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Performance Appraisal, Performance Management and Improving Individual Performance: A Motivational Framework

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ABSTRACT Performance appraisal has been the focus of considerable research for almost a century. Yet, this research has resulted in very few specific recommendations about designing and implementing appraisal and performance management systems whose goal is performance improvement. We believe that a reason for this is that appraisal research became too interested in measurement issues and not interested enough in ways to improve performance, although some recent trends in the area have begun moving the field in the right direction. We review these trends and their genesis, and propose a motivational framework as a means of integrating what we have learned and generating proposals for future research that focus on employee's performance improvement.

INTRODUCTION

Most modern organizations rely upon some form of performance appraisal system to provide employees with feedback about their performance and to help the organization make decisions about such things as pay increases and promotions (Cleveland, Murphy, and Williams, 1989; Landy and Farr, 1980). Research on performance appraisal dates back at least as far as the early 1920s, and has continued to the present day. Therefore, it would seem reasonable to assume that practitioners could look to this research and find out how to design and implement performance appraisal systems that would help organizations improve individual performance. Yet this is not the case. In fact, practitioners continue to complain about how academic research in this area has been of limited usefulness, and academics continue to bemoan the state of affairs on the practice front (e.g., Banks and Murphy, 1985; Ilgen, 1993; Ilgen, Barnes-Farrell, and McKellin, 1993). Furthermore, as reported by Pulakos (2004), a recent survey indicates that only one in ten employees believe that their firm's appraisal system helps them to improve performance. Clearly, there is a problem.

What has led to this state of affairs? There is no one simple answer. The gap between research and practice has been documented by many writers, therefore we should not be that surprised to see such a gap in the area of performance appraisal. But academic research in some areas of management (such as selection and compensation for example) has been able to inform practice, and so we must look for additional reasons. One possible explanation is that academic research *has* provided answers, but that practitioners are simply not aware of the relevant research findings. This problem appears to be fairly widespread in the field of management (cf. Rynes, Brown, and Colbert, 2002), and it no doubt plays a role in the appraisal area as well. But we believe that another major reason for this gap is that much of the academic research on performance appraisal has been focused on measurement issues (although we will discuss some recent exceptions), which has not really been helpful to practitioners who must find ways to improve performance.

We will next discuss how better measurement became the goal in appraisal research rather than a step along the way. This research has also stopped at the point of performance appraisal, instead of integrating appraisals into the larger issues of performance management and performance improvement. We will also discuss some developments and proposals from the practice arena, as well as a recent review that outlines what research has to offer practice in this area. We will then propose adopting a motivational framework that might lead to research on how organizations can use appraisals to improve performance. We believe that by helping to re-direct appraisal research towards performance improvement, we can help narrow the gap between research and practice, and help organizations better to understand how to improve individual performance.

THE DEVELOPMENT OF APPRAISAL RESEARCH

The Purpose of Performance Appraisal in Organizations

We begin with defining the key terms. 'Performance appraisal' is a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process. Furthermore, it is an evaluation process, in that quantitative scores are often assigned based on the judged level of the employee's job performance on the dimensions or criteria used, and the scores are shared with the employee being evaluated. Measurement issues are important for the performance appraisal process, as are issues of rater motivation, so that effective appraisal systems are those where the raters have the ability to measure employee performance and the motivation to assign the most accurate ratings. (See Murphy and Cleveland, 1995, for an excellent discussion of the role of rater motivation in this process.)

'Performance management' is a broad set of activities aimed at improving employee performance. Although performance appraisal information provides input for the performance management process, performance management focuses on ways to motivate employees to improve their performance. Again, the goal of the performance management process is performance improvement, initially at the level of the individual employee, and ultimately at the level of the organization. The ultimate goal of performance appraisal should be to provide information that will best enable managers to improve employee performance. Thus, ideally, the performance appraisal provides information to help managers manage in such a way that employee performance improves.

The importance of these definitions becomes clear as we discuss the reasons why organizations conduct performance appraisals. Cleveland and her associates (Cleveland et al., 1989) presented a classification of the reasons for conducting appraisals in organizations, and these included documentation, within-person decisions (feedback on strengths and weaknesses) and between-person decisions (who to promote). Much earlier, Meyer, Kay, and French (1965) discussed the 'split roles' of performance appraisals, citing developmental feedback and decision making as the two major purposes for conducting appraisals. Those authors also noted that these purposes could often be in conflict and so it was important to keep them separate as much as possible. Yet these authors, as well as others (e.g., Beehr et al., 1978; Ilgen, 1993) point out that most of these purposes serve a larger underlying purpose – organizations conduct performance appraisals largely to help them to improve employee performance, as part of a larger performance management system. Yet, as we shall discuss, much of the research in the area has been developed around the problems associated with the use of appraisals as criterion measures for test validation, and it is this 'disconnect' that has led to the current state of affairs. That is, the problems in the area are largely because the critical link between performance appraisal and performance management has been forgotten.

Performance Appraisals and Test Validation

Employee performance, usually operationalized as performance ratings, has been the most commonly used criterion measure for validating selection tests. The process of test validation is critical for any organization because it establishes a relationship between scores on the test and performance on the job. If there is not a meaningful relationship between these two, there is no reason or benefit to using the test for selection. In fact, given that there are costs (both real and opportunity costs) associated with using tests or interviews as a basis for selection, it is economically irrational to use such a selection device unless validation has shown the measures to be meaningful predictors of job performance. Thus, all books and articles on measurement emphasize how important it is to validate any test, but especially (from our perspective in management) to validate selection tests.

Specifically, organizations wishing to use tests for selection needed to find statistically meaningful relationships between tests and performance. Such relationships indicate that the test is measuring what was intended and could be useful in selecting employees. Clearly, it was important to find and use the best measures of job performance in order to maximize the likelihood of detecting a significant relationship.

In a classic article, Dunnette (1963) noted that, in some cases, the reason why organizations failed to find meaningful relationships between tests and performance was not because of faulty tests, but because of faulty performance measures. That is, if we could develop reliable, valid, and accurate measures of performance we would increase the chances of finding significant relationships between test scores and performance. The statistical reasons for this statement lie beyond the scope of the article but basically, one obtains the strongest relationship with a reliable predictor and a reliable criterion. So, assuming that organizations were using the best tests, the validation process would be easier if they also used reliable and valid performance measures. This article by Dunnette (1963) helped launch a drive towards increasing the reliability, validity, and ultimately the accuracy of performance appraisals.

Valid Appraisals as a Goal

Improving the reliability, accuracy, and validity of performance appraisals is clearly a worthwhile goal. But the research pursuing this goal began to view this as a worthwhile goal for its own sake. That is, performance appraisal research largely focused on better ways to measure performance without regard to the larger performance management goal of performance improvement.

Even before the Dunnette (1963) article, appraisal research was concerned with elimination of rating errors, based on the assumption that ratings that were less prone to these errors would be more accurate, and valid as well. In fact, the very earliest research on performance appraisals (e.g., Thorndike, 1920) dealt with a proposal to change the format of rating scales to eliminate what was termed 'constant error'. This approach characterized much of the appraisal research during the decades from the 1940s to the 1970s. There were various proposals for changing the nature or number of rating points used on rating scales, to change the nature of the rating scales themselves, or to train raters to use the scales more effectively, but the primary focus was on the the rating scale as a source of rating errors (see the review by Landy and Farr, 1980). In fact, even when there was no mention of test validation or criterion development, studies proposing new rating-scale formats, or comparing different scale formats, all used rating errors and/or indices of reliability as the basis for their analyses (cf. Bernardin, LaShells, Smith, and Alvares, 1976).

By the late 1970s, questions were being raised about the efficacy of these efforts to increase rating accuracy. Bernardin and his associates (Bernardin and Buckley, 1981; Bernardin and Pence, 1980) suggested that training raters to reduce rating errors might actually have the effect of decreasing rating accuracy. They suggested that this training simply replaced one response set with another, but really did not help improve accuracy, and could reduce accuracy of ratings. This led to the development of other rater training programmes that were designed to increase rating accuracy rather than decrease rating errors (e.g., Day and Sulsky, 1995). Murphy and Balzer (1989) effectively ended the assumption that error reduction led to increased accuracy, noting that there was almost no relationship between the two – except for some evidence that increasing rating errors actually *increased* rating accuracy.

But the concerns over rating accuracy continued. Some authors addressed important conceptual issues about the meaning of rating accuracy (e.g., Murphy, 1991), while others were more concerned with ways to better measure rating accuracy (see the review by Sulsky and Balzer, 1988), but rating accuracy, in some form, became the most common criterion measure for evaluating appraisals (see reviews by DeNisi, 1996; Murphy and Cleveland, 1995). Throughout this time, rating accuracy was viewed as important not only in its own right, but also as a proxy for rating validity. This final assumption – that rating accuracy was the proper criterion for evaluating appraisal systems – was finally challenged by several authors (e.g., Ilgen, 1993), bringing us full circle back to the basic issue of why organizations conduct performance appraisals.

Other Developments in the Appraisal Area

Not *all* of the research on performance appraisal and performance management has focused on measurement issues and accuracy, however. There were also some studies that attempted to investigate the relationship between ratings, or feedback from ratings (which is more a part of performance management), and subsequent performance. Much of this work was summarized in a meta-analysis looking at the relationship between Management By Objectives (MBO) (primarily a performance management intervention, but with elements of performance appraisal as well) and organizational productivity (Rodgers and Hunter, 1991). Although their article dealt with organizational-level productivity, many of the measures included in the Rodgers and Hunter (1991) study related to individual performance as well. Furthermore, those authors only included data from studies where there were before and after measures of productivity. They concluded that MBO programmes (a specific approach to performance appraisal and management), when properly implemented and when supported by top management, had an almost universal positive effect on productivity.

Although these results sound encouraging, Rodgers and Hunter (1991) noted that in 68 of the 70 studies there was no control group for comparison. Kluger and DeNisi (1996) cited the absence of control groups as a major problem for assessing the effectiveness of feedback interventions in general. In fact, they reported in their meta-analysis that, when proper controls were considered, feedback actually had the effect of decreasing subsequent performance in one-third of the studies – and that these results were independent of the sign of the feedback received. Thus, the question of direct evidence for the effectiveness of this performance management intervention for improving performance must still await a more definitive answer.

There have also been more recent developments and approaches that have begun to bring us back to the basic problems of performance improvement. Lawler (1967) compared ratings across different rating sources and noted that ratings obtained from different sources were seldom in agreement. He went on to note, however, that this might not be an indication that one source was better than another, rather that raters who had different relationships with a ratee might actually observe different behaviours, and interpret those behaviours differently. This idea was later expanded upon by Tsui and her associates (e.g., Tsui, 1990; Tsui and Barry, 1986; Tsui and Ohlott, 1988) who demonstrated that different groups of raters have different expectations about performance, as well as different opportunities to observe performance. Given these conditions, it is neither surprising nor troubling that we would find these differences in raters as a function of rating source. These notions, then, led to the development of multi-source appraisals, initially as a means of initiating effective organizational change, but eventually as part of what has been termed 360-degree appraisals. By the 1990s, this type of appraisal was extremely widespread, and growing in popularity in both the research and practice arenas (see for example, the review by Dalessio, 1998).

Research on multi-source in general, or upward feedback and appraisal specifically, became one of the dominant themes in the appraisal literature during much of the 1990s. Multi-source appraisals also became a major topic in the practice literature (e.g., London and Beatty, 1993). In both cases, the literature tends to concentrate on technical issues, such as who should be solicited to provide ratings (e.g., Bracken, 1994), whether feedback should include comparative data (e.g., Yukl and Lepsinger, 1995), and how reliable and valid were these ratings (e.g., Conway and Huffcut, 1997; Tornow, 1993). There was also, however, some concern over whether 360-degree feedback was effective. Furthermore, since these appraisal systems were so costly to implement, there were actually only a few studies that examined the impact of feedback from these systems on subsequent performance.

The results of these studies were somewhat equivocal, and a number of authors have pointed out some issues with their design (see review in Seifert, Yukl, and McDonald, 2003), while others have raised questions about the overall effectiveness of this approach (e.g., Waldman, Atwater, and Antonioni, 1998). As a result, the practice community seems to have become somewhat disenchanted with 360-degree appraisals. Yet, research on multi-source and upward appraisals continues (e.g., Smither and Walker, 2004) and, more importantly, this research marked a beginning to the serious consideration of performance improvement as an outcome measure in appraisal studies.

Another trend in recent literature that has pointed in the right direction is research and discussion of the role of contextual factors in appraisals. Some studies in this arena have explicitly considered how non-core task performance (often alternately referred to as Contextual Performance and Organizational Citizenship Behaviour) can influence ratings of task performance (e.g., Rotundo and Sackett, 2002). While this research has caused both scholars and practitioners to view the domain of performance more broadly, it has not really moved us much closer to understanding how to improve performance on the job. Research dealing with other contextual factors ranging from corporate goals (cf. Harris, 1994) to feedback environment (e.g., Steelman, Levy, and Snell, 2004), may prove to be more helpful, since they have led us to look beyond the simple dyadic relationship between rater and ratee when examining the effectiveness of appraisals.

Yet another recent trend, which does have potential to get us back on track, is the focus on employee reactions to appraisals as an important outcome variable. In fact, appraisal reactions such as satisfaction, acceptability, and motivation to use feedback, are cited as an important trend in the appraisal research during the past ten years in a recent review of that literature (Levy and Williams, 2004). Although Levy and Williams cite several other trends as well, studies focusing on ratee reactions to appraisals and feedback (e.g., Taylor, Masterson, Renard, and Tracy, 1998) are an important step in helping us to understand how appraisals can be used to actually improve performance. As noted in their review, '. . . if participants do not perceive the system to be fair, the feedback to be accurate, or the sources to be credible then they are more likely to ignore and not use the feedback they receive' (Levy and Williams, 2004, p. 897).

That is, we cannot expect to change behaviour through appraisals and feedback unless employees react to the feedback in the ways intended. While a focus on these reactions is a positive development, there is still the additional step of the employee actually changing behaviour to improve performance. For that to happen, the employee must actually believe that there is a need to improve, and so must accept the feedback received. Therefore, we see research on employee reactions as an important step in getting us back on the right track.

Developments on the Practice Front

While these trends in academic research were playing out, there were also developments on the practice front. For much of the 1960s until the 1980s, the practice community was largely concerned with Management By Objectives (Drucker, 1954), which had a basis in academic motivation models such as goal setting, and participative decision-making, and which was also the focus of a fair amount of research (see discussion of meta-analysis above). In addition, a number of scholars doing research in the area of appraisal also wrote books or articles for the practice community, based largely on the findings of their own research (e.g., Bernardin and Beatty, 1984; Locke and Latham, 1990). Although many of these books and articles had an impact on practice, most of the work discussed was still based upon research that focused on improving measurement. Therefore, with the exception of the work on MBO, there was not much help for finding ways to improve performance.

By the 1990s, though, much of the attention in the practice community had shifted to multi-source appraisals and feedback. There were articles, books, and symposia dealing with 360-degree appraisal systems, but most of these were simply extended case studies where HR managers touted the advantages of the systems they had developed (see, for example, various contributions in Tornow and London, 1998). It is worth noting that, at this point, it was the practice community that was driving the agenda for the academic community, rather than vice versa. Although this has always been true to some extent, the work on multi-source ratings is a good example of a situation where the widespread adoption of the programmes by organizations actually led academicians to study whether or not they were effective.

An interesting development, beginning in the 1990s and continuing through the next decade, has been the interest in multiple indicators of success. The 'Balanced Scorecard' (e.g., Kaplan and Norton, 1996) approach, and the 'Return On Investment' (Phillips, Stone, and Phillips, 2001) approach suggest that any HR programme should be evaluated in terms of increased productivity and performance, as well as customer satisfaction, learning, and growth within the organization. This movement suggests that organizations may be interested in moving beyond performance improvement as a goal for their performance management systems. It also suggests that scholars should begin considering other potential outcomes in addition to performance improvement.

Lastly, in the past few years, there has been growing interest in the practice community for what has been termed 'non-traditional' appraisal systems (e.g., Coens and Jenkins, 2000; Lawler, 2000). These systems are less structured than the more traditional systems, with less emphasis on ratings or rankings, and more emphasis on developmental meetings between supervisors and employees as needed. Although a recent study (Bladen, 2001) indicated that these approaches have been growing in popularity, most firms that have moved in this direction have developed hybrid models, which still retain some aspects of the traditional systems. These newer proposals seem to emphasize performance management activities over performance appraisal ratings.

In fact, another recent review of 'best practices' based on research (Pulakos, 2004), is entitled 'Performance Management', not performance appraisal. Pulakos (2004) reviews various bodies of research and presents a series of specific recommendations for organizations based on this research. These recommendations include guidelines for establishing effective performance goals, for providing feedback effectively, for documenting employee accomplishments, and for addressing legal requirements. The Pulakos report also includes a discussion of the importance of performance standards, provides steps for the successful implementation of performance management systems, and discusses some advantages of automating the appraisal system (Bladen, 2001 also discusses automation at some length). Although there is some discussion about ratings and rating scales (Bladen, 2001), the emphasis in this report is clearly on ways to manage performance, and performance appraisal is treated simply as a source of input for the performance management process.

Thus, it would seem that practitioner focus has been moving towards performance management, and that scholarly focus is moving in the same direction, although perhaps more slowly. There is clearly an interest in ways to use appraisals to improve performance (as well as to accomplish other goals), and that is consistent with the goals of this article. Clearly there is still more to be done, especially in the area of academic research, which should guide practice. Therefore, we propose a motivational framework for pushing the scholarly side to move a bit more quickly.

Changing the Direction of Academic Research

There are a number of factors that can either enable or hinder an organization's attempts to improve performance through performance appraisals and performance management. We apply an expectancy-based motivational framework model that focuses on the choice of where individuals should expend their effort, and this choice is important for the process of performance improvement. Furthermore, an expectancy-based model allows us to consider factors relating to an employee's ability to improve performance, as well as the way in which the attractiveness of outcomes associated with improved performance plays a role.

We should note, however, that others have approached performance management from a different motivational framework, including Agency Theory (e.g., Bartol, 1999), and Equity Theory (e.g., Folger, Konovsky, and Cropanzano, 1992). We do not suggest that either approach is 'wrong', but we believe that both are somewhat narrow. On the other hand, Locke and Latham's (1990) model of the 'high performance cycle' has broader implications for performance management and has been adopted as a framework by some practitioners (cf. Bladen, 2001). Their model really begins with a goal-setting process, however, and, although they include many other factors, we believe that an expectancy theory approach is a more direct way to develop implications for better performance management.

Lastly, an expectancy-based framework is broad enough to allow us to bring together literatures on somewhat disparate topics. Although we began this article being fairly critical of the research on performance appraisals, we recognize that there have been a number of studies that can provide light on how to use appraisals to improve performance. Furthermore, we recognize that there is a fair amount of 'common knowledge' on how to improve appraisals. We believe that a motivational framework such as this can accommodate the various studies dealing with appraisals, performance management, and productivity enhancement that we reviewed earlier. Thus, our goal is to use this motivation framework to bring together what we have learned in the past and formulate a more cohesive statement about how to improve performance through performance appraisal and performance management.

We have therefore relied upon a model of motivation based on the work of Pritchard and his associates (Naylor, Pritchard, and Ilgen, 1980; Pritchard and Payne, 2003). This model is a modification and extension of the basic expectancy model, which deals with decisions by employees as to where they should exert effort. This model has been used as the basis for a programme of studies dealing with productivity enhancement, using a model known as ProMES (cf. Pritchard et al., 2002). It therefore seems quite well suited for our present purposes.

A MOTIVATION FRAMEWORK OF PERFORMANCE IMPROVEMENT

The basic components of the framework are presented in Figure 1, and are summarized in Pritchard and Payne (2003). It is based on the motivation component of the Naylor, Pritchard, and Ilgen (1980) theory. We have modified the model in the present context. The model in the figure has performance improvement as its ultimate outcome. The actual motivation process is depicted in the top row of the model, and is based on several assumptions. Individuals have a certain amount of energy that they can devote to work at any one time; individuals have certain needs at any time that they seek to satisfy; and individuals are more likely to exert time and effort in ways that maximize their anticipated need satisfaction. The model uses the term 'actions' to refer to behaviours or tasks. The motivation process, then, is one where people allocate energy to actions in a way that will maximize their anticipated need satisfaction.

The allocation of energy to actions is used much the way traditional expectancy models use the term 'effort'. That is, it refers to decisions made by a target person concerning where to exert effort or where to focus action. 'Results' are the first-level outcomes that we typically see in expectancy models. The link between actions and results is similar to the expectancy variable in traditional expectancy

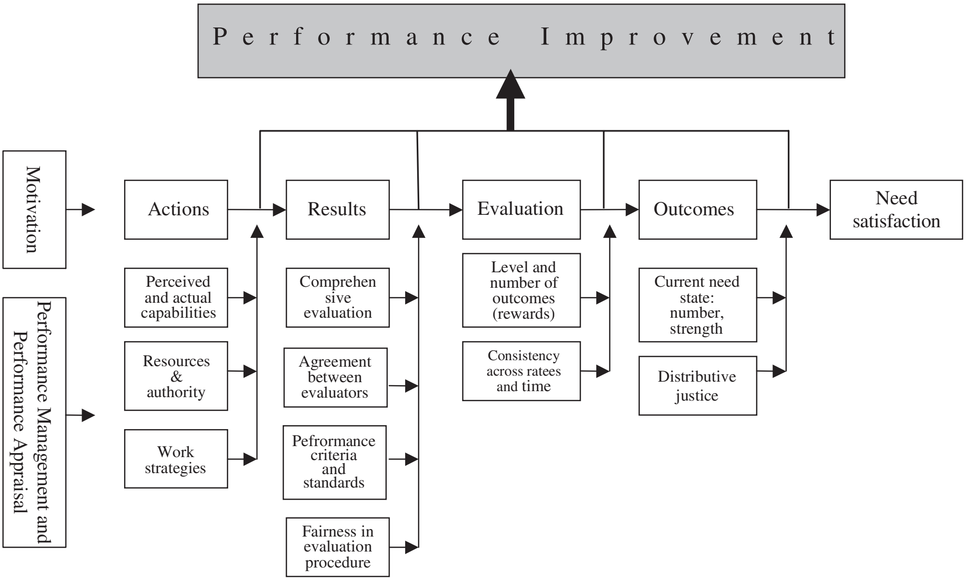

Figure 1. An expectancy-based motivation model for individual performance improvement

models. These first-level performance outcomes are then observed by someone who 'evaluates' the work product. This evaluation leads to certain 'outcomes' which are typically referred to as second-level outcomes in traditional expectancy models, and might include pay rises or promotions. The two links between results and evaluations and between evaluations and outcomes together are similar to instrumentality in traditional expectancy models. These second-level outcomes have the potential for leading to need satisfaction. This final aspect of the model is similar, then, to the utility of the outcome for achieving need satisfaction, which would lead to an assessment of its 'valence' in more traditional expectancy models.

Thus, the model predicts effort, but, more specifically, it predicts how an employee will allocate that effort across actions that will lead to performance improvement. We define effort here quite simply as the allocation of personal resources, in the form of time and energy, to actions. If the employee's allocation will ultimately lead to outcomes that result in need satisfaction, the employee will be motivated to continue to act in the same way. The key for performance appraisal and performance management, then, is to ensure that evaluations and outcomes are structured so that the employee will focus his or her actions in the ways desired by the organization, and will result in the kind of performance that is needed. That is, the systems must be structured so that employee effort leads to outcomes desired by the organization, which are rewarded by the organization. Employees' self-esteem, self-efficacy, and job involvement will then be enhanced as the employee sees how his or her efforts can lead to desired outcomes.

As with most expectancy theories, motivation is a future-oriented concept in that people anticipate the amount of need satisfaction that will occur when outcomes are received. It is this anticipated satisfaction that determines behaviour. As the person makes choices of how much time and effort to devote to which tasks, the goal is maximizing the total anticipated need satisfaction. Motivation is based on perceptions. It is the *perceived* relationship between applying energy to actions and need satisfaction that influences how much energy is devoted to that action. These perceptions may or may not be accurate.

A critical part of the theory for our present purpose is the set of connections shown as arrows between the actions, results, evaluation outcome, and need satisfaction boxes in Figure 1. These connections are similar to the concepts in other expectancy theories, and as we will discuss below, they represent the areas where performance appraisal is most likely to have an impact.

The *action-to-result* (A-R) connection describes the person's perceived relationship between the amount of effort devoted to that action and the amount of the result that is expected to be produced. The person may see a very strong or a very weak relationship. The *result-to-evaluation* (R-E) connection reflects the person's perceived relationship between the amount of the result that is produced and the level of the evaluation that is expected to occur. There would be such a connection for each different result and for each evaluator. The *evaluation-to-outcome* (E-O) connection defines the perceived relationship between the level of the evaluation and the level of an outcome that will occur based on that evaluation. For example, if pay rises are totally based on the supervisor's evaluation, there would be a strong evaluation-to-outcome connection between the evaluation and the size of the pay rise. The final type of connection is the *outcome-to-need satisfaction* (O-NS) connection. This defines the relationships between how much of the outcome is received and the degree of anticipated need satisfaction that will result. Taken together, these connections provide the framework for understanding how appraisal and feedback can lead to improved performance.

Propositions on Motivation Connections, Performance Management, and Performance Appraisal

Figure 1 also presents a number of critical factors that will influence the strength of the connections and so, the strength of the motivation to produce actions that can lead to a desired level of performance. These factors indicate the ways in which organizations can improve employee performance through performance appraisal and performance management interventions, which can strengthen the connections in the model. Most of these are concerned with performance management systems, but they require appraisal systems that are consistent as well. These factors also lead to a series of research propositions, which we will present below, and in each case we will refer to both performance management and performance appraisal. We begin with the following general proposition:

Proposition 1: The stronger the perceived linkages or connections between the elements that make up the motivational process, the greater will be the employee's motivation to improve his or her performance and the more likely will it be that such improvement occurs.

This is the major proposition underlying all the others that will follow. Since the motivational framework is primarily an expectancy-based model, the four sets of connections are expected to work interactively to improve performance. Weakness in any one of these connections will limit the amount of performance improvement and if any perceived connection disappears (i.e., there is no perceived connection) then there will be no performance improvement. This assumption is consistent with the logic underlying expectancy models, as well as other non-compensatory models in our field, such as the job characteristics models (cf. Hackman and Oldham, 1976). Nonetheless, the assumption is essentially a testable one. Even if this assumption is proven incorrect at its extreme (i.e., the absence of any connection will lead to no improvement), it is still reasonable to suggest that any connection in the model that is diminished will have the effect of reducing the amount of performance improvement.

The remainder of our propositions relate to specific linkages in the model. To begin, we propose that:

Proposition 2: Performance management and performance appraisal systems that strengthen the perceived connection between actions and results will be associated with a higher level of performance improvement.

This connection is maximized to the extent that the employee can carry out the tasks required to produce what the organization wants. Therefore, the A-R connection serves as a boundary condition for the effectiveness of any appraisal system for performance improvement. Regardless of how innovative or accurate the appraisal system in place, appraisals and performance feedback will not be capable of having a meaningful and sustained effect on subsequent performance unless the organization ensures that there is an action–result connection. As the figure indicates, this connection can be maximized in several ways:

Proposition 2a: Performance appraisal and management systems that result in increases in either employee's actual or perceived capability to do the required tasks will be associated with a higher level of perceived connections between actions and results, and so a higher level of performance improvement.

Although performance appraisal systems can be quite useful in improving capabilities by helping the employee to see which areas of performance need development, effective selection and training systems are also critical for improving real and perceived capabilities. In fact, these systems can be viewed as boundary conditions for P2a – if these other HR systems are not effective, there will be a limit to the extent that effective performance management and appraisal systems can result in increased capabilities.

Proposition 2b: Performance appraisal and management systems that provide adequate resources and authority to employees to perform their jobs as desired will be associated with a higher level of perceived connection between actions and results, and so a higher level of performance improvement.

People cannot produce results if they lack the necessary resources. Aside from obviously needed resources, there are situational or even system constraints that might prevent the employee from carrying out the required actions (e.g., Peters and O'Connor, 1980). Lack of resources to produce the results means the employee cannot control results with his/her actions, lowering the A-R connection. Authority is another determinant of the A-R connection. The employee must have the power to make the changes in how energy is allocated to actions that will improve performance. When substantial constraints are present, the employee cannot behave in a way to produce the results, lowering the A-R connection and ultimately motivation.

Proposition 2c: Performance appraisal and management systems that allow and aid employees to develop more effective work strategies will be associated with a higher level of perceived connections between actions and results, and so a higher level of performance improvement.

In addition to having the requisite abilities, employees must know how to apply and use those abilities in order to perform effectively, and thus maximize the A-R connection. Appraisals and performance management interventions can help to improve performance if they provide feedback on how to improve performance. Research on performance strategies in other arenas (e.g., Earley, Northcraft, Lee, and Lituchy, 1990; Pritchard et al., 1989) support the importance of such strategies in determining more effective performance.

Below is a general proposition concerning the strength of the R-E link:

Proposition 3: Performance management and performance appraisal systems that strengthen the perceived connection between results and evaluations will be associated with a higher level of performance improvement.

There are a number of specific propositions for how this might be accomplished, for example:

Proposition 3a: Performance management and performance appraisal systems that cover all aspects of the job and communicate to the employee exactly which job relevant results will be evaluated will be associated with a stronger perceived link between results and evaluations and so will be associated with a higher level of performance improvement.

This proposition suggests that a basic requirement of an effective appraisal system is communication about what exactly is to be evaluated. This is especially critical when there are multiple evaluators who may have different standards and expectations, such as would be the case with 360-degree appraisals (see for example, DeNisi and Kluger, 2000). That is, subordinates, supervisors, peers, and other internal and external clients should agree on how results are translated into evaluations. Lack of agreement means the R-E connection is different for different evaluators, and they will evaluate the same results differently. This is similar to the experience of role conflict, which can have negative consequences for motivation, performance, and other attitudinal outcomes (Abramis, 1994; Breaugh and Colihan, 1994; Tubre and Collins, 2000). Thus, we also propose:

Proposition 3b: Performance management and performance appraisal systems that result in high levels of agreement among all rating sources will be associated with a stronger perceived link between results and evaluations and so will be associated with a higher level of performance improvement.

Proposition 3a also implies that performance appraisal systems that include both specific areas of performance and overall performance, will be associated with stronger perceived links between the results and evaluation. This means that appraisal instruments should contain a measure of overall performance as well as measures that deal with specific areas of performance. This is consistent with other research (e.g., Campbell and Campbell, 1988; Pritchard et al., 2002), which suggests that feedback on overall performance is helpful for gauging where the employee stands, while feedback in specific areas is useful for the employee who is trying to decide how to improve performance. Furthermore:

Proposition 3c: Performance management and performance appraisal systems that provide clear and appropriate criteria and standards, that are aligned with broader organizational goals will be associated with a stronger perceived link between results and evaluations and so will be associated with a higher level of performance improvement.

A basic principle underlying all strategic approaches to human resource management is that all areas of operation should be aligned with overall corporate goals. It therefore follows that the evaluation system should be aligned with those results which provide the most value to the organization and ultimately help the organization attain its strategic objectives (e.g., Boswell and Boudreau, 2001). In our model, if the measured and evaluated results match actual value to the organization, optimal alignment exists; otherwise, employees can get mixed messages about what is important, decreasing the clarity of the R-E connection.

Our model also proposes that perceptions of fairness (especially procedural justice perceptions) are important for strengthening the link between results and evaluations. Specifically, we would propose that:

Proposition 3d: The perceived fairness of the performance appraisal system and performance management system (procedures) will be associated with a stronger perceived link between results and evaluations and so will be associated with a higher level of performance improvement.

There are a number of ways in which performance management, but especially performance appraisal systems, can be designed in order to maximize perceptions of fairness. For example, performance appraisals that focus on actual results, rather than on predictors of results are more likely to be perceived as fair. This is consistent with other appraisal research (e.g., Campbell, McCloy, Oppler, and Sager, 1993), and suggests that appraisals are best focused on observable outcomes, rather than processes or traits. We argue that using observable results improves the R-E connection by increasing the perceptions that the appraisals are actually fair. Similarly, performance appraisals that focus on results over which the person has control are more likely to be perceived as fair. It is reasonable to suggest that when employees are evaluated on performance relative to results over which they have control, they will be more motivated to try to improve their performance (e.g., Orpen, 1994; Spector, 1986), and they will also perceive the appraisals as more fair. In addition, greater employee participation in the development and use of performance appraisal systems will be associated with greater perceptions of fairness of those systems. Here, we are simply drawing upon the body of literature on fairness and justice (e.g., Brockner and Weisenfeld, 1997; Colquitt et al., 2001; Cropanzano and Greenberg, 1997), in suggesting that employees will be more accepting of appraisals where they believe there are higher levels of procedural justice. Interpersonal and informational justice (see Bies and Moag, 1986; Colquitt, 2001) may also play a role in the effectiveness of appraisals, but there is not as yet enough research on these justice dimensions to apply them to the appraisal setting. On the other hand, there is literature to suggest that procedural justice (and especially voice and participation) are important for appraisal effectiveness (e.g., Folger, Konovsky, and Cropanzano, 1992; Taylor et al., 1995). There is also literature suggesting that clear standards are important for appraisal effectiveness (e.g., Bobko and Colella, 1994; Earley and Shalley, 1991), and lastly that employee participation at all levels of development and implementation is important for perceptions of fairness (e.g., Earley and Lind, 1987) and appraisal effectiveness (e.g., Murphy and Cleveland, 1995).

In summary, we are proposing that in order to maximize the strength of the critical results-evaluation connection, it is important that appraisals focus on results that are under the control of the employee, apply and communicate clear, consistent standards to the employees, and allow employees voice and participation in the development and/or application of the appraisal system. In other words, the appraisal system should be designed in a way to maximize the perceived fairness of the system. Note that these factors are quite similar to those discussed in studies of employee reactions to appraisals (cf. Levy and Williams, 2004). As we noted earlier, these reactions play an important role in fostering performance improvement, but we must go beyond simply examining those reactions as an end to themselves, and consider them as part of the broader context of employee motivation to improve performance.

We turn next to the evaluation-to-outcome connection. Our emphasis here is primarily on developing performance management systems to increase the strength of these perceived links, and so we begin with a general proposition:

Proposition 4: Performance management systems that strengthen the perceived connection between evaluation and outcomes (rewards) will be associated with a higher level of performance improvement.

As noted earlier, organizations use appraisals for a variety of purposes, including using the results of appraisal as input for making decisions about employees (Cleveland, Murphy, and Williams, 1989). Appraisals will be most effective in improving performance when they are applied consistently to a number of decisions (such as who gets promoted or how large a raise an employee is to receive) that form the performance management process. Also, it would seem obvious that the more of these outcomes are included in the performance management process, the more effective the process will be for improving performance. Thus, we propose:

Proposition 4a: Performance management systems which ensure consistency in the way in which the level and number of outcomes (rewards and punishments) are tied to different levels of evaluations, will be associated with a stronger perceived connection between evaluations and outcomes and so will be associated with a higher level of performance improvement.

We can also propose a similar role for performance appraisal systems:

Proposition 4b: Performance appraisal systems that ensure consistency in evaluations across ratees and over time will be associated with a stronger perceived connection between evaluations and outcomes, and so will be associated with a higher level of performance improvement.

These two propositions suggest that stable systems and consistent standards are critical for the effectiveness of any reward system. Such stability and consistency, of course, is also likely to increase perceptions of fairness relative to both distributive and procedural justice.

The final aspect of the motivational model deals with the link between outcomes and need satisfaction. This too is more relevant for performance management, and the implications for performance improvement are quite simple. The model suggests the value of outcomes in satisfying needs is a function of the current need state and the number of needs the outcome satisfies. Although the organization may not easily alter need states (other than to satisfy some), it can ensure that as many important outcomes as possible are provided to increase the likelihood of need satisfaction. Specifically, we propose:

Proposition 5: Performance management systems that strengthen the perceived connection between outcomes and need satisfaction will be associated with a higher level of performance improvement.

To strengthen this connection, we further propose that:

Proposition 5a: Performance management systems that produce outcomes consistent with the employees' current need states (in terms of number of needs, need strength, and need priorities) will be associated with a stronger perceived connection between outcomes and need satisfaction and so will be associated with a higher level of performance improvement.

This proposition follows from the basic tenets of expectancy theory (e.g., Campbell and Pritchard, 1976; Kanfer, 1990; Mitchell, 1974; Mitchell and Daniels, 2002), and refers to the 'valence' term in expectancy models. The proposition also ties in closely with the previous proposition in suggesting that there should be outcomes associated with ratings and performance improvement, but also that these outcomes should be important to the employees involved. Lastly, we propose the role of perceived distributive fairness at this final step:

Proposition 5b: Performance management systems that ensure higher levels of perceived distributive justice will be associated with a stronger perceived connection between outcomes and need satisfaction and so will be associated with a higher level of performance improvement.

Thus we are proposing that systems are more likely to be effective if they are perceived as fair, both in terms of how outcomes are actually distributed (P5b), and in terms of the rules used by the organization to distribute those outcomes (P3d). This would suggest that actual outcomes and those rules used to determine the outcomes should be developed using a fair process and be clearly communicated to employees.

An Ideal Appraisal System?

Our model emphasizes the fact that performance improvement is dependent upon sound HR practices, fair appraisal practices, effective performance management, and an awareness of an organization's overall strategic goals. But there are also a number of implications for the design of an 'ideal' appraisal system. That is, if we were focused on performance appraisal for the purpose of performance improvement, there are certain characteristics of the appraisal system that would be desirable – and these are not necessarily the same characteristics that have been found in the literature. We emphasize again, that performance improvement is a function of many factors other than the nature of the appraisal system itself. The motivational framework proposed here is an attempt to identify the more important factors that are instrumental in strengthening the connections and resulting motivation to improve performance.

Our model suggests a rather simple and transparent appraisal system. Such a system would result in ratings that are easily explained and understood, and lead to perceptions of greater justice and fairness. It is important to have employee input in the development of any rating instruments to clarify employee understanding of the ratings and to improve perceptions of procedural justice. An appraisal system based on the motivational framework would also include clear statements of standards and expectations, so that everyone involved would understand what is expected and what is rewarded. Such recommendations are consistent with those proposed by the 'non-traditional' appraisal systems discussed earlier. The inclusion of 'overall performance' ratings and the use of separate appraisals for feedback and decision-making purposes should also make the process easier to explain and understand.

More frequent appraisals and feedback help employees to see how they are improving, and this should increase their motivation to improve further (cf. Kluger and DeNisi, 1996). While it is unlikely that organizations would conduct formal appraisals any more than once or twice a year, we would suggest that informal appraisals and feedback be a regular part of the system. We further suggest that performance feedback should include information on *how* to improve performance, along with information about what areas of performance need improvement. The frequency of feedback is important although this has not been emphasized much in the research literature associated with performance appraisal. Thus, our framework is concerned with both the amount and the nature of the feedback provided.

Lastly, the rating scales should focus on results as much as on processes. This is consistent with the view of goal-based appraisal systems, and should be consistent with broader organizational objectives. Our recommendation that these results should be under the control of the employee in order to be evaluated is also consistent with the view of proponents of goal-based appraisals. Finally, we reiterate that the motivation theory underlying this article, like most expectancy theories, predicts that all the individual connections must be high for ultimate motivation to be high. This means that if even one of the connections is low, motivation to improve performance will also be low. The major implication is all components of the performance appraisal must work well for it to have the optimal results.

FUTURE NEEDS AND CONCLUSION

We have argued that research on performance appraisal has not had the impact it could have on the practice of performance appraisal, mainly because it has not focused enough on performance improvement as a goal of appraisals. Our review of the academic literature suggests that much of the appraisal research has been focused on developing more reliable and valid measures of performance to serve as criterion measures for test validation. While this is certainly an important goal, valid and reliable ratings are not an end in themselves, but are a step in the process of using appraisals to improve performance. We also reviewed more recent literature, from both the academic and practice communities, that have moved us closer to the goal of improving performance. We concluded that adopting a motivational framework was the best way to integrate the various bits and pieces that had been accumulating, and suggest a research agenda focused upon performance improvement.

We adopted an expectancy-based motivational framework, and used it to develop a series of research propositions concerning contextual and system factors that would support the appraisals and performance management process resulting in improved individual performance. We drew upon various literatures in academia as well as in practice, and it is not surprising that there already exists considerable support for most of these propositions. But, in the past, most of these propositions have been proposed and tested in isolation. Our framework brings together different streams of literature to address the problem of how to improve performance. We hope that such an integrated approach will help organizations to improve employee performance through appraisals and performance management, and to facilitate future research.

The framework suggests that motivation will only be high when *all* the motivation connections are high. One low connection can produce low motivation even if the rest are high. This proposition on the multiplicative effect of the motivational connections should be tested in future research. This will involve a rather complex research design, but such research is necessary to assure the empirical validity of our theoretical proposals.

Future research also should address how appraisals and performance management impact other outcomes beyond individual performance. Practitioners have suggested such outcomes as organizational learning, and assessing such outcomes will pose a real challenge to scholars. Though the present proposals deal only with individual performance, research should ascertain whether improvements in individual performance can somehow translate into improvements in firm performance and profitability.

Last, but not least, we need to consider the transferability of this framework to other cultural contexts such as China, given the focus of *Management and Organization Review*. The expectancy model of motivation is grounded on the assumption that individuals seek to satisfy their needs. It is a hedonistic view of human nature, which may or may not be true of people in other cultures. Also, the model assumes an autonomous individual who can act independently given the presence of appropriate task conditions as outlined in Figure 1. In some cultures, individual actions are highly constrained in relationships. It further assumes that individuals will respond similarly to evaluations and feedback given by any other individual (supervisor, peers, and subordinates, or even customers). There might be cultural differences in receptivity to feedback and willingness to give feedback. Organizations operate in an increasingly global environment with employees from different nations and cultures working on the same job and under the same structure. Sensitivity to cultural differences in giving and receiving appraisal, in managing and being managed, will be critical in developing a performance management system for improving employee performance. We invite international scholars to critique, evaluate, and test our framework in China or beyond.

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