

# BUSINESS REVIEW

# PURPOSES OF PERFORMANCE APPRAISAL: A SYSTEMATIC REVIEW AND AGENDA FOR FUTURE RESEARCH

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#### **ARTICLE INFO**

**Article history:** 

Received 07 April 2023

Accepted 04 July 2023

#### **Keywords:**

Performance Appraisal; Purposes;

Performance Appraisal Purposes; Systematic Review.



#### **ABSTRACT**

**Purpose**: This study expands the knowledge on theoretical and practical performance appraisal purposes (PAPs) explanations.

**Theoretical framework**: Performance Appraisal (PA) has already demonstrated its peculiar characteristic of being the foundation on which decision-making on other Human Resource (HR) policies is based, such as salary increase, training, identification and separation of poor performance. Despite that, there is a general understanding that among the criteria for measuring performance appraisal effectiveness, PAPs have been little explored by academics and researchers. However, the importance of PAPS in employees' reactions is recognized.

**Design/methodology/approach**: Based on a systematic literature review, we synthesized 24 peer-reviewed journal papers published in the last ten years: 2012-2022.

**Findings**: The descriptive results suggest that there has been a decrease in interest in researching on PAPs. At some time, the thematic results suggest that PAPs have been operationalized as an independent variable.

**Research, Practical & Social implications**: Our findings broaden the understanding on PAPs in different cultural and organizational contexts, especially in Asia and Africa. On the other hand, this article can help to improve the perception of appraisers and appraisees on the usefulness of the appraisal system. This way, helping to reduce the prevailing perception that RH practices are not efficient and effective.

**Originality/value:** The line of investigation on PAPs is aligned with previous research whose prevailing domain of administrative and development purposes is still a reality in studies on the topic. However, the novelty in this study is the growing concern with the accuracy and reliability dimension of PAPs.

Doi: https://doi.org/10.26668/businessreview/2023.v8i7.2274

# PROPÓSITOS DA AVALIAÇÃO DE DESEMPENHO: UMA REVISÃO SISTEMÁTICA E UMA AGENDA PARA PESQUISAS FUTURAS

#### **RESUMO**

**Objetivo:** Este estudo amplia o conhecimento sobre as explicações teóricas e práticas das finalidades da avaliação de desempenho (PAPs).

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# Lameque, I. do C. L., Velez, M. J. P., Botelho, C. M. D. A. (2023) Purposes of Performance Appraisal: A Systematic Review and Agenda for Future Research

Estrutura teórica: A Avaliação de Desempenho (AP) já demonstrou sua característica peculiar de ser o alicerce sobre o qual se baseia a tomada de decisões em outras políticas de Recursos Humanos (RH), como aumento salarial, treinamento, identificação e separação de desempenho insatisfatório. Apesar disso, há um entendimento geral de que, entre os critérios para medir a eficácia da avaliação de desempenho, os PAPs têm sido pouco explorados por acadêmicos e pesquisadores. Entretanto, a importância dos PAPS nas reações dos funcionários é reconhecida.

**Projeto/metodologia/abordagem:** Com base em uma revisão sistemática da literatura, sintetizamos 24 artigos de periódicos revisados por pares publicados nos últimos dez anos: 2012-2022.

**Conclusões:** Os resultados descritivos sugerem que houve uma diminuição no interesse em pesquisar sobre PAPs. Em algum momento, os resultados temáticos sugerem que os PAPs foram operacionalizados como uma variável independente.

Implicações para a pesquisa, práticas e sociais: Nossos resultados ampliam a compreensão sobre os PAPs em diferentes contextos culturais e organizacionais, especialmente na Ásia e na África. Por outro lado, este artigo pode ajudar a melhorar a percepção dos avaliadores e avaliados sobre a utilidade do sistema de avaliação. Dessa forma, ajuda a reduzir a percepção predominante de que as práticas de RH não são eficientes e eficazes.

**Originalidade/valor:** A linha de investigação sobre PAPs está alinhada com pesquisas anteriores, cujo domínio predominante de propósitos administrativos e de desenvolvimento ainda é uma realidade nos estudos sobre o tema. Entretanto, a novidade deste estudo é a crescente preocupação com a dimensão de precisão e confiabilidade dos PAPs.

Palavras-chave: Avaliação de Desempenho, Finalidades, Finalidades da Avaliação de Desempenho, Revisão Sistemática.

# PROPÓSITOS DE LA EVALUACIÓN DEL RENDIMIENTO: UNA REVISIÓN SISTEMÁTICA Y UNA AGENDA PARA FUTURAS INVESTIGACIONES

#### RESUMEN

**Propósito:** Este estudio amplía el conocimiento sobre las explicaciones teóricas y prácticas de los propósitos de la evaluación del desempeño (PAP).

Marco teórico: La evaluación del desempeño (PAP) ya ha demostrado su peculiar característica de ser la base sobre la que se asienta la toma de decisiones en otras políticas de Recursos Humanos (RRHH), como los incrementos salariales, la formación, la identificación y separación del desempeño insatisfactorio. A pesar de ello, existe un entendimiento general de que entre los criterios para medir la eficacia de la evaluación del desempeño, los PAP han sido poco explorados por académicos e investigadores. Sin embargo, se reconoce la importancia de los PAPS en las reacciones de los empleados.

**Diseño/metodología/enfoque:** Sobre la base de una revisión sistemática de la literatura, sintetizamos 24 artículos de revistas revisadas por pares publicados en los últimos diez años: 2012-2022.

Conclusiones: los resultados descriptivos sugieren que se ha producido una disminución del interés en la investigación sobre los PAP. En algún momento, los resultados temáticos sugieren que los PAP se operacionalizaron como una variable independiente.

Implicaciones para la investigación, la práctica y la sociedad: Nuestros resultados amplían la comprensión de los PAP en diferentes contextos culturales y organizativos, especialmente en Asia y África. Por otro lado, este trabajo puede contribuir a mejorar la percepción de los evaluadores y evaluados sobre la utilidad del sistema de evaluación. De este modo, contribuye a reducir la percepción predominante de que las prácticas de RRHH no son eficientes y eficaces.

**Originalidad/valor:** La línea de investigación sobre PAP se alinea con investigaciones anteriores, cuyo dominio predominante de fines administrativos y de desarrollo sigue siendo una realidad en los estudios sobre el tema. Sin embargo, la novedad de este estudio es la creciente preocupación con la dimensión de exactitud y confiabilidad de los PAP

Palabras clave: Evaluación del Desempeño, Fines, Fines de la Evaluación del Desempeño, Revisión Sistemática.

#### INTRODUCTION

Performance Appraisal has already demonstrated its peculiar characteristic of being the foundation on which decision-making on other HR policies is based, such as salary increase, training, identification and separation of poor performance (Abdullah, Hussein & Mejbel, 2023; Abunaila & Kadhim, 2022; Aguinis, 2014; Brown, O'Kane, Mazumdar & McCracken, 2019; Iqbal, 2012; Jacobs, Kafry & Zedeck, 1980; Justin & Joy, 2022). Thus, PA is defined as "a systematic description of an employee's strengths and weaknesses" (Aguinis, 2014, p. 3).

Studies on PA have been revealing some "mistrust" or "failure" by companies stemming from their PA systems (Adler, Campion, Colquitt, Grubb, Murphy, Ollander-Krane & Pulakos, 2016; Pulakos, Mueller-Hanson & Arad, 2019). Some critics have argued that PA is built around subjective criteria (Murphy, 2020). In addition, PA produces inaccurate information, not contributing to improving employee performance; from the point of view of cost-benefit, the outcomes are still questionable (Pulakos et al., 2019). Consequently, many large companies have put aside their PA systems, namely Accenture, Deloitte, Microsoft, GE, Adobe, GAP and Medtronic (Murphy, 2020). However, the scenario described above contrasts with the domain PA has in the scientific field compared with other components encompassing Performance Management (PM). In this regard, Brown et al. (2019) conducted a literature review and concluded that there was a lot of research involving classifications and the use of PA; on the contrary, the subjects stemmed from broader PM units, such as strategic goals alignment, feedback, and long-term and short-term goal; all of them have received less attention in the literature.

Thus, among the fundamental themes of HRM, PA effectiveness has always concerned researchers and professionals (Brown, 2019; Iqbal, Akbar & Budhwar, 2015; Iqbal, 2012, Jacobs et al., 1980). So, Jacobs et al. (1980) defined three criteria for measuring PA effectiveness, namely qualitative criteria (fairness), quantitative criteria (reliability and accuracy), and use (purposes). In this regard, it is clear that PA effectiveness is not measured only by the psychometric robustness of the classification method (Ikramullah, Shah, Khan, Ul-Hassan & Zaman, 2012; Khan, Hussain & Khan, 2020) but also by the ability of PA to attain its defined purposes (Hansen, 2021; Youngcourt, Leiva & Jones, 2007). So, researching on PAPs is a way to answer the following question: why is PA conducted (Ikramullah et al., 2016)? Answering this question has an impact, in some way, on employees' perception and reactions to the usefulness of PA (Ikramullah, Van Prooijen, Iqbal & Ul-Hassan, 2016, Ikramullah et al.,

2012; Iqbal, 2012). Thus, this paper aims to expand the knowledge on PAPs' theoretical and practical explanations.

There is a reasonable consensus in the literature that PAPs are the following: administrative purposes, developmental purposes, role-definition purposes and strategic purposes (Eyoun, Chen, Ayoun & Khliefat, 2020; Iqbal, 2012; Ikramullah et al., 2012; Youngcour et al., 2007; Farh, Cannellajr & Bedeian, 1991; Murphy & Williams, 1989). In this way, the definition of PAPs suggests caution because PAPs have impacts on both results as well as on the PA process (Cleveland, Murphy & Williams, 1989; Fedor & Bettenhausen, 1989; DeNisi; Cafferty & Meglino, 1984; Pulakos et al., 2019). In addition, it appears that the definition of multiple purposes determines the performance appraisal's outcome (Pulakos et al., 2019; Cleveland et al., 1989). For example, scholars have suggested that PA may create conflicting demands and expectations when it seeks to achieve both administrative and development purposes because the combination of these purposes can negatively affect the effectiveness of PA systems (Cleveland et al., 1989; Morley, Murphy, Heraty, Mccarthy & Cleveland, 2021).

Although the literature reality described above, little research has paid attention to the topic of PAPs. For many years, the research focus on PAPs has been individual-focused. For example, Dorfman, Stephan and Loveland (1986) investigated PAPs using factor analysis; the study revealed three formal dimensions of PA (two developmental and one administrative). In the same way, Murphy and Williams (1989) presented factor analysis results that identified 20 uses of PA. Then, the authors suggested four PAPs categories and labelled them as follows: between individuals, within individuals, system maintenance and documentation. Youngcourt et al. (2007) had the merit of widening the scope of PAPs; they introduced a position-focused purpose, testing the role-definition purpose. Finally, Iqbal (2012) conducted a rare literature review that contributed to the classification of PA purposes and uses. Thus, out of the already known purposes (administrative, development, and role definition), the author studied the organisation-focused purpose, consolidating the explanation of the strategic purpose.

However, our research has a different focus. So far, the research seems to have focused on either inventorying and subsequent classification (e.g., Dorfman et al., 1986; Murphy & Williams, 1989) or testing the PAPs (e.g., Morley et al., 2021; Youngcourt et al., 2007). Therefore, our research focuses on a systematic literature review in which we address the following two research questions: how have PAPs been investigated? Which variables have PAPs been operationalized with? As we realized that PAPs had not been given the relevance

that deserves within HRM, we proposed conducting this research since it seems there is a need for some theoretical and methodological systematization of the theme. In doing this, it could contribute to drawing the attention of scholars and practitioners to this "forgotten" theme and provide guidelines that researchers and practitioners can take into account in investigating and applying the theme.

The rest of the paper unfolds as follows. First, we carry out a literature review in which we seek to present an overview of the literature. Then, we describe the methodology used, which enabled us to introduce the descriptive and thematic outcomes of the paper. We continue by presenting the discussion of the results, highlighting the contributions and limitations of our study. Finally, we reach the conclusions of the study.

#### LITERATURE REVIEW

The overarching goal of this paper is to expand the knowledge on PAPs' theoretical and practical explanations; in this regard, we presented an overview of the theme, focusing on the theoretical foundations that support each PAPs and their influence on the stakeholders.

# **PA Purposes Overview**

PAPs constitute the motivational foundation for the behaviour of employees (Chiang & Birtch, 2010). The studies on PAPs have always been confined to administrative and developmental purposes (see Cleveland et al., 1989; Dorfman et al., 1986; Eyoun et al., 2020; Farh et al., 1991; Iqbal, 2012; Ikramullah et al., 2012). This evidence is not new since Zimmerman, Mount and Goff (2008) noted that PA was used primarily for developmental purposes in many organisations, followed by administrative purposes. Chiang and Birtch (2010) reached a similar conclusion when they studied PAPs in 7 countries (Canada, Hong Kong, Finland, Singapore, Sweden, the United Kingdom and the United States). However, changes in the market driven by globalisation, competitiveness, and technologies imposed the need to broaden the PAPs. This is why it has increased research on role definition and strategic purposes (Nazaruddin, Sofyani, Hayati, Suryaningrum & Putri, 2020; Youngcour et al., 2007). However, any organisation must consider that PAPs have to be clearly defined since the PA system that seeks to follow many purposes risks not attaining them well (Pulakos et al., 2019). For example, Cleveland et al. (1986) asserted that when a PA system follows multiple purposes, there is a risk that the rater may appraise the consequence of each purpose, thus completing the appraisal form with the most crucial purpose in mind and disregarding all others.

Dorfman et al. (1986) investigated supervisors' perceptions and subordinates' reactions to the PAPs. The results revealed three dimensions of PA: two developmental dimensions (being supportive and emphasising performance improvement) and one administrative dimension (discussing pay and promotions). Following the same path, Cleveland et al. (1989) conducted a factor analysis that resulted in a set of uses of PA; then, the authors organised them into four factors, namely "between individuals", "within individuals", "system maintenance", and "documentation".

The elements that belong to the "between individuals", namely salary administration, promotion, retention or termination, and recognition of individual performance, seem to be the same ones that the literature points out as part of administrative purposes (Eyoun et al., 2020; Nazaruddin et al., 2020; Youngcour et al., 2007). While the components that concern the within individuals - for example, identifying training needs, performance feedback, determining transfers and tasks, and identifying an individual's strengths and weaknesses –seem to be the components that the literature points to as part of development purposes (Eyoun et al., 2020; Nazaruddin et al., 2020; Youngcour et al., 2007). On the other hand, the elements that belong to the "system maintenance", namely evaluating goal achievement and assisting in goal identification, appear to be part of strategic purposes (Iqbal, 2012; Nazaruddin et al., 2020). Finally, the component that pertains to the "documentation", namely strengthening the authority structure, is regarded as part of the role definition purpose (Iqbal, 2012; Ikramullah et al., 2012, Youngcour et al., 2007).

#### **PA Purposes Components/Concepts**

Each PAP has a theory (or theories) that constitutes the basis of the explanation. The PAPs represent one of the criteria for measuring PA effectiveness (see Chiang & Birtch, 2010; Iqbal et al., 2015). In this section, we present a brief explanation of each of them. In addition, we provide a table showing the limitations and benefits of each of the PAPs (see Table 1).

#### Administrative purposes

Expectancy Theory (Vroom, 1964) and Equity Theory (Adams, 1963) support the relationship between administrative purposes and ratee reactions. Under the tenets of the Expectancy Theory, it is argued that to increase employee engagement, they should be rewarded according to their performance (Iqbal et al., 2015). Similarly, equity theory argues that employees understand that there is equity when they are rewarded according to their

performance (Chiang & Birtch, 2010). So, Recently, Nazaruddin et al. (2020) found that when employees have higher expectations about a particular reward, their performance will be higher. So, organizations should create a climate that stimulates a perception that PAPs impact their lives since it can positively affect employee performance (Youngcour et al., 2007).

#### Developmental purposes

Social Exchange Theory (Blau, 1964) supports the relationship between developmental purposes and ratee reactions. In light of the Social Exchange Theory, when employees feel that an organization is interested in their long-term development (and invests in it), they seek to reciprocate the interest shown by the organization (Chiang & Birtch, 2010). Consequently, it can lead to employee engagement and satisfaction, for example, with the PA system (Iqbal et al., 2015). So, developmental purposes are based on the employees' competence (Eyoun et al., 2020; Nazaruddin et al., 2020; Youngcour et al., 2007). In this way, organizations that use PA for developmental purposes rely on PA information to promote developmental activities aimed at improving individual or organizational performance (Nazaruddin et al., 2020).

## Role definition purposes

The idea of role definition purposes can be found in dyad formation (Duarte, Goodson, & Klich, 1994; Iqbal et al., 2015; Youngcour et al. (2007). Youngcour et al. (2007) explained that it is in the supervisor-subordinate dyad interaction where the responsibilities and tasks inherent to the role are defined or negotiated. In this exercise, employees understand the supervisors' expectations of their assigned roles (Palaiologos, Papazekos & Panayotopoulou, 2011; Youngcour et al., 2007). So, competitiveness driven by globalization and technologies has demanded improving employee competencies (Nazaruddin et al., 2020). In this regard, new competencies are required, especially in a situation like this: where the Covid-19 pandemic has changed the traditional method of work performing. Currently, remote work (assisted by technologies) is the central element shaping the work. Hence, new competencies must be developed to ensure that employees' production and productivity are either constant or can increase. Put simply, the PA system needs to be able to identify new roles, discontinue obsolete ones, and update necessary ones.

### Strategic purposes

Goal setting theory (Locke & Latham, 2002) supports the relationship between strategic purposes and ratee reactions (Iqbal et al., 2015). This theory considers behaviours as goal-oriented (Iqbal et al., 2015; Nazaruddin et al., 2020). Therefore, Nazaruddin et al. (2020) believe that when a PA system is drawn on aligning organizational goals with individual goals, it can be considered that the PA pursues strategic purposes. The PA systems designed with a strategic purpose should provide information for managerial planning that ultimately affects organizational effectiveness, productivity and performance (Iqbal et al., 2015).

Tabela 1. PAPs limitations and Benefits.

Limitations	Benefits	Authors
Limitations	Administrative Purposes	1 tuthors
Short-term oriented.  More subject to a manager's political influences and manipulations.  It is seen as not serving better the organization's perspective.	It has a strong association with PA satisfaction and job satisfaction. Retees see/realize immediate benefits (or changes).	Cardy & Dobbins, (1994) Chiang & Birtch, (2010) Iqbal (2012); Iqbal et al. (2019) Youngcourt et al. (2007)
	Developmental Purposes	,
Retees do not see/realize immediate benefits (or changes). It is seen as not serving better the organization's perspective.	Long-term oriented. It has a strong association with affective organizational commitment. Less subject to a manager's political influences and manipulations.	Cardy & Dobbins, (1994); Chiang & Birtch (2010); Iqbal (2012); Iqbal et al. (2019) Youngcourt et al. (2007)
	Role Definition Purposes	
Retees do not see/realize immediate benefits (or changes). It is seen as not serving better the employee's perspective.	Long-term oriented. Less subject to a manager's political influences and manipulations. Create a sense of ownership over a role and an organization. Improve communication between ratersretees, which can encourage ratees to seek feedback.	Iqbal (2012); Iqbal et al. (2019) Youngcourt et al. (2007)
D	Strategic purposes	T 1 1 (2012)
Retees do not see/realize immediate benefits (or changes).  It is seen as not serving better the employee's perspective.	Long-term oriented Less subject to a manager's political influences and manipulations. Create a sense of ownership over a role and an organization. Improve communication between ratersretees, which can encourage ratees to seek feedback. Prepared by the authors (2023).	Iqbal (2012); Iqbal et al. (2019)

#### **METHODOLOGY**

We carried out a narrative-type systematic review to achieve our proposed objective, which is to expand the knowledge on PAPs' theoretical and practical explanations. According to Galvão and Ricarte (2019) this type of systematic review is adequate when a researcher seeks to synthesise quantitative studies results but excludes mentioning the statistical significance of the results. Moreover, being useful in studies that bring together different topics to interpret or interconnect them. Thus, to undertake the systematic review, we drew on the methodology (three stages) proposed by Tranfield, Denyer and Smart (2003), namely:

- (1) **Planning the review**. It involved choosing (and defining) the topic to be reviewed and determine the review objective. Therefore, this included identifying relevant theoretical background, establishing theories (and definitions), and specifying the research question. By doing so, we were able to develop a deep understanding of the topic. These elements are presented in the paper's introduction and literature review sections.
- (2) Conducting a review. It consisted of studies selection and extraction of relevant data for the review. We resorted to the available databases (EBSCOhost, Science Direct, SpringerLink, Taylor & Francis Online, Wiley Online Library, and Sagepub) to attain this desideratum. So, for the search, we used the following keywords: "performance appraisal and purposes", "performance measurement and purposes", and "performance evaluation and purposes". This exercise was undertaken between September and October of 2022. This period was chosen because the last systematic literature review on PAPs was published in 2012 (see Iqbal, 2012). So, the search yielded 1962 papers. Then, direct on the databases, these papers' titles, abstracts, and keywords were examined. So, we excluded articles because (1) they did not address the topic; (2) They were not published in the search period defined for our study; (3) the journal quality; and (4) they were not written in English. Thereby, these selection criteria resulted in 23 papers. It is essential to explain journal quality as a recurrent practice; in studies based on systematic reviews, the journal in which an article is published is used as a criterion for quality (Galvão & Ricarte, 2019; Tranfield et al., 2003). From this perspective, researchers only tried to include papers ranked in Q1 and Q2 journals (Scimago Journal Rank – SJR). However, due to the lack of papers indexed in Q1 and Q2 journals, thus, we included one paper ranked in the Q3 journal (see Table 2).

Moreover, to avoid excluding other relevant papers that were not found during our initial search, we searched the 23 selected papers' reference lists to identify other papers that we did not find during our initial investigation but met our selection criteria. This procedure resulted in the identification of 1 additional study. Hence, being a total of 24 papers. Therefore, despite the effort to include all relevant articles related to the topic, we are fully aware that our selection process may not be free from some possible omissions or human oversight. However, the selected papers undoubtedly represent what has been investigated in the period chosen on PAPs.

(3) **Reporting and dissemination**. At this moment, we synthesized descriptive and thematic results and underlined their implications for future research and practice. Focusing on: (1) the main objective and type of research; (2) how PAPs were analyzed and measured; (3) the methodological approach; and (4) the main findings.

Table 2: List of Journals Included in the Review

No.	Journal	Quartil
1.	Annual Review of Organizational Psychology And Organizational Behavior	Q1
2.	Frontiers in Psychology	Q1
3.	Global Business Review	Q2
4.	Human Resource Management	Q1
5.	Human Resource Management Journal*	Q1
6.	Human Performance	Q1
7.	International Journal of Hospitality Management	Q1
8.	International Journal of Management Reviews	Q1
9.	International Journal of Public Administration	Q2
10.	International Journal of Public Sector Management	Q2
11.	Journal of Business And Psychology	Q1
12.	Journal of Business Research	Q1
13.	Journal of Management Development	Q2
14.	Personnel Review	Q2
15.	Public Administration And Development	Q2
16.	Review of Public Personnel Administration**	Q1
17.	Social Behavior And Personality	Q3
18.	Sustainability	Q2
19	The International Journal of Human Resource Management**	Q1

\*Journal with 2 papers published.

Source: Prepared by the authors (2023)

## RESULTS AND DISCUSSION

#### Results

We aim to expand our knowledge on PAPs' theoretical and practical explanations. Thus, in this section, we presented the descriptive and thematic analyzes of our research.

<sup>\*\*</sup> Journal with 3 papers published.

#### **Descriptive Analysis of the Results**

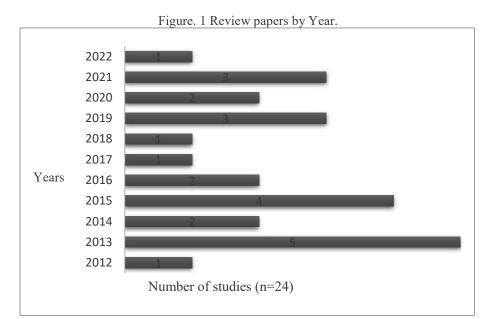
Some information can be drawn from the descriptive analysis. First, the journals where the topic was published suggest that PAPs are characterized as being an interdisciplinary topic since they were published in journals covering different fields (psychology, public administration, management in general, marketing and organizational behaviour). So, the International Journal of Human Resource Management was the journal where the topic was published most (see again Table 2).

Second, we noticed that 2013 was the most prolific year in publications (see Figure 1); in the same way, if we assume that between 2000-2009, Iqbal (2012) identified 66 papers, and our research identified 22 between 2012-2022, it suggests that the interest is decreasing in investigating on PAPs.

Third, empirical studies tend to be predominant compared with theoretical-oriented studies. Wherein within empirical research, the quantitative ones are dominant (see table 3). Thereby, considering the research objective defined in the paper, methodologies range from regression analysis (linear and multiple) to structural equations as being tendentially chosen for data analysis. Moreover, there is a domain of cross-sectional studies; however, longitudinal studies were not recorded.

Fourth, most of the theoretical and empirical papers propose, in a general or specific way, to investigate or examine PAPs processes or effectiveness. In this way, the papers with more peculiar objectives were developed by Maley (2013) - the author has chosen an international context –, and Salgado and Moscoso (2015) and Sutton et al. (2013) – due to the nature of the literature research developed (meta-analysis).

Finally, most empirical papers are embedded in a theoretical basis since they identify the theory supporting the relationship between the variables (see Table 3). However, the need for more consistency in the guiding theories is evident. However, the theory that seemed a novelty for studies of this nature was chosen by Kim and Holzer (2016) - cognitive evaluation theory (Deci & Ryan, 1985). According to cognitive evaluation theory, when PA provides information regarding employees' competence and directions, with the intent of increasing employees' competence (developmental purposes), this can positively affect the intrinsic motivation of employees (Deci & Ryan, 1985; Kim & Holzer, 2016). On the other hand, other papers were not embedded in a theoretical basis, having chosen a variable-oriented approach (in previous literature) as a mechanism to justify the hypothetical relationship between the variables.



Source: Prepared by the authors (2023).

Table 3. Overview of PAPs studies (n=24)

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			N	(%)
Type of Study	Empirical	Qualitative	4	23,5
•	-	Quantitative	11	64,7
		Quantitative/Qualitative	2	11.8
	Theoretical	Literature Review	5	71
		Conceptual	2	29
Method	Questionnaire/survey		11	65
	Interviews		4	24
	Secondary data (Database)		2	12
Dependent Variable	Performance Rating	Sutton, Baldwin, Wood & Hoffman (2013)	1	5.9
	PA fairness	Selvarajan and Cloninger (2012)	1	5.9
	Work Engagement	Vidè, Micacchi, Barbieri, & Valotti (2022); Ahmed, Kura, Umrani & Pahi (2020)	2	11.8
	Organizational fairness	Kim and Holzer (2016)	2	11.8
	Perceived Appraisal Accuracy	Selvarajan and Cloninger (2012); Tsai and Wang (2013)	2	11.8
	Proactive Behavior	Qiu, Hu, Xu, & Li (2015)	1	5.9
	Organizational Citizenship Behavior	Lu, Yue, Han & Chen (2018)	1	5.9
	Performance appraisal satisfaction	Krats and Brown (2013)	1	5.9
	Perceived Effectiveness of Performance Appraisal	Iqbal, Akbar, Budhwar & Shah (2019)	1	5.9
	Psychological Contract	Eyoun et. al. (2020)	1	5.9
	Organizational commitment	Cheng (2014)	1	5.9
	Ratings Discriminability	Barbieri, Micacchi, Vidè & Valotti (2021); Cambon and Steiner (2014)	2	11.8
	Administrative and Developmental Purposes	Morley et. al. (2021)	1	5.9
Moderator variable	Administrative Purposes	Sutton et. at. (2013)	1	50
	Generational differences	Eyoun et. al. (2020)	1	50
Mediator variable	Psychological ownership and Self-efficacy	Qiu et. al. (2015)	1	16.7

	Organization Identification Performance Appraisal Justice Developmental Purposes Organizational fairness	Lu et. al. (2018) Vidè et al. (2022) Krats and Brown (2013) Cheng (2014)	1 1 1	16.7 16.7 16.7 16.7
	Person-referenced outcomes* and Organization-referenced outcomes**	Iqbal et. al. (2019)	1	16.7
Theory	Social Exchange Theory	Blau (1964)	4	50
	Expectancy Theory.	Vroom (1964)	2	25
	Goal-setting theory	Locke and Latham (2002)	1	12,5
	Cognitive evaluation theory	Deci and Ryan (1985)	1	12,5
Country of origin	***/European		19	54,3
	**** North-America		3	8,6
	****Africa		2	5,7
	*****Asia		8	22,9
	****** Latin-America		2	5,7
	****** Australia		1	2,9

<sup>\*</sup> Ratee satisfaction with reward; Ratee satisfaction with the rating system; Ratee satisfaction with the rater; Ratee satisfaction with the feedback.

\*\*\*\* North America - Canada, US a.

\*\*\*\*\*Africa – Ghana<sup>a</sup>.

\*\*\*\*\*Asia – Israel, Indonesia, Pakistan, Taiwan, China a, Philippines.

\*\*\*\*\*\* Latin-America – Brazil, Mexico.

\*\*\*\*\*\* Australia – Australia.

<sup>a</sup> Two studies.

Source: Prepared by the authors (2023).

# **Thematic Analysis of Results**

PA purposes, accuracy and discriminability of PA

A growing number of studies have pointed out the scepticism that PA, in general, and PAPs, in particular, face among its stakeholders (ex: Campbell & Wiernik, 2015; Ohemeng, Zakari, & Adusah-Karikari, 2015; Barbieri et al., 2021). For example, Ohemeng et al. (2015, p.189) summed up this idea very well, putting it this way "many find PA in practice to be an exercise in futility because it does not produce the information for its purpose. Opponents believe it to be fraught with serious problems, especially subjectivity, leading inevitably to information distortion and inaccuracies". In line with this idea, Campbell and Wiernik (2015) raised the need to pay attention to purposes that improve the performance ratings' accuracy and reliability. In this regard, we verified a set of papers that conducted their research focused on this line of research (ex: Barbieri et al., 2021; Cambon & Steiner, 2014; Ikramullah et al., 2016; Salgado & Moscoso, 2019; Tsai & Wang, 2013).

Ikramullah et al. (2016) and Iqbal et al. (2015) devoted attention to developing a theoretical model that was not tested but could enhance PA effectiveness. However, the model of Ikramullah et al. (2016) has the merit of seeking to bring to the centre of the debate on PAPs

<sup>\*\*</sup> Organizational commitment; Feedback-seeking behavior; Role clarity; Self-monitoring / evaluation/.

\*\*\*European Union - Turkey, Switzerland, Sweden, Spain, Russia, Netherlands, Hungary, Greece, Germany,
Denmark, Austria, Finland, France<sup>a</sup>, Italy<sup>a</sup>, Unided Kingdom.

effectiveness based on the perception of the stakeholders (raters, ratees and the organizations). For its development, the authors "borrowed" the idea from the Competing Values Approach theorized by Quinn and Rohrbaugh (1983). Thus, Ikramullah et al. (2016) argue that to measure PA effectiveness, managers are called to assess the extent to which stakeholders value the PA system. In this sense, PAPs play an essential role in this "equation".

Concerning discriminability, on the one hand, there is evidence that PA carried out for research purposes is more reliable than appraisals undertaken for administrative purposes. (see, Salgado & Moscoso, 2019). On the other hand, PA conducted for development purposes has, by itself, a low level of discriminability among employees. (Barbieri et al., 2021). However, when multiple sources provide performance feedback, the PAPs yield high levels of discrimination among employees. It is suggested that this phenomenon occurs due to the involvement of different stakeholders (or sources), which may confer more significant discrimination among employees (Barbieri et al., 2021). Cambon and Steiner (2014) sought to analyze discriminability through observable behaviours: descriptive behaviour (ratings within the individual) and evaluative behaviour (ratings between individuals). As a result, the authors concluded that when the PAPs are aligned with the type of observable behaviour, this may improve the level of discriminability, that is, using rating scales with different kinds of content (e.g., descriptive or evaluative), following the rating purpose, it will produce more appropriate performance ratings (Cambon & Steiner, 2014).

Concerning accuracy, Selvarajan and Cloninger (2012) sought to answer the following question: are administrative and developmental purposes more accurate than administrative purposes? In this sense, the authors concluded that when administrative and developmental purposes are jointly implemented, employees perceive them to be more accurate, unlike a situation where only administrative purposes are used. In this case, the authors argue that the evaluator's personal biases may affect appraisal with administrative purposes (such as promotions or salary increases). If PA pursues administrative purposes, raters can manipulate performance rating results to match what the raters want (or believe) that the ratees deserve to gain in terms of promotion or remuneration. However, when developmental purposes are added, raters may have less need to manipulate PA outcomes (Selvarajan & Cloninger, 2012). Tsai and Wang (2013) found different results since administrative purposes were positively associated with the perception of PA accuracy. They explained that the exclusive use of administrative purposes historically marked the Chinese labour context; in this way, Chinese employees easily accept administrative purposes as a standard practice. In addition, it is

necessary to highlight the relevance of developmental purposes to reduce performance rating distortion motivated by rater liking - which is described as an emotional response directed at a particular person or object (Sutton et al., 2013). Therefore, developmental purposes have a mediating role on the relationship between rater liking and performance ratings; that is, it seems that raters are more likely to separate their personal feelings on ratees so that they can give priority to accurate and authentic feedback that contributes to ratees development (Sutton et al., 2013).

PA purposes, perceived fairness (organizational or performance appraisal) and organizational commitment

Selvarajan and Cloninger (2012) investigated employees in different companies in Mexico, exploring the relationship between PAPs (administrative and developmental) and PA fairness. So, the findings indicated that PAPs (administrative or developmental) are not related to appraisal fairness according to the Mexican context, which is characterised as a collectivistic culture; in this context, administrative decisions are drawn on seniority, in this sense, PAPs may have little effect on fairness perceptions (Selvarajan & Cloninger 2012). However, the opposite effect occurs when PAPs (administrative or developmental) are related to organisational fairness (Cheng, 2014; Kim & Holzer, 2016). On the one hand, when organisations invest in policies that affect salary, social benefits, and promotion, this positively influences distributive and procedural fairness (Kim & Holzer, 2016). On the other hand, when organisations invest in policies that affect salary, social benefits, and promotion, this positively influences distributive and procedural fairness (Kim & Holzer, 2016). However, Vidè et al. (2022) found that interactional justice strongly affects the relationship between perceived developmental purpose and work engagement. Cheng (2014) tested the role of different facets of organisational fairness in the relationship between administrative purpose practices (salary adjustment, promotion decisions and performance standards) and organisational commitment. In this perspective, the results imply that managers should pay attention to decisions on wages, promotions and performance standards because these seem to impact employees' perceptions of organisational fairness and, in this way, can influence organisational commitment (Cheng, 2014).

Finally, despite the idea that better performance leads to better pay, which in the end, it may positively affect organisational commitment. From another line of research, Iqbal et al. (2019) found that role definition purposes directly impact organisational commitment. But

Murphy (2020) points out that in PA systems that impact pay rise, top-performing employees typically receive an average of 2 to 3 per cent annual increments, identical to those obtained by middle or low-performing employees. In this regard, there is evidence that employees do not see pay rise as an excellent strategy to increase organisational commitment unless they are at least 7 per cent annually (Murphy, 2020).

## PA purpose, satisfaction and work engagement

Iqbal et al. (2019) investigated the relationship between different facets of PAPs and satisfaction-related outcomes (i.e. satisfaction with reward, satisfaction with the rating system, satisfaction with the rater, satisfaction with the feedback). On the one hand, the findings suggest that employees tend to attribute relative importance to the source of ratings if PA is used for administrative purposes. On the other hand, the results imply that employees tend to respond favourably to the PA system used for developmental purposes when they feel satisfied with performance feedback (Iqbal et al., 2019). In turn, Krats and Brown (2013) highlighted the importance of developmental and administrative purposes for satisfaction with PA.

Although the research has shown greater satisfaction with developmental purposes than administrative purposes, the authors found that developmental purposes mediate the relationship between appraisal fairness, goal setting and job satisfaction with appraisal satisfaction (Krats & Brown, 2013). Again, this underlines the relevance of developmental purposes to positive employee reactions.

Despite the well-known relevance of developmental purposes to employee reactions (Iqbal et al., 2019; Krats & Brown, 2013); however, the reality of public sectors in many countries indicates that they still have administrative-oriented PA systems (see Hajnal & Staronova, 2021). Furthermore, studies that have focused on investigating public servants' perceptions of PAPs show mixed results. For example, studies undertaken in the Ghanaian public administration (Bawole, Hossain, Domfeh, Bukari & Sanyare, 2013; Ohemen et al., 2015) suggest the following: (a) there is a perception that PAPs do not attain their results; (b) training needs do not result from the PA system; c) there is no correlation between PA outcomes and pay rise (Ohemen et al., 2015). As a result, the abovementioned situations undermine public servants' satisfaction with the PA (Bawole et al., 2012; Ohemen et al., 2015). However, in the public and private sector, when appraisal system is used for developmental purpose, this can represent a significant determinant of work engagement so; this implies that when employees perceive that the PA is used for identifying individual strengths, weaknesses, and training

needs, they feel in a position to reciprocate the effort of their organization by demonstrating a higher level of involvement and action in their work (Ahmed et al., 2020; Vidè et al. 2022).

PA purposes, psychological contract, generational differences and behaviour (organizational citizenship or proactive)

Lu et al. (2018) used a sample of employees from a mining company in China, having concluded that, compared with administrative purposes, developmental purposes have a substantial impact on the four dimensions of organizational citizenship behaviour (individual, group, organizational and social level). Thus, these results imply that, although miners value practices such as rewards and promotions, there is a preponderant weight attributed to improving professional skills and the perspective of career development (Lu et al., 2018).

However, when PAPs are tested with proactive behaviour, the findings indicate that administrative purpose has a negative effect, while developmental purpose has a positive one (Qiu et al., 2015). This occurs because the core concern of the administrative purpose is only to appraise employees' past performance, thus ignoring employees' reactions and attitudes. Eyoun et al. (2020) explored generational differences' role in the relationship between PAPs' perception (administrative and developmental) and the psychological contract in a different line of research.

The results revealed that a higher level of perception of administrative and developmental purposes could potentially increase employees' perception of psychological contract fulfilment (Eyoun et al., 2020). However, unlike developmental purposes, the relationship between administrative purposes and the psychological contract differed between different generational groups. For example, a positive relationship between administrative purposes and employees' psychological contracts was significantly stronger for Millennials than for Xers and Baby Boomers generation (Eyoun et al., 2020).

PA purposes in the international context of human resource management

Morley et al. (2021) recently conducted a study of more than 472 multinationals in 22 countries (selecting some countries in Latin America, Asia, Europe and North America). The findings showed that 80 per cent of multinationals used PA outcomes for employees' developmental purposes, and more than 75 per cent indicated that they used the same PA information for employees' administrative purposes (e.g., promotions and transference). So, when it comes to defining PAPs in a global mission, multinational corporations should

implement the following measures (Maley, 2013): (1) the formal PA purposes, as well as its criteria, need to be effectively communicated to employees and managers to clarify how appraisal information will be used; (2) Feedback given to employees must be conveyed in an environment that takes into account the sensitivity of cultural and contextual variables; (3) PAPs defined by a multinational's head office may not be easily transferable to other countries and cultures since national culture has an impact on PAPs, that is, the purposes defined by a multinational's head office must, in some cases, be changed to meet local conditions. Put simply, it is crucial to understand theoretical structures that explain the particularities of each culture (e.g., developed by Hofstede, 1980); in this regard, it may contribute to a greater PA's acceptability (Maley, 2013).

#### **DISCUSSION**

Our study presents some elements of discontinuity compared with previous research, although we recognize some aspects of continuity. In this sense, as our objective is to expand the knowledge on PAPs' theoretical and practical explanations, in this stage, we undertook the exercise of comparing our results with what is already known on PAPs.

By verifying, it is noticeable that a significant number of surveys that made up our study sample highlighted the preponderance of developmental purpose use on positive employee reactions (ex: Lu et al., 2018; Kim & Holzer, 2016; Krats & Brown, 2013; Selvarajan & Cloninger, 2012; Vidè et al., 2022), which is consistent with previous research (DeNisi et al., 1984; Fedor & Bettenhausen, 1989; Murphy & Williams, 1989). However, this finding should be taken with caution as Poursafar, Rajaeepour, Seyadat and Oreizi (2014) asserted that in knowledge-based organizations (e.g., gas companies), which is characterized by the presence of few management levels and high levels of individual autonomy in task performing, so, developmental practices that employees perceive as a controller or undermining their necessity of independence can lead to affect performance negatively. In other words, if developmental practices - consisting of delivering feedback and clear goals - require significant time and energy, it may negatively affect top-performing employees (Poursafar et al., 2014).

On the other hand, so far, research has indicated that PA with different sources of raters can generate inaccurate information, which somehow compromises the integrity of PA outcomes because the raters might incur errors, such as central tendency, halo or leniency (Beckner, Highhouse, & Hazer, 1998; Cleveland et al., 1989). However, our research sheds light on the necessity of confronting this rationale since raters tend to converge on their

performance ratings when performance appraisal sources include external raters; thus, they are more interested in appraising the quality of service received than avoiding internal organizational conflicts arising from their appraisal (Barberie et al., 2021).

The line of research resorted by Barbieri et al. (2021) regarding PA accuracy and reliability constitutes a "breath of fresh air" to reduce the tension and debate that has been generated among scholars on the usefulness of continuing or not appraising performance (ex: Adler et al., 2016; Brown et al. 2019; Garengo, Sardi & Nudurupati, 2021; Murphy, 2020; Pulakos et al., 2019). In doing so, specifically, ensuring the construct's validity and the measures' reliability will contribute to decision-making based on PA (e.g., dismissals, layoffs), which are free from biases arising from the "poverty" of PA's instrument and process. Consequently, this can contribute to PAPs being more accepted among the different stakeholders (Cambon & Steiner, 2014; Barbieri et al., 2021; Sutton et al., 2013).

The previous studies on PAPs have shown no concern in realizing how age can be a central element when defining PAPs. Studies suggest that older employees are more concerned with extrinsic values, such as salary and well-being. In comparison, younger employees pay more attention to intrinsic values, such as personal skills and career development (Lester, Standifer, Schultz & Windsor, 2012). Nevertheless, Eyoun et al. (2020) found a different explanation, considering that millennial employees perceive the psychological contract fulfilled when companies conduct PA for administrative purposes – extrinsic values – (Eyoun et al., 2020). In this way, those findings imply that companies should pay attention to the age of their employees (Eyoun et al., 2020) or the different needs of their employees (see, Lu et al., 2018). Contrary to the "one-size-fits-all" approach, now is evident that there are employees who value material needs, such as salary, well-being, and promotion; on the other one hand, some employees value management practices that emphasize self-development instead of material practices, such as professional skills development and career management. Thus, choosing this path can contribute, on the one hand, to improve organizational identification and, consequently, stimulating organizational citizenship behaviour (Lu et al., 2018); on the other hand, this path can positively promote the perception of psychological contract (Eyoun et al., 2020) among employees.

Some ideas advocate caution when it comes to applying multiple purposes of PA (e.g., Cleveland et al., 1989; Pulakos et al., 2019) because by going that it has the potential to negatively affect the effectiveness of PA systems (Cleveland et al., 1989). In this sense, the findings of our study disagree with this idea, taking into account that, in different studies, the

use of multiple purposes positively contributed to employees' reactions (e.g., Iqbal et al., 2019; Selvarajan & Cloninger, 2012).

As can be noticed from our thematic analysis, the findings indicate that developmental and administrative purposes positively affect fairness perception (Cheng, 2014; Kim & Holzer, 2016; Selvarajan & Cloninger, 2012). So, it implies that having clear criteria for appraisals that are well-known and understood by ratees makes them perceive that the PA process is fair (Palaiologos et al., 2011). However, PAPs do not often positively affect employees' perceptions. According to Aslam, Khan & Ullah (2017), when there are flaws in HRM practices related to PAPs facets (administrative, developmental, strategic, and role definition), this scenario leads to unfair perceptions among employees, consequently, to the behaviour of employees, e.g., in-role performance (Aslam et al., 2017).

Finally, our research found that the organizational commitment variable is indirectly affected by administrative purpose (see, Cheng, 2014). However, in another study, Poursafar et al. (2014) showed that the organizational commitment variable moderates the relationship between developmental purposes and in-role performance. In this way, the findings imply that to improve employees' performance through in-role performance and organizational benefit, HR managers or policymakers should promote development practices to affect organisational commitment positively (Poursafar et al., 2014).

#### CONCLUSIONS

This paper aims to expand the knowledge of PAPs' theoretical and practical explanations. To reach the defined objective, we conducted a systematic literature review to try to answer the following questions: (1) how have PAPs been investigated? (2) Which variables have PAPs been operationalized with? Thus, some conclusions can be drawn from this paper. First, regarding the first question, we concluded that over the last ten years, there had been a turnaround in studies on PAPs and the line of investigation on PAPs, in general, is aligned with previous research whose prevailing domain of administrative and development purposes is still a reality in studies on the topic. Second, regarding the second question, even though the growing concern of the studies is in the accuracy and reliability dimension. Therefore, PAPs have demonstrated their relevant influence on individual and organizational variables such as organizational commitment, organizational justice, psychological contract, and job satisfaction. Moreover, it is worth mentioning that in most of the research frameworks used in the papers

reviewed, PAPs were operationalized as an independent variable and related to a set of dependent variables. However, attempts to test as moderating variables have been found.

The findings of this study have some theoretical implications. First, although some studies have announced "the death of PA" as an HRM tool; however, in general, our research reinforces the relevance of PA as a "hinge" instrument of HRM and, in particular, the impact of its purposes on different individual and organizational variables and, ultimately, on the effectiveness of performance appraisal. Second, one of the concerns that have always bothered HR researchers is the scarcity of theories (general and holistic) that allow evaluating the effectiveness of the PA system from different points of view. In this sense, our research allowed us to contribute to theory by identifying specific holistic theoretical frameworks for PA that might attenuate this tension. Finally, much of what is empirically known regarding PAP comes from a Western prism of knowledge production. Thus, our findings broaden the understanding on PAPs in different cultural and institutional contexts, especially in Africa and Asia contexts whose literature is still paucity.

On the other hand, our study identified some practical implications. First, recognizing that there is a dominant dilemma in HRM in an international context related to the combination between "global standardization" and "local adjustment" in defining international performance management policies; in other words, HR managers often have to decide between applying performance policies adjusted to local reality (host country) or global performance policies previously defined by a multinational's head office. In this way, our findings help to overcome this dilemma, recommending to managers and multinationals that the PAPs defined by the multinational's head office should change, in certain situations, to meet the cultural particularities of the host country. This is mainly because some research in our sample shed light on how local cultural specificities can affect PAPs, consequently affecting employee attitudes and behaviours. Secondly, the findings of the studies that focused on exploring PAPs in the public sector, whose results pointed out that there is no link between PAPs and HR decisions will serve as a contribution of our paper in awakening, among public managers, the need to work so that the linking happens. Ultimately, this will help to improve appraisees' perception on the usefulness of the appraisal system in the public sector. This way, helping to reduce the prevailing perception that HRM practices in the public sector are far from being considered efficient and effective.

There are two main limitations to the research we presented in this study. The first limitation - we can also consider it as the potential of our study - concerns the publication period defined in the research (2012-2022). Thus, this criterion allowed for finding a relatively small number of papers. In this sense, if we had extended the period, including more articles might have been possible. However, by extending the period, our research could have lost some originality since in this period that we have established as a reference, no study has defined it. Therefore, this may constitute a limitation but, at the same time, a potentiality of our research. The second limitation is in the selection criteria of papers. We resorted to the titles, abstracts and keywords for selecting the papers. The sad fact is that we found that some papers did not contain detailed information in abstracts and keywords. In this regard, we believe there may have been some papers that were not included in the study due to this selection criterion. However, the coordinated effort of the different researchers involved in this study allows us to have some margin of guarantee that we could bring what has been researched on PAPs in the defined period (2012-2022).

Concerning future studies on the individual and organizational variables with which PAPs have been related, we noticed a lack of interest in researching variables with often negative outcomes. For example, withdrawal intention or behaviour. So, it would be interesting to understand to what extent, in a demotivating work environment - in which tensions affect inrole performance - PAPs affect withdrawal intention and behaviour. In this sense, future research on PAPs could explore this line of research.

On the other hand, as can be seen, most of the empirical studies that constituted our sample have focused on studying PAPs, looking only from the perspective of ratees, which is a one-sided view of PAPs. In this sense, we believe that future research can seek to explore the perspective of other relevant sources of PA; for example, from raters; because raters are responsible for the management and implementation of the system, in this sense, they have a significant influence on the functioning and effectiveness of the PA

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