

Performance Appraisal and Performance Management: 100 Years of Progress?

Key Finding: The authors find that despite years of research in the topic area, there is no evidence that improving individual-level performance will eventually lead to improvements in firm-level performance and, thus, there is a need to further investigate that relationship in future research.

Executive summary: The study conducted a review of research done in the area of performance appraisal and performance management over the past 100 years.

The authors firstly distinguish between the two concepts. *Performance appraisals* refer to infrequent formal processes by which employees are evaluated by someone who assesses the employee's performance along a given set of dimensions, assigns a score to that assessment, and then usually informs the employee of his or her formal rating. *Performance management*, in contrast, refers to the wide variety of activities, policies, procedures, and interventions designed to help employees improve their performance. The authors further notice that the latter term is a much newer concept than the former, which is why the research on performance management is also much more limited.

Overall, two conclusions can be drawn from this review:

1. While certain insights could be gained from the research on *performance appraisal*, it is necessary to understand why appraisals are done in the first place and how the climate, culture, norms, and beliefs in organizations shape the appraisal process and outcomes of appraisals in order to fully understand how or why appraisals lead to individual performance.
2. Although often assumed to exist, the link that individual-level performance leads to improvements in firm-level performance could not yet been proven by past research. The research on *performance management* therefore requires some context in which such a relationship can be tested and ultimately proven.

What are the practical implications for my organization?

- The specific format of a rating scale used for performance appraisal is not the most important consideration in developing appraisal systems. Instead, contextualize performance appraisal systems in your organization to understand how and why they succeed or fail to succeed.
- Be aware of the purpose of your performance management practice and consider how to evaluate the ROI of the practice and how the practice links to organizational performance.
- Cooperate with academics to carry out research in your organization to help better understand behavior in organizations.

Summary of: DeNisi, A. S. & Murphy, K. R. (2017). Performance appraisal and performance management: 100 years of progress?. *Journal of Applied Psychology*, 102(3), 421-433.