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# Occurrence of rating distortions and ratees' fairness perceptions per raters' mood and affect

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## Abstract

**Purpose** – The purpose of this paper is to investigate the occurrence of rating distortions under raters' different mood conditions and at different levels of interpersonal affect of raters towards ratees, and further its association with ratees' perceptions of distributive and interpersonal fairness.

**Design/methodology/approach** – For the scenario-based experiment, the study recruited 110 undergraduate students as participants. Of them, 22 raters appraised the video-taped buyer-seller negotiation performance of 88 ratees. Repeated measures analysis was employed to analyse data.

**Findings** – Results revealed that under different mood conditions (pleasant and sad) and at different levels of interpersonal affect towards ratees (high and low), raters distorted ratings (inflated and deflated, respectively). These rating distortions shaped ratees' fairness perceptions in such a way that ratees who received inflated ratings due to raters' pleasant mood and high interpersonal affect perceived more distributive and interpersonal fairness than ratees who received deflated ratings due to raters' sad mood and low interpersonal affect.

**Originality/value** – The paper is a step towards integrating the affect infusion model with distributive and interpersonal fairness theory. This integration can be of value for enhancing our understanding of how rater-centric rating errors take place, which subsequently shape ratees' fairness perceptions.

**Keywords** Fairness, Performance appraisal, Interpersonal affect, Rater mood, Rating distortions

**Paper type** Research paper

## Introduction

Performance appraisal (PA) systems are applied in a variety of organizations where PA practitioners try to improve them from time to time. PA researchers have also been suggesting ways to improve PA systems for over a half century, yet the PA literature maintains that PA systems often are far from effective (Adler *et al.*, 2016; Pulakos *et al.*, 2015; Roch *et al.*, 2012). PA systems are employed for various purposes: administrative (e.g. for deciding on employee compensation and promotion), developmental (training or learning needs assessment), role-definition (defining and communicating roles) and strategic (goal orientation and self-monitoring). Recent literature suggests that most of the PA systems fail to achieve these purposes. One of the reasons is the inaccuracy of PA ratings (Iqbal *et al.*, 2015; Pulakos *et al.*, 2015). The problem of rating distortions has grown to a stage where some PA researchers and practitioners have felt obligated to initiate a debate on "Getting rid of performance ratings" (see Adler *et al.*, 2016).

Although rating accuracy is of immense value for all parties involved in PA – that is, the rater, the ratee, and the organization (Tsui and Barry, 1986) – all these stakeholders are contributing to rating distortions (Iqbal *et al.*, 2015). However, being a key user of PA, generally the rater is considered responsible for rating distortions (Ikramullah *et al.*, 2016;



Meriac *et al.*, 2015; Pulakos and O'Leary, 2011). The PA literature typically emphasizes that the quality of ratings depends on raters' cognitive processes, which recent PA studies assume to be the key predictor of PA accuracy (Roch *et al.*, 2012; Spence and Keeping, 2011). This assumption is often made because in the past, improving PA ratings depended on the rating behaviour of raters, which often emitted from relatively cold cognitive processes (Metcalf and Mischel, 1999). Consequently, this research stream ignored the social side of PA (Spence and Keeping, 2011). However, some researchers (e.g. Murphy and Cleveland, 1995) have cautioned that PA may not be considered a cold process. This is because raters' affective processes, such as their mood and interpersonal affect, cannot be separated from their judgements, especially when they are writing appraisals (Butler, 2015).

Interpersonal relationships in the context of the present study (i.e. between the rater and the ratee), may involve both positive and negative affect. Therefore, it stands to reason that these interpersonal affects may distort PA ratings (taking the form of rating inflation or deflation) (Schoebi and Randall, 2015; Spence and Keeping, 2011). Moreover, raters' ratings depend on human information processing and subjective judgements (Wiese and Buckley, 1998), which can be influenced by raters' mood. In line with this, some past PA researches (e.g. Ng *et al.*, 2011; Robbins and DeNisi, 1998; Sinclair, 1988; Sutton *et al.*, 2013) support the notion that raters' mood and interpersonal affect can influence their information processing, which can potentially create rating distortions. Furthermore, fairness perceptions of those who are ultimately affected by the rating distortions (i.e. ratees) are also of paramount importance for the success of any PA system (Colquitt *et al.*, 2005; Jawahar, 2007). As defined by Colquitt and Rodell (2015), fairness is "a global perception of appropriateness" (p. 188), which is "based not only on cold cognitive functions, but also on hot emotion-laden responses to events" (Colquitt and Zipay, 2015, p. 84).

Thus, the phenomenon of affect-congruent judgements calls for deliberate investigation across various relationships including work performance (Butler, 2015). Therefore, the present study aims to investigate the occurrence of rating distortions under raters' different mood conditions and at raters' different levels of interpersonal affect. Furthermore, the study seeks to examine whether rating distortions (inflation and deflation of ratings) shape ratees' perceptions of distributive and interpersonal fairness. This study is likely to be a step towards integrating the affect infusion model (Forgas, 1995) with organizational justice theory (i.e. distributive and interpersonal fairness in this case). This integration is likely to increase PA researchers' focus on emotion-laden fairness perceptions. We also expect that the present study will encourage organizational justice researchers (especially in PA context) to take the discussion on stability and consistency in fairness perceptions further. That is, fairness perceptions often are incidental, especially the ones which are emotion-laden. It means that fluctuations in ratees' fairness perceptions would be contingent upon raters' emotions. Put differently, targets (ratees in this case) may change their fairness perceptions due to the change in the agent's (the rater) emotions, e.g., mood and affect. In addition, to PA practitioners' interest, the study can be of value for shaping desired ratee reactions, especially in terms of ratee fairness perceptions about PA, thus contributing to a broader discussion on the effectiveness of PA.

## Literature review

### *Raters' mood and rating distortions*

Raters' mood is likely to influence their PA ratings about ratees (Fleenor *et al.*, 2010; Fried *et al.*, 2000; Wang, 2015). At the theoretical level there are two approaches that explain mood-congruent judgements: one is the priming model and the other is the

mood-as-information model (Poon, 2001). The priming model supports the view that individuals retrieve data or information from their memory that is congruent with their present mood state (Bower, 1981). Mood-priming is more often applicable under substantive processing of data retrieved from memory. This is more likely to happen when the rating object (ratee) is exceptional and the rater is motivated to provide accurate ratings. The mood-as-information model suggests that individuals link their mood to their feelings about the evaluation target (ratee) (Schwarz, 2013). It is more often used under simple heuristic processing, that is, when the target is an ordinary employee and the rater is less motivated to provide accurate ratings. Hence, when the rater is in a pleasant mood he/she has positive feelings towards the ratee and provides more favourable ratings to him/her, and vice versa.

A contemporary and more comprehensive model that accounts for the contribution of mood on applied social judgements is the affect infusion model (Forgas, 1995). The affect infusion model incorporates features of both the priming and mood-as-information models. Affect infusion is “the process whereby affectively loaded information exerts an influence on and becomes incorporated into the judgmental process, entering into the judge’s deliberations and eventually colouring the judgmental outcome” (Forgas, 1995, p. 39). In the PA context, the affect infusion model would suggest that mood caused by one event may interfere with the judgmental accuracy for an unrelated object (i.e. a ratee, in the context of the present study). The main aim of PA system is to promote accurate judgements and to reduce bias. Generally, a PA system is likely influenced by interpersonal affect in the form of personal likes or dislikes between the rater and the ratee (Cardy and Dobbins, 1986; Peiperl, 1999; Robbins and DeNisi, 1994). In such a PA system, raters’ mood is likely to distort ratings. Therefore, the present study uses the affect infusion model to increase understanding of the extent to which raters’ mood influences the PA ratings, and results in rating distortions.

The ubiquitous contribution of mood in human judgements has largely been examined by social psychologists (Forgas, 1995; Robbins and DeNisi, 1998; Sinclair, 1988). According to these researches, even a mild change in an individual’s mood can influence his/her decisions: Individuals in a pleasant mood tend to simplify the judgement procedures and rely on mental shortcuts for making evaluations; however, they behave differently when they are in a sad mood. Forgas (1995) clarifies that mood may obstruct the accuracy of evaluative process and impel the rater to provide positive judgements when in a pleasant mood and negative judgements when in a sad mood. Similarly, in the context of PA, raters’ mood can impel them to produce biased ratings about ratees (Daus, 2001). Thus, we hypothesize that:

- H1.* Raters’ mood may predict rating distortions such that raters in a pleasant mood will be more prone to give inflated ratings than raters in a sad mood, whereas raters in a sad mood will be more prone to give deflated ratings, compared to raters in a pleasant mood.

#### *Rating distortion-fairness perception link under different mood conditions*

Whilst raters may distort ratings either intentionally (e.g. politicking) or unintentionally (e.g. mood), these distortions are considered against the fundamental principles of fairness and ethics (Spence and Keeping, 2011). Thus, it is plausible that ratees may question the fairness of ratings whether these are inflated or deflated. The PA literature maintains that ratees’ fairness perceptions are a primary organizational value and an important criterion for the effectiveness of a PA system (Konovsky, 2000;

Palaiologos *et al.*, 2011). Ratees' fairness perceptions and their linkage with PA results can be clearly seen through the lens of organizational justice theory (Greenberg, 1986). Generally, perceptions of fairness are categorized into four dimensions: distributive, procedural, informational and interpersonal fairness (Colquitt, 2001). However, the present study focusses only on distributive and interpersonal fairness perceptions of ratees. This is because the PA literature suggests that ratees' distributive and interpersonal fairness perceptions are associated more strongly with person-referenced outcomes, which are likely to be influenced by raters (Bies and Moag, 1986; Jawahar, 2007; McFarlin and Sweeney, 1992; Sweeney and McFarlin, 1993).

Distributive fairness has its roots in equity theory (Adams, 1965), which elucidates that employees' fairness perceptions are based on a comparison of the ratio of their perceived inputs that they offer at the job to the perceived outcomes that they be given for their efforts, in relation to the perceived input and outcome ratio of relevant others. In the PA context, the input is ratees' perception of their performance whereas the outcome is their perception of the ratings they receive from the rater after the evaluation process. Therefore, performance ratings are associated with outcome-related fairness and depend on similar processes as outcome distributions in organizations, such as equity or equality (Colquitt, 2001). In a related vein, the occurrence of justice-related events has a substantive influence on perceptions of fairness. This is also supported by Folger's (1987) referent cognitions theory, according to which individuals relate violations of their expectations to the behaviour of their supervisor. Therefore, when the rater's mood causes rating distortions, ratees' perceptions of fairness are likely to be affected.

Interpersonal fairness refers to the quality of interpersonal treatment of formal agents (raters, in the present study) to those who are subject to their authority (ratees) (Jawahar and Stone, 2011; Nurse, 2005). The extent to which raters treat ratees with dignity and consideration during the PA process contributes to ratees' perceptions of interpersonal fairness. Seen through the lens of Bies and Moag's (1986) agent-system model, interpersonal fairness can be considered a person-referenced outcome (Jawahar, 2007), just like the ratees' satisfaction with the rater. Furthermore, Narcisse and Harcourt (2008) substantiated that the perceived level of interpersonal fairness is also linked with the assessment of one's supervisor. Thus, the distorted ratings – caused by varying mood conditions of raters – may interfere with the phenomenology of interpersonal fairness. The preceding discussion leads to the formulation of the following hypothesis:

- H2.* Rating distortions may predict distributive and interpersonal fairness perceptions of ratees such that ratees who receive inflated ratings due to raters' pleasant mood will perceive higher distributive and interpersonal fairness than ratees who receive deflated ratings due to raters' sad mood.

#### *Interpersonal affect and rating distortions*

During the past three decades, a tendency of developing "cold" models in PA literature prevailed. Feelings of raters towards rating target (ratees) were ignored (Zajonc, 1980). Concurrently, the PA literature maintained that interpersonal relationships between the rater and the ratee could not be free from interpersonal affect (Horvath and Andrews, 2007; McCann and Higgins, 2015; Narcisse and Harcourt, 2008). Affect denotes the rater's positive or negative feelings towards ratees "represented by a prototype 'I like Joe'" (Zajonc, 1980, p. 154). Simply put, feelings of like are referred to as high interpersonal affect whereas feelings of dislike are referred to as low interpersonal

affect, which may prove to be an obdurate problem in demonstrating PA accuracy (Cook, 1995; Varma *et al.*, 1996). There is evidence both from the laboratory settings (e.g. Cardy and Dobbins, 1986) and field studies (Tsui and Barry, 1986) that interpersonal affect is difficult to disconnect from performance ratings, and hence, it distorts ratings.

Lefkowitz (2000) has reviewed 24 studies concerning interpersonal affect and PA ratings. He concluded that raters' affective regard consistently revealed a positive effect on PA ratings. This implies that raters with feelings of like for particular ratees were found more likely to provide a positive evaluation of their performance and vice versa (Vilela *et al.*, 2007). Similarly, Tsui and Barry (1986) found a high correlation between raters' feelings of like or dislike and the ratings provided by them. They also reported that high interpersonal affect was related to higher degree of leniency in ratings (leading to inflated ratings) whereas low interpersonal affect was related to lower degree of leniency (leading to deflated ratings). Based on these arguments we hypothesize that:

- H3.* Interpersonal affect may predict rating distortions such that raters with high interpersonal affect towards ratees will be more prone to give inflated ratings, whereas raters with low interpersonal affect will be more prone to give deflated ratings.

*Rating distortion-fairness perception link at different levels of interpersonal affect*

Seen through the lens of self-enhancement theory (Shrauger, 1975), it can be assumed that people react favourably to social feedback that contributes to enhancing their self-worth. Consistently, previous studies indicate that ratees react positively to higher ratings and negatively to lower ratings (Erdogan, 2003; Thurston and McNall, 2010). This shows that perceptions of distributive fairness relate directly to PA ratings (Narcisse and Harcourt, 2008). Related to this, some previous researches on rating accuracy revealed that, along with other factors, rating quality is also influenced by the interpersonal affect a rater has towards ratees, especially when liked ratees receive higher ratings and disliked ones receive lower ratings (Boachie-Mensah and Seidu, 2012; Dipboye, 1985; Tsui and Barry, 1986; Varma *et al.*, 1996).

According to Bies (2001), individuals form the perception of fair treatment on the basis of two factors: one is disrespectful treatment and the other is derogatory judgement. Disrespectful treatment refers to the supervisor's inadequate remarks about an employee and efforts to belittle him/her in the organization. Derogatory judgement is demonstrated by the inaccurate evaluation of individuals' performance and blaming them for something they were not responsible for. In both cases interpersonal treatment is involved, which is largely affected by the interpersonal affect between the rater and the ratee. Lefkowitz (2000) maintained that a high level of interpersonal affect not only predicts higher ratings, but also contributes to a better relationship between the rater and the ratee. Similarly, Turban *et al.* (1990) addressed the consequences of supervisor's positive feelings and explained that interpersonal affect may contribute to a modified working relationship of the supervisor and the employee along with influencing PA ratings. Thus, we hypothesize that:

- H4.* Rating distortions may predict distributive and interpersonal fairness perceptions of ratees such that ratees who receive inflated ratings based on high interpersonal affect will perceive higher distributive and interpersonal fairness than ratees who receive deflated ratings based on low interpersonal affect.

*Interpersonal affect and perceived interpersonal fairness*

In general, it has been recognized that a supervisor has different relationship with different employees (Liden *et al.*, 1997). A good relationship is considered to be trustworthy and open. In the PA context, high interpersonal affect or a high-quality relationship is beneficial both for raters and ratees and is likely to be associated with interpersonal fairness perceptions of ratees (Erdogan, 2003; Thurston and McNall, 2010). Turban *et al.* (1990) conducted a study on the relationship of interpersonal affect (liking) and treatment of the rater while appraising ratees' performance. They suggested that interpersonal effect of raters towards ratees defines their treatment during the PA process and influences their ratings about ratees. Subsequently, if overall interpersonal affect is high then ratees may perceive that they have been treated fairly (Fairhurst and Chandler, 1989). Furthermore, Turban *et al.* (1990) added that in the appraisal of employees, supervisor-subordinate interaction is likely to occur at an earlier stage, consequently shaping the resulting perceptions of interpersonal fairness. Therefore, we hypothesize that:

- H5.* Interpersonal affect of raters towards ratees will positively predict interpersonal fairness perceptions of ratees such that ratees who receive high interpersonal affect will perceive to have been treated more fairly during the PA process as compared to ratees who receive low interpersonal affect.

**Method***Participants*

With prior permission of the respective course instructor, we recruited 110 undergraduate students of organizational behaviour enrolled in a university in Islamabad, Pakistan as participants. While seeking consent of the students for participation in the study, the course instructor promised to award extra study credits to them, which all participants received by the end of the semester. Participants included 62 per cent males and 38 per cent females; 41 per cent having age 20 years or below and 59 per cent were of age from 21 to 24 years; and 98 per cent were full time students and only 2 per cent were part time students.

*Procedure*

We performed the experiment on 88 rater-ratee matched dyads. In all, 22 participants were set to be the rater and the remaining 88 participants were set to be the ratee. Assignment of roles (i.e. rater and ratee) to participants was random. Further, we formed 44 pairs of ratees each containing one buyer (ratee 1) and one seller (ratee 2). Each rater was randomly assigned to two pairs of ratees (i.e. rater:ratee = 1:4). Then, we proceeded in the following way:

*Step 1.* In order to develop a performance record of ratees, we developed a simulation of face-to-face buyer-seller negotiation. Each negotiator (ratee) was asked to read the buying-selling negotiation case which was specifically developed for the present research. The case also contained complete instructions about the negotiation activity. Ratees had to negotiate over the price and features of headphones. With prior consent of the ratees, for the purpose of standardizing the data the first author videotaped all face-to-face buyer-seller negotiations.

*Step 2.* Raters were asked to fill out questionnaire 1 (time 1) to assess actual degree of interpersonal affect about four ratees with whom they had spent three semesters

(one-and-a-half year) at the university. Raters thus had sufficient time to develop interpersonal affective feelings for the respective ratees. Because of the above reason and also consistent with some previous studies (e.g. Hogan, 1987; Robbins and DeNisi, 1998; Sonesh and DeNisi, 2016; Varma and Stroh, 2001), we deemed it appropriate to measure interpersonal affect using survey questions rather than inducing interpersonal affect artificially.

*Step 3.* We took raters to a controlled environment to manipulate their mood. Stimulus material included different video clips (as was done by Martin *et al.*, 1993). Each video clip was approximately four minutes long. The mood induction procedure took place in two sessions.

In the first session, the experimenter presented the humorous video clip from one of the most watched TV show on a Pakistani TV channel, i.e., *Hasb-e-Haal (as the circumstances demand)* to induce a pleasant mood among raters. Once raters watched the humorous video clip, they responded to the positive and negative affect schedule (PANAS) (Watson *et al.*, 1988). The scores of PANAS served as a manipulation check of raters' mood. Subsequently, raters watched the videos of buyer-seller (ratees) negotiations, which were recorded in the first step of our experiment). Immediately after this, raters were asked to fill questionnaire 2 (time 2) for rating performance of ratees. In addition to some identification variables, i.e., name, age, and gender, this questionnaire included a scale of problem solving approach (Graham *et al.*, 1988).

After one month, we organized the second session on mood induction. Based on previous studies (Colquitt and Rodell, 2011; Tepper *et al.*, 2011; Wayne and Liden, 1995) we maintained that the time lag from two weeks to six weeks can be sufficient for diluting the effect of previous experimental activity (time 2). Moreover, by virtue of the semester system, participants (students) recruited for simulated studies like ours, are often found to have high mental occupancy, i.e., involvement in back-to-back academic activities, e.g., quizzes, assignments, tests, presentations, sessional examinations of four to six courses. Thus, it is reasonable to consider the time lag of one month sufficient for incapacitating participants' (raters) retrieval of information about the previous experimental activities.

In the second session, raters watched a sad video clip, specifically, the climax of a famous Pakistani TV drama serial *Dhuwan (the smoke)*. Immediately after watching the sad video clip, the PANAS was administered to raters as a manipulation check. Next, raters were asked to watch the videos of buyer-seller negotiations again and rate the performance of the same ratees using questionnaire 2 (time 3).

*Step 4.* After the gap of one week, raters' ratings about ratees' negotiation performance were shared with the respective ratees. Then, ratees were asked to fill out questionnaire 3 (time 4). In addition to some identification variables, i.e., name, age, and gender, this questionnaire included Colquitt's (2001) scale on distributive fairness.

*Step 5.* After a further gap of two weeks, one-on-one meetings were setup between ratees and their respective raters to enable the raters to provide performance-related feedback. Immediately after adjourning feedback meeting with the respective rater, each ratee was asked to fill the questionnaire 4 (time 5). In addition to some identification variables, i.e., name, age, and gender, this questionnaire included Colquitt's (2001) scale on interpersonal fairness.

### Measures

*Raters' mood.* This variable was measured by using a scale of PANAS developed by Watson *et al.* (1988). The scale included a list of 20 adjectives (ten related to positive

affect, e.g., excited, and ten related to negative affect, e.g., upset. These adjectives were anchored to a five-point Likert-type scale, ranging from 1 = very slightly to 5 = extremely. An introductory statement reading “how you feel right now” was placed before the list of adjectives. In order to increase the accuracy of data collection, the manipulation of mood was carried out in two separate sessions. The first session pertained to the induction of pleasant mood, whereas the second session pertained to the induction of sad mood. Cronbach’s  $\alpha$  coefficients for positive and negative affect were 0.93 and 0.92, respectively, in the first session. In the second experimental session the values of Cronbach’s  $\alpha$  coefficients were 0.92 and 0.91 for positive and negative affect, respectively.

*Interpersonal affect.* This variable was measured by using a four-item scale from Tsui and Barry (1986). During the past two decades this scale has been used for measuring interpersonal affect in a PA context (e.g. Varma *et al.*, 1996, 2005; Varma and Stroh, 2001). A sample item is: “I would like to spend more time with this person”. The items were anchored to a seven-point Likert-type scale ranging from 1 = strongly disagree to 7 = strongly agree. Cronbach’s  $\alpha$  was 0.93.

*Rating distortions.* We generated actual ratings for measuring rating distortions which has been commonly used in PA literature (see e.g. Robbins and DeNisi, 1998). Four subject matter experts were asked to watch video-taped buying-selling negotiations performed by ratees, and then rate performance of each ratee by using the problem solving approach scale developed by Graham *et al.* (1988). The sample item is “Was the buyer/seller more interested in solving his/her mutual problem, or more self-interested?” These items were rated on five-point semantic differential scale categories that used bipolar adjectives to anchor the beginning and end of each scale, i.e., cooperation-self-interested, integrity-deceptive, accommodating-exploitative, and unbiased-biased. Ratings given by all experts were averaged to generate the actual ratings for each ratee. These actual ratings were subtracted from the ratings given by the raters (who gave ratings by using the same scale) both in the pleasant and sad mood conditions. After subtraction, positive and negative ratings were considered inflation and deflation, respectively, both indicating rating distortions. Cronbach’s  $\alpha$  for this scale was 0.94 for pleasant mood and 0.93 for sad mood.

*Distributive and interpersonal fairness perceptions.* These were measured by using Colquitt’s (2001) scales for distributive and interpersonal fairness (four items each). A sample item for distributive fairness is: “Do your ratings reflect the efforts you have put into your work?” A sample item for interpersonal fairness is: “Has your supervisor treated you in a polite manner?” Both the scales were anchored to a five-point Likert type scale, ranging from 1 = to a small extent to 5 = to a large extent. Cronbach’s  $\alpha$  coefficients for distributive and interpersonal fairness based on self-reports by ratees were 0.81 and 0.90, respectively.

## Results

### *Mood manipulation check*

The mood manipulation check was performed to see whether the mood of raters during the session was influenced by the intended manipulation. As expected, participants who watched the pleasant video in the first session, indicated a higher mean ( $M = 4.29$ ) on the positive scale of PANAS than on the same positive scale ( $M = 2.24$ ) in the second session when they watched the sad video. Furthermore, the results of a paired sample  $t$ -test indicated a statistically significant difference between two group means,  $t(df) = 13.97(87)$ ,  $p < 0.001$ . In contrast, participants who watched the pleasant video in

the first session, indicated a lower mean ( $M = 1.64$ ) on the negative scale of PANAS than on the same negative scale ( $M = 3.86$ ) in the second session when they watched the sad video. Furthermore, the results of a paired sample  $t$ -test indicated a statistically significant difference between two group means,  $t(df) = -14.23 (87)$ ,  $p < 0.001$ .

### *Repeated measures analysis*

The present research involved testing the participants on the variable of mood over time. Participants' mood was a within-subject variable, and thus, it was measured at two different time points. The most appropriate method to examine such variables is general linear model: repeated measures analysis. Hence,  $H1$  and  $H2$  were tested by using repeated measures analysis (see Table I). Before employing the tests of within subject effects we ensured the assumption of sphericity, by considering the results of Mauchly's  $W$ -test, which turned out to be nonsignificant ( $W = 0.806$ ,  $\chi^2 = 4.24$ ,  $df = 5$ ,  $p > 0.05$ ). This indicates that the assumption of equal variance across conditions is not violated. Thus, there was no need of adjusting the value of  $F$ -ratio.

$H1$  refers to the assumption that raters' mood may predict rating distortions such that raters in a pleasant mood will be more prone to give inflated ratings than raters in a sad mood, whereas raters in a sad mood will be more prone to give deflated ratings, compared to raters in a pleasant mood. As shown in Table I, results indicate that the effect of the within-subject variable mood is highly significant,  $F(3, 63) = 23.162$ ,  $p < 0.001$ ,  $\eta^2 = 0.52$ . This implies that the rating distortions by raters significantly differ under different mood conditions. This is supported by increase in rating inflation as mood of rater is positive ( $M = 3.45$ ) as opposed to negative ( $M = 3.27$ ). Ratings are deflated when raters show low positive affect ( $M = 1.77$ ) and high negative affect ( $M = 2.04$ ) on the PANAS. The effect size indicates that 52 per cent variance in rating distortions is being explained by variation in rater mood conditions.

$H2$  states that rating distortions may predict distributive and interpersonal fairness perceptions of ratees such that ratees who receive inflated ratings due to raters' pleasant mood will perceive higher distributive and interpersonal fairness than ratees who receive deflated ratings due to raters' sad mood. Table I shows that within-subject variable rating distortions (both in terms of inflated ratings and deflated ratings) under raters' both mood conditions (pleasant and sad) positively and significantly predicts ratees' distributive and interpersonal fairness perceptions. However, ratees who receive inflated ratings due to raters' pleasant mood will perceive higher distributive fairness ( $F(1, 43) = 28.775$ ,  $p < 0.001$ ,  $\eta^2 = 0.49$ ) and interpersonal fairness ( $F(1, 43) = 41.283$ ,  $p < 0.001$ ,  $\eta^2 = 0.40$ ) than ratees who receive deflated ratings due to raters' sad mood.

Variable	Occasion	Conditions	$M$	$SD$	$df$	$F$	Partial $\eta^2$
Ratings distortion	1	High positive affect	3.45	0.60	3, 63	23.16***	0.52
	2	Low negative affect	3.27	0.77			
	3	Low positive affect	2.04	0.90			
	4	High negative affect	1.77	1.02			
Distributive fairness	1	Distortion in pleasant mood	1.77	0.42	1, 43	41.28***	0.49
	2	Distortion in sad mood	1.20	0.41			
Interpersonal fairness	1	Distortion in pleasant mood	1.75	0.44	1, 43	28.78***	0.40
	2	Distortion in sad mood	1.27	0.45			

**Note:** \*\*\* $p < 0.001$

**Table I.**  
Summary of  
repeated measures  
analysis under  
different mood  
conditions

These values reveal that ratees receiving inflated ratings – because of the pleasant mood of raters – perceive more distributive fairness ( $M = 1.77$ ) than ratees who receive deflated ratings based on the sad mood of raters ( $M = 1.20$ ). The effect size reveals that rating distortions under raters' different mood conditions account for 49 per cent of variance in distributive fairness perceptions of ratees. Likewise, ratees who receive inflated ratings due to the pleasant mood of raters perceive interpersonal fairness more strongly ( $M = 1.75$ ) than ratees who receive deflated ratings in sad mood of raters ( $M = 1.27$ ). The effect size reveals that rating distortions under raters' different mood conditions account for 40 per cent of variance in interpersonal fairness perceptions of ratees.

*H3* pertains to the assumption that interpersonal affect may predict rating distortions such that raters with high interpersonal affect towards ratees will be more prone to give inflated ratings, whereas raters with low interpersonal affect will be more prone to give deflated ratings. Table II shows that the effect of the within-subject variable of interpersonal affect on rating inflation is highly significant,  $F(1, 43) = 62.234$ ,  $p < 0.001$ , implying that raters having high interpersonal affect towards ratees more likely inflate ratings ( $M = 3.18$ ), while raters with low interpersonal affect are more prone to give deflated ratings ( $M = 1.79$ ).

*H4* states that rating distortions may predict distributive and interpersonal fairness perceptions of ratees such that ratees who receive inflated ratings based on high interpersonal affect will perceive higher distributive and interpersonal fairness than ratees who receive deflated ratings based on low interpersonal affect. Table II shows that rating distortions (both in terms of inflated ratings and deflated ratings) under both levels of interpersonal affect (high and low) positively significantly predict ratees' distributive and interpersonal fairness perceptions. However, ratees who receive inflated ratings due to raters' high interpersonal affect will perceive higher distributive fairness ( $F(1, 43) = 114.66$ ,  $p < 0.001$ ) and interpersonal fairness ( $F(1, 43) = 23.118$ ,  $p < 0.001$ ) than ratees who receive deflated ratings due to raters' low interpersonal affect. Based on these results it can be concluded that ratees receiving inflated ratings due to raters' high interpersonal affect perceive distributive fairness ( $M = 1.65$ ) more strongly than ratees receiving deflated ratings due to raters' low interpersonal affect ( $M = 1.20$ ). Likewise, ratees receiving inflated ratings due to raters' high interpersonal affect perceive interpersonal fairness ( $M = 2.00$ ) more than ratees who receive deflated ratings due to raters' low interpersonal affect ( $M = 1.27$ ).

*H5* states that raters' interpersonal affect towards ratees will positively predict interpersonal fairness perceptions of ratees such that ratees who receive high interpersonal affect will perceive to have been treated more fairly during the PA

Variables	Occasion	Conditions	<i>M</i>	<i>SD</i>	<i>df</i>	<i>F</i>
Ratings distortion	1	High interpersonal affect	3.18	0.79	1, 43	62.234***
	2	Low interpersonal affect	1.79	0.93		
Distributive fairness	1	Distortion with high interpersonal affect	1.65	0.48	1, 43	23.118***
	2	Distortion with low interpersonal affect	1.20	0.41		
Interpersonal fairness	1	Distortion with high interpersonal affect	2.00	0.00	1, 43	114.66***
	2	Distortion with low interpersonal affect	1.27	0.45		
Interpersonal fairness	1	High interpersonal affect	4.71	0.23	1, 43	129.29***
	2	Low interpersonal affect	2.31	1.4		

Note: \*\*\* $p < 0.001$

**Table II.**  
Summary of  
repeated measures  
analysis with  
varying levels of  
interpersonal affect

process as compared to ratees who receive low interpersonal affect. Table II shows that raters' interpersonal affect towards ratees (high and low) positively and significantly predicts ratees' interpersonal fairness perceptions. However, ratees who are confronted with raters' high interpersonal affect perceive more interpersonal fairness ( $M = 4.71$ ) than ratees who are confronted with raters' low interpersonal affect ( $M = 2.31$ ) ( $F(1, 43) = 129.29, p < 0.001$ ).

## Discussion

The prime objective of this study was to examine the relationship between raters' mood and interpersonal affect and distortions of PA ratings, and their subsequent relationship with ratees' distributive and interpersonal fairness perceptions. Previous PA researches (Daus, 2001; Forgas, 1995; Lefkowitz, 2000; Turban *et al.*, 1990; Varma *et al.*, 2005) have suggested that raters are likely to form mood- and interpersonal affect-congruent judgements, and that they therefore rate employees' performance according to their mood and interpersonal relationships above and beyond the actual performance of employees.

In the present study, raters' mood seemed to significantly affect PA ratings as hypothesized. These findings substantiate some previous studies carried out both in noncontrived (e.g. Mayer and Hanson, 1995) and contrived settings (Robbins and DeNisi, 1998; Sinclair, 1988). Moreover, as hypothesized, raters in a pleasant mood were found to provide inflated ratings about ratees whereas raters in a sad mood were found to provide deflated ratings, both suggesting rating distortions. These results are consistent with the assumptions of the affect infusion model, which suggests that mood from an unrelated event may influence the judgement about the target, especially by entering into the judge's deliberations (Forgas, 1995).

Moreover, ratees' reactions in terms of fairness perceptions about PA have rarely been examined in the literature (Erdogan, 2003; Thurston and McNall, 2010). Consistent with the views of organizational justice theory in PA research, the present study reaffirmed the underlying relationships and provided empirical evidence that ratees' fairness perceptions depend upon rating distortions due to raters' mood. The results of the present study revealed that the intended relationship of distorted ratings with distributive and interpersonal fairness perceptions of ratees is confirmed (see also Thurston and McNall, 2010). It suggests that ratees who receive higher ratings perceive more distributive and interpersonal fairness than ratees who receive lower ratings, especially when the ratings have been influenced by raters' mood.

Furthermore, the second purpose of the study dealt with the extent to which interpersonal affect between raters and ratees is involved in shaping PA ratings. Again consistent with previous researches on interpersonal affect's primacy (Turban *et al.*, 1990; Zajonc, 1980), the hypothesized relationship was observed in the present study. There were significant mean differences in the ratings following high vs low interpersonal affect between raters and ratees. Therefore, those having high affective regard with supervisor (liked ratees) receive higher ratings than those having low affective regard (disliked ratees).

In addition, the present study has shown a significant relationship of rating distortions with fairness perceptions (distributive and interpersonal) of ratees based on raters' high and low interpersonal affect towards ratees. Both of these findings are consistent with the prediction of Sweeney and McFarlin's (1993) two-factor model for distributive fairness, and with Bies and Moag's (1986) agent-system model for interpersonal fairness. Ratees' distributive and interpersonal fairness perceptions were found to be affected by agent

(rater/supervisor) related variables, such as ratings provided under conditions of high vs low interpersonal affect. Presumably, ratees receiving higher ratings based on high interpersonal affect perceived high distributive and interpersonal fairness than ratees receiving low ratings based on low interpersonal affect.

Finally, the results of this study suggest that supervisor's liking of ratees might influence their treatment of ratees, and through this process, it may shape ratees' perceptions of interpersonal fairness. These findings are consistent with the proposition of Dienesch and Liden (1986) that liking may predict the relationship of supervisor and subordinate. This finding also substantiates Turban *et al.* (1990) that interpersonal affect may be a major dimension of treatment in a supervisor-subordinate relationship.

#### *Implications for practice and research*

Findings of the present study can be of great interest to PA practitioners, as our study points to possibilities of enhancing the quality of PA ratings by reducing biases due to raters' mood and interpersonal affect. Based on the present study's findings, organizations where ratings are influenced by behavioural and affective variables can revisit their PA system. They may modify raters' training programs to include awareness of biases caused by mood and interpersonal affect and their negative consequences on reactions of employees. That is, raters could learn to separate these emotional and attitudinal factors from actual performance information of employees that may in turn improve the accuracy of PA ratings. This may help produce more refined PA information, which can be used for a variety of purposes, such as administrative, developmental, strategic, and role-definition. Along with this, the study incorporates fairness in the PA context and supports the notion that both distributive and interpersonal fairness are predicted by the quality of the PA. Therefore, if organizations face problems of negative employee reactions towards the PA system, especially in terms of fairness, they may also train the supervisors to convey performance feedback in a gentler manner along with training of conducting PA.

From a theoretical perspective, the present study contributes to developing an understanding the linkage between fairness perceptions and rating distortions caused by raters' mood and interpersonal affect. The separate paths of these variables have been studied earlier, but the present research has tested their integrated effects. The present study attempted to integrate the affect infusion model with organizational justice theory and suggested a new paradigm in the extant literature of both mood and fairness perceptions in the PA context. This integration suggests that affect may lower the usefulness of PA ratings and may shape distributive and interpersonal fairness perceptions of ratees.

The present study may stimulate further research by increasing PA researchers' focus on emotion-laden fairness perceptions. We also expect that the present study may encourage organizational justice researchers (especially in PA context) to take the discussion on stability and consistency in fairness perceptions further. That is, fairness perceptions are often subject to fluctuation, especially the ones which are emotion-laden. This means that fluctuations in ratees' fairness perceptions would be contingent upon raters' emotions. Put simply, targets (ratees in this case) may change their fairness perceptions due to the change in the agent's (the rater) emotions, e.g., mood and affect.

#### *Limitations and directions for future research*

While the present study has made an adequate contribution to the extant literature on rating quality and shaping desired fairness perceptions of the ratees, it might have

some limitations. It is a simulated study and raters (undergraduate students) may not be representative for supervisors in a real work setting. Similarly, hypothetical ratees may not be representative for the employees in an actual work environment. However, for the present study, the experimental laboratory appeared to be the best for understanding the hypothesized relationships among the current study variables, and for establishing internal validity. Moreover, the study incorporated only behavioural antecedents of rating distortions. In line with this, other causes of rating distortions may also be taken into consideration including rater-centric, system-centric, ratee-centric and relationship-centric errors (Iqbal *et al.*, 2015). Unfortunately, a scenario of past performance was absent in the current laboratory study and PA ratings both in different mood and interpersonal affect conditions were independent of employees' past performance. In this way, the present study may be a snap shot of the biases due to mood and interpersonal affect in the PA process. Therefore, a more comprehensive longitudinal simulated study may be performed in the future to pursue the aspect of past performance of ratees. Moreover, the present study analysed only raters' mood. What impact can ratees' mood leave on their fairness perceptions under different rating distortions? And also, what effect can the interplay between raters' mood and ratees' mood have on fairness perceptions under different rating distortions? These are important questions which are yet to be answered.

### Conclusion

Distortion of PA ratings has become a costly workplace phenomenon, not only with respect to effectiveness of PA, but also in terms of alleviation of employee fairness perception, morale, trust and other person- as well as organization-referenced outcomes. It is therefore important that researchers continue to investigate its causes and effects. In so doing, both managers and researchers would be able to take a broader view of occurrence of rating distortions, and thus, can propose suggested ways to mitigate it. The present study's findings are significant because they draw attention to both emotion-laden backward and forward linkages of rating distortion, i.e., rater mood and affect, and ratee fairness perceptions, respectively. The study has the potential to incite managers to keep the lid on their own emotion-laden actions, especially while rating employee performance.

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Occurrence  
of rating  
distortions

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