring consistency in all processes
- Making sure appraisals and feedback are job related and do not reflect supervisor biases
- Providing a formal channel for employees to challenge or rebut their evaluations.

Interpersonal fairness suggestions include

- Keeping employees informed through communicating
- Offering feedback that is both informative and timely
- Ensuring courteous, respectful treatment and trust between employees and managers

Finally, outcome fairness can be conceptualized in terms of

- Providing outcomes (either positive or negative) that are anticipated or expected by the employee
- Maintaining and communicating a formally structured incentive system

Some performance management techniques, such as self-appraisals and supervisor training, can clearly be seen to promote perceptions of fairness. Other techniques, such as 360-degree feedback, would appear to promote fairness in terms of reducing (or diluting) personal biases, but also may be seen as unfair due to rater unfamiliarity with the person and the job being evaluated. Therefore, although there are many obvious advantages of 360-degree feedback, we do not have theoretical or empirical bases for drawing conclusions about its influence on perceptions of fairness. This is definitely an area where future research could make a contribution.

Our discussion also suggested that it is not always sufficient to provide supervisors with the tools and training to complete the performance management process fairly. Steps to build accountability (for example, peer or higher-level management review) into the
system may sometimes be required to motivate fair treatment. If we return attention to Figure 6.2 and specifically to the organizational culture and environment in which the performance management system exists, we are suggesting that companies develop a culture that promotes fairness in performance management. The values shared by top management and formal or informal reward systems can develop concerns for fairness. As a senior executive at a large utility company suggested, “The most effective improvement would be a dramatic change in behavior by senior management to endorse, encourage, recognize, and reward effective and fair performance management practices. This should be coupled with an active system of accountability for these practices.”

It is interesting to compare the recommendations we have made for development of performance management systems that are perceived to be fair with the recommendations commonly suggested in the popular literature. To a large extent these sets of recommendations are consistent. Specifically, several authors have discussed the importance of soliciting employee input and two-way communication, of focusing on the job and behaviors instead of employee personality, of providing an appeal procedure and opportunity to change ratings, of explaining how performance is evaluated, and of providing feedback on a regular basis (Armentrout, 1993; Fitzgerald, 1995; Miller, 1996). One suggestion from the popular literature that is not consistent with our recommendations is that the formal appraisal system should be abolished entirely and replaced with a dialogue process (McNerney, 1995). Following this suggestion would eliminate consistency and do little to suppress supervisory biases. There are also some suggestions we have made that have not been echoed in the popular literature. Our suggestions for building fairness into the system development stage have not been addressed. Further, the popular literature we reviewed on performance management has not addressed the importance of interpersonal effectiveness—that is, courtesy, respect, and civility regardless of performance. Finally, the popular literature does not capture the importance of supervisor accountability or the impact that an organization’s culture can have on promoting fairness.

If we return to the case that opened this chapter, it is easy to see the many ways that Jill Carington failed to consider fairness in her performance management system. Jill did not obtain employee input in the development, appraisal, or feedback stages. She did not attempt to create job-related feedback that would apply consistent standards. Feedback was not timely and two-way. Finally, the ratings she assigned to the expectations of many of her staff were low and their trust in Jill was not high. In addition to Jill Carington’s performance management system, the HR department of Jill and other managers build fairness into management systems. HR could have developed a system supportive of fair performance.

In this chapter we have outlined perceptions of fairness in the workplace and more attention to these fairness issues like FINOVA and Microsoft and the problems faced by Jill Carington.

References


not attempt to create job-related appraisals or feedback. She did not apply consistent standards when evaluating her employees. Feedback was not timely and two-way communication was minimal. Finally, the ratings she assigned to her staff clearly did not meet the expectations of many of her staff members and therefore lacked outcome fairness. Given the lack of fairness in the performance management process, the employees’ morale and commitment were low and their trust in Jill as a supervisor was seriously eroded.

In addition to Jill Carington’s failings with the performance management system, the HR department could have done more to help Jill and other managers build fairness into their performance management systems. HR could have promoted a culture and environment supportive of fair performance management.

In this chapter we have outlined many suggestions for promoting perceptions of fairness in performance management. With more attention to these fairness issues we hope to see more cases like FINOVA and Microsoft and fewer organizations running into the problems faced by Jill Carington.

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