

Building Goal Alignment in Federal Agencies' Performance Appraisal Programs

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Abstract

Public managers wrestle with how to influence organizational performance. Results-based management approaches point to the goal alignment's importance in performance management programs for meeting organizational goals. This research examines the extent to which federal agency organizational factors allow for performance appraisal goal alignment. Goal alignment is operationalized in two ways: embedding of strategic plan goals into employee performance plans and employee knowledge of how their work relates to the agency's goals and priorities. Using data from U.S. Office of Personnel Management's evaluation of federal agency appraisal programs, results indicate leadership support of the program is a determining factor of plan alignment. Communication of the organization's goals, the climate fit for achieving results, and whether the strategic plan was written for the agency program level tend to predict employee alignment. Strategic plan level is particularly important for strategic management literature, which has limited empirical evidence for the effectiveness of program-level strategic plans.

Keywords

performance appraisals, goal alignment, federal agencies, strategic plans

Introduction

In managing organizational performance, performance appraisals are an influential and often overlooked management tool. Generally viewed as either an administrative or a developmental tool for managing individual performance, performance appraisals

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are the seminal tool for linking individual performance to organizational goals and outcomes. This linkage, referred to as goal alignment, is important for increasing organizational performance (Andrews, Boyne, Meier, O'Toole, & Walker, 2012). Goal alignment occurs when the objectives and purposes of individuals are aligned with the objectives and purposes of the organization. In a public organization, individual employees' work and performance are aligned to the organizational strategic goals and individuals are held accountable for achieving organizational goals. The relationship between strategic planning to define organizational goals and performance is well established (Miller & Cardinal, 1994; Shrader, Taylor, & Dalton, 1984), while goal setting theory has firmly established the impact between aligning individuals' tasks with organizational goals for achieving increased performance (Locke & Latham, 2002; Roberts & Pavlak, 1996). For example, goal specificity can lead to higher performance than "just do your best" standards. However, most research on performance appraisals focus on its usefulness as a management tool for making promotion, personnel, and pay decisions (Daley, 2005). Pay for performance research has conceptually supported results-oriented performance appraisals, but its focus on motivation and control have provided limited insight to performance appraisal goal alignment (Kellough & Nigro, 2002; Taylor & Pierce, 1999).

Practitioners and academics agree on the importance of linking organizational goals to individual performance appraisal plans; however, the relationship has not been thoroughly tested. Performance appraisal literature focuses heavily on the quality of individual performance evaluations, but ignores the overall purpose of performance appraisals: to improve organizational performance (DeNisi & Sonenshein, 2010). Enhancing organizational performance starts with aligning individual performance with organizational goals and subsequently holding those individuals accountable for achieving organizational outcomes. The Employee Performance Management work-group of the National Council on Labor-Management Relations recently recommended that a Performance Management Accountability Framework include aligning employee performance management with organizational performance management (National Council on Labor-Management Relations, 2012). The council is not alone as rumblings in the practitioner human resources field are echoing this "best practice" (Corporate Leadership Council, 2010; SHRM Foundation, 2012). The ensuing Goals–Engagement–Accountability–Results (GEAR) pilot is the first in the federal government to encourage agencies to align individual performance with organizational performance, thus making the examination of federal agencies more pertinent and contextually significant. Currently, five federal agencies are implementing the GEAR recommendations.¹

There are a variety of performance appraisal approaches, ranging from trait-based to behavior-based. Generally, results-based management proponents believe Management by Objective (MBO) or Assessment by Objective (ABO) are the best approaches for ensuring accountability and results-oriented outcomes by individuals because they directly link an individual's activities to the overall objectives of the organization. The key components typically are measurable goals and activity objectives for individuals set through negotiation between the individuals and their bosses.

This direct alignment between organizational goals and individual goals is the key component to successful implementation of organizational goals and increasing organizational performance.

The purpose of this research is to understand an organization's capacity for goal alignment in a performance appraisal program and to demonstrate how performance appraisals can be a tool for monitoring and achieving organizational goals. Just as quality performance appraisal programs are multifaceted (Longenecker & Fink, 1997; Roberts, 1996; Roberts & Pavlak, 1996), so too should be their use. While goal alignment demonstrates the importance of linkage between organizational goals and organizational activities, not all organizations are likely to implement performance appraisal goal alignment. In particular, federal performance appraisal programs differ in the degree to which managers clearly link employee performance appraisals to strategic organizational goals (U.S Office of Personnel Management [OPM], 2001). This research posits that organizational and strategic plan factors can increase the probability that an organization will have performance appraisal goal alignment. Implementation literature indicates multiple factors such as resources, leadership support, climate fit, management guidance, and communication can predict if an agency is able to implement performance appraisals that align with strategic plan goals as an innovative management tool. The characteristics of the agency's strategic plan also influence performance appraisal goal alignment. To achieve performance appraisal goal alignment, the agency must develop its strategic plan in a way that objectives can be operationalized to meet the goals.

Performance Appraisal Goal Alignment

The majority of performance management and performance appraisal literature focuses on improving performance measurement. Because most modern performance appraisal programs require supervisor input, research has centered heavily on cognitive process issues such as rater and ratee biases and relationships (Bernardin & Pence, 1980; Duarte, Goodson, & Klich, 1994), rating errors (Bernardin & Buckley, 1981; Ilgen, Barnes-Farrell, & McKellin, 1993), use of Behaviorally Anchored Rating Scales (Smith & Kendall, 1963), performance appraisal participation (Cawley, Keeping, & Levy, 1998; Roberts, 2002), elements of effective performance appraisal systems (Lee, 1985; Murphy & Cleveland, 1995) increasing motivation (Oh & Lewis, 2009), acceptance (Reinke, 2003; Roberts, 1992; Roberts & Reed, 1996), and perceived fairness (deLeon & Ewen, 1997; Kim & Rubianty, 2011). Bretz, Milkovich, and Read (1992) found the majority of research centered on information processing, rater–ratee characteristics, errors and accuracy, feedback, and rater/appraisal sources. The focus on improving and understanding different components of the performance appraisal process means little focus has been given to other aspects of performance appraisal, such as its use as a management implementation tool (DeNisi & Sonesh, 2010) or as a tool for controlling organizational performance (Pulakos & O'Leary, 2011). Most recently, federal performance appraisal programs were evaluated against the Government Accountability Office's (GAO) criteria for effective performance

appraisal programs and found to be weak in evaluating differing levels of performance and providing consequences for performance ratings (Rubin, 2011).

Proponents of results-based management approaches point to the importance of goal alignment in organizational management systems for increasing organizational performance (Beehr, Glazer, Fischer, Linton, & Hansen, 2009; Kaplan & Norton, 1996; Olian & Rynes, 1991). Strategic management literature supports the concept that alignment of priorities leads to increased performance (Joshi, Kathuria, & Porth, 2003), but only recently has public management literature empirically tested the relationship in public organizations. Andrews et al. (2012) found that strategic alignment leads to better performance and different levels of hierarchy play an important role in the strategy process (Frazier & Swiss, 2008; Walker & Brewer, 2008). The solution to the principal–agent theory problem is to align the agent with the same values of the principal (Andrews et al., 2012). Likewise, the GAO states that one of the key practices for effective performance management is to align individual (agent) performance expectations with organizational (principal) goals (U.S. GAO, 2007). Goal alignment between what the individual is held accountable for and the goals of the organization helps ensure employees direct their efforts toward organizational goals (Jauch, Osborn, & Terpening, 1980; Schiemann, 2009). Measuring individual performance is generally a function of an organization's human resources system, which suggests that goal alignment should be built within the agency's performance appraisal program. However, typically the performance office (usually housed in the budget office) and the human resources office do not coordinate to make this goal alignment occur, thus, not all agencies are likely to implement performance appraisal goal alignment.

Goal alignment can be operationalized in an organization in various ways (Olian & Rynes, 1991; Schiemann, 2009). For the purposes of this research, performance appraisal goal alignment is conceptualized two ways: (a) embedding of strategic plan goals into employee performance plans (Plan Alignment), and (b) employee knowledge of how his or her work relates to the agency's goals and priorities (Employee Alignment). Plan Alignment is where the individual employee performance appraisal plans are designed to link to and support organizational goals; performance standards (performance measures) are linked to specific goals or outcomes identified in the agency's strategic plan. Agencies can have an entry on the employee performance plan form designated to show the link to a specific organizational goal, such as, "this standard is related to strategic goal 3.1.4." Alternatively, agencies can include goal wording in the language of the element or standard and the employee is held accountable to accomplish work activities directly related to the organizational goal. Plan Alignment can be considered a process agencies use to implement goal alignment.

Employee Alignment, also referred to as goal congruence, is the extent to which individual employees know how their work relates to the agency's goals and priorities. This assumes a feedback mechanism or written plan where employees understand how their work relates to the agency's goals and priorities. Knowledge of organizational goals is a type of goal alignment (Enriquez, McBride, & Paxton, 2001). Employee Alignment is positively associated with work attitudes, engagement, employee retention, and performance outcomes (Kristof-Brown & Stevens, 2001; Mone & London,

2009). Goal setting theorists hypothesize that employees are more likely to see their work as meaningful and adjust their performance accordingly if employees can see how their work contributes to achieving organizational goals (Locke & Latham, 2002). Moreover, when organizational goals are clearly defined, the goals can be cascaded to the individual level and attention focused on steps at the employee level to achieve the organizational goals (Pandey & Wright, 2006; Wright, 2004).

Capacity for Performance Appraisal Goal Alignment

Organizational strategies can be implemented by *aligning* organizational goal elements with an individual's performance appraisal and holding employees accountable for those organizational goals. As the GAO has suggested, a key to improving government through performance information is to create a "clear line of sight linking individual performance with organizational results" (GAO, 2007). However, another GAO report (2008) found that only 62% of federal managers reported using performance information to set individual job expectations for the government employees they supervise or manage.

When conceptualizing performance appraisal goal alignment as a management system innovation, multiple factors influence implementation. Building goal alignment in an organization requires the ability to implement the concept of goal alignment. Multiple factors have been identified that lead to successfully implementing innovation within an organization including an innovation champion (Rogers, 2003), stakeholder support (Franklin, 2001), slack resources (Berry, 1994; Damanpour, 1991; Greenhalgh, Robert, Macfarlane, Bate, & Kyriakidou, 2004), leadership support and advocacy (Berry & Wechsler, 1995; Jennings & Haist, 2006), organizational capacity (Greenhalgh et al., 2004), compatibility with organizational norms and values (Ghoshal & Bartlett, 1988; Rogers, 2003), communication (Nilakanta & Scamell, 1990), climate fit (Klein & Sorra, 1996), and organizational interconnectedness (Strang & Soule, 1998; Wejnert, 2002). While not exhaustive, this research suggests communication, leadership support, climate fit, management guidance, and strategic plan characteristics are among the most important factors that support the capacity for performance appraisal goal alignment in federal agencies (see Figure 1).

Communication. Successful implementation requires communication of the item to be implemented (Damanpour, 1991; Ghoshal & Bartlett, 1988; Nilakanta & Scamell, 1990; Rogers, 2003). A survey of private sector managers has repeatedly shown that management must communicate the strategic direction of the organization for successful implementation (Alexander, 1985). When managing organizational change, communication can serve to cast a compelling vision for new activities and promote the acceptance thereof (Fernandez & Rainey, 2006; Kotter, 1996). Activities that demonstrate how well managers communicate include the frequency that strategic plan objectives are communicated to federal employees throughout the agency, or the roll-out of the new agency strategic plan with a comprehensive communication plan that ensures all employees know the new strategic direction of the agency. Agency management must value communication.

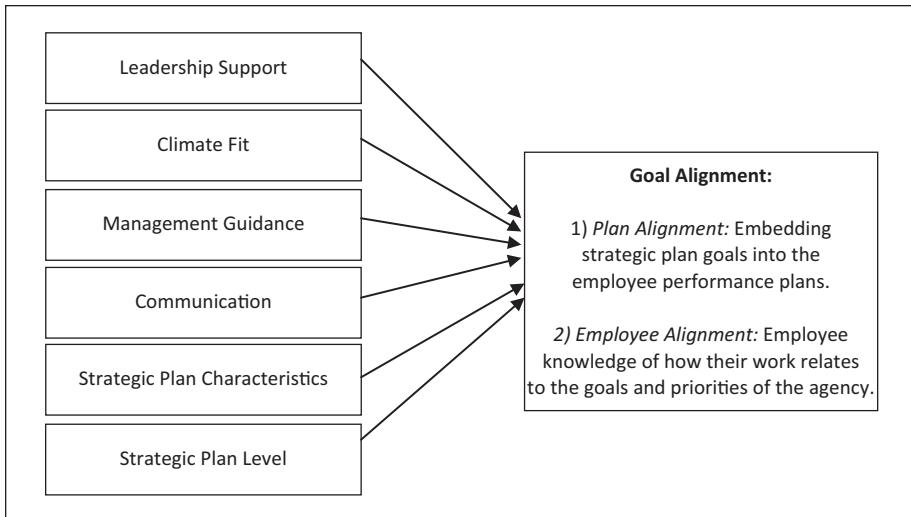


Figure 1. Research model.

Most communication research has centered on the vertical and horizontal flows of information and found that outcomes are usually the same. Communication outcomes include the extent to which employees are knowledgeable of the item (how it works, its purpose, its effect on the organization, and its effect on the individual employee), the location of the item (where it physically resides in the organization in terms of accessibility by all employees and responsibility for it), and knowledge of management support for the item. These communication concepts can be applied to an agency strategic plan. Agencies that regularly communicate the goals and objectives of the strategic plan are more likely to have a “line of sight” between individual activities and organizational goals. These agencies are also more likely to use performance appraisals as another communication tool to transmit the importance of an employee’s activities to the strategic mission and goals of the agency. *Communication* is conceptualized as the extent to which managers communicate the goals and priorities of the organization (Yang & Kassekert, 2009). The recommendations from the GEAR pilot suggest that agencies carry out quarterly performance reviews, which may greatly enhance goal alignment.

Hypothesis 1: Programs where managers regularly communicate the strategic goals of the organization to employees will be more likely to have performance appraisal goal alignment.

Leadership support. In addition to communication, a management control system requires leadership support and approval (Berry & Wechsler, 1995; Damanpour, 1991; Gabris & Ihrke, 2000; Greenhalgh et al., 2004; Rodgers, Hunter, & Rogers, 1993; Wejnert, 2002). One of the first steps in implementing performance management programs is securing the support of top leaders.

Real performance management requires an active strategy. It requires energetic leadership. It requires a leader, or a team of leaders, to make a conscious effort to change the behavior of the individuals who work for the organization and its collaborators. (Behn, 2002, p. 19)

Leadership credibility and motivation to accept new performance appraisal programs increase employee acceptance of the system (Gabris & Ihrke, 2000). Moynihan and Pandey (2010) found that the leadership role is a key factor in understanding public employee use of performance management information. Transformational leaders are able to articulate a clear vision and foster goal clarity, which can help identify critical tasks and allow for goal alignment to the task level (Moynihan, Pandey, & Wright, 2011). Agency leaders (usually those considered to be Senior Executive Service (SES) positions or higher), who are focused on results and achieving agency goals should be interested in and supportive of management tools that promote and achieve the agency goals, especially activities that link tasks to organizational outcomes and promote performance. Leadership should not only communicate management goals and objectives, but they must also approve of management systems that support those objectives. *Leadership support* is conceptualized as whether the program was approved by the agency head or designee before it was implemented, and if there is an agency official who has oversight of the results and awards under the program.

Hypothesis 2: Programs that have leadership support will be more likely to have performance appraisal goal alignment.

Climate fit. Klein and Sorra (1996) found an organization's climate fit of the innovation to be a key factor in implementation. Climate refers to employees' shared perceptions regarding the innovation and the extent to which different behaviors toward the innovation are rewarded, supported, or expected. Fit of an innovation refers to whether employees perceive the innovation will foster the organizational values. How likely an agency is to successfully align performance appraisal elements with strategic plan goals depends on the results-oriented climate of agency employees. Management within the agency must first value accountability and results. If employees feel that they are held accountable for achieving results and differences in performance are recognized in a meaningful way by their managers, chances are the employees are more likely to accept performance appraisals that hold them accountable for achieving program goals. *Climate fit* is conceptualized as employees' perceptions that they are held accountable for achieving results and differences in performance are recognized in a meaningful way.

Hypothesis 3: Programs that have a climate for achieving results and recognizing differences in performance will be more likely to have performance appraisal goal alignment.

Management guidance. Performance appraisal elements in a plan cannot link to achieving program outcomes without understanding first how the program assessments are

made. The tools and goals of a performance appraisal process should be congruent with organizational goals to achieve effective organizational functioning (Barrett, 1967). Alexander (1985) found that 1 of the top 10 most frequent strategy implementation problems was inadequate leadership and direction provided by departmental managers. The chain of command is very important for conveying guidance on organizational assessment processes. Top departmental managers, usually through the human resources function, are responsible for providing guidance to the rating officials (usually line-level managers) on organizational and individual assessments. Forging the link between the strategic and operational processes of an organization does not occur without management guidance and oversight (Vinzant & Vinzant, 1996). OPM advises agencies that rating officials need to understand how organizational assessments are made so that organizational performance is incorporated into the assessment process (OPM, 2008). *Management guidance* is conceptualized as guidance from the head of the agency or designee on how to incorporate organizational performance into the assessment process, especially regarding the appraisal of managerial and supervisory employees.

Hypothesis 4: Programs where management provides guidance to rating officials about how unit performance should be considered will be more likely to have performance appraisal goal alignment.

Strategic plan characteristics. Approaches to effective strategic plan implementation have emerged over the last 25 years (Poister, Pitts, & Edwards, 2010). For strategic plans, this means plan goals and objectives are easy to understand and the plan does not require additional knowledge from implementers. Typical strategic plans have the following key elements: mission and vision statement, strategic objectives and/or management objectives, and goals. Bryson (2003) suggested for effective implementation, the strategy documents should include action plans to guide implementation and focus attention on the necessary actions. Without action plans or specific action steps, it is difficult to make intended strategies a reality. Strategic plans (or accompanying action plans) should identify steps for implementation. These actionable steps can, in turn, be assigned to responsible agency employees and imbedded in a performance appraisal to ensure completion. Agencies with strategic plans that are easy to understand and actionable are more likely able to be aligned with agency performance appraisals. Agencies that delineate action steps and identify individuals or positions accountable for action step implementation are more likely to extend that accountability tracking to the individual's performance appraisal. In understanding goal ambiguity in federal agencies, Chun and Rainey (2005) examined the characteristics of strategic plans using a content analysis approach to determine goal ambiguity. Likewise, this study applies a content analysis approach to understanding specific characteristics. *Characteristics* are conceptualized as the extent to which the action plans, steps, or objectives for meeting each overarching organizational goal are delineated within the strategic plan.

Hypothesis 5: Programs that have clearly actionable strategic plans will be more likely to have performance appraisal goal alignment.

Strategic plan level. Almost 25 years ago, Bryson, Freeman, and Roering (1986) observed a lack of clarity in the appropriate organizational level for using strategic planning and identified this as an area for future research. To date, limited research has examined the effectiveness of department-level strategic plans (Bryson, Berry, & Yang, 2010; Korosec, 2006). Nonetheless, many agencies' subcomponents have chosen to develop their own strategic plans. Programs that have specifically related strategic plans (vs. using the overarching agency's strategic plan) are more likely to establish goals, objectives, steps and milestones that can be translated into program-level performance plans because they are written at a more focused level. With agency-wide strategic plans it is more difficult to assign linkage or accountability from broad organizational goals to individuals at the subprogram levels and the linkage is less meaningful. Developing a subunit or program-level strategic plan can allow for better cascading of goals and objectives to individuals and provide for more meaningful linkage. *Strategic Plan Level* is conceptualized as the organizational level at which the strategic plan was developed.

Hypothesis 6: Programs where the strategic plan was developed specifically for the program will be more likely to have performance appraisal goal alignment.

Because not all agency programs are alike, nor do they pursue strategic planning similarly, it is important to control for other influencing variables. The first control variable is size. Within the federal government, agencies range in size (in terms of number of employees) from several hundred to over half a million employees. Size is significantly related to goal ambiguity (Chun & Rainey, 2005). Size also appears to impact if an agency's approach to strategic planning is either a bottom-up or top down approach (Long & Franklin, 2004). For this research, the inclusion of size examines whether performance appraisal program size has a significant effect on the program's capacity to align organizational goals with performance appraisals. This research anticipates that size negatively affects the probability that a program will have performance appraisal goal alignment.

The second is regulatory status. Regulatory agencies struggle to clearly define results and goals as regulatory agencies have "notoriously vague and idealized mandates and face major disadvantages in trying to clarify their goals" (Chun & Rainey, 2005, p. 549). Reviews and audits serve as great output measures, but defining the outcomes and results of these reviews and audits can be difficult. Because regulatory agencies have highly idealized goals, it is difficult to demonstrate real results. Agencies are divided according to regulatory status: Direct Federal, Credit, Research and Development, Block/Formula Grant, Competitive Grant, and Regulatory (based on regulatory status determined by the U.S. Office of Management and Budget's Program Assessment Rating Tool). The inclusion of regulatory status is to determine if it has a

significant impact on performance appraisal goal alignment. This research anticipates that regulatory status negatively affects the probability that a program will have performance appraisal goal alignment.

Data and Method

This quantitative study uses data gathered by OPM on federal agency performance appraisal programs. In an effort to help federal agencies develop a results-oriented performance culture, OPM developed an assessment tool to evaluate agencies' performance appraisal programs.² The unit of analysis for this research is the performance appraisal program. The Performance Appraisal Assessment Tool (PAAT) evaluates agency appraisal programs on 10 dimensions that federal human resources practitioners identify as important for effective, results-oriented programs. OPM has collected data through the PAAT from over 150 agency performance appraisal programs. Sampling for this source of data is not random, because the PAAT "sample" includes data from almost all performance appraisal programs from the major federal agencies (it excludes appraisal programs for employees in the SES). The sample includes 138 agency programs. Examining agencies at the program level allows for a greater sample size and variability for the purposes of evaluating goal alignment. Performance appraisal programs differ across the government. About 65% of the programs use a 5-point rating scale (remaining programs use a pass/fail, 3- or 4-point rating scales) and only 34% of the programs are considered "results-oriented" using the overall PAAT rating.

The PAAT includes 73 qualitative and quantitative questions, including questions that request the program's Federal Human Capital Survey (FHCS) results. This research utilizes five questions from the PAAT (see Table 1 for research measures and variables) and results from four 2006 FHCS survey items. FHCS results include employees covered by a performance appraisal program. OPM performed its own validation study of the measures and found the measures to be generally valid, reliable, and acceptable.

While Government Performance and Results Act (GPRA) requires all agencies to have a strategic plan, not all agency subcomponents have individual strategic plans. In keeping with the performance appraisal program unit of analysis, this research identified strategic plans clearly associated with a performance appraisal program. In a few cases, a strategic plan was identified more than once to cover a performance appraisal program. For example, the Department of Justice Bureau of Alcohol, Tobacco, Firearms, and Explosives has three different performance appraisal programs, but only one strategic plan, while the U.S. Patent and Trademark Office has one performance appraisal program and one strategic plan. Extensive Internet searches and direct contact with agencies were methods used to locate agency and subagency strategic plans. Every effort was made to identify and collect program strategic plans; however, not all federal programs publish their strategic plans. For this research, 94 (62%) performance appraisal programs covered by PAAT have a strategic plan directly associated with them. The remaining 38% of performance appraisal programs have the overall agency strategic plan associated with it.

Table I. Research Variables and Measures.

Variable question	Question response	Number
Plan alignment (dependent variable) PAAT 6 a. Does the program description require that employee performance plans align with organizational goals, such as the specific goals identified in the organization's annual performance plan?	Y/N	151
Employee alignment (dependent variable) FHCS Item 19: I know how my work relates to the agency's goals and priorities.	% Agreed	147
Communication (independent variable) FHCS Item 39: Managers communicate the goals and priorities of the organization.	% Agreed	147
Leadership support (independent variable; index of two questions) PAAT 15 b. Was this program approved by the agency head or designee before it was implemented?	Y/N	151
PAAT 15 c. Is there a high-level agency official who has oversight of the results of appraisals and awards under this program?	Y/N	151
Climate fit (independent variable; index of two questions) FHCS Item 32: I am held accountable for achieving results. FHCS Item 29: In my work unit, differences in performance are recognized in a meaningful way.	% Agreed % Agreed	146 146
Management guidance (independent variable) PAAT 14 b. Did an agency official provide guidance to rating officials about how unit performance should be considered when deciding ratings and awards?	Y/N	151
Strategic plan characteristics (independent variable) Does the strategic plan delineate action plans, steps, or objectives for meeting each overarching organizational goal?	1-6 rating	148
Strategic plan level(independent variable) Was the strategic plan written specifically for that organizational level?	Y/N	148
Regulatory status (independent variable) Is the program considered a regulatory program as defined by OMB?	Y/N	151
Program size (independent variable) PAAT 1 c. How many total employees are covered by this appraisal program (including supervisors)?	Number of employees	149

Note. Data is used from five PAAT questions, four FHCS survey items, and three items created for this research. Question Responses are Y/N = Yes or No (dichotomous variable); percent positive responses to FHCS item question, on a 1% to 100% scale (continuous, interval variable); Federal agency strategic plans were rated using a three-part criteria: (a) Does the strategic plan clearly outline organizational goals? (b) Does the strategic plan include action plans or steps for achieving organizational goals? (c) Does the strategic plan identify action officers (employees or positions) responsible for achieving organizational goals? Strategic plans that met the criteria in Questions a and c received 1 point each and for Question b, received 1 point for each subrating criteria, for a total of 6 possible points; number of employees are the total number of employees covered by the performance appraisal program. Number is total number of performance appraisal programs (unit of analysis) where data for that question is available. PAAT = Performance Appraisal Assessment Tool; FHCS = Federal Human Capital Survey; OMB = Office of Management and Budget.

Agency strategic plans vary in fiscal year (FY) coverage, depending on when the strategic plans were published. Because agency strategic plans are mandated to cover a 5-year period, strategic plans used for this research ranged from FY 2003 to FY

2012. Strategic plans used for this research included FY 2008 in the 5-year period to ensure that activities in the strategic plan could be reflected in the PAAT ratings. Again, the sample is not completely random as it only includes programs with a PAAT score and a strategic plan.

Federal agency strategic plans were rated using a three-part criteria: (a) Does the strategic plan clearly outline organizational goals? (b) Does the strategic plan include action plans or steps for achieving organizational goals? (c) Does the strategic plan identify action officers (employees or positions) responsible for achieving organizational goals? Content analysis of each strategic plan was applied to determine if the plans delineate action plans, steps, or objectives for meeting each overarching organizational goal. Strategic plans that met the criteria in Questions a and c received 1 point each and for question b, received 1 point for each subrating criteria, for a total of 6 possible points. Two raters independently performed the content analysis using the criteria. Krippendorff (1980) noted that at least two independent rates must be used to determine the reliability of the content analysis. Only a handful of the strategic plans had ratings differ by more than one point. The raters discussed each strategic plan and identified that 99% of the time the difference in ratings was a result of disinformation, where one rater had overlooked a characteristic.

Results

Two statistical methods were used in this research: logistic regression and multiple regression. Logistic regression analysis was used to determine the extent to which the eight independent variables predict the probability of Plan Alignment (do employee performance plans align with and are designed to support organizational goals. Yes = 1; No = 0). Four of the variables in the model are binary and were identified as categorical independent variables in logistic analysis (Leadership Support, Management Guidance, Strategic Plan Level, Regulatory Status). The reference category for these variables is 1 = Yes (Indicator selection in SPSS). The remaining independent variables were considered interval covariates. In a bivariate correlation analysis, Communication, Regulatory Status, and Strategic Plan Direct are negatively related to the dependent variable, Plan Alignment. Only Leadership Support and Management Guidance are significantly correlated with Plan Alignment (see Table 2).

The model tests of goodness of fit and significance revealed the model is a good fit and overall, significant. The Hosmer and Lemeshow chi-square test of goodness-of-fit nonsignificant finding indicates the model adequately fits the data. The Hosmer and Lemeshow test is recommended for overall fit of a binary logistic regression model with small sample size and interval data. In addition, the significant Omnibus test of model coefficients indicates that model with the predictors is significantly different from a model with only the intercept, $\chi^2(8, n = 138) = 19.138, p < .05$. This indicates, as confirmed in the variables in the equation table, that at least one of the predictors is significantly related to the dependent variable and there is an adequate fit of the data to the model. The Nagelkerke R^2 can be loosely interpreted as the model explains 19% of the variance in whether a program has employee performance appraisal plans that align with strategic plan goals (see Table 3).

Table 2. Groupwise and Bivariate Comparison of Plan Alignment.

Variable	Plan alignment					
	No		Yes		Correlation	<i>p</i>
	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>		
Communication	60.179	11.251	60.113	10.491	-.003	.973
Leadership support	0.659	0.480	0.891	0.355	.274	.001
Climate fit	56.985	8.075	57.671	6.524	.043	.612
Management guidance	0.659	0.480	0.855	0.382	.218	.007
Strategic plan characteristics	3.075	0.789	3.301	0.808	.127	.125
Regulatory status	0.220	0.419	0.164	0.355	-.065	.429
Strategic plan level	0.707	0.461	0.591	0.406	-.114	.169
Program size	3,954	8,493	12,012	51,743	.116	.160

Note. Dependent variable: Plan Alignment (Y/N).

Table 3. Logistic Regression Results Predicting Plan Alignment (*n* = 138).

Predictors	<i>B</i>	OR	<i>p</i>
Communication	0.005	1.005	.825
Leadership support	1.251	3.493	.015
Climate fit	0.042	1.043	.200
Management guidance	0.797	2.220	.104
Strategic plan characteristics	0.341	1.406	.291
Strategic plan level	-0.329	0.720	.534
Regulatory status	-0.404	0.667	.434
Program size	0.000	1.000	.207

Note. Dependent variable: Plan Alignment (Y/N). Hosmer and Lemeshow chi-square test of goodness of fit: 4.222; *p* > .05; Nagelkerke *R*² = .19.

Of the predictor variables entered into the model, only one predictor variable, Leadership Support, met the Wald statistic for significance using a two-tailed test (*p* = .015). Programs that have leadership support are 2.5 times more likely to have Plan Alignment. This finding supports Hypothesis 2: Programs that have leadership support will be more likely to have performance appraisal goal alignment. The remaining variables were not found to be significant. If applying a one-tailed significance test, the Climate Fit, Management Guidance, and Program Size variables trend toward significance, which would support Hypotheses 3 and 5. However, other than Leadership Support, none of the other variables are uniquely significant and they fail to predict performance appraisal plan alignment.

Results from the classification table (Table 4) indicate that only 25% of the programs that do not have Plan Alignment were correctly classified. Almost 95% of programs that have Plan Alignment were correctly classified. Overall, over three fourths

Table 4. Logistic Regression Classification Table.

Observed	Predicted			Percentage correct
	No	Yes		
Plan alignment	No	9	27	25.0
	Yes	5	98	95.1
Overall percentage				77.0

Note. Logistic Regression has less power and is biased for Type II errors.

of the respondents were correctly assigned. The proportional by-chance accuracy rate was computed by calculating the proportion of cases for each group based on the number of cases in each group in the classification table at Step 0, and then squaring and summing the proportion of cases in each group ($0.259^2 + 0.741^2 = 0.616$). The accuracy rate computed by SPSS was 77%, which was greater than or equal to the proportional by-chance accuracy criteria of 77% ($1.25 \times 0.616 = 77\%$). While adequate, the criteria for classification accuracy were satisfied (Field, 2005).

Multivariate regression analysis was used to test the fit of a predictive model to predict the values of the dependent variable, Employee Alignment, from the eight independent variables. The same eight predictive variables from the logistic regression model were entered into a regression model with the dependent variable: Employee Alignment (employees know how their work relates to the agency's goals and priorities) (see Table 5 for the correlations). The results of the regression analysis indicated that the eight predictors accounted for 44% of the variance in Employee Alignment with strategic plan goals (see Table 6). The model as a whole was significant, $F(8, 138) = 12.604, p < .05$. The results of this regression analysis supports three of the six hypotheses (see Table 7).

Turning to the regression estimates, Communication and Climate Fit were positively and significantly related to Employee Alignment, indicating that higher levels of communication and climate for achieving results and recognizing differences in performance were associated with better employee knowledge of the agency's goals and priorities. The relative strength of the effect of the Communication coefficient is very large according to Cohen's d ($d = 1.4; r = .56$), while Climate Fit is medium ($d = .44; r = .22$) (Cohen, 1988; Rosenthal & Rosnow, 1991). Communication appears to have the largest unique influence on the dependent variable in the model ($\beta = .56, t = 7.968, p < .05$). The null hypothesis, there is no relationship between regular communication of strategic goals and employee knowledge of strategic goals, can be rejected. Therefore, Hypothesis 1 is supported: Programs where managers regularly communicate the strategic goals of the organization to employees will be more likely to have performance appraisal plan goal alignment. Climate Fit has the second largest unique influence on Employee Alignment ($\beta = .19, t = 2.603, p < .05$). Nevertheless, the null hypothesis, that there is no relationship between programs that have a climate for achieving results and recognizing difference in performance and employee knowledge

Table 5. Regression Correlations.

Variable	Employee alignment	Management guidance	Communication	Leadership support	Strategic plan characteristics	Strategic plan level	Regulatory status	Program size	Climate fit
Employee alignment									
Pearson	1	0.003	0.607	0.002	-0.133	0.220	0.016	0.015	0.358
Significance		.969	.000	.982	.111	.008	.846	.857	.000
n	147	147	146	147	145	145	147	145	144
Management guidance									
Pearson	0.003	1	0.073	0.408	0.150	-0.127	0.102	0.102	-0.016
Significance	.969		.380	.000	.070	.125	.211	.216	.849
n	147	151	146	151	148	148	151	149	144
Communication									
Pearson	0.607	0.073	1	0.007	-0.170	0.052	0.066	-0.037	0.304
Significance	.000	.380		.936	.041	.534	.431	.660	.000
n	146	146	146	146	144	144	146	144	143
Leadership support									
Pearson	0.002	0.408	0.007	1	0.022	-0.069	0.041	0.020	0.058
Significance	.982	.000	.936		.792	.406	.616	.811	.488
n	147	151	146	151	148	148	151	149	144
Strategic plan characteristics									
Pearson	-0.133	0.150	-0.170	0.022	1	-0.462	-0.044	0.157	-0.314
Significance	.111	.070	.041	.792		.000	.598	.058	.000
n	145	148	144	148	148	148	148	146	142

(continued)

Table 5. (continued)

Variable	Employee alignment	Management guidance	Communication	Leadership support	Strategic plan characteristics	Strategic plan level	Regulatory status	Program size	Climate fit
Strategic plan level									
Pearson	0.220	-0.127	0.052	-0.069	-0.462	1	-0.042	0.083	0.266
Significance	.008	.125	.534	.406	.000		.614	.317	.001
n	145	148	144	148	148	148	148	146	142
Regulatory status									
Pearson	0.016	0.102	0.066	0.041	-0.044	-0.042	1	-0.075	-0.050
Significance	.846	.211	.431	.616	.598	.614		.361	.554
n	147	151	146	151	148	148	151	149	144
Program size									
Pearson	0.015	0.102	-0.037	0.020	0.157	0.083	-0.075	1	-0.002
Significance	.857	.216	.660	.811	.058	.317	.361		.977
n	145	149	144	149	146	146	149	149	142
Climate fit									
Pearson	0.358	-0.016	0.304	0.058	-0.314	0.266	-0.050	-0.002	1
Significance	.000	.849	.000	.488	.000	.001	.554	.977	
n	144	144	143	144	142	142	144	142	144

Note. Dependent variable: Employee Alignment (% agree).

Table 6. Regression Results Predicting Employee Alignment ($n = 138$).

Predictors	B	SE	β	p
Communication	0.297	.037	.559	.000
Leadership support	-0.642	.998	-.044	.521
Climate fit	0.150	.058	.192	.010
Management guidance	-0.151	.968	-.011	.876
Strategic plan characteristics	0.839	.552	.120	.131
Strategic plan level	2.105	.891	.181	.020
Regulatory status	0.167	.952	.012	.861
Program size	0.000	.000	.004	.954
R^2			.437	

Note. Dependent variable: Employee Alignment (% agree).

of strategic goals can be rejected and Hypothesis 3 is confirmed. Programs that have a climate for achieving results and recognizing differences in performance will be more likely to have performance appraisal goal alignment.

Strategic Plan Level was also a significant and positive predictor of Employee Alignment, indicating that programs with strategic plans directly developed for that program were associated with better employee knowledge of the agency's goals and priorities. Whether a program has developed its own strategic plan for its level is significantly and positively related to employee knowledge of strategic plan goals ($\beta = .18$, $t = 2.361$, $p < .05$). Hypothesis 6 is confirmed. The nonsignificant findings for Leadership Support, Management Guidance, and Strategic Plan Characteristic variables indicate that the null hypothesis cannot be rejected for those hypotheses.

Discussion

The results provide insight into goal alignment as a process and as employee knowledge. Looking first at the logistic regression results of Plan Alignment, as suggested by the implementation literature, leadership support remains the largest predictor of innovation implementation within an organization (Damanpour, 1991; Greenhalgh et al., 2004; Moynihan & Pandey, 2010; Wejnert, 2002). Agency programs that have high-level leadership support and oversight will be more likely to have employee performance appraisal plans that align with agency strategic plan goals. Given the procedural nature of embedding strategic plan goals within employee performance plans, the relationship between it and leadership approval and oversight, also procedural functions, makes sense. High-level leadership is often involved in the development of, and held accountable for, agency strategic goals. U.S. Office of Management and Budget and Congress hold agency heads responsible for achieving and demonstrating agency performance outcomes related to their strategic plans. This same high-level agency leadership would support a mechanism that would ensure mid-level and front-line supervisors are accountable for achieving performance results.

Table 7. Supported Hypotheses.

Hypotheses	Plan alignment	Employee alignment
Hypothesis 1: Programs where managers regularly communicate the strategic goals of the organization to employees will be more likely to have performance appraisal goal alignment.	No	Yes
Hypothesis 2: Programs that have leadership support will be more likely to have performance appraisal goal alignment.	Yes	No
Hypothesis 3: Programs that have a climate for achieving results and recognizing differences in performance will be more likely to have performance appraisal goal alignment.	No	Yes
Hypothesis 4: Programs where management provides guidance to rating officials about how unit performance should be considered will be more likely to have performance appraisal goal alignment.	No	No
Hypothesis 5: Programs that have clearly actionable strategic plans will be more likely to have performance appraisal goal alignment.	No	No
Hypothesis 6: Programs where the strategic plan was developed specifically for the program will be more likely to have performance appraisal goal alignment.	No	Yes

While the remaining variables in the logistic regression analysis were not found to be uniquely significant using the Wald statistic for significance, three trend toward significance: Climate Fit, Management Guidance, and Program Size. Given the operationalization of the dependent variable as an organizational process, these three are slightly more influential on processes than the remaining variables. Program Size has no directional effect on whether an agency program has Plan Alignment, but from a simple means comparison, on average, larger programs tend to have strategic plan goals embedded in their performance appraisal plans. Likewise, the small number of agency regulatory programs included in the sample does not appear to impact Plan Alignment.

The extent to which managers communicate the goals and priorities of the organization does not directly influence the process of embedding strategic plan goals in performance appraisal plans. Future evaluations of this model should include a communication variable conceptualized as manager communication to the supervisors, or human resources officials or similar positions. In practice, the lack of coordination between an agency's budget and performance office and the human resources office has resulted in a disconnect between organizational performance and individual performance. While traditional bureaucratic structure created the divide, agencies are beginning to see the importance of collaboration for performance purposes (National Council on Labor-Management Relations, 2012).

It was anticipated that if an agency strategic plan delineated action steps and identified individuals or positions accountable for action step implementation, those programs would be more likely to extend that accountability tracking to the individual's performance appraisal. The nonsignificant finding may be the result of the Plan Alignment ratings. OPM officials rated performance appraisal plans based on whether the performance plans align with organizational goals, not necessarily on whether action steps or other organizational objectives or measures were in the performance plans. This would exclude performance plans that include such alignment (especially those at the SES level), but do not specifically list strategic plan goals.

Turning to the multivariate regression results using the Employee Alignment dependent variable, the results are considerably different from the results using the Plan Alignment dependent variable. The variables found to be significantly related to Employee Alignment differ in measurement (percentage responses vs. dichotomous responses) from those variables found to be significantly related to Plan Alignment. When conceptualizing goal alignment as employee knowledge, Communication, Climate Fit, and whether a program has a strategic plan directly created for it are all factors that can enhance employees' knowledge about how their work relates to the organization's goals and priorities; whereas, the more procedural factors of Leadership Support and Management Guidance are not related to enhancing employees' knowledge. While they set processes in place that are intended to lead to goal alignment, both of these variables are one step removed from actually enhancing employees' knowledge.

Communication had the greatest relative strength in explaining Employee Alignment ($\beta = .56$, $t = 7.968$, $p < .05$), with over twice the explanatory strength of the next highest variable. Again, this finding affirms the important and widespread role of communication in implementation literature (Damanpour, 1991; Ghoshal & Bartlett, 1988; Nilakanta & Scamell, 1990; Rogers, 2003), and further supports the common belief that agencies that regularly communicate the goals and objectives of the strategic plan are more likely to have "line of sight" between individual activities and organizational goals, thus providing staff greater clarity as to how their work relates to the agency's goals and priorities. While simply a confirmatory finding for the theory, in practice, it should affirm the value of leadership communication and transparency across an organization and the importance of front-line supervisors explaining how the work of each employee relates to the overall organization's mission.

The results also support the third hypothesis that programs that have a climate for achieving results and recognizing differences in performance are more likely to have employee alignment. Climate Fit's relative strength ($\beta = .19$, $t = 2.603$, $p < .05$) is much smaller than Communication's, but follows Klein's and Sorra's (1996) findings that an organization's Climate Fit of the innovation is a key factor in implementation. Perceptions of being held accountable for achieving results seem to imply that employees must be knowledgeable about the results they are to achieve.

Strategic Plan Characteristics and Strategic Plan Level were hypothesized to positively influence Employee Alignment. However, the results indicate that Strategic Plan Characteristics are not significantly predictive ($\beta = .12$, $p = .131$). Given that all agencies are required to develop 5-year strategic goals, almost all agencies met this

requirement, which limits variance. Bryson et al. (2010) suggested that strategic public management research should give greater attention to how strategy is used in practice. This research attempted to understand how specific strategic plan characteristics would increase goal implementation effectiveness through goal alignment. Given the outcome, future research should make the measures more nuanced to determine specifically which strategic plan characteristics are more conducive to implementation.

When GPRA required agencies to prepare three-to-five year strategic plans, the initial requirement was to develop plans at the agency level. Since that initial mandate, many subagencies, divisions, and units have developed their own strategic plans. Having a subunit program strategic plan naturally increases the linkage between program activities and strategic plan goals. This is especially true for very large agencies such as the Department of Commerce, where the activities of a subagency, like the Patent and Trademark Office, can be more clearly linked to its own strategic plan than to its parent agency. The question of the appropriate organizational level for effective strategic planning has yet to be addressed (Bryson et al., 2010; Bryson et al., 1986). As indicated, having a strategic plan written directly for an agency program is significantly predictive of employees' knowledge of how their work relates to the agency's goals and priorities. The relative size of the coefficient is small when compared with other factors in the model, but important. It appears that the levels at which organizational goals are developed is predictive of employee alignment within an organization.

In addition, in simple cross tab analysis, smaller agency programs' strategic plans tended to identify specific employees, positions or offices responsible for action plans, steps, or performance measures and indicators more than larger agency strategic plans. This is logical for strategic plans that cover entire agencies, because it is more difficult to align organizational goals to individual performance and the linkage is less meaningful. Having or developing a subunit or program strategic plan allows for better cascading of goals and objectives to individuals and more meaningful linkage.

Conclusion

The purpose of this research was to understand the capacity of a federal agency to have goal alignment in its performance appraisal program. As the results indicate, building goal alignment in federal agencies depends on the conceptualization of goal alignment as either Plan Alignment or Employee Alignment. Several key findings emerge from this research. Foremost, the research confirms communication as the largest predictor of employee goal alignment. Regular management communication of the goals and priorities of the organization plays a significant role in employee knowledge of those goals and priorities. Second, climate fit is predictive of employee goal alignment. A results-oriented organization is usually viewed as a result of goal alignment, (Jauch et al., 1980), but as this relationship suggests, the relationship may be more circular and reinforcing.

Third, leadership support of a performance appraisal program is a predictor of performance appraisal plan alignment. As a process of embedding strategic plan goals into performance plans, leadership support and approval greatly increases the probability of plan alignment. This result affirms the theory that any management system

requires leadership support and approval (Berry & Wechsler, 1995; Damanpour, 1991; Greenhalgh et al., 2004; Wejnert, 2002). This linkage assumes that the same leaders who shepherd the strategic goal identification process also support management processes and controls to achieve goal accomplishment.

Finally, a key finding of this research is the level at which a strategic plan is developed. While most of the other variables produced confirmatory findings (albeit useful to know in the federal agency context from a best-practices standpoint), the organizational level at which the strategic plan is developed does help fill a research gap identified in strategic management literature (Bryson et al., 2010). The predictive finding that strategic plans be developed directly for a program, versus relying on an overall agency strategic plan, is an important contribution to goal alignment, organizational performance, and strategic management theories. The relative size of the coefficient is small when compared with other factors such as communication and climate fit, but important. Strategic management and goal alignment literature has not specifically tested the influence of program levels in strategic plans. A strategic plan that is directly related to a program is a predictive indicator of employee alignment. In turn, if goal alignment is important to increasing organizational performance outcomes, program-level strategic plans may be tied to increased program performance where goal alignment is a factor. Future research should examine this link between strategic plan level and public sector organizational performance.

Author's Note

The research and discussion presented in this article are solely those of the author and do not necessarily represent the U.S. Office of Personnel Management.

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Notes

1. These agencies are U.S. Office of Personnel Management, Department of Energy, U.S. Coast Guard, Department of Veterans Affairs, and Department of Housing and Urban Development.
2. There is a difference between an *appraisal program* and an *appraisal system*. Every agency has a performance appraisal system which must be approved by Office of Personnel Management (OPM) before implementation. A performance appraisal system is a broad umbrella of agency-specific criteria under which its appraisal programs can operate. For example, the Department of Transportation has one appraisal system approved by OPM, but it operates 12 different appraisal programs under that system. Programs may offer different approaches to evaluating individual performance. The Performance Appraisal Assessment Tool (PAAT) evaluates agency performance appraisal programs.

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