

Information Privacy and Performance Appraisal: An Examination of Employee Perceptions and Reactions

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ABSTRACT. Role-failure acts (Waters and Bird, 1989) have been described as a form of morally questionable activity involving a failure to perform the managerial role. The present study examined employee perceptions and reactions with regard to one form of role-failure act, failure to maintain adequate privacy of performance appraisal information. The study assessed employees' attitudes toward various performance appraisal facets as an invasion of privacy and determined the relationships between these privacy-related attitudes and employees' satisfaction with components of their appraisal system, the system as a whole, and their jobs. Responses that organizations might take to counteract appraisal privacy concerns were also discussed.

In a recent article, Waters and Bird (1989) proposed a typology of morally questionable managerial acts to draw attention to behaviors which may present ethical problems for individual managers, but re-

ceive minimal formal attention from their organizations. One especially troublesome category of activities, labeled role-failure acts, involves the failure to perform roles which are an integral part of the task of managing others. Such acts merit greater attention because individual managers often refer to role-failure activities when describing ethical questions arising in their professional lives, their organizational lives and their organizations (Waters *et al.*, 1986).

Prominent among the examples of role-failure acts offered by Waters and Bird (1989) were deficiencies involving performance appraisal. Similarly, in Toffler's (1986) case study of ethical dilemmas confronting managers, 66% of the cases concerned human resource processes and personnel, with performance evaluation activities being among the most frequently cited sources of concern. Stead, Worrell, and Stead (1990) have emphasized that if ethical behavior is desired, an organization's appraisal system must support it. For such support to be possible, an obvious requirement is that the system itself should function in a manner that is perceived to be ethical.

The present study focuses on a particular role-failure act in performance appraisal, the failure to maintain adequate privacy with regard to information generated in the appraisal process. As an initial exploration in the area, this study attempts to shed light on specific questions regarding appraisal information privacy, thereby contributing to a more differentiated appreciation for ethical issues confronting managers (Waters and Bird, 1989). Only a few authors (Ewing, 1977; Kellogg, 1975) have discussed privacy issues in connection with performance appraisal information. However, greater attention is necessary due to the prospect of an increasing number of conflicts pitting employers' rights to have a complete and accurate record of work activities

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against employees' privacy rights (Morris and Bagby, 1987).

Appraisal contexts and information privacy perceptions

Though there exists no explicit framework for addressing this issue, it is possible to describe general conditions that could encourage perceptions that appraisal information privacy is being violated. Where peers are used as part of the appraisal process, an employee may develop doubts about the degree to which confidentiality is maintained (Lanza, 1985). This would especially be the case when performance criteria are ambiguous or subjectively evaluated, since this may provide greater opportunities for political behavior (cf., Ferris *et al.*, 1989). In a politically charged context, employees are more likely to harbor suspicions about the misuse of appraisal information.

Where project teams, task forces, and other such groups are employed by the organization, supervisors may more freely exchange appraisal information to maintain the most productive combinations of personnel. In essence, the task environment of complexly structured organizations is such that information is utilized more as a resource than in other forms of organization. In such non-routine environments, all types of information, including appraisal information, are more likely to be shared. Where discussions of individuals' performance are encouraged, both subordinates and supervisors may tend to feel that private information is circulated improperly.

Invasion of privacy perceptions are also more likely to occur where employees are asked to restrict their right to review appraisal records, as this could raise suspicions about the nature of information stored there. In this regard, Harris and Westin's (1981) survey on privacy issues revealed that 88% of the respondents felt employees should be able to examine appraisal information pertaining to themselves. When appraisal information included in an employee's personnel file is not job-related and up-to-date, invasion of privacy concerns on the part of employees may well surface (Ewing, 1977, pp. 133–4). In this situation, employees' feelings that "procedural justice" (Greenberg, 1986) has been violated

may increase the likelihood that invasion of privacy perceptions will occur.

An empirical examination of appraisal information privacy

To begin examining information privacy issues regarding performance appraisal, the present study had two purposes: (a) to assess employees' attitudes toward various performance appraisal components as an invasion of privacy, and (b) to determine the relationships between these privacy-related attitudes and employees' satisfaction with components of their appraisal system, the system as a whole, and their jobs. Issues regarding the second purpose in particular need to be investigated. How performance appraisal information is collected, retained, and distributed may have broad implications in terms of employee reactions to the system. Unless managers' treatment of appraisal system information coincides sufficiently with employee expectations, undesirable attitudinal and behavioral repercussions are likely to emerge (Longenecker *et al.*, 1987).

Data were collected from multiple sites of a national textile organization that was analyzing and modifying its performance appraisal system. The sample consisted of 320 middle-level managers and first-line supervisory personnel. The sample was 93% white and 97% male. Two hundred and forty-seven of the employees (74%) had attained a college degree or higher and another 77 (24%) had completed some work toward a college degree. The mean age of the sample was 41. To insure that study participants had adequate experience with the appraisal process and system, they had to have conducted at least two or more performance appraisals or, if they had not conducted an appraisal, participated as appraisees in two or more appraisals. The former type of participants were labeled "supervisors" and the latter type "subordinates."

Three statements regarding crucial aspects of appraisal privacy were included in a survey concerning the organization's appraisal system. Following the information privacy framework developed by Stone *et al.*, (1983), these three items represented beliefs about information collection, release, and storage. It should be noted that the number of appraisal privacy items was limited due to the

organization's sensitivity to the issue. These items used a six-point response format that ranged from "1" indicating strong disagreement to "6" indicating strong agreement with the item statement. The specific items were as follows: (a) "I feel that performance appraisal sessions are an invasion of privacy" (information collection); (b) "I suspect that performance appraisal information is sometimes given to people who should not receive it" (information release); and (c) "Performance appraisal information should not be seen by anyone other than the supervisor and individual employee" (information storage).

For clarity of reporting responses to these items, respondents were divided into two categories, those who *disagreed* (consisting of strongly disagree, disagree, and slightly disagree responses) and those who *agreed* (consisting of strongly agree, agree, and slightly agree responses) with each privacy statement. Responses were broken out by supervisory and subordinate groups. In response to the statement concerning appraisal sessions and privacy invasion, 14% of the subordinates and 13% of the supervisors agreed that such sessions constituted an invasion of privacy. Thus, the appraisal session itself is not generally viewed to engender privacy concerns. However, subordinates and supervisors were more negative regarding the possible release of information collected during the appraisal session. Responding to the statement concerning who is given appraisal information, 34% of the subordinates and 32% of the supervisors suspected that appraisal information was sometimes given to people who should not receive it. Even more interesting were the responses of both groups when asked if appraisal information should not be seen by anyone other than the supervisor and subordinate. Sixty-two percent of the subordinates and 55% of the supervisors agreed with the statement. Apparently, majorities of both groups feel that appraisal information should be "owned" by the two principals involved in the appraisal process.

These results indicate concern among both supervisors and subordinates about what actually happens to appraisal information after it is collected. In discussing ethical issues involving personnel information systems, Newman and Marks de Chabris (1987) noted that performance appraisal data is an important component of such information systems. Current trends in human resources management

point both to a greater variety of appraisal-related information being integrated into human resource information systems, and also to an increasing use of personal, as opposed to mainframe, computers to store and access this information (Burack, 1988, pp. 415–20). While these trends are laudable from the strategic viewpoint of a human resources administrator, they may be more likely to generate privacy-related suspicions among employees. These suspicions in turn could have potential repercussions for the appraisal system itself.

To examine the question of potential repercussions, responses to the three privacy items were correlated with perceived characteristics of the appraisal system (subsequently referred to as system factors) as well as overall satisfaction with the appraisal system and job satisfaction. The system factors represented important characteristics of appraisal systems in general as identified by a review of the appraisal literature (see Giles and Mossholder, 1990 for further information about the development of system factors). The names and descriptions of the system factors were as follows: (a) *Functionality* – the degree that the performance appraisal system facilitates managerial functions such as counseling, development, and communication; (b) *Complexity* – the degree to which the performance appraisal system is complicated and involved; (c) *Implementation* – the degree to which the performance appraisal system is properly implemented and supported; and (d) *Follow-up* – the degree to which the performance appraisal system results in information being fed back to employees.

Since the performance appraisal process most strongly impacts subordinates, correlations between privacy items and other variables were computed only for the subordinate sample. Table I displays the correlations found between the three privacy items and the four appraisal system factors, appraisal system satisfaction, and job satisfaction. With regard to subordinates' perceptions that appraisal sessions were an invasion of privacy, significant correlations were found with the system factors of functionality and complexity as well as system satisfaction. These correlations indicated that the more subordinates perceived appraisal sessions as violating privacy, the less likely they were to view the appraisal system as facilitating desired functions, and the more likely they were to perceive it as complicated. Thus, when

TABLE I
Correlations of privacy items with system factors and system
and job satisfaction

Measure	Privacy items		
	Session as privacy violation	Information given to improper people	Not seen by other than supervisor or subordinate
Functionality	-0.43***	-0.32***	-0.10
Complexity	0.45***	0.13	0.16*
Implementation	-0.11	-0.31***	0.03
Follow-up	-0.07	-0.19**	-0.02
System satisfaction	-0.31***	-0.26***	-0.02
Job satisfaction	-0.13*	-0.20**	0.00

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

subordinates consider appraisal sessions to be an invasion of their privacy, they may simply regard performance appraisal as a futile exercise in complicated paperwork and not avail themselves of its benefits (e.g., self-development). System satisfaction and job satisfaction were also negatively related to this privacy item, suggesting that harmful repercussions may extend to attitudes about the appraisal system in general and one's job, the performance of which is the very object of the appraisal.

Regarding subordinates' suspicions that appraisal information is given to people who should not receive it, significant negative relationships were found between this privacy item and functionality, implementation, and follow-up, as well as system and job satisfaction. In other words, subordinates who suspected improper distribution of their appraisal information were less satisfied with the appraisal system, and their jobs, and held a more negative view of three of four systems factors. This privacy item may be the most salient of the three used in this study because it pertains to perceived behavioral transgressions of privacy rather than a belief or attitude about appraisal privacy. It would be difficult for those who were suspicious about what was done

with appraisal information to feel very positive about the system, or perhaps even their jobs.

The privacy item dealing with the impropriety of persons other than the supervisor and subordinate viewing performance appraisal information was correlated only with the complexity of the system. Subordinates who felt that appraisal information should be accessed only by themselves and their supervisors saw the current system as being overly complex. Where the appraisal system is more complicated (e.g., multiple reviewers or integration of information into many organizational databases), those who feel that appraisal should be a private affair between a manager and subordinates may fear an increased incidence of unauthorized access to appraisal information.

In a study of attitudinal reactions to performance appraisal, Dorfman *et al.*, (1986) noted that the last appraisal rating received by the individual may influence the nature of such reactions. This caution is of relevance to the current study since low performance ratings might negatively affect responses to both the privacy items and the other measures. Using a correlational approach, this possibility was checked for subordinates whose last appraisal rating was available ($n = 149$). The average correlation between the three privacy items and subordinates' last appraisal ratings was -0.09 (ns). The average correlation between the system factors and subordinates' last appraisal ratings was 0.01 (ns). Thus, it appears that the relationships of the privacy items with system factors, appraisal satisfaction, and job satisfaction were not attributable to subordinates' negative reactions to low performance appraisal ratings.

Discussion and implications

The present study represented an initial attempt at directly addressing an issue related to Waters and Bird's (1989) typology of morally questionable managerial acts. There are some limitations that should be addressed by future research. First, in regard to information privacy, additional domain-relevant items should be developed. As noted above, the organization was sensitive to the privacy issue, which served as a practical constraint on the number of privacy items that could be included. Second, though

data were collected at many national sites, the results may generalize only to employees of the participant organization. These results should be replicated in other types of organizations and employees before broad conclusions may be drawn.

These limitations aside, the present study suggests that role-failure acts, as operationalized through the notion of performance appraisal information privacy, may have organizational repercussions. Employees' feelings about privacy in the performance appraisal process were directly associated with their perceptions of and reactions to the appraisal system. In general, correlations between the privacy items and system factors indicated that employees who felt that appraisals violated aspects of privacy viewed the system more negatively in terms of functionality, implementation, and follow-up and also considered the system to be overly complex. These same people were less satisfied with the appraisal system and their jobs.

Organizational responses to appraisal privacy concerns

Waters and Bird (1989) note that standards which exist to guide managers' ethical responses to situations evoking role-failure acts are often abstract or in conflict. Organizations must therefore begin to provide clearer guidance about appraisal information privacy to both supervisors and their subordinates. In this regard, codes of ethics are visible signs of an organization's ethical stance. Stead *et al.* (1990) propose that for a code to be meaningful, it must clearly state its basic principles, realistically focus on the potential ethical dilemmas which may be faced by employees, and be enforced. Organization leaders would do well to consider frameworks like that proposed by Waters and Bird (1989) when shaping their codes of ethics, since such frameworks are couched in terms of acts rather than abstract values. The code of ethics should contain references to a formal information practices policy (Ewing, 1977) to insure that all persons conducting appraisals have been sensitized to their responsibilities regarding information privacy. Organizations lacking such a policy would do well to follow the example of those who have benefitted from the development and

implementation of information privacy guidelines (see, e.g., Cary, 1976).

Once a particular type of managerial act, such as that concerning appraisal information privacy, has been identified as problematic, specific guidance in dealing with the act is necessary. The most direct way of educating managers about the necessity of appraisal information privacy is to incorporate ethics considerations in their performance appraisal training. Generally speaking, since performance appraisal is perceived as a managerial activity which presents the opportunity for political behavior and ethical misdeeds (Longenecker *et al.*, 1987; Toffler, 1986), the inclusion of ethics training for this activity should be well-received in the organization.

Such training would obviously focus on more than information privacy. A multi-faceted focus should provide a bulwark of protection against any particular unethical act. With regard to appraisal information privacy specifically, an initial step would be to clearly define what it is and how violations of it may be manifested. For example, a program could apprise managers that releasing appraisal information on any basis other than a legitimate right-to-know and need-to-know violates the privacy of the affected employee (Newman and Marks de Chabris, 1987). Discussions for all such particular points should be encouraged in order to promote clarification and involvement. Since employees need to have an experiential awareness of the ethical dilemmas they might face (Stead *et al.*, 1990), a next step would be to use fictitious ethical scenarios involving appraisal information privacy (and other appraisal ethical dilemmas). Feedback regarding scenario resolutions should be employed to illustrate proper behavior. Managers participating in the training should also discuss decisions they made as a means of building feelings of social support. Such support may become very important when managers face future "real-life" occurrences.

A less direct but nonetheless important means of informing managers about appraisal information privacy is to include reinforcing cues where possible. For example, key points of the organization's information policy should be summarized on appraisal instruments or in accompanying manuals. Such cues might be all-encompassing (e.g., providing protection at all stages of the information management program — collection, retention, etc.) or simple (e.g.,

providing for sign-off options when information is exchanged).

More generally, specifying who has access to appraisal information, both internal and external to the organization, should be helpful in counteracting both perceptions and occurrences of privacy violations. For example, the company's policy concerning the release of performance appraisal information in response to reference checks should be formalized. The performance appraisal instrument should be carefully scrutinized in order to eliminate any non-essential information of a personal nature. Moreover, an instrument that contains a section where the employee can state his or her "side of the story" in response to a supervisory appraisal may help to allay privacy concerns.

In conclusion, the results of the present study indicate that organizations should construct and administer appraisal systems in such a way as to minimize employees' apprehensions about information privacy. Specific suggestions were offered as a means of encouraging progress in this area. Since the issue of appraisal information privacy is embedded in the total appraisal process, additional research is needed to identify and study other appraisal-related ethical concerns (see, e.g., Toffler, 1986). Such research should provide the basis for appraisal systems that not only accomplish the inherently desirable goal of reducing ethical problems about the process of appraisal, but also minimize negative attitudinal repercussions concerning the appraisal system and perhaps even the job itself.

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