

Performance Appraisal/Management¹²

The field of industrial-organizational (I-O) psychology has contributed significantly to how people are motivated and rewarded in organizations through performance appraisals.

Performance appraisals are defined as *an integrated process in which managers work with their employees to set expectations, measure and review results, and reward performance, in order to improve employee performance, and with the ultimate aim of positively affecting organizational success* (Mondy, Noe, & Premeaux, 2002).

Over the years, researchers and practitioners have helped improve performance appraisals in organizations. These efforts range from basic research on the measurement of human performance at work (Dunnette, 1963; Guion, 1961; Austin & Villanova, 1992) to very applied research on the design of performance appraisal forms and rating scales (Borman, 1987; Landy & Farr, 1980).

An essential characteristic of a good performance appraisal is accuracy. A performance appraisal needs to accurately measure employee performance to be useful. There is extensive research, conducted in both laboratory and applied settings, on how rater biases can impact performance appraisal ratings (Landy, 2010; Lyness & Heilman, 2006; Pulakos et al, 1989; Smith & Kendall, 1963), as well as on how training can help reduce rating errors (Latham & Wexley, 1981).

Another important characteristic of an effective performance appraisal is feedback. The value of feedback for improving performance has been consistently shown in the research literature (Ilgen, Fisher & Taylor, 1979; Lawler, 1994; Murphy & Cleveland, 1995). Performance appraisals typically incorporate formal performance feedback at least annually; however, research also supports the value of more immediate, real-time feedback to improve performance (Gregory, Levy, & Jefferson, 2008; Pearce & Porter, 1986).

A good performance appraisal also incorporates what is known about employee motivation. Research and theory on employee motivation have helped improve the performance appraisal process. Major motivation theories relevant to performance appraisals include goal setting theory (Locke & Latham, 1990, 2013), expectancy theory (Vroom, 1964), and job characteristics theory (Hackman & Oldham, 1976, 1980). Guidance for managers on how to set specific, difficult but attainable goals comes directly from goal setting research. Ensuring there is a relationship between job performance and valued rewards comes from expectancy theory, and performance objectives that support what is needed by an organization -- but also incorporate what intrinsically motivates a person -- is consistent with job characteristics theory.

More recent research on performance appraisals has focused on the importance of both goals and behaviors in the performance appraisal process and on the manager-employee relationship (Pulakos, 2011). Over the years, the cumulative I-O psychology research and practice have resulted in many improvements to performance appraisals in organizations. However, further research will help inform future enhancements and, as well, the continuous change of today's organizations will require ongoing research and knowledge in this area.

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