

Effectiveness of Performance Appraisal: Evidence on the Utilization Criteria

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Effectiveness of Performance Appraisal: Evidence on the Utilization Criteria

Abstract

This study examines the relationships between performance appraisal (PA) purposes and immediate and ultimate outcomes. Drawing upon expectancy theory and Greenberg's taxonomy, we explore the roles of multiple mediators as sets of person- and organization-referenced ratee reactions and reveal the multiple why-related aspects of the relationships between PA purposes and PA effectiveness. Our research is based on a questionnaire survey of 563 employees from the telecommunications sector of Pakistan. The results of structural equation modeling analysis suggest that individual-focused PA better serves the employee perspective, whereas position- and organization-focused PA better serves the organizational perspective. These findings indicate that inclusion of role definition and strategic purposes in the PA system is likely to render PA more effective and practical. The findings also corroborate that ratee reactions mediate the relationship between PA purposes and PA effectiveness, albeit to varying degrees. Our findings have theoretical and practical implications.

Keywords: Performance appraisal, purposefulness, utilization criteria, ratee reactions, performance appraisal outcome

1. Introduction

In the context of employee motivation, commitment and career prospects, knowing about the effectiveness of organizational performance appraisal (PA) systems has gained a prominent place in practice and research in recent years. Jacobs, Kafry, and Zedeck (1980) proposed a method for examining the effectiveness of performance appraisal (EPA) systems, which consists of three main measurement criteria, i.e., utilization (purposefulness), qualitative (fairness), and quantitative (accuracy). The performance appraisal literature has paid some attention to this system (e.g., Longenecker, Liverpool, & Wilson, 1988); however, despite its vital role in PA practices and some notable research in this area (e.g., Iqbal, Akbar, & Budhwar, 2015), EPA has been an elusive aspiration for organizations (Cappelli & Conyon, 2018).

Over the years many organizations have been concerned about the failure of their PA systems, specifically about improving employee performance, contributing to a wide range of human resource functions, and realizing the full potential of this practice regarding organizational effectiveness (Chiang & Birtch, 2010; Taylor, Tracy, Renard, Harrison, & Carroll, 1995; Kallio, Kallio, Tienari, & Hyvönen, 2016; Karkouljian, Assaker, & Hallak, 2016). The aforementioned problems have grown to a stage at which some PA researchers and practitioners have felt obligated to suggest disposing of PA altogether (see Adler et al., 2016). By 2015, approximately 30 Fortune 500 companies had abandoned their PA systems. However, some other PA researchers still do not support abolition of the practice. In fact, they have asked for more refinements in the research and practice of PA (see, e.g., Goler, Gale, & Grant, 2016).

Over the last three decades, the EPA literature has grown, notably entailing empirical evidence about its measurement criteria (e.g., Iqbal et al., 2015; Ikramullah, van Prooijen, Iqbal, & Hassan, 2016; Cappelli & Conyon, 2018). However, little evidence exists on the utilization criteria of EPA. We aim to fill this gap by focusing on the utilization criteria of EPA that address PA purposes. We consider PA purposes in the first instance because they help in

choosing appraisal mechanisms, such as when, by whom, how often, and so on, which guide the conduct of accurate and fair appraisals (Jacobs et al., 1980; Duarte, Goodson, & Klich, 1994; DeNisi & Murphy, 2017). Moreover, raters and ratees have varied perceptions of PA purposes, desired benefits, and style of execution. Therefore, broadening our understanding of PA purposes is crucial to demonstrating PA fairness and accuracy.

Further, given the shift from a cognitive focus to the social context of PA (e.g., Meinecke, Lehmann-Willenbrock, & Kauffeld, 2017; Selvarajan, Singh, & Solansky, 2018), the findings of recent studies (e.g., Meneghel, Borgogni, Miraglia, Salanova, & Martínez, 2016; Cappelli & Conyon, 2018) have suggested that PA can be regarded as effective when its key stakeholders consider it useful. Therefore, ratee reactions as outcomes of PA purposes are considered helpful in determining the success of a PA system (Roberson & Stewart, 2006). An important issue to examine is the antecedent-outcome relationship between PA purposes and ratee reactions. This issue will enable us to better understand how PA systems can establish a functional relationship between individual and organizational goals (Cappelli & Tavis, 2016). Furthermore, existing studies (e.g., Selvarajan & Cloninger, 2012) have noted that most of the EPA literature is generally Western oriented and US-centric. Given that PA purposes vary across countries (Milliman, Nason, Zhu, & De Cieri, 2002), this pattern might hinder the real growth of EPA literature (Bititci, Garengo, Dörfler, & Nudurupati, 2012). In this regard, there has been a call to examine whether the application of PA purposes and practices that are conceived and considered effective in the US are transferable to Europe or Asia (e.g., Chiang & Birtch, 2010).

Considering the above developments, we aim to deliberate the expanded view of PA purposes and then empirically test their relationship(s) with ratee reactions in a non-Western and emerging market context. By doing so, we make four contributions to the PA literature and practices. First, employing a more robust structural equation modeling (SEM) approach, we

provide empirical evidence for a recently developed categorization of PA purposes (see Iqbal et al., 2015). Second, over the years, the main focus of the existing PA literature has been on individual-focused purposes, i.e., administrative and developmental purposes (Murphy & Cleveland, 1995). More recently, Youngcourt, Leiva, and Jones (2007) introduced position-focused purposes, i.e., role-definition purposes that refer to the feedback function of PA and that help managers to reinforce the authority structure in organizations. Other studies have introduced organization-focused purposes, i.e., strategic purposes that refer to the goal-orientation function in organizations (see Ikramullah et al., 2016). We regard our evidence on the categorization of PA purposes to be a useful addition to the existing literature since it will help PA professionals to achieve organizational effectiveness, which would serve both employee and organizational perspectives, as desired by recent researchers (e.g., Meinecke et al., 2017).

Third, the present study proposes and empirically tests the association between PA purposes and both immediate (person- and organization-referenced ratee reactions) and ultimate outcomes (ratee perceptions of overall EPA). Therefore, it is likely to integrate pieces of the PA literature devised to study PA purposes and Greenberg's (1987) taxonomy of ratee reactions, which has been mainly used in the PA fairness literature. We believe that linking PA purposes to the ratee reactions categorized in the Greenberg's taxonomy is likely to benefit organizations in at least two ways. First, it is expected to pave the way for integrating PA purposefulness with PA fairness; and second, it is expected to establish equilibrium between competing values at both the individual and organizational levels.

Finally, by analyzing the role of multiple mediators under the categories of person- and organization-referenced ratee reactions in relation to PA purposes, the EPA evidence in this paper is expected to produce a further understanding of the issues. In particular, we simultaneously use different sets of mediators that are conceptually related to each other but

that have been examined in isolation in the previous literature (e.g., person-referenced ratee reactions). Our study is therefore expected to initiate a debate about the relative importance of conceptually related factors in strengthening the association between PA purposes and EPA.

We expect that our research will play a significant role in advancing PA theory and practice by encouraging PA researchers and practitioners to go beyond the individual-focused purposes of PA and to utilize employee reactions in a more organized manner. These two insights are expected to increase EPA in two ways: first, by aligning individual goals with their positions and synchronizing them with organizational goals; and second, by virtue of Greenberg's taxonomy, rendering each category of employee reactions more meaningful because balance between person- and organization-referenced reactions would serve both individual and organizational goals simultaneously.

2. Theory and Hypotheses

Over the last three decades, individual-focused PA has remained the center of attention in the PA literature (e.g., Selvarajan & Cloninger, 2012). However, in the last few years, researchers have recognized the importance of PA purposes and have also paid attention to position-focused and organization-focused PA (see, e.g., Youngcourt et al., 2007). Since the early 1990s, ratee reactions have gained increased attention in academic research and importance in the PA process in organizations (Levy & Williams, 2004). It has also been reported in the literature that ratee reactions can be helpful in determining the long-term effectiveness of PA (DeNisi & Murphy, 2017) and that new evidence should relate PA purposes to ratee reactions (see, e.g., Murphy & Cleveland, 1995; Roberson & Stewart, 2006). We use expectancy theory (Vroom, 1964) and Greenberg's (1987) conceptualization of employee reactions to explain the link between PA purposes and EPA. This approach is based on the premise that, for adequate application of expectancy theory, employees should specify the outcomes that they need or want in the first instance (see Baumann & Bonner, 2017). Greenberg's taxonomy has a

nomological link with this theory since it serves both person- and organization-referenced outcomes.

Based on reactive-proactive and process-content dimensions, Greenberg's taxonomy provides four theoretical explanations, i.e., reactive content, reactive process, proactive content, and proactive process. In our greater interest, the first two theoretical explanations relate to individuals' reactions. Reactive content focuses on how individuals react to unfair treatment regarding distribution of outcomes, e.g., pay, while reactive process focuses on how individuals react to the decision-making procedures that lead to (un)fair treatment. Two different sets of employee reactions can stem from reactive theories. First, person-referenced reactions (individual outcomes) appear when, based on some relative comparisons, employees perceiving (in)justice might feel (dis)satisfaction. Second, organization-referenced reactions (organizational outcomes) appear when, based on the belief that decisions leading to (in)justice should (not) have been made, employees tend to demonstrate citizenship behavior or otherwise resentment (Greenberg, 1990, 2009; Colquitt, Greenberg, & Zapata-Phelan, 2005).

Primarily, Greenberg (1987) proposed his taxonomy only in relation to various dimensions of organizational justice, but he also expected that this taxonomy would be of value to organizational studies in a variety of contexts. The Greenberg's taxonomy is rooted in within-person and between-persons comparisons; therefore, PA is considered as an appropriate organizational context for testing the reactive theories. This is because, based on different purposes of PA, either employees' performance is compared with the organization's set standards of performance, or their performance is compared with that of other employees (Greenberg, 1990). As a consequence, over the past three decades, PA researchers have paid much attention to employee reactions to PA. Since 1987, five notable reviews of PA literature have concentrated on employee reactions (i.e., Cawley, Keeping, & Levy, 1998; Levy, & Williams, 2004; Pichler, 2012; Iqbal et al., 2015; Brown, O'Kane, Mazumdar, & McCracken,

2019).

Our analysis of the above review papers and some studies included in their samples reveals that, in the early 1990s, consistent with the reactive dimensions of Greenberg's taxonomy, PA researchers (e.g., McFarlin & Sweeney 1992; Sweeney & McFarlin 1993) categorized employee reactions into person- and organization-referenced outcomes but in relation to dimensions of justice only. Thereafter, PA researchers studied employee reactions extensively and in relation to justice also, but most of them ignored the reactive conceptualization and used employee reactions piecemeal, e.g., job satisfaction and organization citizenship behavior. Over time, Greenberg's taxonomy receded into the background (see Cawley et al., 1998 for a review). In the early 2000s, some encouraging developments occurred. PA researchers broadened the view of employee reactions to PA by studying them in relation to a range of predictors, which Levy and Williams (2004) clustered into three groups, i.e., rating process, rating format, and rating source. However, at the same time, the taxonomy continued receding further into the background.

PA researchers continued focusing on the linkage between the social context of PA and employee reactions (see, e.g., Pichler, 2012). In the meantime, another development occurred in which some PA researchers related PA purposes to ratee reactions (see, e.g., Youngcourt et al., 2007). However, as noted by Iqbal et al. (2015), research attention being paid to PA purposes-ratee reaction relationships remained limited in two sense. First, PA researchers emphasized individual-focused purposes (administrative and development), even at the cost of position-focused (role-definition) and organization-focused (strategic) purposes. This omission weakened organizational PA systems by limiting raters to individuals' evaluations and putting position- and organizational goals-related evaluations aside. Consequently, PA systems failed to align individuals' workplace agendas with those of their organizations, which became the reason why some contemporary PA researchers and practitioners considered abandoning PA

entirely (see Adler et al., 2016).

Second, neglecting Greenberg's taxonomy and not introducing any alternative categorization of employee reactions have resulted in only the hoarding of numerous constructs under the category of employee reactions (also see Brown et al., 2019). This neglect has hindered ratee reactions-based EPA since imbalances between person- and organization-referenced reactions provided both employees and organizations with opportunities to color PA systems with their self-interests. Hence, we reckon that Greenberg's conceptualization is expected to establish equilibrium between the competing values at the individual and organizational levels. This balance is needed in firms and entails a functional relationship between individual and organizational goals.

While aiming to suggest solutions to both these shortcomings, the present study argues that the expectancy theory provides that employees are likely to prefer certain purposes and outcomes to others. Specifically, in the PA context, employees exert greater efforts toward certain behaviors that they believe will have desired outcomes (Bratton & Gold, 2012). In so doing, employees value their choices for purposes and outcomes (Miner, 2015). In such situations, managers can receive guidance from expectancy theory about how to direct employee behaviors so that they can successfully link organizational outcomes to employees' personal outcomes, creating a win-win scenario for both the employee and the organization.

Figure 1 presents our operational model, which shows that expectancy perceptions of ratees lead them to positive person- and organization-referenced outcomes and EPA. Moreover, consistent with Greenberg's (1987, 1990, 2009) taxonomy, we assume that person- and organization-referenced ratee reactions mediate the relationships of PA purposes with EPA. The next section analyzes the theoretical rationale for and existing empirical evidence on each category of PA purposes and their relationships with the respective ratee reactions.

[[Insert Figure 1 Here]]

2.1. Administrative purposes of PA

The expectancy theory provides the basis for the relationship between administrative PA and rewards (Chiang & Birtch, 2010) since it posits that, if employees are rewarded in correspondence with their performance, their motivation increases; hence, they take interest in organizational activities. The theory suggests two reasons for this outcome. One is that employees often tend to perceive that the higher that their performance is, the greater that their reward will be (Bititci et al., 2012). Contemporary business organizations such as Facebook, for instance, decipher performance ratings directly into rewards (Goler et al., 2016). The other reason is that employees' performance outcomes improve when they have a clear understanding of what is expected of them, also increasing their sense of ownership of the outcomes and their participation in the appraisal process (Chiang & Birtch, 2010).

Consistent with the above theoretical rationale, evidence suggests that perceptions of administrative PA can be positively related to rewards. In line with this suggestion, evidence in the existing literature on Hong Kong and Singaporean organizations indicates that administrative PA and the financial needs of employees are often short-term oriented, suggesting that, in correspondence with administrative PA, a reward can be the first outcome that might come to the ratees' mind (Chiang & Birtch, 2010). Additionally, in light of the expectancy theory, together with the role-expectations hypothesis, confirmation of employees' expectations results in favorable personal outcomes, e.g., job satisfaction. Employees are often perceived as satisfied when the actual outcome equals or exceeds their expectations. The results of administrative PA are often used to make administrative decisions that can lead to valued outcomes for ratees, e.g., salary increments and promotions (Giumetti, Schroeder, & Switzer III, 2015; Hayek, Thomas, Novicevic, & Montalvo, 2016; Conyon, Hass, Peck, Sadler, & Zhang, 2019). In this regard, Youngcourt et al. (2007) suggested that perceptions of administrative PA might be related to job satisfaction, which can be studied in relation to both

‘satisfaction with job’ and ‘satisfaction with specific job facets.’ The former, being broader than the latter, is considered a distal variable, especially when PA purposes are teased apart. As a result, assessing the level of satisfaction based on proximal variables, such as satisfaction with the rating system and the rater, is considered as more logical (Taylor et al., 1995).

In addition, evidence suggests that perceptions of administrative PA might be related to ratee satisfaction with the rating system; however, few researchers have paid attention to this evidence. For example, Dorfman, Stephan, and Loveland (1986) reported that administrative purposes have significant effects on ratee satisfaction, with the rating system and the rater ($\beta = .22$) as one factor. This omission can be potentially serious because the rater is considered to be on the frontier of a PA system, especially when PA is used for administrative purposes.

According to the role-expectations thesis, expectancy theory suggests that employees’ organizational outcomes (e.g., organizational commitment) are contingent upon confirmation of their expectations. In the context of PA, organizational commitment indicates whether employees recognize the goals and values of the organization, contribute to achieving them, and engage in activities leading to EPA (Tziner, Murphy, & Cleveland, 2001). Usually, when PA is used for developmental purposes, employee commitment is considered a likely ratee reaction. However, the evidence reveals that employee commitment has almost equal correlations with both administrative PA and developmental PA (Youngcourt et al., 2007). The PA literature also suggests that employee satisfaction correlates positively with employee organizational commitment (e.g., Kuvaas, 2006). We therefore hypothesize that:

H1. Administrative PA is positively associated with: (a) ratee satisfaction with rewards; (b) ratee satisfaction with the rating system; (c) ratee satisfaction with the rater; and (d) ratee commitment to the organization.

2.2. Developmental purposes of PA

In recent years, employee development is globally considered one of the primary PA purposes,

especially in markets in which talent is scarce (Cappelli, & Tavis, 2016). Accordingly, developmental PA has been the focus of research attention for more than three decades in Western organizations. Some PA researchers have argued that, under the tenets of social exchange theory, when individuals realize that the organization is keen for their development, they might feel motivated to maximize their outcomes and show positive attitudes toward their jobs (Roberson & Stewart, 2006; Chiang & Birtch, 2010). Consistent with the expectancy theory, however, we argue that an individual's superior performance is contingent upon an appropriate role and understanding of this role. Employees are therefore keen on their personal development, enabling them to better understand their roles and resulting in performance per set standards of the organization and achieving the outcomes that they value. Expectancy theory also suggests that employees, who expect that increased effort will attain certain outcomes for them, are likely to increase their efforts and finally attain the intended outcomes (Vroom, 2005). Therefore, from the PA literature, it is evident that perceptions of developmental PA lead to ratee satisfaction and commitment (e.g., Tharenou, 1995; Tziner et al., 2001; Úbeda-García, Claver-Cortés, Marco-Lajara, Zaragoza-Sáez, & García-Lillo, 2018).

Using the same logic as discussed earlier (i.e., satisfaction with specific job facets can be a better ratee reaction than job satisfaction in general), we expect a positive relationship between perceptions of developmental PA and ratee satisfaction with the rating system and performance feedback. Performance feedback helps employees to improve their on-the-job behavior (Motro & Ellis, 2017); therefore, ratee satisfaction with performance feedback is considered to contribute to their perception of EPA (Maley, & Moeller, 2014). As a key element of employee development, ratee satisfaction with performance feedback is considered a better criterion for developmental PA than ratee satisfaction with the rater. The results of developmental PA are less likely to affect the valuable outcomes for employees (i.e., pay increases and promotion); therefore, satisfaction with the rater is not deemed a better criterion

here. We also expect that, if both the feedback and the feedback-giver (the rater) are used as response variables simultaneously, the variable of satisfaction with the rater could suppress the effect of the perceptions of developmental PA on satisfaction with feedback. Tharenou (1995) emphasized this risk, suggesting that the former can decrease the latter. Moreover, given that expectancy theory addresses behavioral choices (see Baumann & Bonner, 2017), employees make their choices by evaluating their expectancy, i.e., the likelihood of the intended outcome as a result of the chosen behavior. Toward achieving the intended outcomes, they also exert directed efforts (Vroom, 2005), e.g., acting on constructive feedback. Specifically, while perceiving PA for developmental purposes, ratees are expected to prefer constructive feedback because it can help them to make behavioral choices that are valued by contemporary organizations. Hence, we propose that:

H2. Developmental PA is positively associated with: (a) ratee satisfaction with the rating system; (b) ratee satisfaction with performance feedback; and (c) ratee commitment to the organization.

2.3. Role-definition purposes of PA

Bratton and Gold (2012) discussed the application of expectancy theory to attain good performance and to consider understanding of the position by the beholder as a step toward good performance. In the PA context, ratees must understand their expected roles, and if they are successful in performing it, they set themselves for good performance that further leads to achieving their own, as well as their organization's desired outcomes (Singh, Tabassum, Darwish, & Batsakis, 2018). This outcome draws our attention to the linkage between the role-definition purposes of PA and person- and organization-referenced outcomes. In relation to the roots of role-definition PA, Duarte et al. (1994) suggested that it can be found in a dyadic organization, i.e., bringing together the PA system and its stakeholders. Therefore, using variables that can be useful for a dyadic organization and emphasizing position-focused PA

purposes, we include ratee satisfaction with the rating system as a person-referenced outcome, and employee commitment, feedback-seeking behavior, and role clarity as organization-referenced outcomes of role-definition PA. Youngcourt et al. (2007) suggested that role-definition PA is positively related to ratee satisfaction with the rating system and affective commitment.

In line with the above discussions, employees may expect that PA used for role-definition purposes will clarify their roles in organizations, which can result in positive changes regarding their jobs and sense of ownership. Role-definition PA may also lead to a higher level of employee satisfaction with the PA system and demonstrate their commitment to the organization. Similarly, if employees perceive that role-definition PA can clarify their roles, they might seek feedback about their performance so that they come to know about their job requirements in clearer and well-defined terms. Demonstrating the relationship between role-definition PA and feedback-seeking behavior, Levy and Williams (2004) argued that the role of an employee in the workplace often changes over time, and the results of role-definition PA can be helpful for supervisors to (re)define and communicate roles to employees, which can encourage employees to seek feedback about their performance-position gaps, which in turn might be an outcome sought by the organization. Notably, some contemporary organizations have abandoned PA ratings, but even so, these organizations are using real-time performance feedback systems (Goler et al., 2016). In light of such arguments, role clarity has been regarded as a pivotal factor in role-definition PA systems. We therefore regard role clarity as an appropriate variable for inclusion in our investigation. In this regard, evidence suggests that role-definition PA might negatively affect role ambiguity (opposite of role clarity) and that perceptions of role-definition PA can positively affect role clarity (Dahling, Chau, & O'Malley, 2012). In light of the above discussions, the following hypothesis is formed:

H3. Role-definition PA is positively associated with: (a) ratee satisfaction with the rating

system; (b) ratee commitment to the organization; (c) ratee feedback-seeking behavior; and (d) ratee role clarity.

2.4. Strategic purposes of PA

Over the last few decades, strategic purposes of PA have remained a much less researched area. We therefore derive support from the relevant literature with regard to its relationship with organization-referenced ratee reactions, which include self-monitoring and feedback-seeking behavior. Some PA researchers have argued that, under the tenets of goal-setting theory, human behaviors are considered goal directed, suggesting that challenging goals will result in good employee performance. The theory also posits that, compared to the establishing of goals by others, employees are more likely to set more challenging goals for themselves; hence, their commitment to achieving these goals incites them to keep the lid on themselves, i.e., goal striving (Merriman, 2017; Skovoroda, & Bruce, 2017). However, without annulling the above, we argue that employees also see strategic purposes of PA from the angle of expectancy. Vroom (2005) pointed out a problem that employees who expect that increased effort will have certain outcomes are likely to attain the intended outcomes. However, it is less likely to hold true if these employees do not value these outcomes. As a solution to this problem, some PA researchers have suggested that managers can motivate employees to value the outcomes desired by the organization (i.e., by linking employees' and organizational goals; see Aguinis, 2014) to render the respective HR programs effective (Yang and Hung, 2017). Accordingly, we assume that goal-oriented PA ratings (strategic PA) might be related to self-monitoring and employee feedback-seeking behaviors, and we establish the following hypothesis.

H4. Strategic PA is positively associated with: (a) ratee self-monitoring; and (b) ratee feedback-seeking behavior.

Since PA guides employee behaviors, person- and organization-referenced outcomes of PA purposes can be considered manifestations of EPA (Selvarajan & Cloninger, 2012).

However, in the environment in which the present study was conducted, individuals are considered more prone to making global judgments. We therefore consider the person- and organization-referenced ratee reactions as immediate outcomes and assess their impacts on the ultimate outcome, i.e., the perceived EPA. To analyze the relative importance of ratee reactions, the following hypothesis is developed:

H5. Both (a) the person-referenced (i. satisfaction with rewards; ii. satisfaction with rating systems; iii. satisfaction with the rater; and iv. satisfaction with the feedback) and (b) the organization-referenced ratee reactions (i. organizational commitment; ii. self-monitoring; iii. feedback seeking behavior; and iv. role clarity) are positively associated with ratee perceptions of EPA.

Considering the above discussion and the immediate outcomes of utilization criteria and person- and organization-referenced ratee reactions qualifying to be placed as central variables in our research model (see Figure 1), their presence can help to determine why a relationship exists between utilization criteria and EPA. Furthermore, at this stage, answering ‘why’ is also significant from another angle because the existing research has shown some association between utilization criteria and EPA (see, e.g., Roberson & Stewart, 2006). Such research has helped this body of knowledge to reach a stage at which further maturity of this idea is due. We therefore propose an analysis of multiple mediators between the utilization criteria and EPA, and we form the following hypotheses:

H6a. The ratee reactions of organizational commitment and satisfaction with rewards, rating systems, and the rater will have unique and multiple mediation effects on the relationship between the use of PA for administrative purposes and EPA.

H6b. The ratee reactions of organizational commitment, satisfaction with the rating system, and performance feedback will have unique and multiple mediation effects on the relationship between the use of PA for developmental purposes and EPA.

H6c. The ratee reactions of organizational commitment, feedback-seeking behaviors, role clarity, and satisfaction with the rating system will have unique and multiple mediation effects on the relationship between the use of PA for role-definition purposes and EPA.

H6d. The ratee reactions of self-monitoring and feedback-seeking behavior will have unique and multiple mediation effects on the relationship between the use of PA for strategic purposes and EPA.

3. Methodology

3.1. Sample and data collection

Ratees' reservations about the credibility of PA systems lead to its failure; hence, ratee perceptions are considered crucial for delivering PA reactions and determining EPA (Levy & Williams, 2004). PA research concentrating on the key PA stakeholders, i.e., ratees, who are instituted in the social environment entails inclusion of large numbers of participants and an actual phenomenon. Substantiating this notion, a systematic review of PA literature on ratee reactions-based EPA (Iqbal et al., 2015) found that 74% of sample empirical research papers were based on field work. Therefore, we employed a questionnaire-based survey to collect data from ratees. The data were collected via a questionnaire survey between January and April 2012 with full-time employees of six major telecommunication corporations at their main offices in Islamabad, Pakistan. We selected telecommunication employees for three major reasons.

First, the telecommunications industry is considered to have an international nature; therefore, its employees can be expected to have exposure to international PA practices. Second, from international investment's point of view, the telecommunications industry is currently one of the most attractive industries. Over the last six years, by virtue of this industry, foreign direct investment in Pakistan has approximately US\$ 6.4 billion, i.e., 30% of total foreign direct investment in the country. Third, the telecommunications industry has

contributed to making the country a huge telecommunication market since its subscribers have grown to more than 60% of the country's population. This much penetration of telecommunications organizations in society is expected to render their employees more performance oriented.

The survey instrument was distributed with the help of HR executives in each organization with empty envelopes provided to return the completed surveys in boxes placed at appropriate places in their offices. To maximize the response rate, a couple of reminders were sent to the respondents through their HR executives. A total of 1300 surveys were distributed, of which 563 usable surveys were returned, for a 43% response rate. The respondents comprised 66% men and 34% women. Approximately 23% of respondents were 18-24 years old, 50% were 25-34 years old, 20% were 35-44 years old, and 7% were aged 45 years old or older. The majority of participants had 14 or 16 years of education (43% each), 10 percent had research degrees (MPhil/MS and PhD), and the remainder received 12 years of formal education. In terms of work experience, 29% of the respondents had less than three years of experience, 50% had 3-6 years of experience, and 21% had 7 years or more of work experience.

3.2. Measures

All responses were on a five-point scale, where 1 = strongly disagree and 5 = strongly agree.

3.2.1. PA purposes

Administrative, developmental and role-definition purposes were measured using the scales developed by Youngcourt et al. (2007), comprised of three items each. Items for administrative purposes measured PA for administrative decisions, such as promotion, retention, termination, pay, and documentation. A sample item for this measure is "Performance appraisal helps determine whether to promote, retain or terminate an employee." The scale of developmental purposes measured the communication/development function of PA, especially with reference

to providing feedback to ratees regarding their strengths and weaknesses. An example item for this measure is “Performance appraisal is used to provide feedback about employee performance.” The role-definition scale measured participants’ previous job demands with reference to their self-reported performance during the past performance period. A sample item is “Performance appraisal provides information about what employees are responsible for accomplishing.” We used six items from Kuvaas (2011) to measure strategic purposes for measuring goal-oriented PA. These items measured whether PA informed ratees about their own and organizational goals, vision and strategy. Moreover, these items also asked about coherence of individual goals with departmental and organizational goals. One sample item is “Performance appraisal provides information about your organizational goals.” The reliability coefficients for administrative, developmental, role-definition, and strategic purposes were acceptable (Cronbach’s α = .769, .744, .693, and .788, respectively).

3.2.2. Ratee reactions

Person-referenced outcomes were measured through four constructs, i.e., ratee satisfaction with rewards, the rating system, the rater, and performance feedback. Satisfaction with rewards was measured with a four-item scale from Price and Mueller (1986). The scale measures ratee perceptions about the consistency between employees’ performance and the rewards that they receive. A sample item for this measure is “I am rewarded fairly for the amount of effort I put forth.” Satisfaction with the rating system was measured using four items -- two items each from Williams and Levy (2000) and from Youngcourt et al. (2007). This coupling was performed to avoid construct deficiency. The first two items measured the overall goodness of the rating system with reference to the participants’ job performance. The remaining two items measured general satisfaction with the PA system. A sample item for this measure is “The current performance appraisal process is a good way to evaluate my job performance.” Ratee satisfaction with the rater was measured using three items from Jawahar (2007), which measure

participants' evaluations of formal and informal feedback about their performance. A sample item is "My rater knows how well I am doing my job." Ratee satisfaction with performance feedback was measured using four items from Kuvaas (2006). A sample item for this measure is "The feedback I receive on how I do my job is highly relevant." Reliability coefficients for ratee satisfaction with rewards, the rating system, the rater, and performance feedback were acceptable (Cronbach's α s = .790, .777, .684, and .726, respectively).

Organization-referenced outcomes were measured through four constructs, i.e., organizational commitment, self-monitoring, feedback-seeking behavior, and role clarity. Organizational commitment was measured by a six-item scale from Kalleberg, Knoke, Marsden, and Spaeth (1996). A sample item for this measure is "I am willing to work harder than I have to in order to help this organization succeed." Self-monitoring was measured using six-item scale by Lennox and Wolfe (1984), which measured participants' willingness and readiness and the ability to evaluate them. A sample item for this measure is "Once I know what the situation calls for, it's easy for me to regulate my actions accordingly." Feedback-seeking behavior was measured using five items drawn from Kuvaas' (2011) scale for perceived regular feedback. These items measured participants' evaluations of formal and informal feedback about their performance. A sample item is "I receive frequent and continuous feedback on how I do my job." A three-item scale of role clarity was adopted from Youngcourt et al. (2007). A sample item is "I know exactly what is expected of me." Reliability coefficients for organizational commitment, self-monitoring, feedback-seeking behavior, and role clarity are at acceptable levels (Cronbach's α s = .732, .808, .722, and .709, respectively).

3.2.3. *Perceived EPA*

We measured perceived EPA through a seven-item scale by Longenecker et al. (1988). These items ask about the perceived purposefulness, fairness, openness, participation, objectivity, formality, and professionalism of the existing PA system, with a special focus on its driver,

i.e., the rater or manager. A sample item for this measure is "...clearly understand the purpose of performance appraisal" (Cronbach's $\alpha = .762$).

3.3. Controlling for common method bias

Since the present study used direct measures (self-reports), we deemed controlling for common method bias (CMB) to be necessary. We used both *ex ante* (i.e., procedural remedies at the research design stage) and *ex post* (i.e., statistical remedies at the analysis stage) approaches for this purpose (Chang, Witteloostuijn, & Eden 2010; Podsakoff, MacKenzie, Lee, & Podsakoff 2003).

First, the survey questionnaire was constructed carefully. Use of ambiguous and unfamiliar terms and jargons was avoided. Item statements were simplified when needed; however, only slight modifications were made to keep the meaning intact. Participants were given ample time to complete the questionnaire, to allow them to rate the items concerning independent and dependent variables at different times. It was expected that this temporal separation would have freed the ratings about independent and dependent variables from the effects of participants' memory. Participants received survey questionnaires under a cover letter that included an introductory statement ensuring anonymity and confidentiality, to reduce the fear of disclosure. Moreover, to reduce participants' evaluation apprehensions, the introductory statement clarified that no answer would be considered wrong. In addition, the survey team did not seek the participation of individuals who had shown unwillingness by expressing such fears or apprehensions in advance (Podsakoff et al., 2003).

Second, we applied Harman's one-factor test, a commonly used technique in the PA literature (Kudisch, Fortunato, & Smith 2006), to diagnose CMB at the analysis stage. This test revealed 35.61% variance, suggesting no serious suffering of data from CMB. Despite outer model-based confirmation of convergent and divergent validities (discussed in the next section) and exploratory factor analysis-based (Harman's one-factor test) confirmation that CMB was

not expected to create a serious problem for our data, we deemed it important to follow a more relevant and recent approach. Kock (2015) suggested a full collinearity test-based approach in PLS-SEM for the identification of CMB. This approach is considered more robust since it helps in identifying possible inflation/deflation of path coefficients due to both vertical (predictor-predictor) and lateral (predictor-criterion) collinearities. As reported in Table 3, all of the values of the variance inflation factor (VIF) ranged between 1.000 and 2.693 and hence satisfied the criterion of $VIF < 3.3$ (Kock, 2018).

3.4. Data analysis approach

Based on the Shapiro-Wilk W test ($p > .05$) (Shapiro & Wilk, 1965; Razali & Wah, 2011) and a visual inspection of box plots, normal Q-Q plots and histograms for all 25 paths to be tested (see Figure 1), our initial analysis revealed that all of the dependent variables in relation to each response category (Strongly Disagree = 1 to Strongly Agree = 5) of the respective independent variable(s) were neither perfectly nor approximately normally distributed. For this obvious reason and to validate measurement instruments and test linkages between constructs, we used the structural equation modeling (SEM) approach to data analysis, followed by bootstrapping methods. We preferred a variance-based approach (also known as partial least squares - PLS) to a covariance-based approach (CB-SEM). PLS is ideal when prediction of the dependent variable is a primary concern. PA researchers (e.g., Úbeda-García et al., 2018) consider PLS-SEM more rigorous than CB-SEM, especially for revealing better strength and direction of hypothesized relationships, even if the research model is complex (greater number of observed variables and constructs), and the data do not hold the assumption of multivariate normality. PLS analyzes both the outer model (measurement model) and the inner model (structural model). We estimated the outer model of type A (reflective measurement); type B (for formative measurements) was not applicable here (see Henseler, Ringle, & Sinkovics, 2009).

We found the reliability estimates acceptable since Cronbach's α coefficients for all

variables ranged between .684 and .808. We also found composite reliability coefficients greater than the threshold ($\rho_c \geq .80$), i.e., ranged between .826 and .866, indicating satisfactory internal consistency of latent variables. By means of confirming convergent and divergent validities, we established construct validity of all of the study variables (for details see Tables 1 and 2).

[[Insert Tables 1 and 2 near here]]

4. Results

To analyze the hypothesized relationships between the variables, it was necessary for us to assess the quality of the inner model. Since the model contains reflective indicators, the most recommended method in the literature is to estimate the goodness of fit (*GoF*), which shows how well the model fits the set of observed variables (Henseler et al., 2009). In doing so, we employed the method developed by Tenenhaus, Vinzi, Chatelin, and Lauro (2005) and estimated the *GoF* value as .465 [$GoF = \sqrt{AVE \times R^2}$]. In *GoF* estimation, values of .10, .25, and .36 are considered small, medium, and large effects, respectively. The *GoF* value therefore confirmed the quality of our inner model. As a further robustness test, we used a five-step procedure suggested by Hair, Hult, Ringle, and Sarstedt (2014), which also confirmed the validity of the inner model

The inner model assessed the significance and relevance of all of the path coefficients (β). We employed bootstrapping procedures (5000 samples, 95% confidence interval) for the significance of β , using $t \geq 1.96$ and confidence intervals excluding zero as benchmarks. Third, we assessed predictive accuracy by estimating the coefficient of determination (R^2) of all of the endogenous variables. Traditionally, $R^2 = .67$, .33, and .19 are considered strong, moderate, and weak, respectively. Except for satisfaction with reward, all of our R^2 values approached or exceeded the moderate level at $p < .001$, which was acceptable (see Table 1). Fourth, we assessed effect size (f^2) by means of evaluating changes in R^2 when a specified exogenous

variable is omitted from the inner model to determine whether the omitted exogenous variable had substantial effects on the endogenous variable. Values of $f^2 = .02, .15,$ and $.35$ are considered small, medium, and large effects, respectively (see Table 3). We used the following formula:

$$f^2 = \frac{R^2_{included} - R^2_{excluded}}{1 - R^2_{included}}$$

Finally, we assessed the predictive relevance (Q^2), i.e., the inner model's capability to predict, by means of estimating construct cross-validated redundancy using blindfolding procedures in PLS modelling. The study variables had acceptable predictive relevance ($Q^2 > 0$), although of varying magnitude (Table 1).

[[Insert Table 3 near here]]

4.1. Hypothesis testing

Descriptive statistics for the variables in our study are presented in Table 1.

4.1.1. Direct effects

Hypotheses 1a, 1b, 1c, and 1d pertain to the relationships between administrative PA and four ratee reactions. The results indicate that administrative PA explained positive variations in respective ratee reactions. However, person-referenced outcomes, i.e., satisfaction with reward and satisfaction with the rater, largely received greater impact ($H1a: \beta = .436, H1c: \beta = .536, p < .001$, respectively) than organization-referenced outcomes, i.e., organizational commitment ($H1d: \beta = .218, p < .001$). In comparison to others, satisfaction with the rating system is influenced by administrative PA the least ($H1b: \beta = .186, p < .001$). The overall findings support hypothesis 1. Hypotheses 2a, 2b, and 2c predicted that developmental PA would be positively related to three ratee reactions. The results indicate that developmental PA explained positive variations in respective ratee reactions, i.e., satisfaction with the rating system and performance feedback and organizational commitment ($H2a: \beta = .231, H2b: \beta = .475,$ and $H2c: \beta = .267, p < .001$, respectively). These findings support hypothesis 2.

Hypotheses 3a, 3b, 3c and 3d predicted that role-definition PA would be positively related to four ratee reactions. The results indicate that role-definition PA explained positive variations in respective ratee reactions, i.e., satisfaction with the rating system, organizational commitment, feedback-seeking behavior, and role clarity (*H3a*: $\beta = .240$, *H3b*: $\beta = .224$, *H3c*: $\beta = .367$, and *H3d*: $\beta = .623$, $p < .001$, respectively). These findings support hypothesis 3. Hypotheses 4a and 4b pertain to the relationships between strategic PA and two organization-referenced ratee reactions, i.e., self-monitoring and feedback-seeking behavior, respectively. The results reveal that strategic PA explains positive variations in respective ratee reactions. However, self-monitoring had a greater impact (*H4a*: $\beta = .627$, $p < .001$) than feedback-seeking behavior (*H4b*: $\beta = .323$, $p < .001$), thus supporting hypothesis 4.

Hypothesis 5a pertains to the relationship between person-referenced ratee reactions and ratees' perceived EPA. The results show that all person-referenced ratee reactions are positively related to perceived EPA. However, ratee satisfaction with performance feedback explained greater variation in perceived EPA ($\beta = .361$, $p < .001$) than did satisfaction with the rater, reward and the rating system ($\beta = .093$, $\beta = .046$ and $\beta = .066$, respectively). It is worth mentioning that, among person-referenced ratee reactions, only satisfaction with feedback could have had a nearly moderate effect ($f^2 = .128$) on EPA (for details, see Table 3).

Hypothesis 5b pertains to the relationship between organization-referenced ratee reactions and ratees' perceived EPA. The results indicate that all organization-referenced ratee reactions are positively related to perceived EPA. However, self-monitoring and role clarity explained greater variation in perceived EPA ($\beta = .134$, $\beta = .120$, $p < .01$, respectively) than did organizational commitment and feedback-seeking behavior ($\beta = .085$, $\beta = .002$, *not significant*, respectively). It is notable that, among organization-referenced ratee reactions, only self-monitoring and role clarity could have weak effects ($f^2 = .017$, $.017$, respectively) on EPA (for the rest, see Table 3). These results provide partial support for hypothesis 5.

4.1.2. Indirect effects

The PLS path model results for hypotheses 6a–6d reveal that the indirect effects of administrative, developmental, role-definition, and strategic purposes of PA on EPA through respective person- and organization-referenced ratee reactions are positive and significant ($\beta = .101, p < .01, \beta = .210, p < .001, \beta = .110, p < .001, \text{ and } \beta = .085, p < .05, \text{ respectively}$). Although these results satisfy hypothesis 6, unique and multiple mediation effects of respective person- and organization-referenced ratee reactions on the relationships between PA purposes and EPA have yet to be analyzed. We therefore employed bootstrapping procedures (5000 iterations, bias corrected) (Preacher & Hayes, 2008).

Hypothesis 6a pertains to the mechanism underlying administrative PA-EPA relationship, wherein organizational commitment, satisfaction with rewards, satisfaction with the rating system, and satisfaction with the rater can have unique and multiple mediation effects. The results indicate that the total indirect effect of administrative PA on perceived EPA via the aforementioned four mediators is significant, $B = .284 [.232; .342]$, which is greater than the direct effect, $B = .135 [.070; .199]$. Similarly, indirect effects of administrative PA on perceived EPA via organizational commitment, $B = .085 [.036; .139]$, satisfaction with the rating system, $B = .063 [.015; .110]$, and satisfaction with the rater, $B = .107 [.060; .161]$, are also significant but not satisfaction with rewards, $B = .029 [-.002; .069]$. Hypothesis 6b pertains to the mechanism underlying developmental PA-EPA relationship, wherein organizational commitment, satisfaction with the rating system, and satisfaction with performance feedback can have unique and multiple mediation effects. The results confirm that the total indirect effect of developmental PA on perceived EPA via the aforementioned three mediators is significant, $B = .285 [.232; .344]$, which is greater than the direct effect, $B = .190 [.124; .255]$. Similarly, the indirect effects of developmental PA on perceived EPA via organizational commitment, $B = .071 [.026; .123]$, satisfaction with the rating system, $B = .050 [.005; .101]$, and satisfaction

with performance feedback, $B = .164$ [.122; .216] are also significant.

Hypothesis 6c pertains to the mechanism underling the role-definition PA-EPA relationship, wherein organizational commitment, feedback-seeking behavior, role clarity, and satisfaction with the rating system can have unique and multiple mediation effects. The results indicate that the total indirect effect of role-definition PA on perceived EPA via the aforementioned four mediators is significant, $B = .373$ [.295; .450], which is greater than the direct effect, $B = .102$ [.020; .185]. Similarly, indirect effects of role-definition PA on perceived EPA via organizational commitment, $B = .085$ [.031; .148], role clarity, $B = .094$ [.033; .154], and satisfaction with the rating system, $B = .136$ [.084; .195], are also significant, but for feedback-seeking behavior, $B = .057$ [-.004; .124]. Hypothesis 6d pertains to the mechanism underlying the strategic PA-EPA relationship, wherein self-monitoring and feedback-seeking behavior can have unique and multiple mediation effects. The results show that the total indirect effect of strategic PA on perceived EPA via the aforementioned two mediators is significant, $B = .268$ [.191, .351], which is slightly greater than the direct effect, $B = .260$ [.176, .344]. Similarly, indirect effects of strategic PA on perceived EPA via self-monitoring, $B = .147$ [.079; .219], and feedback-seeking behavior, $B = .121$ [.059; .189], are also significant. Overall, hypothesis 6 confirms the indirect effect of PA purposes on perceived EPA via variables of person- and organization-referenced ratee reactions.

4.2. Additional analyses

We also carried out two additional analyses. First, the nature of independent and dependent variables of our study (organizational level) and the design of our sample (participants from six different telecommunication organizations) call for examining the likely effects of organizational differences on path coefficients. Second, our findings, based on a single source and self-report data, must be corroborated by some additional data. Below, we present a quantitative analysis to address the former and a qualitative analysis to address the latter.

4.2.1. Quantitative analysis

While performing a multigroup analysis using PLS-SEM, we estimated path coefficient differences across six organizations. This step was performed to examine 21 direct paths (*H1* – *H5*) and 4 indirect paths (*H6*), compared to 15 groups. These groups were elicited from six different organizations by employing without replacement sampling of size 2. Each path coefficient difference was represented by an absolute value of the difference between β coefficients estimated for a pair of organizations. As presented in Table 4, of 375 cases, only 18 path coefficient differences (16 direct paths and 2 indirect paths) were significant at $p < .05$. Contrary to our expectations, 95% hypothesized relationships did not differ across six different telecommunication organizations. Overall, this finding gives the impression that PA systems at telecommunication organizations are alike, and so are perceptions of their employees. Hence, overall results of our main analysis are somewhat consistent with those for each sample organization.

4.2.2. Qualitative analysis

Our qualitative findings are based on field interviews from 21 full-time employees from five different organizations of the telecom sector ($N = 21$; men = 18 and women = 3; $M_{\text{age}} = 32$ years, ranging between 25 and 40 years old). The process was completed in approximately six months, and we elicited interview data from employees of the five sample organizations participating in the survey. Here, it is important to note that one of the six organizations participating in the questionnaire survey opted not to participate in the interview process. We analyzed the interview data in NVivo using Braun and Clarke's (2006) 15-point checklist of criteria for thematic analysis.

Bearing in mind the space limitations, we mention here briefly that the overall results of thematic analysis corroborate our survey findings. In summary, we categorized data extracts into three major themes: purposes of PA, ratee reactions, and EPA. Regarding the purposes of

PA, the overall content (transcripts of 21 interviews) revealed more coverage of administrative and developmental purposes than strategic and role definition. Nevertheless, a decent amount of discussion of the latter was found in the content. Moreover, informants stated that their perceptions of different PA purposes relate to both person- and organization-referenced outcomes, which also lead to their perceptions of EPA. Figure 2 presents a tree map revealing the hierarchical structure of themes and sub-themes.

[[Insert Figure 2 Here]]

5. Discussion

While building on the broad EPA literature, we focused on PA purposefulness for a refined and expanded view of ratee reactions-based EPA. To this end, the study pursued three objectives. The first objective was to deliberate upon the comprehensive categorization of PA purposes, i.e., individual focused (administrative and developmental), position focused (role definition) and organization focused (strategic). We attempted to signify role definition and strategic purposes of PA, along with the administrative and developmental purposes, especially with regard to their functions, which could help to develop ratees' perceptions of EPA, both uniquely and simultaneously. Although all four categories of PA purposes can benefit both employees and organizations, our findings emphasize that individual-focused PA better serves the employee perspective, whereas position- and organization-focused PA better serves the organizational perspective. Inclusion of role-definition and strategic uses in the PA system is therefore expected to render the PA more practical for administrative and developmental purposes. The PA used for strategic purposes can add another function, i.e., goal orientation, to the PA system, which can strengthen key functions of PA used for administrative purposes (e.g., evaluation). Similarly, PA used for role-definition purposes can supplement the development function of developmental purposes by efficiently using the feedback function.

The second objective of the study was to propose and empirically test the associations

of PA purposes with the immediate (person- and organization-referenced ratee reactions) and ultimate outcomes (ratee perceptions of overall EPA). The main intention was to integrate the pieces of PA literature: PA purposes and Greenberg's (1990) taxonomy of ratee reactions. In addition to confirming the hypothesized relationships, our results showed certain interesting findings, which are important for both PA theory and practice.

According to the expectancy theory (Vroom, 1964), administrative PA can positively relate to the respective person- and organization-referenced outcomes. However, within the results of our study, there are some interesting variations. When ratees perceive that their expectations are met, their expectations for reward grow further; thus, they consider the rater prime, especially when PA is for evaluative purposes because, in a PA system, the rater is a gatekeeper and influences ratees' outcomes (e.g., ratings, rewards, etc., are subject to raters' approval). Hence, ratee satisfaction with the rater appears to be the main outcome of administrative PA, compared to satisfaction with rewards and the rating system and organizational commitment. This outcome implies that employees tend to place more importance on the source of ratings for effective use of administrative PA. It is also notable that, in the sample organizations, multisource ratings are in practice in two slightly different ways. The multisource ratings are confined to supervisory and self-ratings, which are usually divided into two PA purposes; i.e., immediate supervisor's ratings are often used for administrative purposes (e.g., evaluation), and self-ratings are usually used for developmental purposes (e.g., training needs assessment), while, multisource ratings include 'performance evaluation' by the immediate supervisor and 'performance review' by the more senior manager. However, the ratings by immediate supervisors are often given more importance, in line with the existing evidence in this area (e.g., Chiang & Birtch, 2010).

The developmental PA can be positively related to the respective person- and organization-referenced outcomes. Our results reveal a positive and significant relationship

between developmental PA and organizational commitment (along with the premise of the expectancy theory) and also emphasize the importance of the content and communication, i.e., performance feedback. As a result, satisfaction with performance feedback has appeared to be the main outcome of developmental PA, compared to satisfaction with the rating system and organizational commitment. This outcome implies that the sample employees tend to give more importance to performance feedback for effective use of developmental PA, which might further lead to employee acceptance of the PA system; thus, employees tend to respond to the PA system favorably (Geddes & Konrad, 2003).

In our sample firms, raters earlier gave feedback manually; however, internal company software currently maintains the records of employee performance, which can be accessed and retrieved at any time by employees. This system is also used for computer-mediated informal feedback (Johnson & Connelly, 2014). In addition to this online system, performance feedback also emanates from employees' face-to-face discussions with their immediate supervisors, wherein raters not only justify the low ratings but also suggest how ratees can improve their performance. Possibly due to these two parallel mechanisms, performance feedback is considered based on merit (and fair intentions) and thus signifies the association between developmental PA and ratee satisfaction with the performance feedback.

Moreover, role-definition PA can be positively related to ratee satisfaction with the rating system (a person-referenced outcome) and organization-referenced outcomes, such as role clarity, feedback-seeking behavior, and organizational commitment. However, role clarity has been suggested to be the main criterion since, in the sample organizations, clarity of roles is considered a linchpin of employee performance, particularly for two main reasons. First, in the environment in which our study was conducted, perceptions of role-definition PA are considered to help employees learn about their duties and responsibilities. Second, lack of clarity about both roles and knowledge about the PA system can lead to discipline violations.

The findings of this study indicate that the sample organizations use PA for strategic purposes, albeit with no pronunciation. In practice, implementation of expectancy indicates that their employees seem to value their intended outcomes, i.e., achievement of personal goals, since they realize that organizational goals depend on departmental goals and departmental goals depend on employees' goals, which might imply that strategic PA can motivate employees to achieve their goals (directly) and organizational goals (indirectly). Our findings reveal that strategic PA can be positively related to two organization-referenced outcomes, i.e., self-monitoring and the feedback-seeking behavior of ratees. The former appeared to be the main outcome of strategic PA compared to the latter. The positive link between strategic PA and self-monitoring exists for two reasons. First, goal-based PA ratings can help individuals to be watchful and continuously improve their performance to achieve their goals; thus, goal-based PA ratings might further lead to the achievement of organizational goals. Second, of the five sample firms (where the interviews were conducted), four have used an internal software-based appraisal system. These firms consider this system to be a mechanism that is likely to help employees to self-monitor on a daily basis since information retrieved through the internal electronic system can help them to keep track of what employees have done and what else is needed. These results reveal that goal-setting perceptions prevail in the sample organizations; i.e., employees are committed to organizational and personal objectives and exert the maximum possible effort to achieve the stated objectives.

The third and final objective of the present study was to analyze the role of multiple mediators (respective sets of person- and organization-referenced ratee reactions) in the association between PA purposes and EPA. Generally, mediators are found to play a significant role in the hypothesized relationships. The interesting finding with regard to path relevance among mediators are that satisfaction with the rater, performance feedback, rating system, and self-monitoring are found to have relatively greater mediation effects than other mediators in

the respective relationships, including administrative PA-EPA, developmental PA-EPA, role-definition PA-EPA, and strategic PA-EPA. This outcome implies that individual- and position-focused PA gains more strength from person-referenced outcomes, in turn, ensuring ratee perception of EPA, whereas organization-referenced outcomes strengthen organization-focused PA to achieve ratee-reactions-based EPA.

5.1. Theoretical implications

The findings of this study have three main theoretical implications. First, according to the hypothesized intervening relationships, organization-referenced outcomes mediate role-definition PA-EPA and strategic PA-EPA relationships. We therefore reiterate that the addition of role-definition and strategic purposes to PA purposefulness is expected to supplement the already identified and largely used categories of PA purposes (i.e., administrative and developmental). Accordingly, appraisals used for administrative and developmental purposes can better serve employee perspectives, whereas PA used for role-definition and strategic purposes can better serve organizational perspectives. This finding also implies that inclusion of role-definition and strategic uses in the PA system is expected to render the use of PA for administrative and developmental purposes more practical. We therefore argue that organizations can add goal orientation as another function to their PA systems for strategic purposes. This addition will strengthen the key functions of PA used for administrative purposes. Similarly, PA used for role-definition purposes can supplement developmental purposes by efficiently using the feedback function. Regarding the first and third objectives of our study, the findings recommend the inclusion of both the employee and organizational perspectives in the PA system. These findings support Vroom's (2005) claim that expectancy theory is not limited to employee motivation only but can also be applied to various domains. Substantiating this idea, especially from the perspective of PA purposes, the findings of our study reveal that expectancy theory is as applicable for position- and organization-focused PA

as it has been for individual-focused PA.

Second, Greenberg's (1987; 1990) taxonomy has mainly been used with respect to qualitative criteria in several empirical studies (e.g., Jawahar, 2007). However, to the best of our knowledge, the present study is the first to use Greenberg's (1990) classification of ratee reactions as a measure of utilization criteria. It is hoped that the synthesis of person- and organization-referenced outcomes as common criteria of PA purposes (the present evidence) and PA fairness (evidence from the previous literature discussed above) can incite integration between utilization and qualitative criteria for future research and can be a significant step toward developing an integrated framework of EPA.

Finally, after four decades of research on expectancy theory (Vroom, 1964), Vroom (2005) primarily complained that this theory was only used for motivation at the workplace, which hindered its growth. Now, he acknowledges that it is a wide-ranging theory; hence, it can be applied to a variety of domains. The present study provides some support to Vroom's (2005) claim. We argue that expectancy theory provides a basis for employee behavioral choices toward a variety of PA purposes for specifying and then pursuing a range of person- and organization-referenced outcomes. We provide different angles for all four categories of PA purposes that can be used to relate them to intended outcomes, i.e., motivation, constructive feedback, role expectations, and functional relationships between employees' and organizational goals, as the key factors that can be used for outcome valuation when PA is used for administrative, developmental, role-definition, and strategic purposes, respectively.

5.2. Practical implications

The study has key implications for managers. First, the findings of our study suggest that person-referenced outcomes are employees' major concern in an emerging economy (i.e., Pakistan), in which individuals are more concerned about the 'cost of living' and 'peace of mind.' Therefore, seeking rewards corresponding to their performance and satisfaction seem

to be genuine employee needs, and satisfying these needs seems imperative for organizations because employee satisfaction with their jobs and rewards are considered sources of motivation, which can lead to improved individual and organizational performance (Cook & Crossman, 2004; Herhausen, De Luca, & Weibel, 2018). Managers can therefore assure the appropriate use of specific PA purposes that can lead to rewarding and satisfaction of employees. Second, our findings suggest that an appropriate use of administrative PA could help to establish a healthy interpersonal relationship between the ratee and the rater. Since both share perceptions about PA purposes, they can be imperative for the success of a PA system. In addition, their mutually aligned perspectives can help them to realize the potential of PA practices toward organizational effectiveness (Meinecke et al., 2017), which have been regarded as a managerial need in PAs (Taylor et al., 1995).

Third, the major uses of developmental PA and its assessments for employee development in both personal and professional capacities imply that it can generate performance feedback, which can be used as a source of information for determining the training needs of employees. This use can be a step forward toward organizations' broad human resource strategy of bundling human resource functions (Chiang & Birtch, 2010; Adams, & Jiang, 2017). Fourth, until now, developmental PA has mainly been considered an explanatory factor of employee commitment in the literature. Our findings could draw managers' attention to administrative and role-definition PA in their appraisal systems. Accordingly, on the one hand, PA for multiple uses could enhance the effectiveness of this practice (Maley, & Moeller, 2014), and on the other hand, it is likely to increase employee commitment in organizations. Moreover, using a comprehensive approach to PA purposes and processing role clarity by tuning their PA to strategic and role-definition purposes, managers could inspire their employees to seek feedback and conduct self-monitoring.

Fifth, as emphasized by Cappelli and Tavis (2016), several renowned organizations are

abandoning PA on the pretext that existing PA systems are not helping them in: (1) developing their employees; (2) preparing their employees for changing roles over time; and (3) promoting teamwork among employees. One of the main reasons for the lack of help of PA systems is that, since World War I, business organizations initially used PA ratings mainly for individual-focused purposes. Later and until recently, these organizations continued to switch from administrative purposes to developmental purposes and back, or some attempted to use a hybrid of both but were not able to go beyond these two purposes. We believe that our study will encourage managers to use PA for role definition and strategic purposes as well so that they are able to avoid the above three deprivations.

Finally, Mellahi, Frynas, and Collings (2016) accentuated the management and understanding of the tension between the ‘global standardization’ and ‘local adaptation’ of international performance management policy issues, not limited to but including PA purposes. This tension occurs because, on the one hand, international human resource managers feel pressure to adapt to norms around performance management in subsidiaries and, on the other hand, are to implement global performance management standards set at international headquarters. We believe that a study like ours could be helpful for international human resource managers to manage this tension, first by understanding the environment and circumstances in the countries that their organizations intend to enter and then by devising performance management policies accordingly.

5.3. Limitations and directions for future research

Given the nature of our study (single sourced) and data (cross-sectional), the results, being causal in nature, should be carefully construed. Despite their limitations, we used single-sourced direct measures (self-reports) because such data are considered appropriate in circumstances in which individuals’ perceptions are used to investigate their person- and organization-referenced reactions (Dobbins, Cardy, & Platz-Vieno, 1990). Similarly,

Greenberg (1990) also suggested that employees themselves carry out comparison between the ratios of give and take. Further, we elicited participants' perceptions only with regard to the immediate supervisor as a rating source, which could be a limitation in the wake of a multisource paradigm. This choice was made because, internationally, PA has been reported to rely more on immediate supervisors (e.g., Chiang & Birtch, 2010; DeNisi & Murphy, 2017). In addition, according to the authors' experiences of the prevailing organizational culture, immediate supervisors are generally the main rating sources in sample companies.

Thus far, a large body of the literature on employee reactions to PA has reached a point at which PA researchers must address a range of constructs for advancing PA theory and rendering the practice effective. Given this state of affairs, we acknowledge that despite including multiple person- (reward and satisfaction) and organization-referenced outcomes (organizational commitment, role clarity, feedback seeking, and self-monitoring), certain outcomes still require attention, e.g., organizational citizenship behavior, especially the negative ones, e.g., turnover intention. While a plethora of ratee reactions have been identified to date in the relevant literature, there is no comprehensive and integrated framework for employee reactions that could cluster them meaningfully. We believe that the above state of affairs warrants a systematic review of the literature with the aim of embedding the constructs within the category of employee reactions in Greenberg's taxonomy or some more comprehensive and integrated framework, which could give meaning to each category of employee reactions and could include more PA stakeholders, e.g., raters and reviewers.

6. Conclusion

Realizing the purposefulness of PA is a need of PA stakeholders; ratee reactions as outcomes of PA purposes are considered helpful in determining the success of a PA system. The findings of this paper document that ratee perceptions of PA purposes play a critical role in predicting ratee person- and organization-referenced ratee reactions, in turn developing their perceptions

of EPA. First, the present study elaborated on the expanded view of PA purposes, i.e., in addition to traditional individual-focused PA purposes (administrative and developmental), it analyzed the roles of position-focused (role-definition) and organization-focused (strategic) PA purposes in developing ratee reactions. Second, the relationships between PA purposes and EPA along with ratee reactions as a mechanism underlying this relationship in a non-Western context paper is empirically tested. In relation to the effectiveness of PA, this paper concluded that individual-focused PA better serves the employee perspective, whereas position- and organization-focused PA better serves the organizational perspective.

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Table 1. Descriptive Statistics, and Outer and Inner Model Estimates

Variables	<i>M</i>	<i>SD</i>	α	ρ_c	AVE	R^2	Q^2
1. Administrative Purposes	3.701	.984	.769	.866	.684	-	-
2. Developmental Purposes	3.653	.917	.744	.854	.661	-	-
3. Role-Definition Purposes	3.682	.846	.693	.830	.619	-	-
4. Strategic Purposes	3.577	.821	.788	.855	.541	-	-
5. Satisfaction with Rewards	3.377	.935	.790	.863	.613	.194***	.113
6. Satisfaction with Rating System	3.466	.874	.777	.856	.599	.349***	.204
7. Satisfaction with the Rater	3.581	.848	.684	.826	.614	.290***	.174
8. Satisfaction with the Feedback	3.671	.789	.726	.829	.549	.229***	.122
9. Organizational Commitment	3.542	.828	.732	.833	.555	.407***	.217
10. Self-Monitoring	3.587	.825	.808	.866	.564	.397***	.218
11. Feedback Seeking Behavior	3.573	.878	.722	.843	.642	.422***	.264
12. Role Clarity	3.616	.856	.709	.837	.631	.390***	.242
13. EPA	3.620	.795	.762	.848	.582	.543***	.300

*** $p < .001$, α = Cronbach's α , ρ_c = Composite Reliability, AVE = Average Variance

Extracted, R^2 = Coefficient of Determination, and Q^2 = Predictive Relevance

Table 2. Fornell–Larcker Criterion

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Administrative Purposes	<i>.827</i>												
2. Developmental Purposes	.742	<i>.813</i>											
3. Role-Definition Purposes	.640	.690	<i>.787</i>										
4. Strategic Purposes	.696	.742	.750	<i>.736</i>									
5. Satisfaction with Rewards	.436	.423	.440	.455	<i>.783</i>								
6. Satisfaction with Rating System	.511	.535	.518	.517	.558	<i>.774</i>							
7. Satisfaction with the Rater	.536	.512	.487	.521	.450	.678	<i>.783</i>						
8. Satisfaction with the Feedback	.492	.475	.479	.513	.487	.639	.668	<i>.741</i>					
9. Organizational Commitment	.559	.583	.548	.593	.584	.529	.473	.512	<i>.745</i>				
10. Self-Monitoring	.611	.632	.603	.627	.517	.534	.552	.492	.662	<i>.751</i>			
11. Feedback Seeking Behavior	.587	.582	.609	.598	.513	.583	.560	.572	.631	.690	<i>.802</i>		
12. Role Clarity	.589	.593	.623	.657	.428	.452	.512	.458	.580	.654	.624	<i>.795</i>	
13. EPA	.517	.550	.507	.547	.472	.557	.576	.653	.535	.558	.543	.521	<i>.763</i>

Italicized figures in diagonal are square root of AVE.

Table 3. Path Coefficients and Significance Levels – Direct Paths

Direct Paths	VIF †	β	t	f^2
H1a: Administrative Purposes → Satisfaction with Rewards	1.000	.436	10.516***	.243
H1b: Administrative Purposes → Satisfaction with Rating System	2.393	.186	3.217***	.025
H1c: Administrative Purposes → Satisfaction with the Rater	1.000	.536	14.485***	.414
H1d: Administrative Purposes → Organizational Commitment	2.393	.218	3.680***	.036
H2a: Developmental Purposes → Satisfaction with Rating System	2.693	.231	3.682***	.033
H2b: Developmental Purposes → Satisfaction with the Feedback	1.000	.475	11.429***	.301
H2c: Developmental Purposes → Organizational Commitment	2.693	.267	3.947***	.049
H3a: Role-Definition Purposes → Satisfaction with Rating System	2.051	.240	4.218***	.046
H3b: Role-Definition Purposes → Organizational Commitment	2.051	.224	3.966***	.044
H3c: Role-Definition Purposes → Feedback Seeking Behavior	2.283	.367	6.017***	.106
H3d: Role-Definition Purposes → Role Clarity	1.000	.623	20.059***	.645
H4a: Strategic Purposes → Self-Monitoring	1.000	.627	19.860***	.667
H4b: Strategic Purposes → Feedback Seeking Behavior	2.283	.323	5.705***	.083
H5a: i. Satisfaction with Rewards → EPA	1.794	.046	1.036 ^{ns}	.005
ii. Satisfaction with Rating System → EPA	2.427	.066	1.200 ^{ns}	.006
iii. Satisfaction with the Rater → EPA	2.433	.093	1.743 ^{ns}	.010
iv. Satisfaction with the Feedback → EPA	2.219	.361	6.998***	.128
H5b: i. Organizational Commitment → EPA	2.321	.085	1.501 ^{ns}	.010
ii. Self-Monitoring → EPA	2.635	.134	2.541**	.017
iii. Feedback Seeking Behavior → EPA	2.548	.002	.035 ^{ns}	.002
iv. Role Clarity → EPA	2.055	.120	2.692**	.017

† Variance Inflation Factor, * $p < .05$, ** $p < .01$, *** $p < .001$, ^{ns} = not significant, $N = 563$

Table 4. Multi Group Analysis

	01-02	01-03	01-04	01-05	01-06	02-03	02-04	02-05	02-06	03-04	03-05	03-06	04-05	04-06	05-06
<i>Direct Paths</i>															
H1a: Administrative Purposes → Satisfaction with Rewards	.223	.358	.272	.130	.194	.136	.049	.353	.029	.087	.489*	.165	.402	.078	.324
H1b: Administrative Purposes → Satisfaction with Rating System	.319	.207	.370	.476	.060	.112	.051	.157	.259	.163	.270	.147	.106	.310	.416
H1c: Administrative Purposes → Satisfaction with the Rater	.257	.270	.203	.185	.126	.013	.054	.072	.131	.068	.085	.145	.018	.077	.060
H1d: Administrative Purposes → Organizational Commitment	.073	.059	.102	.319	.106	.014	.029	.246	.179	.043	.260	.165	.217	.207	.425
H2a: Developmental Purposes → Satisfaction with Rating System	.016	.023	.204	.041	.049	.007	.188	.057	.033	.181	.064	.026	.245	.155	.090
H2b: Developmental Purposes → Satisfaction with the Feedback	.044	.181	.069	.021	.013	.137	.113	.065	.057	.251	.202	.195	.048	.056	.008
H2c: Developmental Purposes → Organizational Commitment	.030	.278	.182	.746*	.112	.248	.152	.716*	.081	.096	.468	.167	.564	.071	.635
H3a: Role-Definition Purposes → Satisfaction with Rating System	.069	.036	.108	.562	.030	.032	.040	.494	.039	.072	.526	.007	.454	.079	.532
H3b: Role-Definition Purposes → Organizational Commitment	.102	.250	.124	.184	.046	.352*	.225	.286	.148	.126	.066	.204	.061	.078	.139
H3c: Role-Definition Purposes → Feedback Seeking Behavior	.298	.040	.265	.194	.055	.258	.564	.105	.353	.305	.153	.095	.459	.210	.249
H3d: Role-Definition Purposes → Role Clarity	.044	.089	.117	.315	.081	.045	.073	.359	.125	.028	.404*	.170	.431	.198	.234
H4a: Strategic Purposes → Self-Monitoring	.167	.099	.055	.141	.080	.266**	.112	.027	.088	.154*	.239*	.178	.086	.025	.061
H4b: Strategic Purposes → Feedback Seeking Behavior	.009	.005	.216	.045	.223	.003	.208	.036	.214	.211	.040	.218	.171	.006	.178
H5a: i. Satisfaction with Rewards → EPA	.245	.125	.079	.152	.554	.120	.165	.093	.309	.046	.027	.429*	.073	.475	.402
ii. Satisfaction with Rating System → EPA	.109	.142	.466	.229	.119	.251	.575*	.120	.228	.324	.371	.023	.695*	.347	.348
iii. Satisfaction with the Rater → EPA	.413	.209	.419	.684	.250	.203	.006	.271	.163	.210	.475	.040	.265	.169	.434
iv. Satisfaction with the Feedback → EPA	.238	.008	.105	.516*	.311	.246	.133	.278	.073	.113	.524*	.320	.411	.207	.205
H5b: i. Organizational Commitment → EPA	.360*	.464**	.099	.181	.608*	.104	.261	.179	.248	.365	.282	.144	.082	.509	.427
ii. Self-Monitoring → EPA	.122	.261	.063	.015	.112	.138	.059	.137	.011	.197	.275	.149	.078	.048	.126
iii. Feedback Seeking Behavior → EPA	.294	.084	.018	.449	.274	.209	.311	.156	.019	.102	.365	.190	.467	.292	.175
iv. Role Clarity → EPA	.106	.112	.081	.146	.120	.005	.187	.040	.014	.193	.034	.009	.227	.202	.026

	O1-O2	O1-O3	O1-O4	O1-O5	O1-O6	O2-O3	O2-O4	O2-O5	O2-O6	O3-O4	O3-O5	O3-O6	O4-O5	O4-O6	O5-O6
<i>Indirect Paths</i>															
H61: Administrative Purposes → EPA through 4 mediators	.293	.028	.108	.547	.189	.265	.185	.254	.104	.080	.519	.161	.439	.081	.358
H6b: Developmental Purposes → EPA through 3 mediators	.199	.132	.217	.332	.372**	.067	.018	.134	.173	.086	.201	.240	.115	.154	.039
H6c: Role-Definition Purposes → EPA through 4 mediators	.007	.051	.068	.186	.138	.044	.061	.180	.131	.017	.135	.087	.119	.070	.048
H6d: Strategic Purposes → EPA through 2 mediators	.067	.148	.009	.187	.029	.215*	.076	.119	.038	.138	.334	.177	.196	.039	.157

* $p < .05$, ** $p < .01$, *** $p < .001$, O = Organization, $N = 563$ (O1: $n_1 = 75$; O2: $n_2 = 84$; O3: $n_3 = 223$; O4: $n_4 = 43$; O5: $n_5 = 40$; O6: $n_6 = 98$)

An absolute value of the difference between β coefficients estimated for a pair of organizations represents each path coefficient difference, e.g.,

$$O1-O2 = |\beta_{O1} - \beta_{O2}|$$

Figure 1. The Proposed Research Model

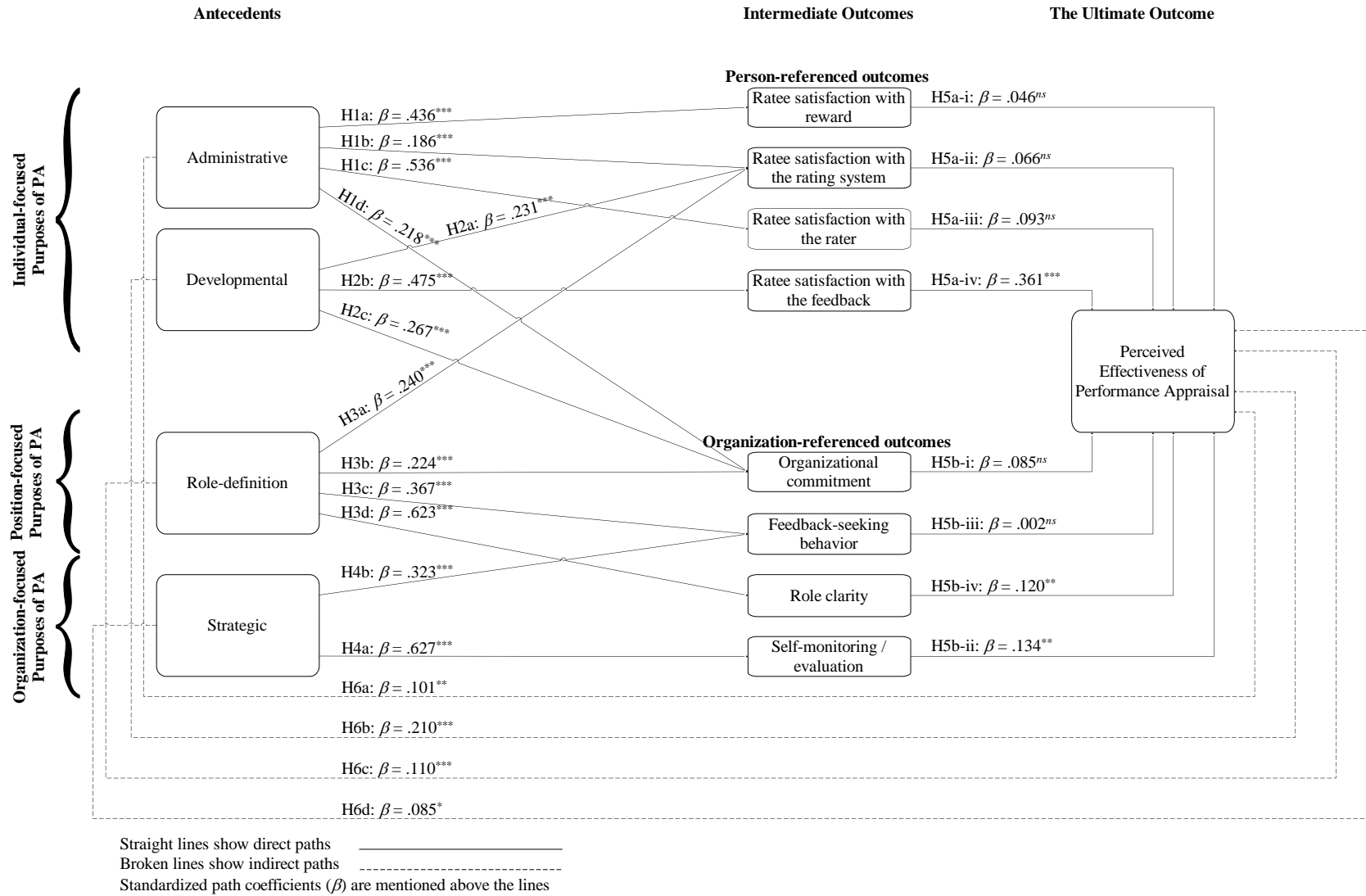


Figure 2. Tree map of themes and sub-themes with frequency of coded references and items coded (informant)

