FACTORS ASSOCIATED WITH PERFORMANCE APPRAISAL OUTCOMES: A STUDY AMONG NEPALI INTERNATIONAL NON-GOVERNMENTAL ORGANIZATIONS (INGOs)

A research dissertation submitted to

Kathmandu University School of Management

in partial fulfillment of the requirements for the

Degree of Master of Philosophy (MPhil) in Management

Rabin Shrestha

KU Registration No.: 004434-03

Kathmandu, Nepal

October, 2014

DECLARATION

I hereby declare that this dissertation entitled *Factors Associated with Performance Appraisal Outcomes: A Study among Nepali International Non-Governmental Organizations (INGOs)* embodies the result of an original research work I carried out in partial fulfillment of the requirements for the degree of Master of Philosophy (MPhil) in Management of the Kathmandu University and that this dissertation has not been submitted for candidature for any other degree.

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(Rabin Shrestha)

October, 2014

KATHMANDU UNIVERSITY
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RECOMMENDATION

This is to certify that *Rabin Shrestha* has completed his research work on *Factors Associated with Performance Appraisal Outcomes: A Study among Nepali International Non-Governmental Organizations (INGOs)* under our supervision and that his dissertation embodies the result of his investigation conducted during the period he worked as an MPhil candidate of the School of Management. The dissertation is of the standard expected of a candidate for the degree of MPhil in management and has been prepared in the prescribed format of the School of Management. The dissertation is forwarded for evaluation.

Dissertation Advisory Committee

1. Chair Prof. Subas KC

October 2014

...ne Tole, Sasatancha
...ur, Nepal
... Box 5250, Kathmandu)
...55438891, 5544078
...977 1 5533814
...info@kusom.edu.np
...www.kusom.edu.np

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APPROVAL

We have conducted the viva-voce examination of the *Factors Associated with Performance Appraisal Outcomes: A Study among Nepali International Non-Governmental Organizations (INGOs)* submitted by *Rabin Shrestha* and found the dissertation to be original work of the candidate and written according to prescribed format of the School of Management. We approve the dissertation as the partial fulfillment of the requirements for the degree of Master of Philosophy (MPhil) in Management.

Evaluation Committee

1. Prof. Subas KC	Chair, Research Committee
2. Prof. Devi Bedari	Member, Research Committee
3. Prof. Dharma P S Bhawuk	Member, Research Committee
4. Prof. Govinda Acharya	Member, Research Committee
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7. Prof. Binod K. Shrestha	Member, Research Committee
8. Dr. Biswo Paudel	Member, Research Committee
9. Prof. Pushkar Bajracharya	External Examiner

October 2014

me Tole, Sasatancha
ur, Nepal
Box 6250, Kathmandu)
5544078
5533814
info@kusom.edu.np
www.kusom.edu.np

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ACKNOWLEDGEMENT

Had it not been for Professor Subas KC, Dean, Kathmandu University School of Management, I would not have discovered for me the joy of knowing. In a half-an-hour conversation where he encouraged me to pursue MPhil I got introduced to the world of knowledge creation. The journey has not been easy, but I was not alone. I was fortunate to have had Professor Devi Prasad Bedari, Professor Devendra Chhetry, Dr. Vishnu Karki and Professor Subas KC himself show me the way through their teaching. Now I am equipped with an ability to enjoy knowledge. I am immensely thankful to all the teachers for showing me a path to the source of happiness that no one can take away.

With this dissertation I take a very tiny, but sure step towards the creation of knowledge. I have Assistant Professor Arjun Kumar Shrestha to thank. His experience and suggestions made the work so much easier. Continual guidelines from the dissertation supervisor, Professor Subas KC helped put perspective into my work and made the research a great learning experience. If this dissertation is any better, it is also because of valuable feedback I received from friends and professors who attended its public defense, and from the professors who examined the dissertation during a viva voce.

I had unflinching encouragement and support from my wife, Lisha Joshi to complete this dissertation. I dedicate this dissertation to her, my son, Apurva Shrestha, and my parents, Ram Chandra Shrestha and Renka Devi Shrestha.

ABSTRACT

A correlational research was carried out among 132 respondents in 14 INGOs working in Nepal to study how centrality of a unit, in-group membership and problem solving behavior influenced performance appraisal outcomes like reward satisfaction and the perception of distributive justice, and whether impression management moderated the above relationships. In-group membership had positive impact on both reward satisfaction and the perception of distributive justice. The implication of this finding and the understanding that can be drawn from the existence of insignificant relationships of the other study variables are discussed.

Key words: Performance appraisal, performance appraisal outcome, centrality, in-group membership, problem solving behavior, reward satisfaction, distributive justice, INGOs, Nepal

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LIST OF ABBREVIATIONS

AIN	Association of International NGOs
BLUE	Best Linear Unbiased Estimator
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
ESS	Explained Sum of Squares
INGO	International Non-governmental Organization
LMX	Leader Member Exchange
OLS	Ordinary Least Square
PEAR	Precision Efficacy Analysis for Regression
PMS	Performance Management System
RMSEA	Root Mean Square Error of Approximation
RNI	Relative Noncentrality Index
TLI	Tucker-Lewis Index
TQM	Total Quality Management
VIF	Variance-Inflating Factor

CHAPTER I

INTRODUCTION

Performance appraisal is a common human resource management practice. Ghorpade, Chen, and Caggiano (1995) explained that it was "inevitable in all organizations" whether they were large or small, public or private, or local or international, because the organizations would want to know if they were getting adequate return from the employees, and how the employees differed from each other in their contributions to the organizations. This, however, is too generalized a view, as most organizations following total quality management (TQM) for example, would have difficulty implementing a performance appraisal system. A survey by Soltani, Meer, Gennard, and Williams (2004) on UK-based quality-focused organizations found that TQM and performance appraisal were incompatible, because TQM believed that variance in performance was caused by system factors, whereas performance appraisal considered personal factors as influential.

Though quality gurus and TQM scholars advised "organizations to relinquish and eliminate performance appraisal practices, this is not a unanimous view in both the literature and practice," (Soltani, 2005, p. 796) and the incompatibility between TQM and performance appraisal has not led to the elimination of performance appraisal in TQM practicing organizations (Soltani, Meer, Williams, & Lai, 2006). Therefore, it is safe to assume that there is quite a wide spread use of performance appraisal despite many criticisms about its failures. Strebler, Robinson and Bevan (2001, as cited in Soltani et al., 2004) who critiqued performance appraisal as failing both employees and organizations agreed that performance appraisal was ubiquitous.

Because of such a wide spread use of performance appraisal, it is important to establish that in practice, the conduction of performance appraisal does what it intends to do. Performance appraisal basically tries, in formal or informal ways, to evaluate the nature of contribution the employees make to the organization (Dickinson, 1993). Performance appraisal is also used for the development of employees (Shen, 2004), guiding future development, leveraging existing strengths, and addressing skill deficiencies in the employees (Soltani et al., 2004). It, in fact, can be considered a key system that can help create a culture of justice and fairness, by linking rewards with effort, generating information for employee growth, career plans and man-job matching (Singh, Maggu, & Warrier, 1981).

Performance appraisal, however, is not without problems or limitations. Appelbaum, Roy, and Gilliland (2011) noted that many researches [like those by Schweigerand Sumners (1994), Longenecker (1997), Longenecker and Fink (1998), Rees and Porter (2003), Piggot-Irvine (2003), and Rees and Porter (2004)] that studied pitfalls and the failures of performance appraisals identified psychometric errors as one of the main causes of ineffective administration of performance appraisals in organizations. The psychometric errors included leniency, halo effect, restriction of range, recency and contrast, and were "attributed to the psychological predisposition of the appraiser during the appraisal process" (Appelbaum et al., 2011, p. 573).

The earlier studies mostly looked at the problems of accuracy of ratings and identified a number of factors. Citing various articles Singh et al. (1981) said they included: appraiser's motivation to rate accurately, relevance of job items to be evaluated and the appraiser's ability to accurately evaluate the appraisee's behavior (Taft, 1971); appraiser's motivation and ability, and availability of appropriate

judgment norms (Decotis, 1978); the use of performance appraisal for administrative purposes instead of employee development and personnel research (Gellcrman, 1976); appraiser's own values of what is good or bad (Cherrington & Cherrington, 1974); psychological blocks, criterion problems, and distortion of facts (Dalton & Mcfarland, 1968); and faulty rating formats making accurate appraisal of employees' job behavior nearly impossible (Smith & Kendall, 1963). In summary the major problems that affected the functioning of performance appraisal could be broadly classified into (Singh et al., 1981, p. 319).

> (i) behaviour-related problems such as rater's subjectivity, biases, appraisal anxiety, ratee's anxiety, mistrust in appraisal system, etc.; (ii) performance appraisal technique related problems such as graphic scales versus forced *distribution scales, use of the full range of scale, etc.; (iii) performance* appraisal format related problems such as item-relevance, performance versus trait, etc. and (iv) performance appraisal end-use-related problems such as non linkage of performance with rewards, training and development, career planning, etc.

Researchers and organizations spent many years in developing the right rating formats or instruments and procedures to increase rater accuracy and reduce the likelihood errors like halo effect, central tendency, recency effects, contrast effects, etc., but interestingly in an in-depth study of 60 high level managers Longnecker, Gioia, and Sims (1987, as cited in Longenecker & Ludwig, 1990, p. 963) found that supervisors' ratings of subordinates were influenced by "factors other than the subordinate's actual performance" and many managers deliberately provided inaccurate ratings in the belief that they were serving some higher purpose (see

Longenecker and Ludwig, 1990, p. 963 for list of reasons the managers gave for intentionally inflating and lowering subordinate ratings).

Folger, Konovsky, and Cropanzano (1992) questioned the very approach of getting more accurate rating and suggested a different perspective on performance appraisal process. According to Folger et al. (1992, p. 130), performance appraisal is ineffective when it is considered "overly rational" and treated as "psychometric process of constructing a valid test." This "test metaphor" approach views performance appraisal as a process of accurately measuring reality in which an appraiser is like "a seeker of truth who records objective reality using reliable and valid measures" when it should be viewed as "disputes over the allocation of outcomes such as merit pay, promotion, or status" (Folger et al., 1992, p. 130; Taylor, Tracy, Renard, Harrison, & Carroll, 1995, p. 496).

In summary, performance appraisal is a common human resource management practice, and is important to organizations. Most of earlier studies focused on "technical framework" of performance appraisal (Williams & Levy, 2000). The studies involved psychometric properties and accuracy of instruments (Murphy & Cleveland, 1995, as cited in Williams & Levy, 2000). The later studies viewed it as a process (see Folger, Konovsky, & Cropanzano, 1992 for due-process metaphor) or saw performance appraisal as a system and focused on the ways the system could be managed (i.e. establishing policies, gaining participant commitment, training users, etc,) and how it influenced participants' perception and reactions towards the system (Williams & Levy, 2000). They included the studies of perception of appraisal fairness and influence of the perception on individual and organizational level outcomes like job satisfaction, organizational commitment and performance.

Except for few studies like that of Pooyan and Eberhardt (1989, as cited in Williams & Levy, 2000) that studied "the relationship between organizational level and performance appraisal satisfaction," and those studies that looked at the relationship of leader-member exchange with performance appraisal (e.g. Nathan, Mohrman, & Milliman, 1991), there have, however, been little or no studies done to study the relationship of various aspects of performance appraisal, like its outcomes, with other organizational level variables like structure and culture, group level variables like team cohesiveness, and individual level variables like skills and behaviors.

This study tried to understand how centrality of a unit (a group level variable), and in-group membership, problem solving behavior and impression management (individual level variables) influenced performance appraisal outcomes like satisfaction with rewards received and perception of distributive justice.

Reward satisfaction is simply satisfaction with rewards such as increased pay, promotion, or recognition. Distributive justice is "an individual's cognitive evaluation regarding whether or not the amounts and allocations of rewards in a social setting are fair" (Luthans, 2002, p. 273).

Centrality "reflects a department's role in the primary activity of an organization" (Hickson et al. n.d, as cited in Daft, 2007, p. 375) and it is the measure of "how closely a unit's purposes match those central to the organization" (Hackman, 1985, p. 61).

In-group membership describes a relationship that a subordinate develops with his/ her supervisor based on how well the subordinate works with the supervisor (Northouse, 2004) to expand his/ her roles and responsibilities (Graen, 1976, as cited in Northouse, 2004). From the part of the subordinate, there is more commitment and

expense of a lot of effort for one's unit, and from the part of the supervisor there is more information, confidence and concern (Luthans, 2002).

Problem solving behavior is the involvement of an individual to solve problems. A problem "is any situation where a gap exists between the actual and the desired ideal state" (Sekaran, 1992, p. 43).

Impression management, the last of the individual level variables taken for this study, is the process by which an individual attempts to manage or control the perceptions others form of him/ her (Luthans, 2002), or tactics that the individual uses in order to influence the impression that others have of him/ her (Jones & Pittman, 1982; Rosenfeld, Giacalone & Riordan 1995, as cited in Vilela, Gonza´lez, Ferrı´n, & Arau´jo, 2007).

There have been no studies of this kind done in Nepal either, and this study tried to understand the relationships between centrality, in-group membership, problem solving behavior and impression management and favorable appraisal outcome in the context of international non-governmental organizations (INGOs) working in Nepal, as the well-functioning of INGOs is important to Nepal.

According to Association of International NGOs in Nepal (2013), Nepal has about 110 INGOs. They have been operating in the country with the aim of addressing numerous local and national problems. Their working areas range from skill development of local needy people, malnutrition, maternal and child health, national epidemics like TB, malaria and HIV, human trafficking, agriculture, education, and natural resources to national level policies and governance systems (Association of International NGOs in Nepal, 2013).

The INGOs also appeared as a good population where the relationships between the variables could be studied. A seminar, "Ways of appraising employees"

organized by Real Solutions in 2012 concluded that "most of the organizations in Nepal do not carry out appraisals while some others do it just for the sake of doing it," (New Business Age, 2012, para. 5). The seminar also concluded that the organizations in Nepal that did conduct appraisals systematically and effectively were multinational companies and INGOs.

Since the functioning of the INGOs is tied to national wellbeing, it is important that crucial organizational practices like performance appraisal are conducted effectively by these organizations. However, there had been no studies on the relationships between organizational, group and individual level variables and performance appraisal outcome in the context of Nepali INGOs.

The Research Problem

One encounters or even experiences cases where one is not satisfied with outcomes of performance appraisal. This is even felt by employees working in INGOs of Nepal where an advanced form of performance appraisal process, performance management system (PMS) is being implemented, and experienced by factory workers of a pharmaceutical company in Nepal where output of one's work can be easily measured and judged. As apparent from findings from different literatures discussed above, this is not the case of the use of improper performance appraisal instruments. Neither can we simply attribute it to deliberate biasness by supervisors as found by Longnecker, Gioia, and Sims (1987, as cited in Longenecker & Ludwig, 1990). And staying satisfied with the explanation of due-process metaphor by Folger, Konovsky, and Cropanzano (1992) would be too hasty a decision. There are new studies required to explain performance appraisals outcomes more clearly. There are new variables that need to be explored so that we understand the performance appraisal process better.

Against this background and based on the literature review conducted, the study focused on some of the variables that are likely to predispose an employee in an INGO to receiving a certain kind of appraisal. It tried to address the following main research question:

In what ways do a group level variable like the centrality of a unit, and individual level variables like in-group membership and problem solving behavior influence performance appraisal outcomes? Can another individual level variable, impression management moderate the above relationships?

In this perspective the research tried to examine the following specific issues:

1. Does an appraise who is in-group to his or her supervisor, belongs to a unit that is more central to the organizational goal or gets involved in problem solving behaviors receive more favorable appraisal?
2. Does an appraisee who exhibits impression management behavior fare well despite being an out-group member of an appraiser, not belonging to a unit that is more central to the organizational goal, and not exhibiting problems solving behaviors?

The findings of the study are expected to contribute to the realization of one of the main purposes of performance appraisal, which according to Robbins and Coulter (2000) is to control employee behaviors. Increased understanding of factors that affect performance appraisal results will help managers make informed decisions for achieving a more equitable appraisal and motivate employees to work for improved organizational performance.

Objectives of the Study

A very important part of human resource management, performance appraisal is an application of the micro-level understanding of the employee behavior, which is

bound to have an important impact on organizational performance. "Performance appraisal is integral to the successful operation of most organizations" and is "instrumental in helping organizations achieve a variety of important outcomes," (Dickinson, 1993, p 141).

An organization, therefore, needs to know whether it has been able to reap the benefit out of this human resource management process of performance appraisal. This research identified a potential problem in the understanding of the appraisal process in the context of group level and individual level variables, and aimed to solve it by identifying factors that may skew the results of the process. The main objective of the research therefore was:

To examine if a group level variable like the centrality of a unit, and individual level variables, like in-group membership and problem solving behavior were associated with performance appraisal outcomes and whether another individual level variable, impression management moderated the association.

The research had the following specific objectives:

1. To examine whether in-group membership, centrality of an appraisee's unit, problem solving behavior determined outcome of performance appraisal.
2. To examine if the impression management behavior of an appraisee moderated the above relationship between the identified independent and dependent variables.

Organization of the Report

The report has been organized into five different chapters. The first chapeter introduced the subject, identified research questions and laid out the objectives of the

study. The remaining chapters deal with literature review, research methodology, results, and summary, discussion and implications.

The second chapter, review of literature has a brief overview on the purpose of performance appraisal, followed by topics that look at performance measurement in details from different perspectives, and finally discussions on factors that affect the performance measurement. It has a theoretical framework for the research at the end.

The third chapter, research methodology, describes the methods and procedures used for collecting primary data from the administration of questionnaire. It describes the population, sample of the study, and the development instrument used for collection of the data.

The fourth chapter, results, discusses the results of the analyses of data obtained from the administration of the questionnaire. The analyses of data include simple descriptive statistics of samples, confirmatory factor analysis, reliability tests and multivariate regression analysis.

The fifth and the final chapter, summary, discussion and implications, summarizes a possible gap in the knowledge about performance appraisal and how this study tried to address it, discusses in detail the findings of the study, tries to chart implications of the findings, and identifies limitations to improve upon for future studies.

CHAPTER II

REVIEW OF LITERATURE

A review of various literatures undertaken focused on understanding issues around performance standards that are measured during performance appraisal, focus of previous researches on performance appraisal and factors that could affect performance appraisal outcomes. The findings helped formulate a theoretical framework for the research.

Understanding Performance Appraisal and Performance Standards

Performance appraisal is human resource management practice. During a performance appraisal process an employee is evaluated on his/ her current or past performance relative to the person's performance or job standards (Dessler, 2003). The standards constitute observable behaviors and actions, which explain how a job is to be done and results that are expected for satisfactory job performance and by setting the standards organizations are able to communicate expectations of each major duty and responsibility (Indiana University, 2005).

Though Dessler (2003) said that job standards were to be derived or set from each of the job description's main duties and responsibilities, many authors argued that the standards should be derived from "strategic objectives to ensure that employee's behavior is consistent with corporate goals," (Cross & Lynch, 1992; Kaplan & Norton, 1992; Dixon et al., 1990; Bourne et al., 2003, as cited in Tangen, 2005, p. 46). There could be the use of both financial and non-financial performance measures as suggested by Kaplan and Norton (1992, as cited in Tangen, 2005) and the consideration of short-, as well as long-term, results as recommended by Tangen

(2004, as cited in Tangen, 2005. The problem with deriving job standards from job descriptions is that job descriptions are usually written for groups of jobs and not for specific individual. In such a case, as pointed out by Dessler (2003, p. 243), one has to "quantify" the expectations or job standards, so that individual employees knows "ahead of time how and on what basis you're going to appraise them." This would also help address another challenge in performance appraisal, an ability to distinguish performance or contribution of one employee from that of another. As pointed out by Taylor (1911), it is important to recognize differential contribution of individuals.

According to Ghorpade et al. (1995) organizations in fact carryout performance appraisal because they would want to know if they were getting adequate return from the employees, and how the employees differed from each other in their contributions to the organizations. For organizations to be able to do this, performance standards need to be specific to an employee so that they can help logically distinguish the contribution of an employee from that of another. However, some literatures recommend the use of common performance standards; for example, those given by the University Human Resource Services of Indiana University (2005) include leadership, team orientation, innovation/creativity, customer service, problem solving/decision making, interpersonal communication, flexibility and performance management. Some literature, for example, that from Indiana University (2005, para. 1) have gone further to argue that a good performance is not all about meeting the performance standards; certain "behaviors (e.g. friendliness, helpfulness, courteousness, punctuality, etc.)" make performance "acceptable."

Yet there are scholars like Hanks (n.d.) who insisted that performance standards should not be subjective. One of the ways doing that would be through the rating of quantifiable behaviors as suggested by Folger et al. (1992). Banner and

Cooke (1984, p. 331), however, argues that "the most important part of a specific job is qualitative and difficult, if not impossible, to measure (e.g. the political skills of a manager).

Very closely related to performance appraisal and also very necessary for the use of performance standards are ways of measuring performance or work. Though performance measurement can simply be defined as "quantifying, either quantitatively or qualitatively, the input, output or level of activity of an event or process" (Radnor & Barnes, 2007, p. 393), it has developed into a science wherein concepts of efficiency and effectiveness are used. See Hammer (1990), Hamscher (1994), Daft (2007), Radnor and Barnes (2007), and Hayes and Abernathy (1980) for discussions on the development of measurement of performance through various concepts on organizational efficiency and effectiveness.

As outcomes of performance appraisals are tied to the distribution of organizational resources in the form of rewards, benefits and promotions, employees compete with each other for the resources making the process of performance appraisal as political. It gets "entangled in the politics of organizations," (Ghorpade et al., 1995, p. 33). It is therefore safe to assume that the setting of performance standards that form the basis of appraisal outcomes is not only a science, but a political process.

Purpose of Performance Appraisal

According to Ghorpade et al. (1995, p. 35), "within all organizational context an inevitable purpose of performance appraisal is to arrive at some judgment about the worth of the individual's contribution to the organization over the period of time." In an ongoing relationship of employees and organizations, however, appraisals cannot stop at the evaluation of the past achievements or failures (Ghorpade et al.,

1995). Fombrun et al. (1984, as cited in Soltani, 2005) viewed "appraisal information as leading to human resource development (HRD) activities and reward decisions and as inputs to employee resourcing decisions." Performance appraisal has two basic purposes, and for an appraisal to be effective it should not only "accurately evaluate past performance as an equitable basis for rewards," but also "guide future development, leverage existing strengths, and address skill deficiencies," (Soltani et al., 2004). Though most of the current literatures refer to above two purposes, earlier literature had recognized performance appraisal to have served a third purpose. According to Barrett (1966, as cited in Singh et. al, 1981), besides administrative decision like promotion and transfer, and employee development like identification of training, the purpose of performance appraisal was also to generate information about manpower for personnel research.

Though performance appraisal has the basic purposes of evaluating the past performances of employees and developing the employees, it does not mean that a tool used in the appraisal serves both the purposes. Yukl (n.d., as cited in Lepsinger & Lucia, 1997) commenting on the use of 360 degree feedback for employee evaluation and employee compensation package said that "the type of specific behavioral feedback most valuable for development is not necessarily useful for evaluation."

Amidst the science of measuring performance, discussions on what should performance standards be and politics that go into setting the standards, different researches showed that there were limitations in measuring performances.

Limitations in Measuring Performances

One of the first limitations in performances appraisal is brought about by the resulting complexity caused by variables that influence performances. According to

Ghorpade et al. (1995, p.32), performance appraisal is a complex activity that gets progressively more complicated with the introduction of additional variables and quality demands and "even modest increments in complexity add disproportionately to the challenge."

This makes measuring customer satisfaction in a relatively simple case of a waiter serving food in a restaurant challenging as there would be a "large number of variables (e.g., menu, quality of ingredients used, skills of cooks, coordination among different personnel, physical atmosphere) brought into alignment by a chain of decisions and behaviors involving the entire restaurant staff as well as the supplier who furnish the ingredients," (Ghorpade et al., 1995, p.33).

The second limitation is related to the presence of multi-variables that intervene. A study on Indian software companies by Pauland and Anantharaman (2003) to develop and test a causal model linking HRM with organizational performance through an intervening process found that not even a single HRM practice had a direct causal connection with organizational financial performance. The study found that there were 40 paths originating from HR practices to organizational financial performances. The HR practices studied included selection, induction, training, job design, work environment, performance appraisal, compensations, career development and incentives, and each of them influenced financial outcomes only through one or more intervening variables (competence, teamwork, organizational commitment and customer orientation) and operational performance dimensions (employee retention, employee productivity, product quality, speed of delivery and operating cost). For example, performance appraisal influenced the financial performance of the companies through employee competency, organizational commitment and customer orientation.

From an exhaustive review of literature Landy and Farr (1980, as cited in Folger et al., 1992, p. 131) concluded that despite years of research, no one performance rating instrument had yet proved to be "demonstratively more valid that any other." Folger et al. (1992, p.131) argued that a valid measurement is "inherently problematic" when task characteristics make information about means-end relationships or "knowledge of transformation process" (Lee, 1985, as cited in Folger et al., 1992, p. 131) hard to be acquired. They further argued that many jobs have such task characteristics. They had defined means as elements of work process like technology, and ends as performance outcomes that enhanced the organization's wellbeing.

The third limitation is an inability of a person appraising to handle lot of information. According to Lepsinger and Lucia (1997, p. 66) one uses his/ her own framework to process and remember information, and attaches more weight to information that fits the framework and discount information that is inconsistent with that model, and these "different approaches to remembering and processing large amounts of information contribute to a lack of agreement between the employee and boss on the final evaluation."

Given the limitations in measuring performance, most of the earlier researches focused on achieving accurate ratings.

Rating Accuracy and Factors Identified

Studies that were conducted earlier with regards to performance measurement accuracy focused on two basic areas, namely the nature of errors and factors leading to those errors.

Appelbaum et al. (2011) noted that many researches (Schweigerand Sumners 1994; , Longenecker, 1997; Longenecker & Fink, 1998, Rees & Porter, 2003, Piggot-

Irvine, 2003; Rees & Porter, 2004) that studied pitfalls and the failures of performance appraisals identified psychometric errors as one of the main causes of ineffective administration of performance appraisals in organizations. The psychometric errors included leniency, halo effect, restriction of range, recency and contrast, and were "attributed to the psychological predisposition of the appraiser during the appraisal process" (Appelbaum et al., 2011, p. 573).

Citing various articles Singh et al. (1981) identified factors that led to inaccurate ratings as: appraiser's motivation to rate accurately, relevance of job items to be evaluated and the appraiser's ability to accurately evaluate the appraisee's behavior (Taft, 1971); appraiser's motivation and ability, and availability of appropriate judgment norms (Decotis, 1978); the use of performance appraisal for administrative purposes instead of employee development and personnel research (Gellcrman, 1976); appraiser's own values of what is good or bad (Cherrington & Cherrington, 1974); psychological blocks, criterion problems, and distortion of facts (Dalton & Mcfarland, 1968); and faulty rating formats making accurate appraisal of employees' job behavior nearly impossible (Smith & Kendall, 1963). In summary the major problems that affected the functioning of performance appraisal could be broadly classified into (Singh et al., 1981):

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linkage of performance with rewards, training and development, career planning, etc.(p. 319).

Different from earlier studies, an in-depth study of 60 high level managers Longnecker et al. (1987, as cited in Longenecker and Ludwig, 1990, p. 963) found that supervisors' ratings of subordinates were influenced by "factors other than the subordinate's actual performance" and many managers deliberately provided inaccurate ratings in the belief that they were serving some higher purpose (Longenecker & Ludwig, 1990, p. 963 for list of reasons the managers gave for intentionally inflating and lowering subordinate ratings).

Factors Associated with Performance Appraisal Outcomes

While researchers and organizations spent many years in developing the right rating formats or instruments and procedures to increase rater accuracy and reduce the likelihood errors like halo effect, central tendency, recency effects, contrast effects, etc., Folger et al. (1992) questioned the very approach of getting more accurate rating and suggested a different perspective on performance appraisal process. According to Folger et al., (1992, p. 130), performance appraisal is ineffective when it is considered "overly rational" and treated as "psychometric process of constructing a valid test." This "test metaphor" approach views performance appraisal as a process of accurately measuring reality in which an appraiser is like "a seeker of truth who records objective reality using reliable and valid measures" when it should be viewed as "disputes over the allocation of outcomes such as merit pay, promotion, or status" (Folger et al., 1992, p. 130; Taylor et al., 1995, p. 496).

This perhaps opened up doors to view performance appraisal and problems with regards to performance appraisal from different perspectives. One of the

perspectives is about outcomes of performance appraisal and factors that could influence the outcomes.

Performance Appraisal Outcomes

One of the performance appraisal outcomes widely studied in literature is the perception of fairness or justice. A concept of organizational justice has been used in literatures to describe fairness, and according to Mohyeldin and Suliman (2007) the majority of researchers agree on the existence of three main factors to the concept, namely procedural justice, distributive justice and interactional justice. A procedural justice is the "fairness of the procedure used to make a decision," while a distributive justice is "an individual's cognitive evaluation regarding whether or not the amounts and allocations of rewards in a social setting are fair" (Luthans, 2002, p. 273). Interactional justice is "the perceived fairness of the interpersonal communication relating to organizational procedures" (McDowall & Fletcher, 2004, p. 10).

A study by Ramaswami and Singh (2003) on industrial salespeople who worked in a Fortune 500 firm found that: when a merit pay reward was linked to job performance, there was an increased perception of distributive justice; when a supervisor was consistent and unbiased in applying appropriate performance standards, there was an increased perception of procedural, distributive and interactional justices; when the supervisor helped subordinates to design performance improvement plans, there was an increased perception of distributive and interactional justices; and when the subordinates participated in decision making, there was an increased perception of procedural and interactional justices. A study by Chang and Hahn (2006) among 656 employees of 28 Korean companies, however, showed that pay-for-performance enhanced employees' perception of distributive justice only

when there was a commitment performance appraisal practice, which basically was an "approach" that viewed "employees as resources or assets," and valued "their voice."

Erdogan (2002) proposed that antecedents of justice perceptions included due process characteristics, organizational culture, pre-appraisal leader–member exchange (LMX), perceived organizational support, impression management behaviors of raters, perceived basis of LMX, and perceived type of information raters used.

The perception of fairness of appraisal affects a number of individual and organizational level outcome variables. Interactional justice significantly influences trust on supervisor and job satisfaction, and distributive fairness has a significant effect on supervisor trust, but not on job satisfaction (Ramaswami & Singh, 2003). Ramaswami and Singh found that both supervisor trust and job satisfaction in turn influenced organizational commitment, while distributive justice directly influenced job performance without mediating through supervisor trust and job satisfaction. A survey results among 134 low-level and mid-level management employees from a Dutch industrial organization in the food sector demonstrated that managers who perceived effort-reward fairness performed better and felt more satisfied in response to intermediate levels of job demands than managers who perceived under-reward unfairness and supported the proposal that perceptions of fairness moderated the inverted U-shaped relationships between amounts of quantitative job demands and job responses among management employees (Janssen, 2001).

Another performance appraisal outcome that is studied widely is reward satisfaction. Reward satisfaction is simply satisfaction with rewards, which can be increased pay, promotion, or recognition. Literatures, however, have recognized another form of reward called psychological rewards, which as defined by Gieter,

Cooman, Pepermans, and Jeger (2010) is supportive and positively evaluated outcomes of the relationship and en employee develops with the supervisor.

A study among 16,000 workers from about 900 different workplaces in the UK by Brown, Gardner, Oswald, and Qian (2003) showed that satisfaction with the rewards was based on the rank held by the individuals.

Some studies used reward satisfaction as an independent variable predicting other organizational outcomes like job satisfaction. Studies by Mustapha (2013) on 320 lecturers in Malaysia, by Ali and Ahmed (2009) among 80 UNILEVER and by Sarwar and Abugre, (2013) on 104 employees in two private UK companies showed that satisfaction with rewards had positive impact on employee satisfaction. However, a study among 9,400 employees by Linz and Semykina (2013) showed that the relationship between reward satisfaction and job satisfaction was stronger for men than for women.

Member of In-Group of Appraiser

Though many years had been spent by researchers and organizations in developing the right rating format or instrument and procedure to increase rater accuracy and reduce the likelihood errors like halo effect, central tendency, recency effects, contrast effects, etc., in a in-depth study of 60 high level mangers Longnecker et al., (1987, as cited in Longenecker &Ludwig, 1990), found that supervisors' ratings of subordinates were influenced by "factors other than the subordinate's actual performance," and "many managers deliberately provide inaccurate ratings in the belief that they are serving some higher purpose." The research found that:

> It was generally not that managers had not been trained to do accurate evaluations or that the procedures were not sound. Rather, managers were choosing to play by their own rules instead of those created by "the system."

Managers placed a higher priority on personal discretion in their attempts to manage their employees than on the organization's edict that accuracy be their primary concern.

Research showed that most intentional inaccuracy in performance appraisal fell into the category of inflating rating with positive motivation (Longenecker et. al., 1987; Longenecker, 1989, as cited in Longenecker & Ludwig, 1990) and were done to try and help employee or organization (Longenecker & Ludwig, 1990).

The findings of the study indicated the existence of the use by an appraiser his/her own discretion in rating subordinates that was beyond what a normal performance appraisal process allowed. There are other studies that have looked are interpersonal relationships between a supervisor and a subordinate as influencing performance appraisal.

Burke and Wilcox (1969, as cited in Nathan et al., 1991, p. 352) found that "the level of openness in supervisor-subordinate communication was positively related to subordinate satisfaction with company, job, and the performance appraisal."

Other research has shown that perceptual congruence-the extent to which a subordinate and supervisor are perceptually aware of each other's work-related attitudes-affects the supervisor's perceptions of the subordinate's performance and both the subordinate's job satisfaction and evaluation of the supervisor's leadership performance (Pulakos & Wexley, 1983; Wexley, Alexander, Greenawalt, & Couch, 1980; Wexley & Pulakos, 1983, as cited in Nathan et al., 1991, p. 352).

Research on LMX showed that "subordinates who are part of their supervisors' in-group experience greater trust in their supervisors, interact more with them, and receive more support and more informal and formal rewards than out-group

members" (Dansereau, Graen, & Haga, 1975; Dienesch & Liden, 1986; Graen, Novak, & Sommerkamp, 1982, as cited in Nathan et al., 1991, p. 353).

A longitudinal study of 417 subordinates and 391 supervisors of a ten business strategic business of a large multinational and multidisciplinary corporation found that appraisal reviews did not take place in a vacuum but occurred within the context of the interpersonal relationships between supervisors and subordinates (Nathan et al., 1991). Nathan et al. showed that the content of an appraisal - subordinate's opportunity to participate in the discussion, criteria on which the performance evaluation was based, and discussion of issues important to the subordinate's career - was in part a function of subordinate and supervisor's ongoing interpersonal relationship. And when the subordinates participated in decision making, there was an increased perception of procedural and interactional justices (Ramaswami & Singh, 2003).

Proximity of Unit Goals with Organizational Goals

Every organization has five parts, which include top management, middle management, technical support staff, administrative support staff and technical core (Mintzberg, 1979, 1981, as cited in Daft, 2007). "Technical core includes people who do the basic works of the organization," and it is "where the primary transformation from inputs to outputs takes place" (Daft, 2007, p. 16). It is similar to "production functions" that "manage and improve the efficiency of an organization's conversion processes so that more value is created" (Jones, 2003, p. 38). Technical support staffs help organizations "adapt to the environment" and include functions like research and development, and environment scanning, while administrative support staffs help organization run smoothly with regards to both human and physical elements (Daft, 2007, p. 16). It is also called maintenance function (Jones, 2003). Jones (2003, p. 38)

used the term "support functions" to mean those that "facilitate an organization's control of its relations with its environment and its stakeholders," and include functions like purchasing, sales and marketing, public relations, and legal affairs.

"An organization is a tool used by people to coordinate their actions to obtain something they desire or value – that is, to achieve their goals" (Jones, 2003, p. 2). It is a social entity that is goal directed (Daft, 2007). In a "rational model" of organization, "goals are clear and choices are made in a logical way," however, though many managers strive for it, the rational model of organization is idealistic and not "fully achievable in the real world" (Daft, 2007, p. 365). The opposite and perhaps a more realistic view of organization is a political model. The model is applicable in situations when goals of different units are not compatible, there is high differentiation, task interdependence among the units, and limited organizational resources (Daft, 2007). Differentiation is "the differences in cognitive and emotional orientations among mangers in different functional department" (Lorsch, 1970, as cited in Daft, 2007, p. 363).

In the political model of organization, the concept of horizontal sources of power explains why some functional units have more say and achieve their desired outcomes than others (Daft, 2007). The survey by Perrow (1970, as cited in Daft, 2007, p. 372) among managers in several industrial firms found that sales had the greatest power in most firms, and production was also quite powerful in few firms. The survey found that on average, sales and production units were more powerful than research and development, and finance units. The horizontal sources of power are explained by a theoretical concept of strategic contingences (Hickson, Hinings, Lee, Schneck, & Pennings, 1971; Salancik & Pfeffer, 1977, as cited in Daft, 2007). "Strategic contingencies are events and activates both inside and outside an

al., 1984; Feldman, 1981; Ilgen & Feldman, 1983, as cited in Ilgen, Barness-Farrell, & McKellin, 1993, p. 323).

The concept of perceptual selectivity explains how and why a person with various stimulation impinging on him of her selects only a very few stimuli at a given time (Luthans, 2002). Various external factors that affect perceptual selectivity include intensity, size, contrast, repetition, motion, and novelty and familiarity (Luthans). Of these external factors, contrast and novelty are relevant to this research.

The principle of contrast "states that external stimuli that stand out against the background or that are not what people are expecting will receive their attention" (Luthans, 2002, p. 188). An appraisee who is involved in solving organizational problems or the one who solves organizational problems against the background of all appraisees who are involved in routine works is a contrast, and a likely to be noticed aiding an appraiser in the process of acquiring information and perhaps recalling during performance appraisal.

The principle of novelty states that "new objects or events in a familiar setting" draw attention of a perceiver (Luthans, 2002). An appraiser who provides solutions to a problem that an organization or a unit has been facing is novel.

Impression Management

"When individuals are given the opportunity for voice in the performance evaluation process, their evaluations of fairness are enhanced" (Greenberg, 1986, 1990a; Lind & Tyler, 1988, as cited in Dulebohn & Ferris, 1999, p. 288). "Research indicates that subordinates are not passive elements in the performance evaluation process, but active agents who may engage in efforts to influence the process and outcomes by managing the impressions and information they seek to convey" (Ilgen & Feldman, 1983, as cited in Dulebohn & Ferris, 1999, p. 288). There are different

frameworks that have been used to conceptualize impression management, though the most widely used conceptualization is that introduced by Wayne and Ferris (1990), who "proposed that individuals in organizations have a tendency to use impression-management strategies in ways that can be classified as either supervisor-focused, job-focused, or self-focused" (Vilela et al., 2007, p. 625).

Impression management techniques relevant to performance appraisal process are "supervisor-focused influence tactics" and "job-focused influence tactics" (Wayne & Ferris, 1990, as cited in Dulebohn & Ferris, 1999, p. 290).

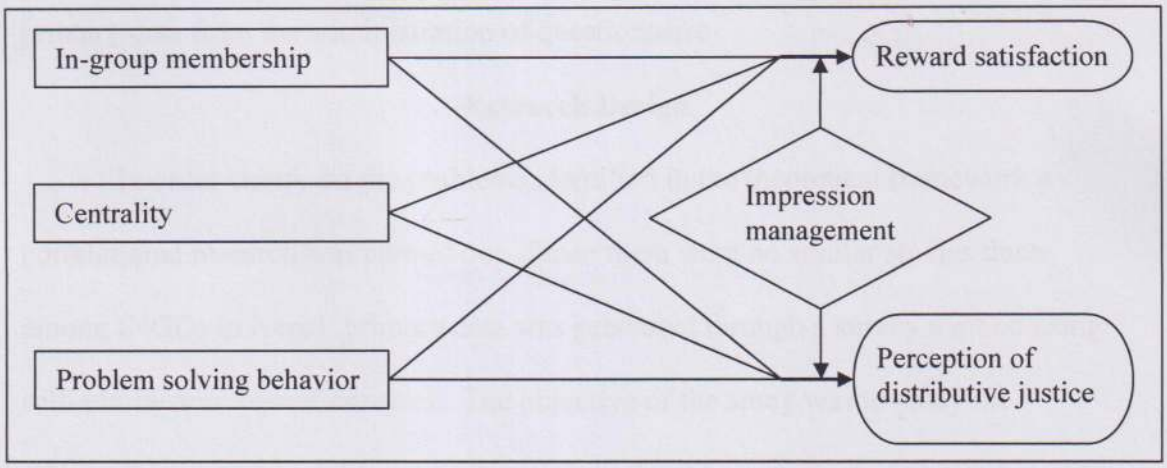
A laboratory experiment on undergraduates suggested that impression management had positive influence on performance ratings (Wayne & Kacmar, 1991). Impression management does not seem to have direct effect on the performance appraisal results. For example, a longitudinal study by Wayne and Liden (1995) showed that impression management had significant, but indirect impact on performance ratings. One of the ways by which impression management works is through moderation of other variables. For example, a study on 112 white-collar employees and their supervisors indicated that organizational politics interacted with impression management influencing an incremental amount of variance in supervisor ratings of employee performance, demonstrating that the extent to which an individual engaged in impression management in a non-political atmosphere could have been a key component to receiving favorable performance ratings (Zivnuska, Kacmar, Witt, Carlson, & Bratton, 2004).

Theoretical Framework

Based on the above literature review and the theoretical concepts discussed, the following theoretical framework was proposed for the study:

Figure 1

Theoretical Framework



In-group membership, centrality and problem solving behavior were taken as independent variables, while reward satisfaction and perception of distributive justice were taken as dependent variables. Impression management was used as a moderating variable.

CHAPTER III

RESEARCH METHODOLOGY

This chapter basically constitutes the methods and procedures for collecting primary data from the administration of questionnaire.

Research Design

In order clarify on the problems identified in the theoretical framework a correlational research was carried out. Since there were no similar studies done among INGOs in Nepal, primary data was generated through a survey method using self-administered questionnaires. The objective of the study was to study the relationship among variables at a given time and not how any one variable changed over a time, so a cross-sectional study was carried out. The data generated allowed for quantitative analyses to be performed.

Unit of Analysis and Population

Individuals were taken as the unit of analysis and those working for the INGOs in Nepal were considered as the population for the study. The INGOs that were members of the Association of International NGOs (AIN) and six others who were not yet members were considered for selecting the samples. According to its website, the AIN had altogether 110 members (Association of International NGOs in Nepal, 2013). There were about 4,400 individuals working in these 116 organizations. The organizations had 42 employees on an average.

Sample Size

A sample size is one of the four inter-related features of a research design that can influence the detection of significant differences, relationships or interactions

(Peers, 1996, as cited in Bartlett II, Kotrlik, & Higgins, 2001). It must be big enough so that an effect that is scientifically important is also statistically significant; however, it should not be too big that an effect that is of little scientific importance is statistically detectable (Length, 2001).

"The way in which sample size is planned depends heavily on the question(s) of interest that the investigator has defined" (Kelley & Maxwell, n.d., p. 167). When investigations in researches had been done through the use of multiple linear regressions, primarily three types of sample size calculation methods had been used: "conventional rules, statistical power approaches and cross-validation approaches" (Brooks & Barcikowski, 2012, p. 2). This study used a method called precision efficacy analysis for regression (PEAR) developed by Brooks and Barcikowski (2012) as the method addressed the limitation of the conventional rules, statistical power approaches, and cross-validation approaches. The formula used was as given below (see Brooks & Barcikowski, 2012 for details):

$$N \geq \left(\frac{2 - 2\rho^2 + \varepsilon}{\varepsilon} \right)(K + 1)$$

Where,

N = Number of samples

ρ = Population R^2

ε = Cross-validity shrinkage

K = Number of predictors

The population R^2 is an effect size (Brooks & Barcikowski, 2012) and this research considered the effect size to be 0.02. According to the categories suggested by Cohen (1988, as cited in Brooks & Barcikowski, 2012), 0.02, 0.13 and 0.26 are small, medium and large effect sizes respectively. This research, therefore, assumed

that the degree of relationships between the dependent and independent variables were small and needed to be studied with the use of a larger sample size.

Cross-validity shrinkage is the decrease in the R^2 when the same study is carried out in future with another sample (Brooks & Barcikowski, 2012). This research assumed the shrinkage to be about eight percent. This meant that if independent variables in the regression model of this research explained 40 percent of variation in the dependent variable, the same independent variables (using the same regression model), in some future studies in the same population, would explain at least 36.8 percent of variation in the dependent variable.

With the use the above formula and the priori values discussed above, the sample size calculated was 130. The sample size, was therefore, big enough to detect the phenomena being studied, and for the findings to be generalized in other future samples from the population.

Sampling

A stratified sampling procedure was carried out. A stratified sampling is "a probability sampling procedure in which simple random subsamples are drawn from within different strata that are more or less equal on some characteristic" (Zikmund, 2011, p. 386). The INGOs with less than ten employees were excluded from the study, as group level variables, like in-group membership and centrality were not expected to have adequate variations to be studied. The INGOs with ten or more than ten employees were stratified into four quartiles according to the number of employees. The number of samples from each quartile was calculated according to the proportion of employees each quartile had.

Table 1

Number of Employees and Samples

Quartiles	No. of employees	No. of INGOs	Total number of employees	No. of samples required
1st quartile	10 - 15	21	264	8
2nd quartile	16 - 30	17	384	12
3rd quartile	31 - 65	20	988	30
4th quartile	≥ 66	17	2,619	80
Total		75	4,255	130

The organizations in each quartile were selected through a non-probability sampling method, convenience sampling. The questionnaires were given to one or two individuals in each of the organizations who in turn distributed them to their colleagues through convenience sampling.

Operationalization of Study Variables

The study used in-group membership, centrality and problem solving behavior as independent variables, reward satisfaction and perception of distributive justice as dependent variables, and impression management as a moderating variable. The variables were operationalized as the following:

In-group membership: Quality of relationship that a subordinate develops with his/ her supervisor based on how well the subordinate works with the supervisor, as defined by Northouse (2004).

Centrality: It is the reflection of a department's role in the primary activity of an organization (Hickson et al. n.d, as cited in Daft, 2007) and is the measure how closely the department's purposes match those central to the organization (Hackman, 1985).

Problem solving behavior: Involvement of an employee to solve problems that concern one's work, unit and organization.

Reward satisfaction: Employee's satisfaction with rewards such as increased pay, promotion, or recognition received as a result appraisal of performance.

Perception of distributive justice: Employee's perception of fairness in the allocation of rewards and recognition, as defined by Fields (2007).

Impression management: Tactics that an individual uses in order to influence the impression that others have of him/ her (Jones & Pittman, 1982; Rosenfeld, Giacalone & Riordan 1995, as cited in Vilela, Gonza´lez, Ferrı´n, & Arau´jo, 2007).

Hypotheses

Based on the theoretical framework twelve different hypotheses were formulated.

H1: When an appraisee is an in-group member of an appraiser, he or she experiences satisfaction with rewards.

H2: When an appraisee belongs to a unit that is more central to the organizational goal, he or she experiences satisfaction with rewards.

H3: An appraisee who solves organizational or unit problems or gets involved in problem solving is more satisfaction with rewards.

H4: When an appraisee is an in-group member of an appraiser, he or she has higher perception of distributive justice.

H5: When an appraisee belongs to a unit that is more central to the organizational goal, he or she has higher perception of distributive justice.

H6: An appraisee who solves organizational or unit problems or gets involved in problem solving has higher perception of distributive justice.

H7: Impression management moderates the relationship between in-group membership and reward satisfaction.

H8: Impression management moderates the relationship between centrality and reward satisfaction.

H9: Impression management moderates the relationship between problem solving behavior and reward satisfaction.

H10: Impression management moderates the relationship between in-group membership and the perception of distributive justice.

H11: Impression management moderates the relationship between centrality and the perception of distributive justice.

H12: Impression management moderates the relationship between problem solving behavior and the perception of distributive justice.

Measurement Instrument

In-group membership was measured by using LMX 7. According to Graen and Uhl-Bien (1995, as cited in Northouse, 2004, p. 163) it is a "seven-item questionnaire that provides a reliable and valid measure of the quality of leader-member exchanges." "Scores in the upper ranges are indicative of stronger, higher-quality leader-member exchanges (e.g. in-group members), whereas scores in the lower ranges are indicative of exchanges of lesser quality (e.g. out-group members)" (Northouse, 2004, p. 164). The Cronbach's alpha scores of the instrument ranged from 0.8 to 0.9 in different studies (Garen & Uhl-Bien, 1995).

An instrument for measuring centrality was developed based on the descriptions of dimensions of the concept, pervasiveness of workflows and immediacy of the workflows as given by Hickson, Hinings, Lee, Schneck, and Pennings (1971) and Hinings, Hickson, Pennings, and Schneck (1974). The

instrument consisted of one item in reverse. An example of pervasiveness of workflow, "how far is flow of work for your own department connected to the work of each of the following departments?" and that of immediacy of workflows, "how quickly would the closing of each of the departments affect the shipping of finished goods from the plant?" given by Hinings et al. (1974) were used as references, and similar items were developed for this study. The pretesting of the instrument showed that it had Cronbach's alpha of 0.711.

An instrument adopted from the Rahim organizational conflict inventory-II form (Rahim, 1983, 2001, as cited in Rahim & Minors, 2002) was used to measure problem solving behavior. The instrument consisted of three items in reverse. The pretesting of the instrument showed that it had Cronbach's alpha of 0.708.

Four items measuring reward satisfaction were taken from a job satisfaction survey questionnaire by Spector (1985, as cited in Fields, 2007). Though reliability score of reward satisfaction was not given, the whole of the survey instrument had Cronbach's alpha value of 0.89 as per Blau (1999, as cited in Fields, 2007).

This study used instrument developed by Paker, Baltes, and Christiansen (1997, as cited in Fields, 2007) to measure distributive justice. The instrument consisted of three items in reverse. Its Cronbach's alpha was 0.88 as per Paker et al. (1997, as cited in fields, 2007)

Previous research on impression management had "typically used some variation of the impression-management scale developed by Wayne and Ferris (1990) (e.g. Dulebohn & Ferris, 1999; Wayne & Liden, 1995; Ferris et al., 1994)" (Vilela et al., 2007, p. 630). The instrument used by them was used for measuring supervisor-focused and job-focused influence tactics of impression management. The

Cronbach's alpha values were 0.83 and 0.87 for the instrument measuring supervisor-focused and job-focused tactics respectively (Vilela et al., 2007).

Pretesting of the Measurement Instrument

The instrument was pretested among 24 respondents. The internal consistencies of the instruments were measured using their Cronbach's alpha values. The values obtained were as following:

- In-group membership = 0.618
- Centrality (two dimensions combined) = 0.711
    - Centrality (pervasiveness of workflows) = 0.677
    - Centrality (immediacy of the workflows) = 0.815
- Problem solving (all items) = 0.430
    - Problem solving (with one item deleted) = 0.708
- Reward satisfaction = 0.336
- Distributive justice = 0.841
- Impression management (two dimensions combined) = 0.752
    - Impression management (supervisor-focused) = 0.707
    - Impression management (job-focused) = 0.615

Based on the results of the Cronbach's alpha, one of the items in the instrument for measuring problem solving behavior was deleted.

About six respondents from the pretest communicated their inability to understand some of the items in the questionnaires. The meanings of the items were explained to them before they responded. However, five of the items were rephrased, and explanations within parentheses were added in another five items. The revised questionnaire was again shared with the two of the six respondents for their feedback.

They said that the items in the questionnaires were easier to understand after the revision.

Data Collection

Data were collected through the administration of questionnaires. While some respondents preferred hard copies, the others requested for soft copies. All of the questionnaires that were collected could be used for further analyses, and each of the questionnaires was coded before entering their data into the computer.

Data Analysis

All the instruments measured the variables in Likert or Likert-type scales. The questionnaires representing the variables in the instruments could be combined to measure the extent of each of the variables. This possibility allows the scale to be treated as interval scale and statistical tests like ANOVA, t-test and regression can be run (Boone Jr. & Boone, 2012).

The data was compiled in SPSS 21 and regression analyses were carried out to test the hypotheses formulated. The first regression model had in-group membership, centrality and problem solving behavior as independent variables and reward satisfaction as a dependent variable.

$$Y_1 = \hat{\beta}_0 + \hat{\beta}_1 X_1 + \hat{\beta}_2 X_2 + \hat{\beta}_3 X_3 + \hat{u}_i \qquad \text{Model 1}$$

Where,

Y_1 = Reward satisfaction

X_1 = In-group membership

X_2 = Centrality

X_3 = Problem solving behavior

$\hat{u}_i$ = Residual term

The second regression model had the same three variables as independent variables, but distributive justice as the dependent variable.

$$Y_2 = \hat{\beta}_0 + \hat{\beta}_1 X_1 + \hat{\beta}_2 X_2 + \hat{\beta}_3 X_3 + \hat{u}_i \qquad \text{Model 2}$$

Where,

Y_2 = Distributive justice

The moderating effect of impression management was tested by using hierarchical regression developed by Barron and Kenny (1986) and Frazier, Barron, and Tix (2004). Aguinis (1995, as cited in Fraizer et al., 2004) recommended the use of hierarchical regression analysis when either predictor or moderator or both is measured on a continuous scale.

As shown in an example below, the first step (equation i) consisted of a standardized predictor and a standardized moderator regressed on a dependent variable. For the second step (equation ii), an interacting term between the standardized predictor and the standardized moderator was introduced to equation i.

$$Y_1 = \hat{\beta}_0 + \hat{\beta}_1 X_1^* + \hat{\beta}_2 X_4^* + u_i \qquad \text{(i)}$$

$$Y_1 = \hat{\beta}_0 + \hat{\beta}_1 X_1^* + \hat{\beta}_2 X_4^* + \hat{\beta}_3 X_1^* X_4^* + \hat{u}_i \qquad \text{(ii)}$$

Where,

Y_1 = Reward satisfaction

X^*_1 = Standardized values of in-group membership

X^*_4 = Standardized values of impression management

$\hat{u}_i$ = Residuals

The same steps were followed to test the moderating effects of impression management on the relationships of the remaining independent variables and dependent variables.

CHAPTER IV

RESULTS

This chapter discusses the results of the analyses of data obtained from the administration of the questionnaire. The analyses of data included simple descriptive statistics of samples, confirmatory factor analysis, reliability tests and multivariate regression analysis.

Sample Description

Between 25 Nov 2103 and 06 Feb 2014, 15 selected INGOs belonging to different strata of the sampling plan described in chapter III were approached. One of the INGOs refused to participate in the study. It felt that having its employees fill the questionnaires would result in sharing its proprietary information. Out of a total of 713 questionnaires distributed to 14 INGOs, 132 filled questionnaires were received. The numbers of samples required and collected from each stratum were as following:

Table 2
Number of Samples Required and Collected

Quartiles	No. of samples required	No. of samples collected
1st quartile	8	12
2nd quartile	12	10
3rd quartile	30	25
4th quartile	80	85
Total	130	132

Out of 132 respondents, 62 were males and 67 were females. Three respondents left this item blank. The age of the respondents ranged from 22 to 66 years, and their tenures in their current organizations ranged from four months to 32

years. There were seven respondents from executive level, 38 from managerial level, 43 from officer level and 28 as support staff. There were 11 respondents from other categories and included interns, associates, coordinators, specialists and advisors. Five of the respondents did not specify their levels. There were 50 respondents from operations and worked in departments like admin, finance, grants and contracts, human resource, and information technology. There were 56 respondents involved in program or projects implemented by the INGOs like social marketing, malaria, nutrition, HIV & AIDS, research and communication. There were 26 respondents who did not specify their departments.

Table 3
Age Distribution in Years

Age Group	Absolute	Relative (%)
20 - 29	19	16.7
30 - 39	56	49.1
40 - 40	28	24.6
Above 50	11	9.6
Total	114	100.0
Missing value	18	13.6
Grand total	132	100.0

Table 4

Distribution of Tenures in Years

Tenure Group	Absolute	Relative (%)
0 - 1	31	33.3
2 - 4	28	30.1
5 - 9	18	19.4
10 - 14	8	8.6
15 - 19	4	4.3
Above 20	4	4.3
Total	93	100.0
Missing value	39	
Grand total	132	

Table 5

Frequency Distribution of Sex and Organizational Level

		Absolute	Relative (%)
Sex	Male	62	48.1
	Female	67	51.9
	Total	129	100.0
	Missing value	3	
	Grand total	132	
Position/ Level	Executive	7	5.5
	Managerial	38	29.9
	Officer	43	33.9
	Support	26	20.5
	Other	13	10.2
	Total	127	100.0
	Missing value	5	
	Grand total	132	
Position/ Level (Other)	Intern	2	15.4
	Associate	1	7.7
	Coordinator	2	15.4
	Specialist	2	15.4
	Secretary	2	15.4
	Messenger	1	7.7
	Advisor	3	23.1
	Total	13	100.0

Table below lists a number of missing values for different items of all the variables. The maximum number of missing values for any item was six. This occurred for item no. 9 and item no. 4 for impression management, and favorable appraisal outcome respectively. Six missing values out of 132 responses from 132

respondents is 4.5 percent. The missing values occurred in random, and a mean score of an item was used to replace missing values in the item. According to Vet, Adèr, Terwee, Pouwer, and Fisher Jr, (2005, p. 1208), for missing values that are less than 25 percent occurring at random, "imputation of mean values" was acceptable.

Table 6

Missing Values in Different Variables

Item	In-group membership	Centrality	Problem solving	Impression management	Favorable appraisal outcome
1	1	1	4	2	0
2	1	1	2	2	0
3	0	1	1	0	3
4	2	3	2	3	6
5	3	1	1	1	0
6	0	1		2	0
7	0	3		3	1
8		0		3	
9				6	
10				2	
11				2	
12				2	
13				3	

Assessment of Theoretical Model

Anderson and Gerbing (1988, as cited in Kelloway, 1998) recommends a two-stage-modeling, in which the first stage consists of assessing the fit of a measurement model, and the second stage consists of assessing the fit of a structural model. This study assessed the measurement model through a confirmatory factor analysis (CFA) technique using SPSS AMOS, and the structural model through a multivariate regression analysis using SPSS.

Measurement Model

The study had used validated measurement instruments developed by various scholars for the questionnaire, and the questionnaire was also pre-tested before administering it. However, it still became necessary to establish that a set of items in the questionnaire represented a variable it purported to do before any further analyses with the data obtained from administering the instrument could be done. In other words it was necessary to establish that answers given by 132 respondents to the first seven items of the questionnaire could be clubbed together to represent in-group membership. So was it necessary to establish that answers to corresponding items in the questionnaire could be clubbed together to represent other latent variables or factors used in the study, namely centrality, problem solving, impression management, and favorable appraisal outcome. Fortunately, there was a statistical technique to do so. CFA is such a statistical technique that allows one to test a hypothesis that a relationship between observed variables (which are responses given by respondents to each item) and their underlying latent constructs exists (Suhr, n.d.).

There were six models (see appendix II) created with in-group membership, centrality (with two dimensions, pervasiveness of workflows and immediacy of workflows), problem solving, impression management (with two dimensions, supervisor-focused impression management and job-focused impression management), reward satisfaction and distributive justices as latent variables. CFA techniques were used to test whether the models fitted the data.

A model is acceptable if it fits to the data, and there are varieties of fit indices available to researches (Kelloway, 1998). However, according to Hu and Bentler (1999, p. 106, as cited in Matsunaga, 2010), in order to evaluate the fit of a model, researches should examine "the information regarding the exact fit of model (i.e., χ^2

value)," and "at least two different types of fit indices." Matsunaga (2010) suggested using root mean square error of approximation (RMSEA), one of the incremental fit indices (comparative fit index, CFI, Tucker-Lewis index, TLI, or relative noncentrality index, RNI), and standardized root mean square residual (SRMR). This study used χ^2, RMSEA and CFI to evaluate the fit of the measurement model.

A test of absolute fit, a χ^2 test indicates whether or not there is a "significant discrepancy between the covariance matrix implied by the model and the population covariance matrix," (Kelloway, 1998, p. 25), so a non-significant χ^2 value indicates a good fit. RMSEA is "based on the analysis of residuals, with smaller values indicating a better fit," (Kelloway, 1998, p. 27). A RMSEA value below 0.10 indicates a good fit, whereas that below 0.05 indicates a very good fit (Steiger, 1990, as cited in Kelloway). CFI, on the other hand, is a comparative fit index, which compares "whether the model under consideration is better than some competing model," (Kelloway, 1998, p. 29), and a value more than 0.90 indicates a good fit (Kelloway).

The initial measurement models, as shown in appendix II included all the items linked to their corresponding latent variables. In order to find the models that fitted the data, standardized factor loadings of the latent variables on the items were checked. A standardized factor loading represents a correlation between an observed variable and a corresponding latent variable, and a square of a factor loading, which is called communality, represents proportion of variance in the observed variable explained by the latent variable (Albright & Park, 2009). Centrality immediacy, one of the dimensions of centrality, for example, had a factor loading of 0.31 on the 14th item of the questionnaire (CEN14_R), i.e., centrality immediacy explained only 0.31^2 or 9.6 percent of variance in CEN14_R. The same latent variable explained 0.76^2 or

57.8 percent of variance on CEN13. Because CEN14_R had a weak factor loading, it was removed from the model. CEN13 on the other hand had a strong loading and was therefore retained in the model. The same logic was used to decide whether or not to retain the rest of the observed variables or items. According to Matsunaga (2010), on a conventional liberal-to-conservative continuum, setting a cutoff factor loading at 0.4 would be the lowest acceptable threshold whereas setting a cutoff at 0.6 or 0.7 would be most conservative.

This study used the lowest acceptable threshold. In order to finalize a model that fitted the data, those items with standardized factor loadings of 0.4 or less were removed. As shown in Table 7, the removal of CEN14_R improved RMSEA and CFI values.

Table 7

Comparison of CFA Models

Model	$\chi 2$	Df	Probability level	RMSEA	CFI
IGM (7 items, 1 factor)	9.160	14	0.821	0.000	1.000
CEN (8 items, 2 factors)	23.480	19	0.217	0.042	0.988
CEN (7 items, 2 factors)	15.553	13	0.274	0.039	0.993
PS (5 items, 1 factor)	38.173	5	0.000	0.225	0.809
PS (3 items, 1 factor)	0.000	0	Probability level cannot be computed *	No result	1.000
IM (13 items, 2 factors)	246.244	64	0.000	0.147	0.650
IM (12 items, 2 factors)	209.378	53	0.000	0.150	0.689
IM (9 items, 2 factors)	85.33	26	0.000	0.132	0.851
IM (8 items, 2 factors)	71.759	14	0.000	0.146	0.859
IM (7 items, 2 factors)	37.775	13	0.000	0.121	0.922
IM (6 items, 2 factors)	24.342	8	0.020	0.124	0.941
RS (4 items, 1 factor)	5.324	2	0.070	0.113	0.916
RS (3 items, 1 factor)	0.000	0	Probability level cannot be computed *	No result	1.000
DJ (3 items, 1 factor)	0.000	0	Probability level cannot be computed *	0.712	1.000

Note: IGM = in-group membership; CEN = centrality; PS = problem solving; IM = impression management; RS = reward satisfaction; DJ = distributive justice. * Indicative of a saturated model.

Using the same approach, the first mode of in-group membership (without the deletion of any item), the second model of centrality (with the deletion of one item), the second model of problem solving (with the deletion of two items), the sixth

model of impression management (with the deletion of seven items), the second model of reward satisfaction (with the deletion of one item) and the first mode of distributive justice (without the deletion of any item) were accepted for further analyses.

Reliability Test

Reliability tests were run for the variables finalized by the CFA. The Cronbach's alpha values of all the latent variables, as shown in Table were equal to or above 0.6. The variables could then be used for further analyses.

Table 8
Reliability Test Results

Latent variables	Cronbach's alpha
In-group membership	0.815
Centrality	0.837
Problem solving	0.825
Impression management	0.759
Reward satisfaction	0.591
Distributive justice	0.857

Note: One item for impression management deleted. Alpha values before deletion was 0.754.

All the variables had at least three items. According to Pather and Uys (2008), an adequate internal consistency, or reliability, can be obtained with as few as three items.

Structural Model

A multivariate regression analysis using an ordinary least square (OLS) method was used to test the structural models. The first models consisted of in-group membership, centrality and problem solving behavior as independent variables and reward satisfaction as a dependent variable, while the second model consisted of the same variables as independent variables and distributive justice as the dependent variable.

$$Y_1 = \hat{\beta}_0 + \hat{\beta}_1 X_1 + \hat{\beta}_2 X_2 + \hat{\beta}_3 X_3 + \hat{u}_i \qquad \text{Model 1}$$

$$Y_2 = \hat{\beta}_0 + \hat{\beta}_1 X_1 + \hat{\beta}_2 X_2 + \hat{\beta}_3 X_3 + \hat{u}_i \qquad \text{Model 2}$$

Where,

Y_1 = Reward satisfaction

Y_2 = Distributive justice

X_1 = In-group membership

X_2 = Centrality

X_3 = Problem solving behavior

$\hat{u}_i$ = Residual term

Regression model 1 was highly significant as the F value was 10.031 and its p value was less than 0.000. The R^2 value was 0.190. The regression coefficients and their significances were as in Table .

Table 9

Summary Statistics of Regression Model 1 with Reward Satisfaction as Dependent Variable

	Unstandardized coefficients		Standardized coefficients			Collinearity statistics	
Model 1	B	Std. error	Beta	t	Sig.	Tolerance	VIF
(Constant)	5.489	2.361		2.325	0.022		
In-group membership	0.350	0.064	0.441	5.437	0.000	0.960	1.041
Centrality	-0.078	0.053	-0.127	-1.474	0.143	0.850	1.177
Problem solving	-0.068	0.158	-0.036	-0.426	0.671	0.865	1.156

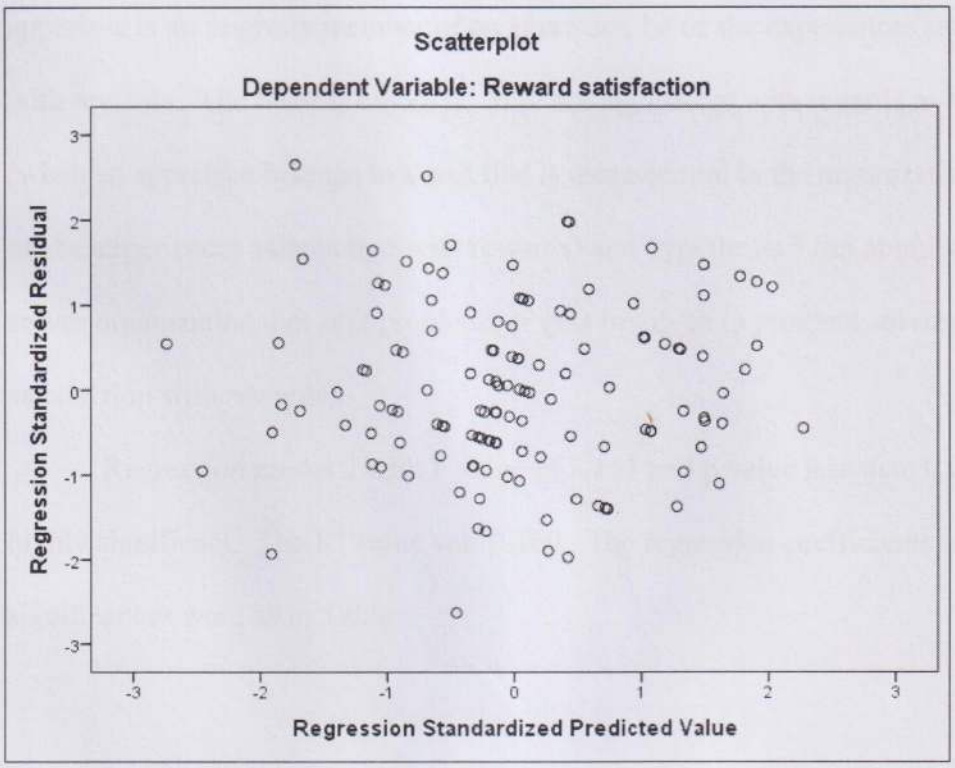
In-group membership had a positive impact on reward satisfaction. Every unit increase in the perception of in-group membership was associated with 0.350 unit

increase in the perception of reward satisfaction. The coefficients of the remaining independent variables, centrality and problem solving were not significant.

The scatter plot of standardized residual against standardized predicted (figure 2) did not yield a bird nest pattern to indicate homoscedasticity. Homoscedasticity is one of the assumptions of OLS, and if we disregarded the absence of homoscedasticity or presence of heteroscedasticity, "whatever conclusions we draw or inferences we make" from the output of a regression analysis "may be very misleading," (Gujarati, 2003, p. 399).

Figure 2

Scatter Plot of Standardized Residuals against Standardized Predicted Values for Regression Model 1



White's test of heteroscedasticity was used to detect the presence of heteroscedasticy. SPSS 21 used for this study did not have a feature to run the test, so

Gretl was used to run the White's test. Since TR^2 was 9.749, with p value of 0.283, the null hypothesis of homoscedasticity was accepted.

One sample Kolmogorov-Smirnov test, with p value of 0.520 showed that residuals were normally distributed. An assumption of normality is important for hypothesis testing (see Gujarati, 2003 for details).

The regression model did not have a problem of multicollinearity as the variance-inflating factor (VIF) values shown in Table were close to one. VIF values of 1 indicate absence of multicolliniearity and it was necessary to establish the absence of multicollinearity to ensure that coefficients of the independent variables were best linear unbiased estimators (BLUE) (Gujarati, 2003).

The results of regression model 1, supported hypothesis 1 that when an appraisee is an in-group member of an appraiser, he or she experiences satisfaction with rewards. The results, however, were not significant with regards to hypothesis 2 (when an appraisee belongs to a unit that is more central to the organizational goal, he or she experiences satisfaction with rewards) and hypothesis 3 (an appraisee who solves organizational or unit problems or gets involved in problem solving is more satisfaction with rewards).

Regression model 2 with F value of 8.151 and p value less than 0.000 was also highly significant. The R^2 value was 0.160. The regression coefficients and their significances were as in Table .

Table 10

Summary Statistics of Regression Model 2 with Distributive Justice as Dependent Variable

Model 2	Unstandardized coefficients		Standardized coefficients			Collinearity statistics	
	B	Std. error	Beta	t	Sig.	Tolerance	VIF
(Constant)	4.943	1.993		2.480	0.014		
In-group membership	0.265	0.054	0.403	4.876	0.000	0.960	1.041
Centrality	0.003	0.045	0.005	0.062	0.951	0.850	1.177
Problem solving	-0.110	0.134	-0.072	-0.825	0.411	0.865	1.156

In-group membership had a positive impact on distributive justice. Every unit increase in the perception of in-group membership was associated with 0.265 unit increase in the perception of distributive. The coefficients of the remaining independent variables, centrality and problem solving were not significant.

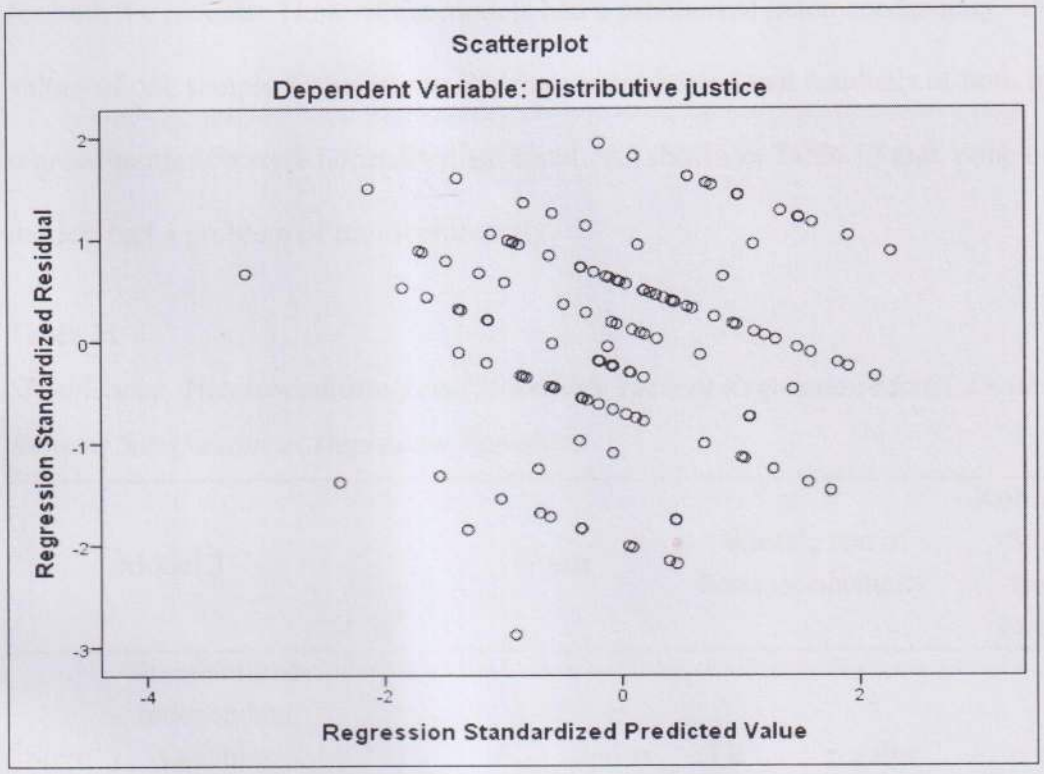
The scatter plot of standardized residual against standardized predicted of this model (see Figure 3) also did not yield a bird nest pattern to indicate homoscedasticity. White's test with TR2 of 11.927 and p value of 0.155 showed that the model did not have a problem of heteroscedasticity. P value of one sample Kolmogorov-Smirnov test at 0.527 showed that residuals were normally distributed. Collinearity statistics in Table 10 showed that the model did not have a problem of multicollinearity.

The results of regression model 2, supported hypothesis 4 that when an appraisee is an in-group member of an appraiser, he or she has higher perception of distributive justice. The results, however, were not significant with regards to hypothesis 5 and 6, which were respectively "when an appraisee belongs to a unit that

is more central to the organizational goal, he or she has higher perception of distributive justice," and "an appraisee who solves organizational or unit problems or gets involved in problem solving has higher perception of distributive justice."

Figure 3

Scatter Plot of Standardized Residuals against Standardized Predicted Values for Regression Model 2



Since only in-group membership had significant relationships with reward satisfaction and distributive justice, two hierarchical regression models were run to test the moderating effect of impression management on the relationships.

Step 1	Step 2	
$Y_1 = \hat{\beta}_0 + \hat{\beta}_1 ZX_1 + \hat{\beta}_2 ZX_4 + \hat{u}_i$	$Y_1 = \hat{\beta}_0 + \hat{\beta}_1 ZX_1 + \hat{\beta}_2 ZX_4 + \hat{\beta}_3 ZX_1 ZX_4 + \hat{u}_i$	Model 3
$Y_2 = \hat{\beta}_0 + \hat{\beta}_1 ZX_1 + \hat{\beta}_2 ZX_4 + \hat{u}_i$	$Y_2 = \hat{\beta}_0 + \hat{\beta}_1 ZX_1 + \hat{\beta}_2 ZX_4 + \hat{\beta}_3 ZX_1 ZX_4 + \hat{u}_i$	Model 4

Where,

Y_1 = Reward satisfaction

Y_2 = Distributive justice

ZX_1 = In-group membership (standardized)

ZX_4 = Impression management (standardized)

$\hat{u}_i$ = Residual term

As shown in Table 11 and Table 12, p values of F statistics were significant for both the models. None of the models had a problem of heteroscedasticity. P values of one sample Kolmogorov-Smirnov tests showed that residuals of both the regression models were normally distributed. As shown in Table 13 and, none of the models had a problem of multicollinearity.

Table 11

Significance, Heteroscedasticiy and Normality Tests of Regression Model 3 with Reward Satisfaction as Dependent Variable

Model 3		R^2	F test		White's test of heteroscedasticity		Kolmogorov -Smirnov test for residuals
Step	Standardized independent variables		F	p value	TR^2	p value	p value
1	IGM (ZX1) IM (ZX4)	0.220	18.172	0.000	2.335	0.801	0.677
2	IGM (ZX1) IM (ZX4) ZX1ZX4	0.226	12.463	0.000	4.338	0.888	0.865

Note: IGM = in-group membership; IM = impression management.

Table 12

Significance, Heteroscedasticiy and Normality Tests of Regression Model 4 with Distributive Justice as Dependent Variable

Model 4		R^2	F test		White's test of heteroscedasticity		Kolmogorov -Smirnov test for residuals
Step	Standardized independent variables		F	p value	TR^2	p value	p value
1	IGM (ZX1) IM (ZX4)	0.156	11.909	0.000	7.018	0.219	0.479
2	IGM (ZX1) IM (ZX4) ZX1ZX4	0.171	8.832	0.000	16.777	0.052	0.378

Note: IGM = in-group membership; IM = impression management.

The regression coefficients and their significances for model 3 to 4 were as in Table 13 and Table 14. The coefficients of the interacting variables were not significant for both the models. This meant that hypothesis 7 (impression management moderates the relationship between in-group membership and reward satisfaction) and hypothesis 10 (impression management moderates the relationship between in-group membership and the perception of distributive justice) were rejected.

Table 13
Summary Statistics of Regression Model 3

Model 3		Standardized coefficients	Sig.	Collinearity statistics	
Step		B		Tolerance	VIF
1	(Constant)	11.930	0.000		
	IGM (ZX1)	1.196	0.000	0.991	1.009
	IM (ZX4)	-0.682	0.005	0.991	1.009
2	(Constant)	11.909	0.000		
	IGM (ZX1)	1.213	0.000	0.986	1.014
	IM (ZX4)	-0.694	0.004	0.989	1.011
	ZX1ZX4	-0.233	0.326	0.992	1.008

Note: Dependent variable is reward satisfaction. Independent variables are standardized. IGM = in-group membership; IM = impression management.

Table 14
Summary Statistics of Regression Model 4

Model 4		Standardized coefficients	Sig.	Collinearity statistics	
Step		B		Tolerance	VIF
1	(Constant)	10.655	0.000		
	IGM (ZX1)	1.003	0.000	0.991	1.009
	IM (ZX4)	0.043	0.834	0.991	1.009
2	(Constant)	10.625	0.000		
	IGM (ZX1)	1.026	0.000	0.986	1.014
	IM (ZX4)	0.028	0.891	0.989	1.011
	ZX1ZX4	-0.316	0.123	0.992	1.008

Note: Dependent variable is distributive justice. Independent variables are standardized. IGM = in-group membership; IM = impression management.

Summary of Hypotheses Testing

From the first and second regression models, the hypothesis regarding positive relationships between in-group membership and reward satisfaction and the hypothesis regarding positive relationships between in-group and distributive justice were supported. The hypotheses regarding positive relationships between the independent variables, centrality and problem solving behavior and dependent variables, reward satisfaction and distributive were not rejected. From the third and fourth regression models, the hypotheses regarding the moderating roles of impression management on the relationship between in-group membership and reward satisfaction, and between in-group membership and distributive justice were rejected. None of the other hypotheses regarding the moderating roles of impression management could be tested as coefficients of centrality and problem solving behavior were not significant in model 1 and 2.

Table 15

Summary of Hypothesis Testing

Hypothesis	Independent variable	Dependent variable	Hypothesized relationships	Finding
H1	In-group membership	Reward satisfaction	Positive	Supported
H2	Centrality	Reward satisfaction	Positive	Rejected
H3	Problem solving behavior	Reward satisfaction	Positive	Rejected
H4	In-group membership	Distributive justice	Positive	Supported
H5	Centrality	Distributive justice	Positive	Rejected
H6	Problem solving behavior	Distributive justice	Positive	Rejected
H7	In-group membership	Reward satisfaction	Moderation by impression management	Rejected
H8	Centrality	Reward satisfaction	Moderation by impression management	Not tested
H9	Problem solving behavior	Reward satisfaction	Moderation by impression management	Not tested
H10	In-group membership	Distributive justice	Moderation by impression management	Rejected
H11	Centrality	Distributive justice	Moderation by impression management	Not tested
H12	Problem solving behavior	Distributive justice	Moderation by impression management	Not tested

CHAPTER V

SUMMARY, DISCUSSION AND IMPLICATIONS

This chapter summarizes a possible gap in the knowledge about performance appraisal and how this study tried to address it, discusses in detail the findings of the study, tries to chart implications of the findings, and identifies limitations to improve upon for future studies.

Summary

Most of early studies on performance appraisal identified psychometric errors as one of the main causes of ineffective administration of performance appraisals in organizations (Appelbaum et al., 2011). These earlier studies focused on "technical framework" of performance appraisal (Williams & Levy, 2000, p. 502). Researchers and organizations spent many years trying to develop the right rating formats or instruments and procedures to increase rater accuracy and reduce the likelihood errors like halo effect, central tendency, recency effects, contrast effects, etc. Except for few studies like that of Pooyan and Eberhardt (1989, as cited in Williams & Levy, 2000, p. 504) that studied "the relationship between organizational level and performance appraisal satisfaction," and those studies that looked at the relationship of leader-member exchange with performance appraisal (e.g. Nathan et al. 1991), there have, however, been little or no studies done to study the relationship of performance appraisal system with other organizational level, group level, and individual level variables . In order to address this gap, this study tried to examine if a group level variable like the centrality of a unit, and individual level variables, like in-group membership and problem solving behavior were associated with performance

appraisal outcomes and whether another individual level variable, impression management moderated the association.

The study found that an employee who was in-group to his or her supervisor had greater satisfaction with rewards received and also perceived that there was distributive justice. The study did not find any significant relationships with regards hypotheses whether or not centrality and problem solving behavior could influence employee's satisfaction with rewards and the perception of distributive justice. The study did not find any significant moderating role of impression management on the relationship between in-group membership and reward satisfaction, and on that between in-group membership and perception of distributive justice.

Discussion

The results of the regression analyses showed that in-group membership had positive impact on reward satisfaction and perception of distributive justice, accepting the first and the fourth hypotheses that when an appraisee is an in-group member of an appraiser, his or her performance appraisal outcome is favorable. This was consisted with the findings of other previous studies like that of Nathan et al. (1991) and a number of studies (e.g. Burke & Wilcox, 1969; Pulakos & Wexley, 1983; Wexley et al., 1980; Wexley & Pulakos, 1983; Dansereau et al., 1975; Dienesch & Liden, 1986; Graen, Novak, & Sommerkamp, 1982, cited by Nathan et al, 1991). The existence of the above relationships can be explained by a certain cultural context of Nepali society. According to Bista (1991), collectivism of Nepali society causes Nepalis to indulge in a group behavior.

The results of the regression analyses were, however, not significant with regards to the seventh and tenth hypothesis, which had proposed that impression management moderated relationships assumed by the first and fourth hypotheses.

This could be because impression management was not necessary in the context of in-group membership. In other words apraisees who were in-group to his or supervisor need not resort to supervisor-focused or work-focused influence tactics. By virtue of being an in-group there is openness in the working relationship, and the supervisor is aware of addition effort or greater responsibility taken up by the appraisee. Subordinates in an in-group assume greater job responsibility according to Liden and Graen (1980), Schriesheim, Neider and Scandura (1988), as cited in Luthans (2002).

The second hypothesis that "when an appraisee belongs to a unit that is more central to the organizational goal, he or she experiences satisfaction with rewards," and the fifth hypothesis that, "when an appraisee belongs to a unit that is more central to the organizational goal, he or she has higher perception of distributive justice," were both rejected. Both of these hypotheses had centrality as an independent variable. The lack of significant relationships can be explained through the concepts of power and influence. Centrality is a horizontal source of power (Daft, 2007), and power is the capacity of one person to influence another (Yukl, 2006). This study assumed that appraise would use the power of centrality to influence performance appraisal, and as a result experience reward satisfaction and perceive distributive justice. However, for any influence to occur in a relationship between a person who is trying to influence (an agent) and a person who is being influenced (a target), the relationship has to be asymmetrical (Simon, 1957, as cited in Bass, 2008). Normally a supervisor would belong to the same unit as that of an appraisee. So far as the power of centrality was concerned, there was no asymmetry for the appraisee (the agent) to influence the supervisor (the target). Whether or not the supervisor's unit was central to the organization would not likely have affected his/ her perception about his/ her subordinates working in the same unit. If there were, however, a third

person outside the unit evaluating the unit members, centrality could have affected the decision. For instance, a performance appraisal system that exists in some organizations where there are evaluations by peers as input for decisions about pay increases or promotions for managers creates the situation for the use of reward power (Yukl, 2006). Since an appraisee's reward satisfaction and the perception of distributive justice were related to appraisal by supervisor belonging to the same unit, centrality was not an influential factor. Centrality could matter in a number of other managerial decisions. For example, in decisions like re-structuring and lay-offs taken by the head of the organization, centrality could be a very important factor.

The third hypothesis, "an appraisee who solves organizational or unit problems or gets involved in problem solving is more satisfaction with rewards," and the sixth hypothesis, "an appraisee who solves organizational or unit problems or gets involved in problem solving has higher perception of distributive justice," were also rejected. As apparent from the histogram in Figure 18, in appendix II, most of the respondents said they were involved in problem solving behavior. It is not likely that only those individuals who were involved in problem solving behaviors got included in the study and most of those who were not involved in the behavior got excluded. It is, however, safe to assume that variable could not capture the behavior so much so that individuals involved in the behavior stood out. The underlying principle for taking problem solving behavior as one of the factors was the perception of contrast and novelty. The problem solving behavior in this study could not represent contrast or novelty. A better approach could have been asking respondents if there were any problem solving behavior that was noticed, recognized or appreciated by a supervisor. Though this study failed to establish the relationships, the principle of contrast and novelty can still be used for future studies regarding performance appraisal outcome.

Implication of the Study

The study showed that employees who were in-group to a supervisor were more satisfied with rewards and felt that there was distributive justice done during performance appraisal. The implication of this finding in the field of management practice is not that if an employee wants more out of performance appraisal, he or she should try to be an in-group member of his or her supervisor. The reverse, however, becomes true. The implication of this finding is that if a supervisor wants to have his or her subordinate to be satisfied with rewards and feel the perception of distributive justice out of performance appraisal the supervisor should try to make the subordinate an in-group. This is because the concept of in-group catches a relationship that develops between a supervisor and subordinate based on how well they work with each other (Northouse, 2004), and how the subordinate works with the supervisor in expanding his or her roles and responsibilities (Graen, 1976, as cited in Northouse, 2004). The concept of in-group does not capture the exchange of personal favors between them. From the part of the subordinate, there is more commitment and expense of a lot of effort for one's unit, and from the part of the supervisor there is more information, confidence and concern (Luthans, 2002). The supervisor leads his or her in-group without the use of formal authority, but supervises his or her out-group with the use of formal roles and authority (Dansereau Jr., Alutto, Markham, & Dumas, 1982, as cited in Luthans, 2002).

The richness that exists in in-group relationship increased reward satisfaction and the perception of distributive justice. Because, as according to Nathan et al. (1991), performance appraisal reviews do not take place in a vacuum, but occurs within the context of the interpersonal relationships between supervisors and subordinates, and according to Ramaswami and Singh (2003) when the subordinates

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participate in decision making, there is an increased perception of procedural and interactional justices. An in-group relationship would allow appraisal reviews to take place and the subordinates to have a say.

The subordinates in the in-group assume "greater job responsibility, contribute more to their units, and are rated as high performers" than those in the out-group (Liden & Graen, 1980; Schriesheim et al. 1988, as cited in Luthans, 2002, p. 583). A supervisor should therefore try to develop "high-quality exchanges with all of his her subordinates, rather than just a few," for increased performance by the subordinates (Northouse, 2004, p. 151).

One of the implications of this finding in research is that a future research can elaborate on the finding by linking in-group membership to high performance with reward satisfaction and the perception distributive justice as mediating variables.

This study showed that impression management might not have been necessary for employees who were in-group to a supervisor. However, a future study can be conducted to see if impression management helped an employee become an in-group.

This study found that there was no relationship between centrality and the performance appraisal outcomes. This has implication on future researches. As discussed under discussion above, centrality could affect organizational level decisions like re-structuring and lay-off, when a person outside a unit evaluated the importance of the unit and members within the unit. There can be future research that tries to answer following questions:

- Is a unit with a low centrality within an organization the first unit to be downsized when the organization is faced with cost cutting decisions?

- How interested are top level managers to restructure a unit with low centrality, when he or she carries out a techno-structural intervention to improve organizational performance? Answers to this question can have high implication especially when restructuring of a unit with high centrality leads to faster than usual promotions of the unit members.

There are occasions in 360-degree-appraisal system when a member of another unit appraises an employee. A study on how centrality affects feedback in 360-degree-appraisal process can lead to increased knowledge on the effects of centrality in human resource process.

This study did not find any significant relationships between problem solving behavior and performance appraisal outcomes. This happened because the measurement instrument used in the study could not capture problem solving behavior that stood out. Future studies should try to address this limitation. One of the questions that such a study could try to answer is: How does recall moderate the relationship between problem solving incidents and performance appraisal outcomes?

Critiquing

One of the major limitations of the study was its inability to capture problem solving behaviors that stood out. This prevented one to fully understand whether or not perception of contrast and novelty affected performance appraisal outcomes.

This study regarded all the INGOs working Nepal as the population with the aim of getting findings that would be generalizable. This determined the data collection approach. Questionnaires were distributed to focal persons of 14 organizations that participated in the research. These focal persons distributed questionnaires to organizational members at their convenience. The approach did not only prevent randomness in sample selection, but also left the respondents alone

should any of them have required an item to be explained. Similar to about six respondents at pretesting, a number of respondents could have found it difficult to understand some of the items. Except for one foreigner, all the respondents were Nepali and the questionnaires were in English.

Generalizability of a phenomenon is great, but the establishment of the existence of the phenomenon in the first place, be it in a small group, is perhaps more important when the phenomenon under investigation is new. This study could have been carried out in one or two large organizations. This would have allowed for focused and greater interactions between the researcher and organizations and helped plan random selection of respondents. It would have also given opportunities for the researcher to explain the purpose of the survey to each of the respondents, and clarify meanings of items that they found confusing. Such an approach would have resulted in responses that were more representative of the population and variables under study, and fewer non-responses to items. Learning from the testing of the theoretical model in the small group could then be used for designing a better study or questionnaire for a larger group for generalizability.

If this study had been carried out in one or two large INGOs, variables that were contextual to the INGOs could have been analyzed, and even an impact of centrality could have been explained. In some organizations recommendations for promotions are reviewed and finalized by the heads of the organizations. In other organizations even recommendation for increase in salaries are modified by organizational heads. In such situations centrality could come into play.

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APPENDIX I

Sample of Questionnaire

CODE (for researcher's use only):

Dear Sir/Madam,

I, Rabin Shrestha, am a student of MPhil at Kathmandu University School of Management (KUSOM). I am trying to examine how group and individual level variables influence performance appraisal outcomes among INGOs working in Nepal. The understanding of the relationships is expected to help managers make informed decisions for achieving a more equitable appraisal, and motivate employees to work for improved organizational performance.

It would be very kind of you if you could fill the questionnaires below by circling option numbers that best represent the statements in your case. It will take not more than 20 minutes for your time, and I assure you that your responses will be kept confidential.

Age (no. of years completed) ☐ **Sex:** ☐ Male ☐ Female

Organization ☐

Number of years in the current organization ☐ **Current department/Unit** ☐

Position/ level ☐ Executive ☐ Managerial ☐ Officer ☐ Support

☐ Others, please specify ☐

A. IN-GROUP MEMBERSHIP

1. Do you know where you stand with your leader/supervisor....do you usually know how satisfied your leader/supervisor is with what you do?

1	2	3	4	5
Rarely	Occasionally	Sometimes	Fairly often	Very often

2. How well does your leader/supervisor understand your job problems and needs?

1	2	3	4	5
Not a bit	A little	A fair amount	Quite a bid	A great deal

3. How well does your leader/supervisor recognize your potential?

1	2	3	4	5
Not at all	A little	Moderately	Mostly	Fully

4. Regardless of how much formal authority he or she has built into his or her position, what are the chances that your leader/supervisor would use his or her power to help you solve problems at your work?

1	2	3	4	5
None	Small	Moderate	High	Very high

5. Again, regardless of the amount of formal authority your leader/supervisor has, what are the chances that he or she would take you out of your trouble at his or her expense?

1	2	3	4	5
None	Small	Moderate	High	Very high

6. I have enough confidence in my leader/supervisor that I would defend and justify his or her decision if he or she were not present to do so

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

7. How would you characterize your working relationship with your leader/supervisor?

1	2	3	4	5
Extremely ineffective	Worse than average	Average	Better than average	Extremely effective

B. CENTRALITY

8. Activities of my unit are connected with the rest of the activities of the organization.

1	2	3	4	5
Not a bit	A little	A fair amount	Quite a bid	A great deal

9. Number of other units in the organization with which my unit has to interact with during day-to-day working:

1	2	3	4	5
None of the units	Few of the units	Some of the units	Most of the units	All of the units

10. Inputs for my unit's work come from:

1	2	3	4	5
None of other units	Few of other units	Some of other units	Most of other units	All the other units

11. Outputs for my unit's work got to:

1	2	3	4	5
None of other units	Few of other units	Some of other units	Most of other units	All the other units

12. If my unit stops its work, the primary processes (processes that result in a product or service that is received by an organization's external customer/client) of the organization stops.

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

13. If my unit stops its work, the major deliverables/ output (product or service given to organization's external customer/client) of the organization are hampered.

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

14. If all members of my unit stayed on a holiday, the functioning of the organization would stop in:

1	2	3	4	5
Few hours	Few days	Few weeks	Few months	Never

15. The major deliverables/ outputs (product or service given to organization's external customer/client) of the organization are hampered immediately when my unit stops its work.

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

C. PROBLEM SOLVING

16. Whenever there is an issue, I try to investigate and find a solution to it.

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

17. I try to work with my supervisor to find a solution to a problem that satisfies our expectations.

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

18. I have been coming up with and implementing solutions to problems at work.

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

19. If a problem does not concern me or specifically my area of work, there is no point in indulging in it. Only a concerned person should deal with it,

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

20. I have not come up with solutions to a problem that concerns my unit, because there is not much of a problem to be solved in my unit.

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

21. I have not come up with solutions to a problem that concerns the whole organization, because there is not much of a problem to be solved in my organization.

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

D. IMPRESSION MANAGEMENT

22. I do personal favors (help or support at personal level) for my supervisor.

1	2	3	4	5	6	7
Never	Rarely	Sometimes	Neither	Often	Very often	Always

23. I take an interest in my immediate supervisor's personal life.

1	2	3	4	5	6	7
Never	Rarely	Sometimes	Neither	Often	Very often	Always

24. I praise my immediate supervisor on his/her accomplishments.

1	2	3	4	5	6	7
Never	Rarely	Sometimes	Neither	Often	Very often	Always

25. I offer to do something for my supervisor which I am not required to do; that is, I do it as a personal favor (help or support at personal level) for him/her.

1	2	3	4	5	6	7
Never	Rarely	Sometimes	Neither	Often	Very often	Always

26. I compliment my immediate supervisor on his/her dress or appearance.

1	2	3	4	5	6	7
Never	Rarely	Sometimes	Neither	Often	Very often	Always

27. I try to make a positive event that I am responsible for, appear better than it actually is.

1	2	3	4	5	6	7
Never	Rarely	Sometimes	Neither	Often	Very often	Always

28. I give excessive importance to the value of a positive event that I am responsible for.

1	2	3	4	5	6	7
Never	Rarely	Sometimes	Neither	Often	Very often	Always

29. I try to take responsibility for positive events, even when I am not solely responsible.

1	2	3	4	5	6	7
Never	Rarely	Sometimes	Neither	Often	Very often	Always

30. I try to make a negative event that I am responsible for, not appear as bad as it actually is to my supervisor.

1	2	3	4	5	6	7
Never	Rarely	Sometimes	Neither	Often	Very often	Always

31. I arrive at work early in order to look good in front of my supervisor.

1	2	3	4	5	6	7
Never	Rarely	Sometimes	Neither	Often	Very often	Always

32. I agree with my supervisor's major opinions outwardly even when I disagree inwardly.

1	2	3	4	5	6	7
Never	Rarely	Sometimes	Neither	Often	Very often	Always

33. I create the impression that I am a "good" person to my supervisor.

1	2	3	4	5	6	7
Never	Rarely	Sometimes	Neither	Often	Very often	Always

34. I work late at the office so that my supervisor will see my working late and think I am a hard worker.

1	2	3	4	5	6	7
Never	Rarely	Sometimes	Neither	Often	Very often	Always

E. REWARD AND JUSTICE

35. When I do a good job, I receive the recognition that I should receive.

1	2	3	4	5	6
Disagree very much	Disagree moderately	Disagree slightly	Agree slightly	Agree moderately	Agree very much

36. I do not feel that the work I do is appreciated.

1	2	3	4	5	6
Disagree very much	Disagree moderately	Disagree slightly	Agree slightly	Agree moderately	Agree very much

37. There are few rewards for those who work here.

1	2	3	4	5	6
Disagree very much	Disagree moderately	Disagree slightly	Agree slightly	Agree moderately	Agree very much

38. I don't feel my efforts are rewarded the way they should be.

1	2	3	4	5	6
Disagree very much	Disagree moderately	Disagree slightly	Agree slightly	Agree moderately	Agree very much

39. If a work unit performs well, there is appropriate recognition and rewards for all.

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

40. If one performs well, there is appropriate recognition and reward.

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

41. If one performs well, there is sufficient recognition and rewards.

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

----- Thank you very much for your time and candid responses -----

APPENDIX II

Figure 4

CFA model with standardized factor loadings of in-group membership, all items included

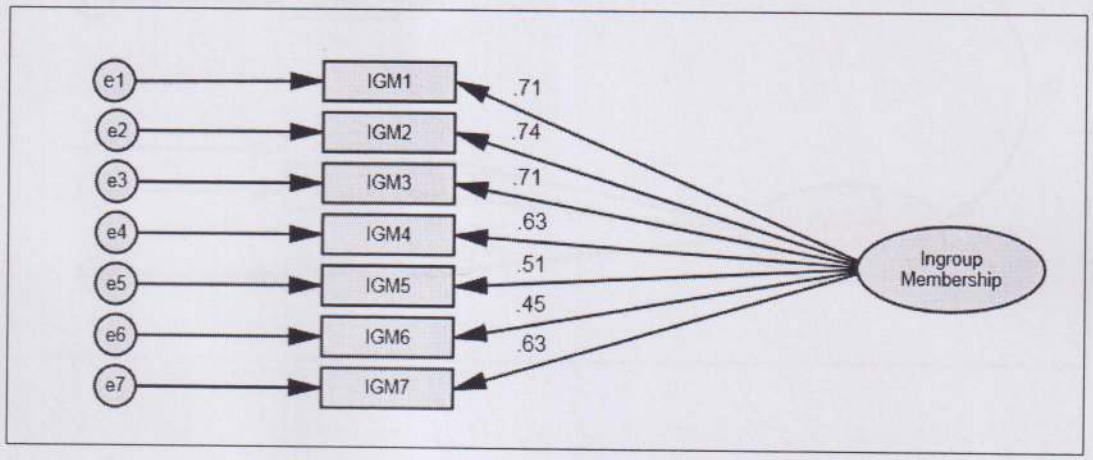

Figure 5

CFA model with standardized factor loadings of centrality, all items included

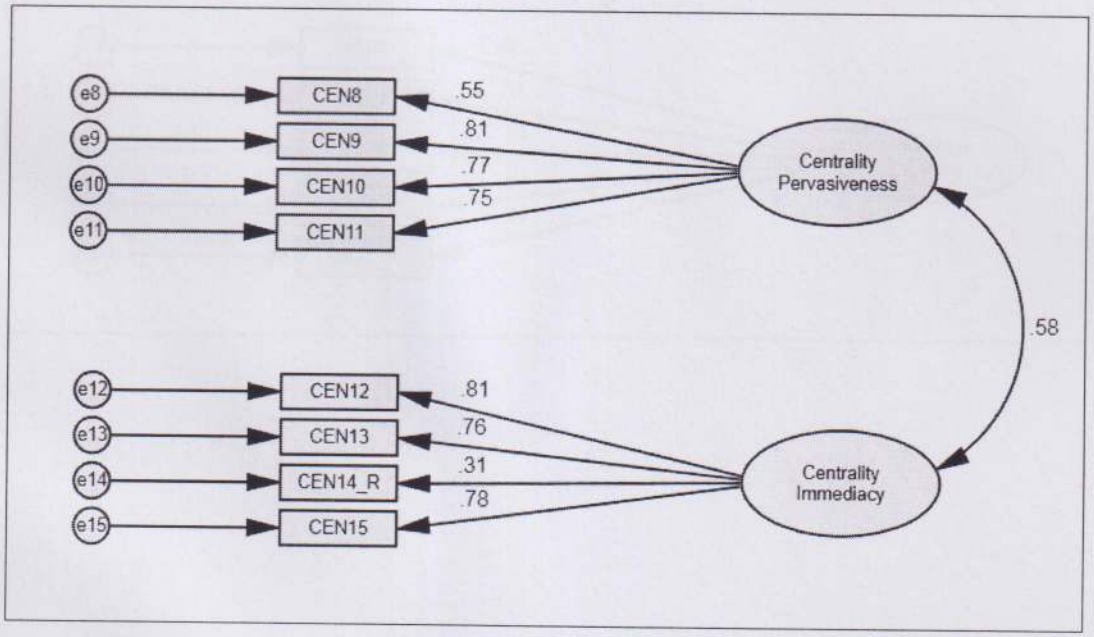

Figure 6

CFA model with standardized factor loadings of centrality, item CEN14_R deleted

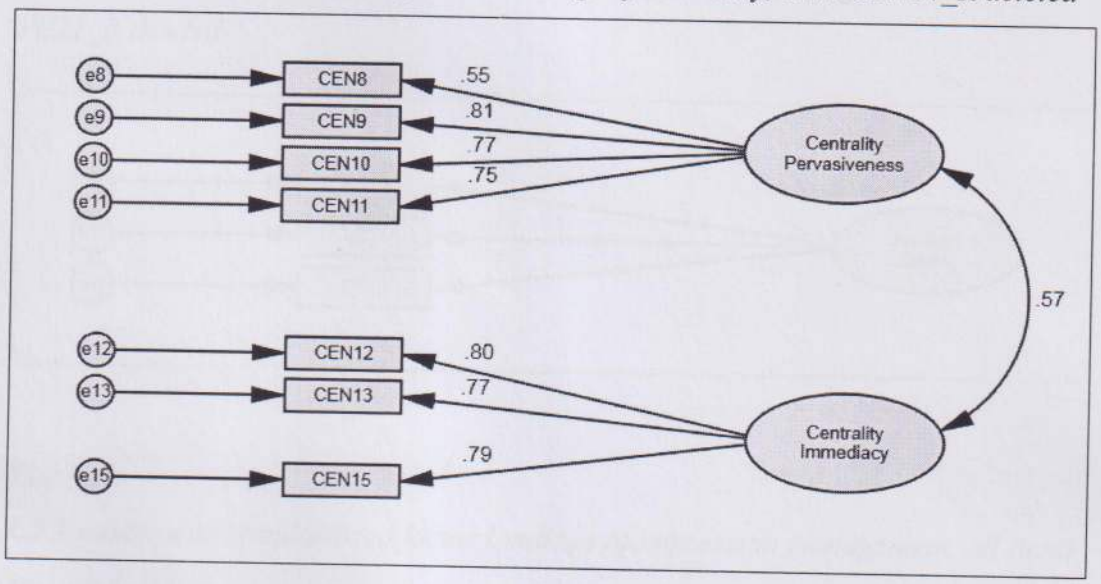

Figure 7

CFA model with standardized factor loadings of problem solving, all items include

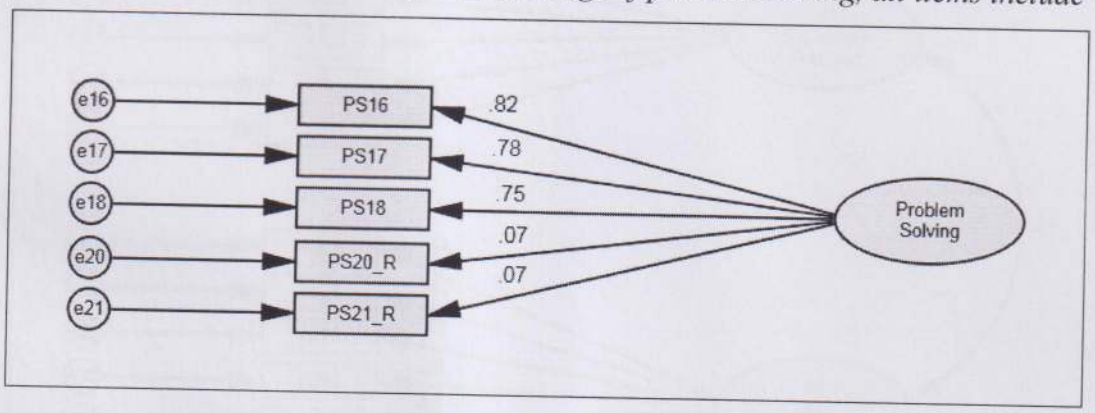

Figure 8

CFA model with standardized factor loadings of problem solving, item PS20_R & PS21_R deleted

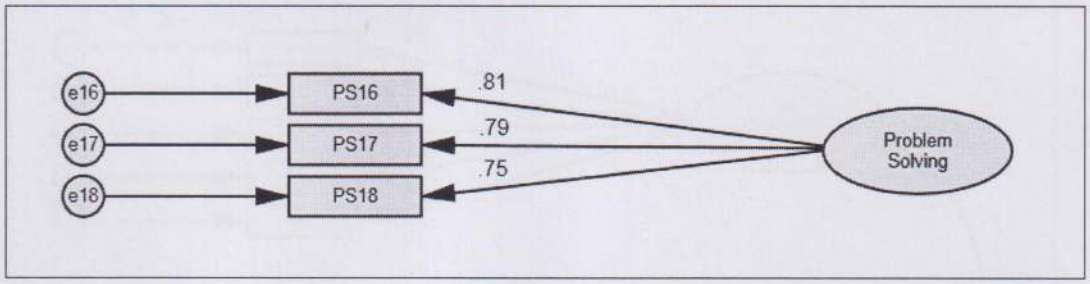

Figure 9

CFA model with standardized factor loadings of impression management, all items included

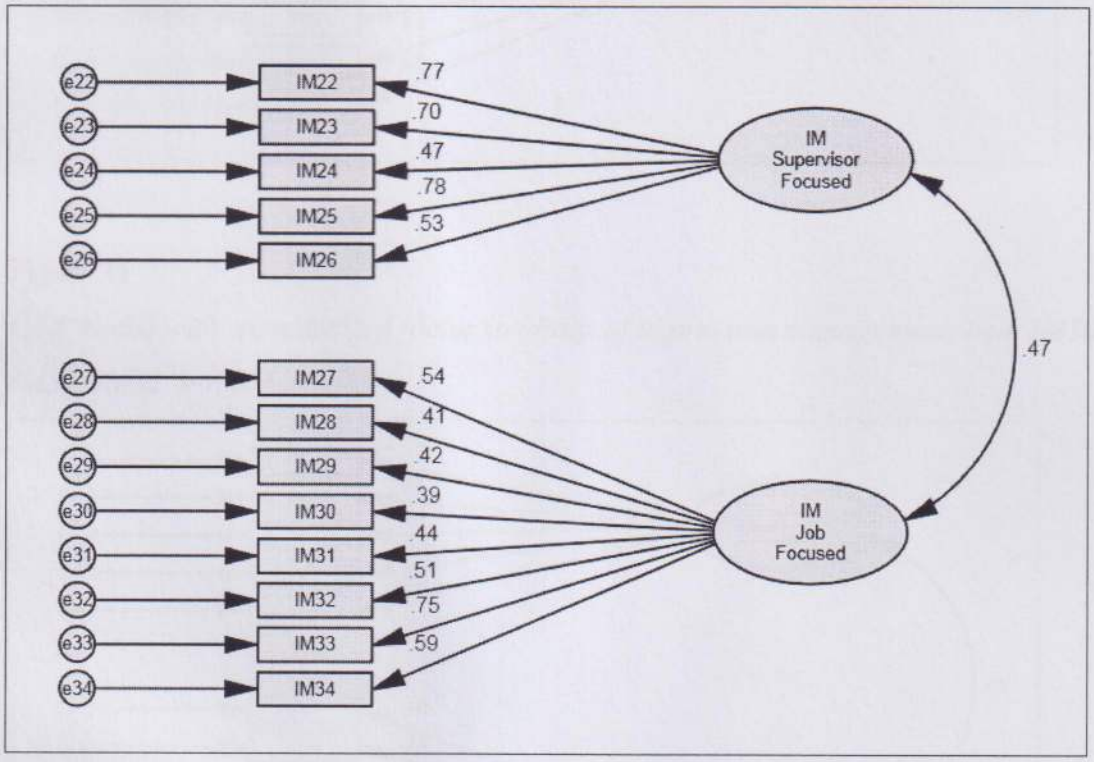

Figure 10

CFA model with standardized factor loadings of impression management, item IM30 deleted

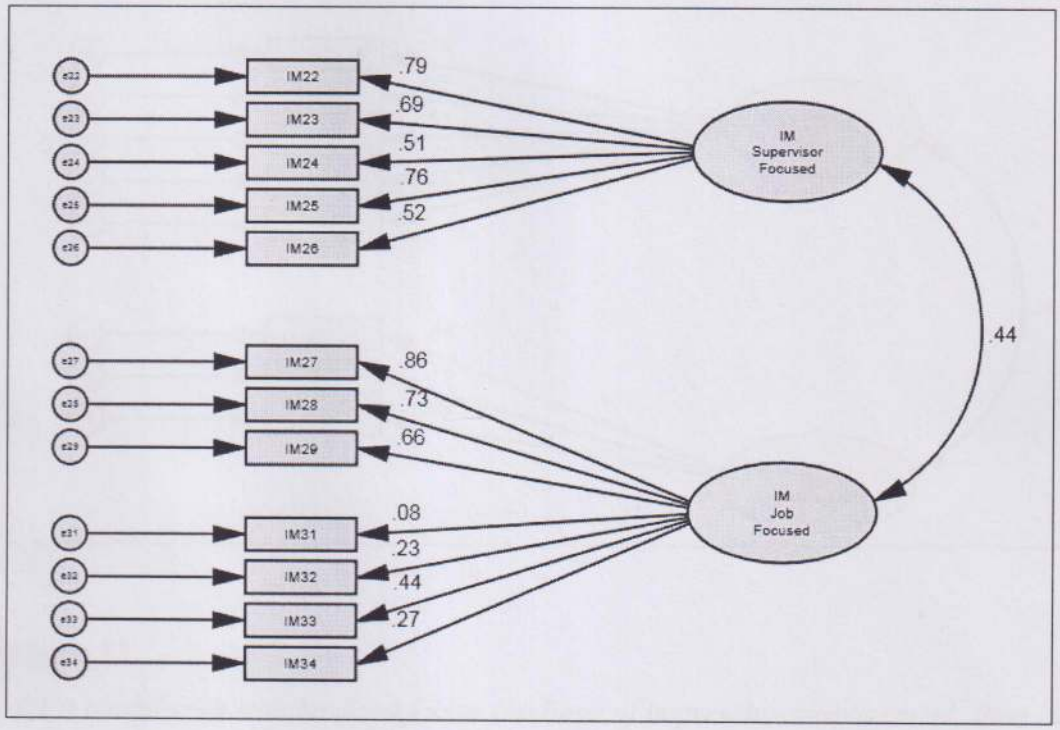

Figure 11

CFA model with standardized factor loadings of impression management, item IM30, IM31, IM32 & IM34 deleted

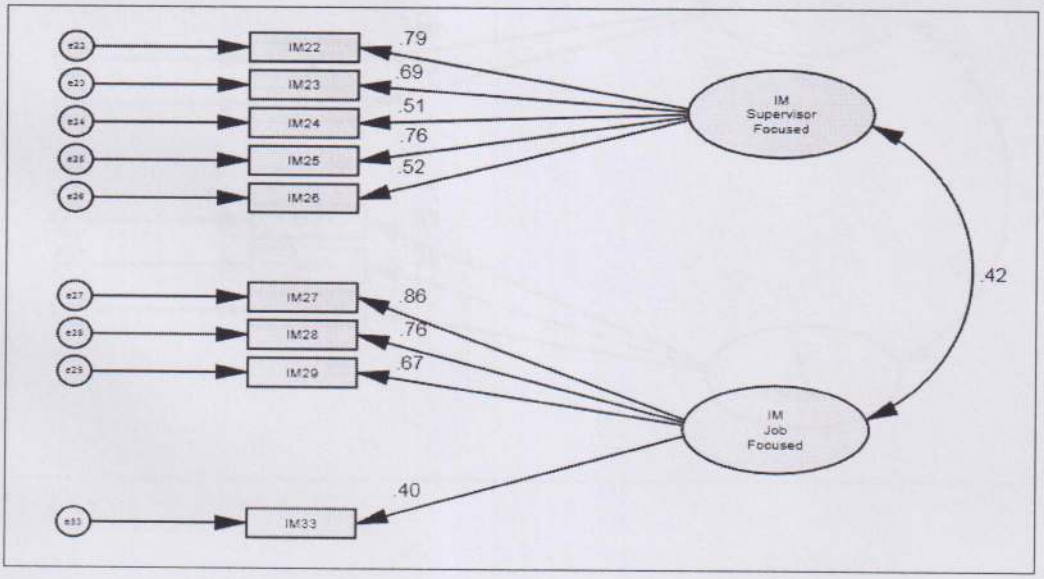

Figure 12

CFA model with standardized factor loadings of impression management, item IM30, IM31, IM32, IM34 & IM33 deleted

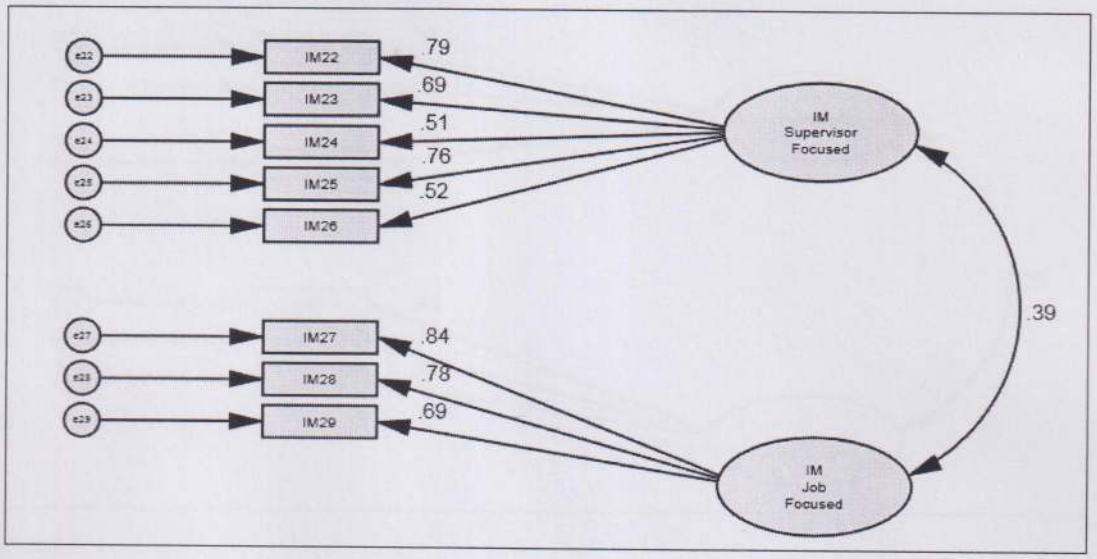

Figure 13

CFA model with standardized factor loadings of impression management, item IM30, IM31, IM32, IM34, IM33& IM24 deleted

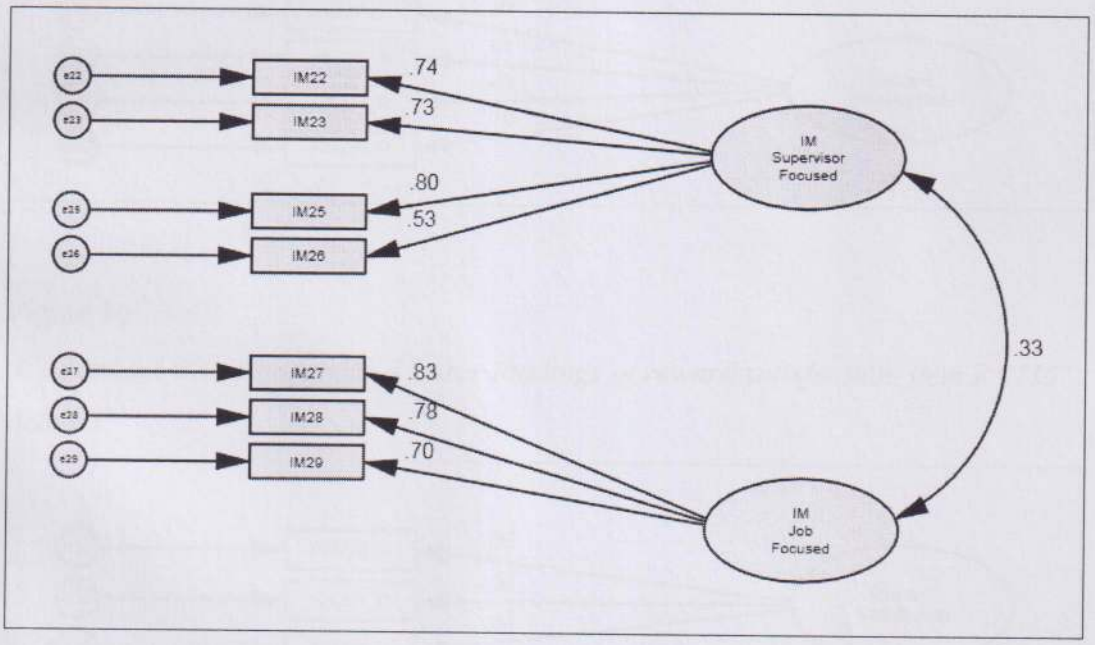

Figure 14

CFA model with standardized factor loadings of impression management, item IM30, IM31, IM32, IM34, IM33, IM24 & IM26 deleted

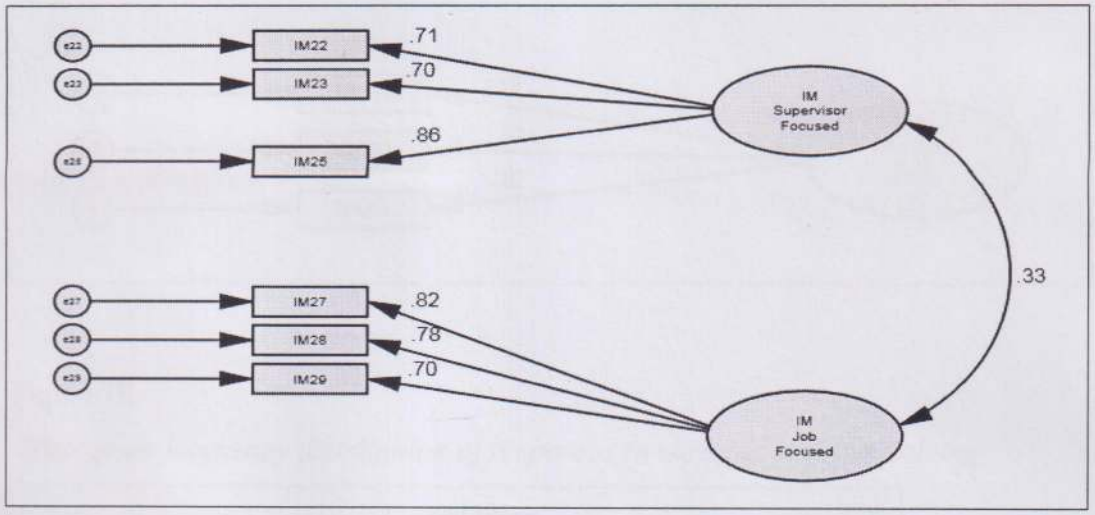

Figure 15

CFA model with standardized factor loadings of reward satisfaction, all items included

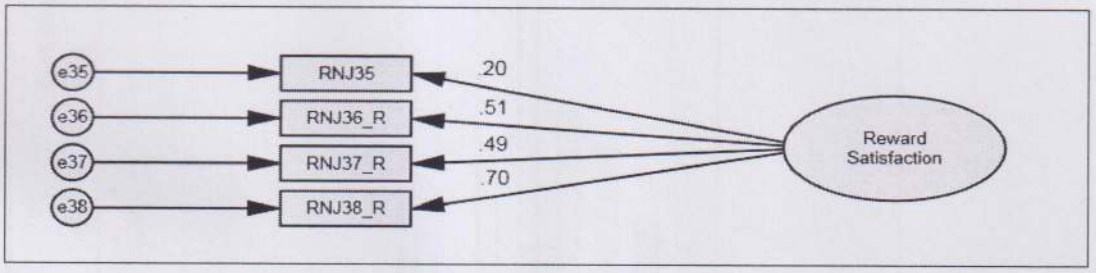

Figure 16

CFA model with standardized factor loadings of reward satisfaction, item RNJ35 deleted

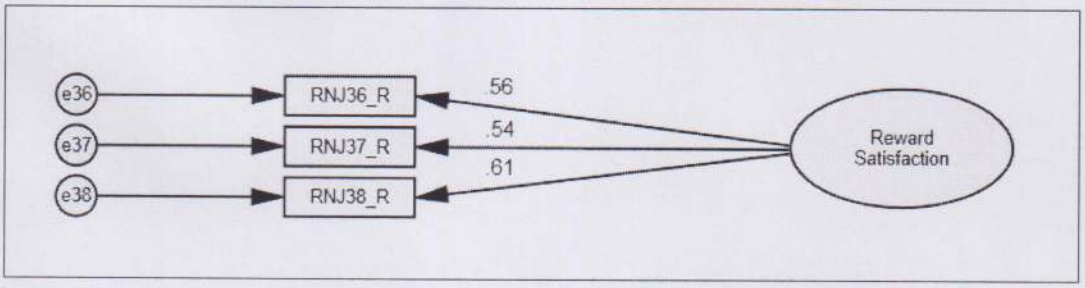

Figure 17

CFA model with standardized factor loadings of distributive justice, all items included

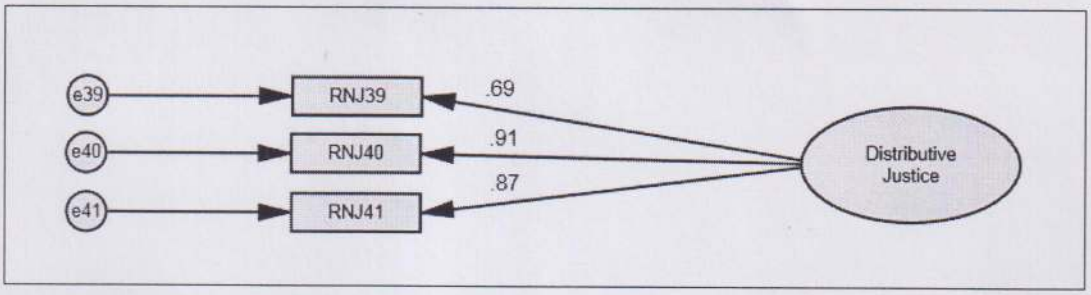

Figure 18

Histogram frequency distribution of responses to variable problem solving