**Supplemental Materials**

**Performance Appraisal and Performance Management: 100 Years of Progress?**

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**A Process Model of the Appraisal Process: A Discussion of Murphy and Denisi (2008)**

 In 2008, Murphy and DeNisi proposed a model of the appraisal process that discussed a series of factors that could affect the rating given to any individual. That model is presented in Figure 1, and suggests five types of factors worth considering: Distal Factors, Proximal Factors, Intervening Factors, Judgment Factors, and Distortion Factors.

This model suggests that there are factors that will influence performance ratings and associated feedback, that have little to do with the effort of I/O Psychologists, HR specialists, or anyone in management to develop better rating methods. These “distal factors” operate at a much higher level of analysis than the processes we usually study, but they are surely important to help us understand the appraisal and performance management process. For example, in our paper for this issue, we discuss how cultural differences affect the appraisal process and also affect what kinds of practices will be acceptable to employers and employees. One instance of this might be the attempt of an organization to introduce 360 degree appraisals in a high-power distance culture. In such cultures, it is unlikely that subordinates will feel comfortable rating their supervisors and it is equally unlikely that supervisors will accept feedback from subordinates.

The role of corporate strategy is also important, and the notion of aligning appraisal processes with strategy is an important part of most performance management models (cf., Aguinas, 2009; Jackson, Schuler, & Jiang, 2014; Pulakos et al., 2012). At the simplest level, this means that, if a firm is competing on the basis of price, then appraisals should emphasize efforts by employees to reduce costs. We would expect the appraisal system in such a firm to look much different than the system in a firm that competes on quality or service.

Technology can impact what is possible and impossible to accomplish in appraisals. For example, computer-based monitoring allows supervisors to have clear information about the specific behaviors exhibited by their subordinates at work, even if there might be problems with having that information (Alder & Ambrose, 2005). Finally, the legal system is extremely important for performance appraisal, but even more important for performance management. For example, various countries have legislation limiting who is eligible for profit sharing or stock options. On the other hand, not every country has laws similar to the United States that outlaw discrimination on the basis of factors such as race and gender. These laws constrain what kinds of systems are possible.

In general, these distal factors are not easy to change (in some case they may be impossible to change). Nonetheless, we must be aware of how they operate and how they influence performance appraisal and performance management.

Proximal factors are more under the control of the organization, although not necessarily under the control of the individuals designing appraisals systems. As noted in our paper, performance appraisal information is used for a variety of purposes and this can affect the ratings that are given. An organization can change those purposes, but, as they were probably instituted for some reason, they may not be willing to make those changes. Organizational norms and acceptance of the appraisal system may be even harder to change—although it is possible. Firms need to establish something similar to what Bowen and Ostroff (2004) refer to as a performance culture where employees come to trust appraisals and see them as a tool to help them improve their performance.

These Proximal Factors also influence what we have termed Intervening Factors. These are the factors that have been studied more frequently and are often relatively easy to change—but change is not always simple. For example, the purpose for appraisals and organizational norms may lead to annual appraisals rather than quarterly or semi-annual appraisals. It may be relatively easy to increase the frequency of appraisals but such changes may violate organizational norms and may interfere with the purpose for the appraisals. Surely factors such as rater motivation and rater–ratee relationship will be dependent, in part, on the purpose for the appraisals and how well the system is accepted. Again, factors such as rater motivation can be changed, but it may be difficult to do that without also changing the purpose for which appraisal information is collected.

Distal, Proximal, and Intervening Factors are all seen as affecting performance ratings and feedback. But our model also includes a set of Judgment Factors, which operate differently. Appraisal decisions are judgments on the part of raters. To provide the “best” ratings, raters must be able to observe relevant performance and have available to them, some standards they can use to make immediate decisions about whether the performance they see is good, bad, or indifferent. But, while raters might observe an employee’s performance on a daily basis, formal appraisals are usually conducted only once or twice a year. Therefore, the rater must be able to recall the relevant performance information to make a rating, and time pressure can reduce the rater’s ability to consider all the information available. These judgment factors involve the cognitive process included in most cognitive models of the appraisal process (e.g., DeNisi, Cafferty, & Meglino, 1984; Feldman, 1981; Ilgen and Feldman, 1983). As a result, there has been considerable research on these processes and interventions that might improve the accuracy of the resulting judgments.

But it is important to note that judgments about performance are not always the same thing as performance ratings. This point has been discussed most fully by Murphy and Cleveland (1991, 1995), and is truly central to our understanding of what occurs during the appraisal process. Stated simply, raters may make an accurate judgment about an employee’s performance but may simply choose to provide a different rating. As noted in our paper, there has not been a lot of research on these distortion factors and how they might affect appraisal. Note, as well, that our Intervening Factors are related to some of these Distortion factors, and together, they can result in ratings that differ significantly from an employee’s true performance. What is even more intriguing, however, is that these factors may produce a set of ratings that differs significantly from what the rater knows to be the employee’s true performance.

These ratings will then form the basis of any feedback given to the employee, as well as the entire performance management system. There is much more to performance management than simply ensuring that ratings accurately reflect an employee’s performance on the job, but it is clear that grossly inaccurate ratings cannot result in a very effective performance management system. We believe that our prosed model could be useful in organizing future research efforts in this area. We believe that it is important to understand what is and what is not under the control of a manger or consultant, and that it is also important to better understand how these various factors interact to affect the appraisal and performance management processes.

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Figure 1

A model of the performance appraisal process

**DISTAL FACTORS**

**Norms—Industry, national, etc.**

**Strategy and Firm Performance**

**Legal System**

**Technology**

PROXIMAL FACTORS

Purpose of appraisal

Organizational norms

Acceptance of appraisal System

INTERVENING FACTORS

Frequency of appraisal

Source of appraisal

Rater–ratee relationship

Rater motivation

Perceived uses & purposes

DISTORTION FACTORS

Consequences of appraisal

Reward system

JUDGMENT

JUDGMENT FACTORS

Opportunity to observe

Availability of standards

Recall of performance

Time Pressure

PERFORMANCE RATING AND FEEDBACK