EXPANDED DIMENSIONS OF THE PURPOSES AND USES OF PERFORMANCE APPRAISAL

Muhammad Zahid Iqbal

Department of Management Science,
COMSATS Institute of Information Technology,
Park Road, Chak Shahzad, Islamabad, Pakistan

E-mail: mzahid75@comsats.edu.pk

ABSTRACT

This paper attempts to develop an understanding of performance appraisal (PA) and to identify inconsistencies in its purposes and uses through an analysis of previous studies. The paper explores the purposes and uses of PA in the literature and devises a scheme for classifying the practice of PA into four categories – administrative, developmental, strategic, and role definition. This work was done to expand our understanding of performance appraisal and to highlight its uses in connection with other human resource management and development functions. The study finds that previous researchers devoted the most attention to PA conducted for administrative purposes, followed by PA for developmental purposes; the strategic category of PA was studied somewhat, whereas PA for purposes of role definition was almost ignored. The author offers a full-scale inventory of the purposes and uses of PA for researchers, performance raters and ratees. The study proposes that raters need to focus on the broader dimensions of PA, not simply its administrative functions.

Keywords: performance appraisal, administrative, developmental, strategic, role definition

INTRODUCTION

Performance Appraisal (PA), as an important area of behavioural science research, constitutes the basis for HR practices and lays the very foundation for research-based innovations (Murphy & Cleveland, 1995). PA has been widely researched and continues to be practiced, formally or informally, in almost all kinds of organisations, including business schools (Solomon & Hoffman, 1991), business houses (Wiese & Buckley, 1998), government (Amba-Rao, Petrick, Gupta, & Von der Embse, 2004) and non-government organisations (Amos-Wilson, 1996). People who conduct PA vary in their perceptions of its proper purpose, intended outcomes and manner of implementation (Murphy & Cleveland, 1995). This is primarily because of differences in leniency/strictness bias, accuracy of judgment, structure and administrative practices. This lack of
uniform understanding of the purposes and uses of PA leads to dissatisfaction with it, particularly in Asian organisations, in which the use of PA is already limited (Cheng & Cascio, 2009; Gratton, 2004). This paper reviews and analyses the literature on PA published during the past 50 years (1959–2009) with the objective of organising, for the first time, an inventory of its purposes and uses. The paper presents four categories – administrative, developmental, strategic and role definition – and assesses the weight given to each category in the literature. This inventory should help to improve the understanding of stakeholders (i.e., raters, ratees and organisations, particularly in Asia) about how to apply PA in different situations. Thus, the paper attempts to broaden our understanding of the purposes and uses of the PA system by bundling it with other human resource management and development practices.

Previous researchers have explored the purposes and uses of PA in different ways. Stewart and Stewart (1977) gave precedence to administrative uses, grouped into four categories: raters, ratees, central planning and control, and outside parties. Dorfman, Stephan and Loveland (1986) focused on two basic purposes of the performance appraisal process: administrative and developmental. Cleveland, Murphy and Williams (1989) presented a list of 20 uses with administrative focus, grouped into four categories – between-person, within-person, systems maintenance and documentation – and examined the impact of these uses on organisational decisions and actions. Aguinis (2009) proposed communication and organisational maintenance as sub-categories within the set of administrative purposes. Noe, Hollenbeck, Gerhart and Wright (2003) added strategic purposes, and Youngcourt, Leiva and Jones (2007) added role definition to the categories of administrative and developmental PA that Dorfman et al. (1986) created. No study on the purposes and uses of PA has inventoried all its dimensions in one place. This paper attempts to bridge this gap in the literature.

The ultimate objective of carrying out this literature review is to help us understand how to measure the effectiveness of PA – a central topic in the PA theory and a crucial problem in the PA practice. The effectiveness of PA reflects the usefulness of the PA process for both the rater and the ratee (Walsh & Fisher, 2005). Over the years, PA practitioners have used varied styles and techniques. These practitioners are generally guided by the notion of "what is" rather than "how it should be." It is desirable to measure the effectiveness of this practice for employees and for organisations (also suggested by Murphy & Cleveland, 1995). Efforts to devise measurement standards for effectiveness of performance appraisal have been under way for 30 years (Jacobs, Kafry, & Zedeck, 1980; Dobbins, Cardy, & Platz-Vieno, 1990; Murphy & Cleveland, 1995; Cook & Crossman, 2004; Walsh & Fisher, 2005). A major contribution came from Jacobs et al. (1980), who suggested three categories of measurement standards for
evaluating the PA system. The first category is "utilisation criteria", which address why PAs are conducted. The second category is "qualitative criteria", a set of rules and practices that help one judge the adequacy and usefulness of the PA mechanism for all involved in the process. The final category is "quantitative criteria", which focus on reliability and accuracy. The present study is likely to contribute to further refinement of the utilisation criteria proposed by Jacobs et al. (1980).

This paper is limited to analysis of available literature on various aspects of PA such as virtual networks (Golden, Barnes-Farrell, & Mascharka, 2009), total quality management (Soltani, 2003; Amba-Rao et al., 2004), teaching appraisals (Johnson & Shields, 2007), 360-degree feedback (Garavan, Morley, & Flynn, 1997; Brutus, Fleenor, & London, 1998; Cacioppe & Albrecht, 2000; McCarthy & Garavan, 2001) and reverse reviews (Redman & Mathews, 1995). This exercise produced an inventory of 98 purposes and uses of PA across 16 subcategories, which clustered under the areas of administrative (11 subcategories), developmental (2 subcategories), strategic (2 subcategories) and role definition (1 subcategory). This classification was done to assign an appropriate place to each of the above subcategories and answer the following research questions:

1. What does an inventory of the purposes and uses of PA consist of?
2. How should this inventory be utilised?

METHODOLOGY

The author performed domain analysis of the topic in order to devise a scheme to critically review the published literature, consistent with Ponis, Vagenas and Koronis (2009). The scheme was comprised of five steps: selection of appropriate search terms, search of established databases, initial filtering of the sample based on relevance, classification of purposes into groups and uses of PA and further filtering of the sample based on availability of material. The database search was performed using three search terms: "performance", "appraisal" and "rating". However, to narrow the search to the purposes and uses of PA, the terms "administrative", "developmental", "strategic", "role definition", "purpose" and "use" were used to search within the initial search results. Articles on PA were extracted from well-known databases (see Table 1). The search was conducted against the full text of articles as well as title, keywords, and abstract; it yielded 1,001 articles. For purposes of classifying articles into groups and filtering the sample based on availability and relevance, titles and abstracts were examined directly. This resulted in the selection of 114 articles, few of which pertained
exclusively on purposes and uses of PA (e.g. Cleveland et al., 1989; Boswell & Boudreau, 2002; Youngcourt et al., 2007).

Table 1
Selected databases and articles

<table>
<thead>
<tr>
<th>S</th>
<th>Database</th>
<th>Articles downloaded</th>
<th>%</th>
<th>Articles selected for this study</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Blackwell Synergy</td>
<td>8</td>
<td>0.80</td>
<td>5</td>
<td>4.39</td>
</tr>
<tr>
<td>2</td>
<td>EBSCOhost</td>
<td>118</td>
<td>11.78</td>
<td>18</td>
<td>15.79</td>
</tr>
<tr>
<td>3</td>
<td>Emerald</td>
<td>704</td>
<td>70.32</td>
<td>64</td>
<td>56.14</td>
</tr>
<tr>
<td>4</td>
<td>Google Scholar</td>
<td>3</td>
<td>0.30</td>
<td>3</td>
<td>2.63</td>
</tr>
<tr>
<td>5</td>
<td>JSTOR</td>
<td>20</td>
<td>2.00</td>
<td>6</td>
<td>5.26</td>
</tr>
<tr>
<td>6</td>
<td>Palgrave Mcmillan</td>
<td>41</td>
<td>4.10</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>7</td>
<td>Questia</td>
<td>3</td>
<td>0.30</td>
<td>2</td>
<td>1.75</td>
</tr>
<tr>
<td>8</td>
<td>SpringerLink</td>
<td>33</td>
<td>3.30</td>
<td>4</td>
<td>3.51</td>
</tr>
<tr>
<td>9</td>
<td>Taylor &amp; Francis</td>
<td>48</td>
<td>4.80</td>
<td>12</td>
<td>10.53</td>
</tr>
<tr>
<td>10</td>
<td>Walter De Gruyter</td>
<td>23</td>
<td>2.30</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1001</td>
<td>100.00</td>
<td>114</td>
<td>100.00</td>
</tr>
</tbody>
</table>

For purposes of selecting articles, the databases were explored sequentially. Arbitrarily, the author started with Emerald, followed by EBSCOhost, Taylor & Francis, JSTOR, SpringerLink, Blackwell Synergy, Palgrave Mcmillan and Walter De Gruyter. For certain articles, Questia, the online library, and Google Scholar, the online search engine for scholarly material, were also used. This scheme was intended to avoid duplication of articles. To ensure that the selected studies were reliable and valid for this review, the author focused on the search and selection of literature possessing three characteristics: relevance, quality and recency of the material.

Articles selected for the sample came from 64 journals. More than half came from five high-quality journals: Journal of European Industrial Training, The International Journal of Human Resource Management, Personnel Review, Journal of Management Development, and Journal of Managerial Psychology. The category of "others" comprised 45 journals, each contributing a single article to the sample (see Figure 1). Most of the sample articles were published in the 2000s (66) followed by the 1990s (35), 1980s (9), 1970s (3), and 1950s (1) (see Figure 2). In terms of the types of studies, 70 were research papers, followed by general reviews (16), viewpoint (12), literature reviews (10) and others (6) (see Figure 3). Figure 4 shows the first authors' country affiliations; 22 countries are represented. There were 14 articles by groups of researchers belonging to more
than one country. Slightly more than half of the articles were by US- and UK-based researchers (46 and 26, respectively).

Figure 1. Journals' détail

Figure 2. Year-wise detail of sample articles
WHAT DOES INVENTORY OF THE PURPOSES AND USES OF PA CONSIST OF?

Administrative Purposes and Uses of PA

The most widely researched category of purposes and uses of PA was administrative, which constituted 59.23% of the literature in the sample. Other terms included in this category of purposes and uses were "judgmental" (Schweiger & Sumners, 1994), "evaluative" (Harrison & Goulding, 1997; Shelley, 1999), "personnel" (Poon, 2004; Turk, 2008), "summative" (Perillo, 2006) and "accountability" (Ovando & Ramirez Jr., 2007). The term "administrative", along with its substitutes, is frequently used to describe multiple purposes of PA. Among other things, PA conducted for administrative purposes
is intended to evaluate performance of individuals and teams and to distinguish
the ratee in comparison with others (Murphy & Cleveland, 1995; Thite, 2004). It
is also used to assess the relative contribution of each employee in order to make
sound administrative decisions about his or her salary, promotion and probation,
and about lay-offs and other matters. (Schweiger & Sumners, 1994). High
performance work systems value such administrative uses of PA especially for
objective and equitable PA practices (Amba-Rao et al., 2004). This study finds
that PA for administrative purposes helps managers make a variety of
administrative decisions that strengthen the PA system, improve employee
performance, ensure overall compliance with performance standards, develop HR
systems, support HR activities, augment HR selection, conduct succession
planning, manage employee relations, decide on compensation, encourage
proactive approaches by the raters and incorporate the desired changes into the
organisational climate. These dimensions are discussed in detail in the following
paragraphs.

A strong PA system reduces the risk of lawsuits and losses in court (Schweiger &
Sumners, 1994) by redressing employees' grievances (Fink & Longenecker,
1998) and by helping the rater and the ratee to address inaccurate perceptions
about the purposes and uses of PA (Werther Jr. & Davis, 1996). The PA system
is considered useful if it clarifies expectations and duties of the person being
rated (Coates, 1994; Farmer, 2004) and requires the evaluator to discuss appraisal
results with the employee (Patz, 1975; Havard, 2002). Discussion of the results
persuades the ratee to accept the rater's findings and encourages both parties to
support the PA system (Stewart & Stewart, 1977).

The core purpose of PA is to improve employee performance. PA results are used
to review the employee's past performance (Roush, Curtis, Dershem, & Lovrich,
1991; Snape, Thompson, Yan, & Redman, 1998; Schraeder, Self, & Lindsay,
2006), resulting in the identification of poor performers (Jacobs et al., 1980) and
recognition of good ones (Daley, 1991). Further, the process sets performance
objectives for the next appraisal period (Daly & Kleiner, 1995; Leat & Lovell,
1997) based on the ratee's potential (Richards, 1959; Ammons & Rodriguez,
1986) and his or her relative worth within the department or organisation
(Schweiger & Sumners, 1994). The PA helps set work targets (Bhattacharyya,
1999) and helps the employee look forward to improving his/her performance
according to agreed-upon goals (Shaikh, 1995).

PA ensures overall compliance with performance standards and serves the
organisation to develop merit criteria (Stephan & Dorfman, 1989) for the purpose
of disciplining employees (Behery & Paton, 2008). It helps them understand
codes of good practice (Stewart & Stewart, 1977), reducing legal liability.
Documentation of PA also serves as a future reference, especially when an
employee sues the company (De Cenzo & Robbins, 1996; Chow, 2004). Similarly, PA is used to establish lead and lag relationships to fulfill legal requirements within the organisation (Garavan et al., 1997; Timperley, 1998). PA results provide information to maintain equity among employees (Stewart & Stewart, 1977) and ensure compliance by the organisation.

PA results are used for updating personnel records (Farmer, 2004); revisiting job descriptions (Feild & Holley, 1975); deciding about transfers (Aldakhilallah & Parente, 2002; Shen, 2004; Islam & Rasad, 2006), implementing layoffs and recalls (Abu-Doleh & Weir, 2007), carrying out terminations (Edmonstone, 1996; Appelbaum & Grigore, 1997; Wells & Spinks, 1997; Whiting, Kline, & Sulsky, 2008), and handling probations (Behery & Paton, 2008). PA validate procedures used to promote good performers and demoting poor ones (Greguras et al., 2003; Pimpa, 2005; Roch, 2005) (Payne et al., 2009) and demoting poor ones (Boyd & Kyle, 2004). Thus, PA helps managers to evaluate the HR system by reinforcing the authority structure and management control (Cleveland et al., 1989; Soltani, Gennard, Van der Meer, & Williams, 2004a).

PA results help managers identify and diagnose job-design errors for purposes of correcting poor performance (Werther Jr. & Davis, 1996). These errors occur because of flaws in managing HR activities (Wilson & Western, 2000) such as HR planning (Deluca, 1993), forecasting, skills audits (Stewart & Stewart, 1977), and utilisation (Feild & Holley, 1975). If HR activities are poorly conceived, there is a likelihood of over- or under-staffing, lack of person-job fit, ineffective retention and poor employee engagement. These impediments can lead to faulty job design and, eventually, poor performance. Therefore, the ratee alone should not be held responsible for performance problems.

PA augments HR selection and helps facilitate evaluation of the job selection process (Shore et al., 1998). The review of HR selection process makes the selection method more effective (Jacobs et al., 1980) by validating selection procedures, techniques and decisions (Ammons & Rodriguez, 1986; Walsh & Fisher, 2005; Jain, 2005).

PA provides a basis for succession planning by assessing future potential and promotability of the employee (Tziner, Murphy, Cleveland, & Roberts-Thompson, 2001; Myloni, Harzing, & Mirza, 2004; Chan, 2006). HR professionals use PA data to carry out succession planning activities such as placement (Beer, 1981), replacement, retention, discharge and tenure (Behery & Paton, 2008; Solomon & Hoffman, 1991). Moreover, by using PA for the above purposes, organisations can identify deficiencies in the staffing process; for example, good performance indicates strengths in recruitment and selection procedures and vice versa (Werther Jr. & Davis, 1996).
PA is used to provide information to manage employee relations. An efficient PA process offers supervisors and subordinates with opportunities to communicate with one another in performance planning and review meetings (Galang, 2004), which strengthens their working relationship (Shaikh, 1995) and improves the work environment (Wilson & Western, 2000).

PA facilitates decision-making about wages and salaries and about employee recognition and rewards (Smigel, 2000; Nickols, 2007). Such a compensation system motivates employees to improve performance (Law & Tam, 2008). PA engenders a pro-active approach among employees by diagnosing individual and organisational problems (Beer, 1981). The process points out the gap between "What is" and "What should be," providing long-term guidance to employees (Stewart & Stewart, 1977) as to how they should plan their work (Fink & Longenecker, 1998) and deal with internal and external challenges (Werther Jr. & Davis, 1996).

PA that complies with privacy restrictions can create a healthy "organisational climate" in which problems and grievances can easily be detected and handled (Stewart & Stewart, 1977). Such an organisational climate fosters progressive discipline that gives weight to the voice of employees (Galang, 2004; Lilley & Hinduja, 2006).

PA, when conducted for administrative purposes, is considered helpful in achieving favourable organisational outcomes such as employees' motivation, satisfaction and perceptions of fairness. In terms of the effectiveness of performance appraisal, the category of PA for administrative purposes performs five major functions. The first function is judgment. PA that is conducted for administrative purposes helps managers compare employees' performance. This results in fair treatment, which in turn leads to the second function: evaluation. The evaluation suggests improvements in the PA system at the individual, team, and organisational levels. The third function, accountability, helps assign responsibility for below-standard performances. The fourth function is summative assessment, which focuses on making the PA system effective. Once effective, the PA system is considered to be ready to contribute to the fifth function: personnel. This function enhances the utility of PA by using its results/data for decision-making in a variety of HR areas, as described under the 11 subcategories of administrative purposes and uses of PA.

**Developmental Purposes and Uses of PA**

The second most frequently researched category of purposes and uses for PA is developmental; the topic was covered in 26.73% of the reviewed literature. Some researchers use alternative terms for developmental such as "coaching"
Muhammad Zahid Iqbal

(Schweiger & Sumners, 1994), "motivational" (Caruth & Humphreys, 2008) and "formative" (Ovando & Ramirez Jr., 2007). These purposes and uses of PA are for evaluating performance while focusing solely on the employee's competence (Youngcourt et al., 2007). PA addresses developmental purposes and uses with methodologies such as: self appraisal (Baruch, 1999); upward appraisal (Adsit et al., 1994), which is also known as "bottom-up", "reverse review" and "upside-down" appraisal (Mathews & Redman, 1997); peer evaluation of individuals (Fisher, 1994) and teams (Thite, 2004); 360-degree feedback (Garavan et al., 1997); and multi-source feedback (Golden et al., 2009). These methodologies are used in addition to routine PA exercises (Redman & Mathews, 1995). Managers who are familiar with the use of PA for developmental purposes can devise mechanisms for improving performance through developmental activities at the organisational and individual level.

For development at the organisational level, PA results provide information based on which training and development (Soltani, Van der Meer, Gennard, & Williams, 2004c; Nurse, 2005; Islam & Rasad, 2006) and management development programmes are conducted (Cacioppe & Albrecht, 2000). Moreover, PA can help identify an industry's training requirements (Cleveland et al., 1989) along with employee development to manage change and organisational development (Ovando & Ramirez Jr., 2007).

There is strong evidence that the overall development of employees increases their levels of satisfaction and commitment (Wiese & Buckley, 1998). For development at the individual level, PA results provide employees with performance feedback (Reid & Levy, 1997; Blackmore, 2005; Narcisse & Harcourt, 2008), help define their career development needs (Hempel, 2001; Nickols, 2007) and determine their career paths (Spinks, Wells, & Meche, 2004; Law & Tam, 2008). PA generates a need for micro-training, coaching and counselling (Amba-Rao et al., 2004; Islam & Rasad, 2006; Law, 2007) to help employees meet their personal goals (Sinclair & Zairi, 1995). Thus, the provision of opportunities for self-development (Baruch, 1996) equips employees with new knowledge and skills (Odhiambo, 2005; Kuvaas, 2006). PA strongly relates to training. Various research studies endorse training needs assessment (TNA). Among 98 uses of PA, TNA is the most cited term, appearing in 8.85% of the reviewed literature (see for example DiLauro, 1979; Oppenheimer, 1982; Banks, Bures, & Champion, 1987; Sims, Veres, & Heninger, 1989; Noble, 1997; Al-Khayyat & Elgamal, 1997; Virmani, 2000; Heraty & Morley, 2000; Elbadri, 2001; Brown, 2002; Papalexandris & Chalikias, 2002). In addition, according to Behery and Paton (2008), PA provides a foundation for training evaluation.

If planned effectively, PA for developmental purposes can be helpful in designing a comprehensive framework for employee development. PA conducted
Purposes and Uses of Performance Appraisal

for development purposes manages development at the individual level – through micro-training, coaching and career development – and at organisational level – through a focus on employee motivation, employee commitment etc. The development function enhances the view of PA because PA results and data can be used for decision-making in a variety of HR areas, as discussed under the two subcategories of developmental purposes and uses of PA.

Strategic Purposes and Uses of PA

PA conducted for "strategic" purposes was the subject of 10.96% of the literature reviewed. Strategic PA serves two major purposes. First, it establishes a functional relationship between the goals of organisation and the goals of its employees (Aguinis, 2009) by identifying these goals, setting them and achieving them. This kind of PA improves employees' perceptions of organisational goals because employees learn how to evaluate whether or not goals are being achieved (Wiese & Buckley, 1998; Soltani, 2003). PA for strategic purposes also provides information for organisational planning (Walsh & Fisher, 2005) that increases organisational effectiveness (Spinks et al., 2004), productivity (Herdlein, Kükemelk, & Tu’rk, 2008) and organisational performance (Fifteen steps to a complete human resource program, 1997; Buckingham & Vosburgh, 2001). Second, PA conducted for strategic purposes helps the organisation deal with legal issues (Law, 2007). It encourages compliance with anti-discrimination laws – especially in cases of selection and promotion (Spinks et al., 2004) – and with requirements for equal-opportunity employment (Lacho, Stearns, & Whelan, 1991; Nickols, 2007).

The implementation of PA for strategic purposes is considered useful for the goal orientation function. This type of PA contributes to the effectiveness of performance appraisal by establishing a fit between individual and organisational objectives.

Role Definition Purposes and Uses of PA

The final category, PA conducted for purposes of role definition, comprised only 3.08% of the articles reviewed. PA for role definition clarifies the structure of position-focused appraisal, a topic that seems relatively overlooked. This sort of PA identifies job tasks that are no longer required or appraisal areas that extend beyond job requirements (Youngcourt et al., 2007). This kind of PA helps ratees understand their strengths and weaknesses relating to their roles and functions (Hanley & Nguyen, 2005; Law & Tam, 2008). Gaining this understanding develops employees' ability to support others in internalising the organisation's culture, norms and values, thereby establishing organisational identity, developing organisational commitment and creating a positive and healthy
organisational climate (Shaikh, 1995). The ultimate result of this type of PA is improved role clarity (Pettijohn et al., 2001). The best utilisation of PA for role definition depends on adequate use of feedback that helps the ratee understand his or her role. This concludes the list of PA categories. A holistic view of these categories and their functions can be found in Figure 5.

![Figure 5. Categories of purposes and uses of PA and their key functions](image)

**HOW SHOULD THE INVENTORY OF PURPOSES AND USES OF PA BE USED?**

This paper examined the frequency with which four major purposes and uses of PA are covered in various research studies (see Figure 6). The literature included in the sample gave significant coverage to PA for administrative purposes (59.23%) and PA for developmental (26.73%) purposes. The literature gave less attention to strategic PA (10.96%) and PA for purposes of role definition (3.08%). These results clearly show that there is a need to shift the focus toward PA for role definition and strategic purposes.

Within the category of PA that is conducted for administrative purposes, the subcategories most cited in the literature were as follows: development of HR systems (15.77%), with an emphasis on transfers, layoffs and recalls, terminations, probations and promotions; making decisions on compensation (15.19%), with a focus on administering employee rewards and recognition; succession planning (9.42%), with a focus on assessing employees' future potential. Meanwhile, the use of PA for inculcating proactive approaches among raters and ratees was a neglected area of the literature, appearing in 0.58% of the studies. Organisational climate is another subcategory of administrative uses that
is rarely discussed, appearing in 1.15% of the studies. Establishing a mechanism that strengthens the appraisal system and supports other HR activities such as HR planning, forecasting, skills auditing and utilisation. These HR activities have received attention in 1.54% of the articles. Augmenting HR selection and ensuring overall compliance with performance standards appeared in 2.50% and 2.69% of the articles respectively. Improving employee performance and managing employee relations by taking management actions based on PA results appeared with reasonable frequency in the literature (5.38% and 3.46% respectively). As for the subcategories of PA for developmental purposes, development at the organisational level gained less attention in the literature sample (3.27%) compared with PA for development at the individual level (23.46%). Among studies that addressed the use of PA for individual development, feedback and TNA had significant shares (5.96% and 8.85% respectively). Among studies citing the use of PA for organisational development, training and development was the most studied use of PA (2.12%). Within the category of PA conducted for strategic purposes, the largest share (9.04%) came from studies describing the use of PA to accomplish organisational goals – their identification, setting, and achievement – while 1.92% was from studies of PA that targets legal issues. Among studies of PA that is used for role definition, the leading subcategory (1.35%) was PA that informs ratees of their strengths and weaknesses with respect to role and functions.

The literature indicates that performance appraisals often serve multiple purposes simultaneously (Cleveland et al., 1989). For example, while appraising employee performance for administrative purposes, an organisation can use the results of a single PA exercise to improve employee performance, augment HR selection and decide on compensation.

Can administrative, developmental, strategic and role definition purposes be accomplished from a single PA exercise? Before we answer this, it should be kept in mind that the simultaneous use of all categories in one PA exercise requires a higher degree of clarity among raters and ratees. The literature offers no consensus on the simultaneous use of PA for different purposes. For example, Youngcourt et al. (2007) maintain that the purposes of PA are distinct and need to be used separately. Cacioppe and Albrecht (2000) and Islam and Rasad (2006) contend that PA used for administrative purposes has immediate and tangible consequences, such as pay and promotion for the person being rated. PA conducted for developmental purposes, on the other hand, has no such consequences; it only affects the employee's learning and development. Thus, different purposes demand different approaches to PA.

For effectiveness of PA in terms of perceived fairness, the simultaneous use of all PA categories seems difficult to practice because there is a gap between an
organisation's reasons for using PA and employees' perceptions about its use (Chang & Hahn, 2006). This gap is two-fold: administrative and developmental. The administrative gap occurs when ratees lose confidence and trust in raters if they perceive that PA is performed unfairly, especially when raters purposefully establish lead and lag relationships for administrative use (Goffin, Jelley, Powell, & Johnston, 2009). Raters are deemed as "foe" because ratees perceive the ratings to be unfavourable, even if they are judicious. The developmental gap occurs, meanwhile, when ratees show no concern about either their ratings or their raters. The employees perceive nothing to be at stake because raters are less likely to inflate or deflate ratings for the same reason. Raters are deemed as "friend" because ratees know that neither favourable nor unfavourable ratings have an impact on their pay or likelihood of promotion.

*taken from online books database

Figure 6. Percentage of literature covering categories and subcategories of purposes and uses of PA

PRACTICAL IMPLICATIONS AND FUTURE RESEARCH

Managerial Implications

Human resource management and development are associated with the use of PA (Addison & Belfield, 2008). Therefore, the inventory developed by the author not only serves to improve our understanding of PA but also helps us integrate it with other HR activities such as HR forecasting, selection, skills audit and succession...
purposes and uses of performance appraisal planning. The author's contribution shows clearly that the prevailing trend in previous research was to focus on the use of PA for administrative purposes followed by PA for developmental purposes. The review of the literature also reveals that the use of PA is growing rapidly (Soltani et al., 2004b). However, when it comes to a collectivist society like Pakistan, where it is hard to single out an individual who is accountable for results, a comprehensive and efficient evaluation system becomes difficult to implement. Therefore, PA as a managerial tool for maximising individual performance must be purpose-based (Chow, 2004).

Another implication of the inventory developed by the author is its use for the learning and development of raters. Employee perceptions of the usefulness of PA are affected by raters' training in the purposes of PA (Whiting & Kline, 2007). Such training would also serve as a useful tool to avoid inflated or deflated ratings.

**Theoretical Implications**

The application of the utilisation criteria for measurement of Effectiveness of Performance Appraisal (EPA) gains support from expectancy theory, which says that to raise employees' interest in the organisational setting, they should be rewarded according to their performance (Kermally, 2004). Similarly, social exchange theory explains that if, by virtue of the PA, an individual feels the organisation is keen on his or her development, he or she will then respond reciprocally (Youngcourt et al., 2007). Goal-setting theory maintains that ratees use performance feedback to evaluate their performance in comparison with their set goals (van Dierendonck, Haynes, Borrill, & Stride, 2007). Most of the literature focuses strictly on administrative and developmental uses of PA (see e.g. Dorfman et al., 1986); the current paper attempts to refine the concept further by adding two categories of use: PA for strategic purposes and PA for the purpose of role definition (Noe et al., 2003; Youngcourt et al., 2007).

**Limitations and Future Research**

This paper only aimed at expanding our understanding of "what" and "how" aspects of purposes and uses of PA. Therefore, segregation of context (i.e. countries, industry type, sectors, etc.) was avoided. While deciding on methods and materials, the author practiced the utmost care and collected material from selected databases to ensure a high standard of quality. However, due to lack of empirical evidence in the area under study, the author did not attempt to use search terms such as "a review of …," "a meta-analytic review of …" or "a narrative review of …" etc. in the title. Instead, the author followed only those guidelines set down by Tranfield, Denyer and Smart (2003) and Armitage and
Keeble-Allen (2008), which were useful and supported a methodology consistent with the available resources.

The objective of this paper was to develop an inventory of the purposes and uses of PA. However, apart from a word of caution about multiple uses of PA, empirical evidence has yet to be provided on "what is" and "what should be" within the practice of PA. To avoid the effect of nuisance variables, future research should identify and segregate types of PA according to methodology – e.g., self-appraisal, peer evaluation, multi-source feedback and reverse reviews – because the purpose for which PA is being used may influence the choice of methodology being used. This gap in our knowledge needs to be filled by expanding PA theory further. Research is also needed on the use of utilisation criteria for measuring effectiveness of PA. After Jacobs et al. (1980), no significant work on the subject has been published. Further research is needed on the dimensionality and construct validation of criteria for measuring the effectiveness of PA. Such research should build on the long-established approach to classifying PA by its purposes and uses, and approach that calls for broadening nomological networks in the field based on empirical evidence.

ACKNOWLEDGEMENT

The author is grateful to Dr. Aurangzeb Zulfiqar Khan and Dr. Sajid Hussain Awan for their insightful comments, which have been very useful in improving the paper.

REFERENCES


60


