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Postgraduate Dissertation
Study on the effectiveness of traditional and modern performance
evaluation systems in contemporary organizations

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Patras, Greece, May 2026

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Study on the effectiveness of traditional and modern performance
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Abstract

Performance evaluation is a critical component of human resource management, directly influencing employee development, motivation, and organizational alignment. This dissertation conducts a comparative analysis of selected traditional and modern performance evaluation systems, focusing on their underlying principles, impact on employee behavior, and the organizational conditions that shape their effectiveness.

Traditional appraisal methods -such as rating-based models- offer structured mechanisms that have been widely used across industries for decades. However, these approaches are often criticized for their rigidity, retrospective orientation, and limited developmental value. In contrast, modern evaluation systems, including continuous feedback processes, 360-degree assessments, and goal-based frameworks, have emerged in response to increasingly dynamic, collaborative, and fast-paced work environments. These contemporary models place greater emphasis on transparency, agility, employee involvement, and ongoing developmental dialogue.

The dissertation examines the differences between widely used traditional and modern systems across key dimensions such as feedback frequency and quality, fairness and objectivity, developmental value, and contribution to strategic success. Additionally, it considers if contextual factors -including organizational size, sector, culture, and job characteristics- significantly influence the appropriateness and impact of each approach.

By synthesizing theoretical perspectives and practical insights, the study aims to develop a comprehensive understanding of when and why specific evaluation systems are most effective.

Ultimately, the dissertation aims to provide a structured framework to guide decision-making for organizations seeking to enhance their performance management processes, supporting both individual growth and overall organizational performance in an era characterized by rapid change and evolving expectations.

Keywords: “performance evaluation”, “performance management”, “appraisal systems”, “employee development”

Μελέτη πάνω στην αποτελεσματικότητα παραδοσιακών και
μοντέρνων συστημάτων αξιολόγησης σε σύγχρονους οργανισμούς

Νεφέλη Παναγιωτοπούλου

Περίληψη

Η αξιολόγηση της απόδοσης αποτελεί έναν από τους σημαντικότερους μηχανισμούς διοίκησης ανθρώπινου δυναμικού, καθώς συνδέεται άμεσα με τη βελτίωση της παραγωγικότητας, την ανάπτυξη των εργαζομένων και τη στρατηγική ευθυγράμμιση του οργανισμού. Η παρούσα μελέτη εξετάζει συγκριτικά την αποτελεσματικότητα επιλεγμένων παραδοσιακών και σύγχρονων συστημάτων αξιολόγησης σε σύγχρονα επιχειρησιακά περιβάλλοντα, εστιάζοντας στις λειτουργικές τους αρχές, τις επιδράσεις τους στη συμπεριφορά και τα κίνητρα των εργαζομένων, καθώς και στις συνθήκες που ενισχύουν ή περιορίζουν την αποτελεσματικότητά τους. Οι παραδοσιακές μέθοδοι αξιολόγησης όπως τα συστήματα βαθμολόγησης και ταξινόμησης, παρέχουν μια δομημένη και ιστορικά δημοφιλή προσέγγιση, ωστόσο συχνά επικρίνονται για τη στατικότητα, τη γραφειοκρατική τους φύση και την περιορισμένη ικανότητά τους να υποστηρίξουν την εργασιακή ανάπτυξη. Αντίθετα τα σύγχρονα μοντέλα, όπως η αξιολόγηση 360 μοιρών και τα συστήματα στόχων, ανταποκρίνονται στις ανάγκες πιο ευέλικτων, δυναμικών και συνεργατικών οργανισμών, ενισχύοντας τη συμμετοχή, τη διαφάνεια και την προσαρμοστικότητα.

Η εργασία αναλύει τις διαφορές μεταξύ ευρέως χρησιμοποιούμενων συστημάτων των δύο κατηγοριών με βάση διαστάσεις όπως η συχνότητα και ποιότητα της ανατροφοδότησης, η δικαιοσύνη και αντικειμενικότητα, ο βαθμός ανάπτυξης των εργαζομένων και η συμβολή στη στρατηγική υλοποίηση. Επιπλέον, διερευνάται αν παράγοντες όπως το μέγεθος της επιχείρησης και ο κλάδος δραστηριότητας επηρεάζουν σημαντικά την καταλληλότητα κάθε συστήματος. Στόχος της μελέτης είναι να διαμορφώσει ένα ολοκληρωμένο πλαίσιο κατανόησης και επιλογής κατάλληλων μεθόδων αξιολόγησης, προσφέροντας πρακτικές κατευθύνσεις σε οργανισμούς που επιδιώκουν να βελτιώσουν την απόδοση και την ανάπτυξη των ανθρώπινων πόρων τους σε ένα περιβάλλον συνεχούς αλλαγής.

Λέξεις – Κλειδιά: “αξιολόγηση εργαζομένων”, “απόδοση εργαζομένων”, “συστήματα αξιολόγησης”, “ανάπτυξη ανθρώπινου δυναμικού”

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List of Abbreviations & Acronyms

BARS	Behaviorally Anchored Rating Scales
BSC	Balanced Scorecard
CF	Continuous Feedback
FDRS	Forced Distribution Ranking System
FR	Forced Ranking
GRS	Graphic Rating Scales
HR	Human Resources
HRM	Human Resources Management
MBO	Management by Objectives
OKRs	Objectives and Key Results
PA	Performance Appraisal
PE	Performance Evaluation
PM	Performance Management
PMS	Performance Management System

1. Introduction

1.1 Background and Context

Performance evaluation (PE) methods have been traditionally used to assess staff, driving decisions such as employee layoffs, compensation, promotions and training. It is a tool for managers but also for employees in terms of their career development. In the contemporary world, human capital is considered a significant competitive advantage, and thus the effectiveness of performance management (PM) should be a critical management concern, depending also on the nature of business and industry-specific needs.

Historically, PE techniques were designed to operate in a context of solid, top-down hierarchical structures, autocratic leadership styles and results-oriented management teams. The initial attempts to evaluate performance changed significantly throughout the years, following the evolution of human resources management (HRM) as a whole. Moreover, globalization, technological advancement and human rights movements have re-shaped work practices and organizational culture. Many organizations have incorporated more collaborative management practices, flatter organizational structures and approaches with positive impact on employees' motivation and development. At the same time, employee expectations from management regarding work-life balance, growth opportunities and evaluation transparency are more intensive. To respond to these challenges, HRM professionals have developed new methods that include continuous and 360-degree feedback, goal-based frameworks and technology-driven PM platforms.

However, evidence regarding the effectiveness of traditional and modern PM systems is limited and does not lead to universally accepted standards. Increased complexity and volatility of modern workplaces, different organizational priorities and constraints, suggest that the effectiveness of performance systems cannot be assessed independently of the corporate environment and is rather context-dependent.

For example, many organizations report improvements in productivity, culture and employee satisfaction because of the use of new techniques, while others seem to face challenges in that matter. Moreover, traditional systems continue to be used as more straight-forward and easy, especially in the cases of organizations with more formalized or

traditional structures. Consequently, the contemporary debate about PM is not on identifying the best systems, but more towards understanding which systems are most effective under specific conditions.

1.2 Problem Statement

Despite the pivotal role of PM systems (PMS) in contemporary workplaces, there is still room for research regarding their effectiveness in different contexts. Integrative reviews of the literature indicate the lack of clear and compelling evidence in that matter (Schleicher & Baumann, 2019), and that despite decades of research and practice, clear conclusions regarding what makes a PMS effective remain elusive (Pulakos & O’Leary, 2011; Schleicher & Baumann, 2019).

More specifically, only a few studies have systematically examined the impact of different PM practices on performance or identified in which cases it plays a significant role in driving business outcomes. As a result, organizations currently have relatively few evidence-based insights into the actual impact and return on investment of PM systems (Pulakos, Mueller-Hanson, & Arad, 2019).

Moreover, while academic reviews show that parameters such as industry characteristics, organizational size, job type and culture significantly moderate how employees perceive and respond to PM systems (Alkhyeli & H.Hazmilah, 2025), there is limited information on how these systems should be adapted to different organizational environments to produce positive outcomes.

Another dimension of the problem is that, despite the introduction of a variety of modern systems and methods in the recent years and their adoption by contemporary organizations, PA and PM in general are still perceived as inadequate by employees and managers (Ikramullah, Prooijen, Iqbal, & Ul-Hassan, 2016; Murphy, 2020; Araújo, Caldas, Barreto, & Menezes, 2024). Traditional systems have been widely criticized for their lack of objectivity, susceptibility to bias, limited developmental value and negative effect on motivation (Murphy, 2020). On the other hand, modern PE approaches are receiving mixed critiques on their effectiveness as complex to implement and highly dependent on

managerial capability and organizational context (Araújo, Caldas, Barreto, & Menezes, 2024).

Consequently, the core problem addressed in this dissertation is the absence of a clear, comparative, and context-sensitive understanding of the effectiveness of traditional versus modern PM systems. A solid understanding of the key parameters that lead to different outcomes, based on theory and empirical evidence, can help organizations optimally select and design practices that are tailored to their specific needs.

1.3 Research Aims and Objectives

The aim of this dissertation is to provide a critical overview of the most widely used traditional and modern performance evaluation systems, and to compare their effectiveness in contemporary organizations. Attention will be paid, if possible, to the identification of the factors that make selected traditional and modern systems more effective.

Taking into consideration that numerous factors can influence the effectiveness of a PA system (organizational, industry, role-related, or other) we do not assume that any of the methods are inherently better than others. Leveraging the existing literature and theoretical debate surrounding performance evaluation practices, this dissertation intends to synthesize academic literature and practitioner insights to develop an overall understanding of how different PA systems influence employee behavior and organizational outcomes.

More specifically, the objectives of the study are to:

- Provide an overview of the evolution of performance evaluation throughout the years, distinguishing between traditional and modern approaches and examining their underlying assumptions and purposes.
- Identify and critically analyze the main types of traditional and modern performance evaluation systems and assess their key advantages and drawbacks.
- Evaluate the impact of selected performance evaluation systems on employee-level outcomes, such as motivation, development, and perceived fairness, and on organizational-level outcomes, including strategic alignment and organizational culture.

- Examine the role of contextual factors (such as organizational size, industry sector, and job characteristics) in the effectiveness of performance evaluation systems.
- Develop a comparative framework to facilitate managerial decision-making, outlining under what conditions traditional, modern, or hybrid performance evaluation systems are most appropriate.

Through these objectives, the dissertation seeks to contribute to both academic understanding and managerial practice by offering an evidence-based perspective on performance evaluation system design in contemporary organizational environments.

1.4 Research Questions

To achieve the aims and objectives outlined, this dissertation is guided by the following research questions:

- *Question 1: What are the key traditional and modern performance management systems used in contemporary organizations and what are their perceived advantages and limitations?*
- *Question 2: How do selected traditional and modern performance management systems influence employee-level outcomes, such as motivation, development, and perceptions of fairness?*
- *Question 3: How do selected traditional and modern performance management systems contribute to organizational-level outcomes, including strategic alignment and organizational culture?*
- *Question 4: To what extent do contextual factors -such as industry sector, organizational size, culture, and job characteristics- influence the effectiveness of traditional and modern performance evaluation systems?*

1.5 Scope and Limitations

The scope of this dissertation includes the comparative evaluation of specific performance management systems, four traditional (Graphic Rating Scales, Forced Ranking, Behaviorally Anchored Rating Scales, and Management by Objectives) and four

contemporary (Continuous Feedback, 360-Degree Feedback, Objectives and Key Results, and the Balanced Scorecard). It is based on existing international literature and is not limited to specific geographical areas or organizations. The analysis is performed using six specific evaluation metrics that cover the employee and the organizational perspective.

Regarding its limitations, the study does not include any primary quantitative testing or statistical modeling on available data -as literature-based comparative study, it relies on secondary research, and the final conclusions depend on the data and arguments available in the existing literature.

1.6 Structure of the dissertation

Chapter 1 – Introduction: Introductory chapter that contains the necessary background for the study, the problem statement, the core research questions, its scope and limitations.

Chapter 2 – Literature Review / Theoretical Foundations: Establishes the theoretical foundations and definitions of performance management and tracks the historical evolution of methods and relevant theories.

Chapters 3 & 4 – Traditional & Modern Performance Management Systems: These are the core theoretical chapters that focus on the selected systems, examining their nature and use, key advantages and disadvantages, and case studies or industry metrics where available.

Chapter 5 – Methodology & Comparative Framework: This chapter sets out the methodology and tools used in this dissertation, defining the strategy, the data sources, and the comparative framework that will be used.

Chapters 6&7 – Comparative Analysis, Synthesis, & Framework: Core chapters of the study where the comparative analysis of the selected systems is performed. A synthesis of the comparison and the contextual insights gathered from the literature and the cases, results in a decision-making framework with practical value.

Chapter 8 – Conclusion: Ending chapter that summarizes the main academic and practical contributions of the dissertation, answers the research questions and offers final reflections for future research.

2. Literature Review / Theoretical Foundations

2.1 Concepts and Definitions

2.1.1 Performance Evaluation

Conceptual foundations and functional scope

Performance evaluation (PE) is the process of systematic assessment of work performance, serving both as an assessment mechanism and a developmental tool. Beyond measurement, PE entails the establishment of clear work standards, evaluation against those benchmarks, and provision of feedback (Capelli & Tavis, 2016). Moreover, it supports administrative decisions such as promotions, compensation and layoffs, ideally based on objective criteria. Although traditionally periodic, PE has evolved in the last decades and some organizations opt for continuous feedback and agile practices (Dolatabad, Tehrani, & Pourasghari, 2025).

Significance for the employee and the organization

Performance evaluation against predefined standards fosters a positive, collaborative work culture and cultivates a sense of fairness (Yapa, 2024) which drives motivation and engagement. As research shows, employees who are satisfied with their appraisal and feedback showcase supportive behavior towards their peers, perform better, and work harder to meet organizational objectives (Thakare & Mahajan, 2021; Mollel, Mulongo, & Razia, 2017). Effective PE also enables the recognition of development needs and design of related trainings (Yapa, 2024).

From the perspective of the organization, the assessment of employee performance against the company goals ensures that employee activities are aligned with the overall organizational strategy and that everyone contributes to the company's mission and vision, ultimately driving a competitive advantage in the market (Pulakos, Hanson, Arad, & Moye, 2015). From a team perspective, PE balances individual accountability with teamwork, encourages responsibility and contributes to the effective use of resources (Yapa, 2024). A robust, transparent PE process leads to improved company culture and reduced turnover rates. Organizations retain high-performers and motivate all personnel to stay and strive for excellence (Yapa, 2024; Capelli & Tavis, 2016).

2.1.2 Performance Management

Definition and components

Performance management (PM) is frequently defined as a way to develop employees (Aguinis, 2013; Cascio, 2014) or, more broadly, as the process of identifying, measuring, and developing the performance of individuals and teams in alignment with the organizational strategy (Brown, O'Kane, M.G.McCracken, & Mazumdar, 2017; Aguinis, 2013; Owais, 2021). Based on (Harefa, Santoso, & Fuadah, 2024), performance management is a multi-dimensional, iterative process that integrates strategic alignment, employee development, continuous communication, and evaluative mechanisms.

PA differs from PM as it is considered a single component of a PM cycle, performed periodically. However, the terms are frequently used interchangeably (Owais, 2021), and some scholars define PA in a broader manner (Brown, O'Kane, M.G.McCracken, & Mazumdar, 2017). For this dissertation, PM, PE, and PA are used to refer to the same holistic concept.

Based on (Vulpen, 2023), a complete PM cycle has four key stages; planning, monitoring, developing and rating, which results in rewards, development plans and disciplinary actions. Similar structural components are outlined across the literature, consistently encompassing goal-setting, feedback, appraisal, and development (Mdhlalose, 2023; Harefa, Santoso, & Fuadah, 2024; Govender & Bussin, 2020; Mabasa & Flotman, 2022).

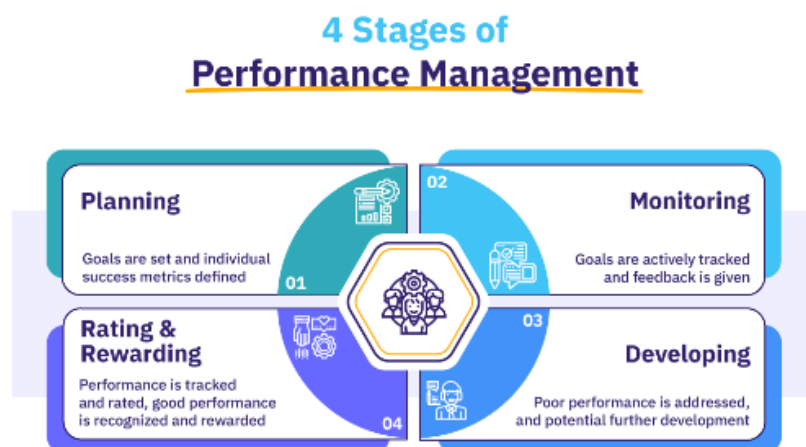


Figure 2-1 - PM Stages, (Vulpen, 2023)

Table 1. The Performance Management Process

Key Activities	
Performance Planning	Setting the direction and defining expectations
	Determining employee goals and objectives
	Determining the evaluator and method to be used
	Developing an action plan
Performance coaching and mentoring	Conducting interim checks on progress
	Exploring causes of poor performance
	Providing coaching and mentoring
Performance measurement and evaluation	Measuring the performance
	Rating the performance
Performance feedback and documentation	Providing performance feedback
	Recording and communicating performance results
Source: Van Hoek (2021)	

Figure 2-2: PM Process (Mdhlalose, 2023)

Challenges and criteria for success

Although the implementation of a PMS is a common practice in contemporary organizations with well-known benefits, there are significant challenges that might hinder its effectiveness.

Firstly, some individuals or groups are more resistant to changes in HRM or tend to feel threatened by certain characteristics of the evaluation, feedback or development process. On the other hand, inadequate training of the supervisors and lack of resources can lead to miscommunication of the organizational goals, poor implementation of the system and limited effectiveness in improving the employee performance (Harefa, Santoso, & Fuadah, 2024). A PMS that has not been properly implemented might be worse than the total absence of one, since negative employee experience leads to low engagement, burnout, high turnover and poor working relationships (Mabasa & Flotman, 2022). Common reasons that lead to such results are lack of objectivity and bias, favoritism, harsh feedback and lack of transparency (Mabasa & Flotman, 2022; Govender & Bussin, 2020).

Another common pitfall is the existence of a gap between theory and practice. A correctly designed PMS requires commitment from all sides to work in everyday circumstances. For

example, setting goals that are static, too theoretical or never revisited is pointless – based on a Betterworks study (Vulpen, 2023), 21% of employees set goals annually and never revisit them, while 16% do not set goals at all. The same applies to feedback and coaching that can be neglected in favor of more urgent tasks. Based on the same study, one third of employees report having one-to-one meetings or receiving feedback twice a year or less, and 10% of them claim that the input is not particularly constructive.

These challenges highlight the inherent complexity of successful performance management. Overcoming these obstacles requires significant effort, a holistic approach and active involvement of management. Amongst the most important elements that make a PMS successful, is the perception of fairness, alignment of goals to company priorities, coaching quality, and differentiated rewards, as stated in a McKinsey’s analysis of global performance management practices (McKinsey & Company, 2018).

Another important element is the adaptability of a PMS to its specific organizational context and industry, as tailored PM approaches are required to tackle unique challenges such as environmental uncertainty, task complexity, or seasonal demands (Harefa, Santoso, & Fuadah, 2024). Moreover, an effective PMS should include goals that are predefined, tangible and clearly communicated to employees, so that they can know what is expected of them and what they can gain by meeting the expectations (Modipane, Botha, & T.Blom, 2019; Harefa, Santoso, & Fuadah, 2024).

Three key practices directly influence perceived fairness in performance management—the strongest driver of overall performance-management effectiveness.

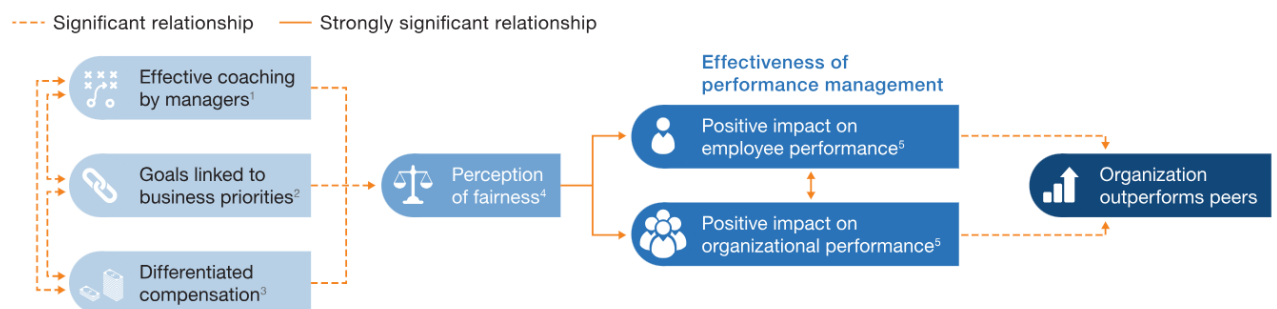


Figure 2-3: Success drivers of a PMS (McKinsey & Company, 2018)

2.2 Historical Evolution of Performance Management

2.2.1 Early Beginnings and Traditional Systems

2.2.1.1 *From Scientific Management to Administrative Control (1900s–1950s)*

The first forms of HRM were introduced in the late 18th century, following the beginning of the Industrial Revolution, to enable management practices on large numbers of workers. In the late 1800s, organizations created the role of “Personnel Manager”, the main duties of which were to hire, fire, discipline, and reward employees, performing the first form of PM (Deadrick, 2014). During the same period, the first large-scale use of ratings in work settings was adopted by the US Federal Civil Service to evaluate officer performance during World War I. Numerical anchors were used to mark the performance as “Excellent,” “Good,” or “Poor”, allowing raters to apply their own standards to categorize officer performance into these predefined levels (Pulakos, Mueller-Hanson, & Arad, 2019; Lopez, 1968; Scott, Clothier, & Spriegel, 1941).

In the early 1900s, Frederick Taylor's scientific management theory established more formal guidelines focusing on efficiency, speed, and job output (Taylor, 1911). His principles on measurement, standards and rewards laid the foundation for PM at a time when evaluations were informal and subjective, and were extended by other key contributors within the scientific management movement, such as Henry Gantt, who focused on facilitating the measurement of productivity (Hussain, Haque, & Baloch, 2019).

In parallel, Industrial and Organizational Psychologists (e.g., Lillian Gilbreath), sociologists (e.g., Max Weber), and Management scholars (e.g., Henry Fayol) focused on strategies for enhancing organizational efficiency and developed new PM approaches (Deadrick, 2014). Henri Fayol in his work defined management as a set of universal functions (i.e., planning, organizing, commanding, coordinating, and controlling). The function of control included the management responsibility to evaluate work outcomes, framing performance as compliance with the assigned tasks. Although these early approaches helped standardize and document concepts related to performance, they shared a limited, top-down and simplistic perspective on its evaluation which would be challenged by theorists and practitioners in the subsequent decades.

2.2.1.2 *The Human Relations and Behavioral Turn (1930s–1960s)*

During the next period, the focus of HRM shifted towards the psychological and social dimensions of work. The ideas that performance is influenced by motivation, morale, and social factors emerged, suggesting that performance assessment should incorporate behavioral elements alongside output measurement. One of the main contributors was Elton Mayo, whose work emphasized the impact of human relationships in worker behavior and productivity (Mayo, 1933). Abraham Maslow introduced the hierarchy of needs, a theory that suggested that higher-level needs such as recognition, personal growth, and meaning, directly influence work behavior and performance (Maslow, 1943).

The 1950s and 1960s saw increasing attention to participative management and developmental PA. In the 1950s, the Human Relations movement in the field of HRM challenged the assumption that people did not want to work (Deadrick, 2014). Douglas McGregor in *The Human Side of Enterprise* introduced Theory X and Theory Y, about whether employees are inherently passive and require control (Theory X) or are self-motivated and capable of self-direction (Theory Y). In his work, McGregor identified several management practices, including performance appraisals, that he thought were consonant with Theory Y assumptions (Kopelman, Protzas, & Davis, 2008).

Regulatory and methodological developments also influenced evaluation practices during this era: the Civil Rights Act of 1964 prompted employers to adopt more structured, job-relevant appraisal procedures to increase fairness and reduce bias (Pulakos, Mueller-Hanson, & Arad, 2019), while industrial-organizational psychologists like Dunnette and Guion refined performance measurement through valid criteria and improved rating-scale design. These movements and advances led to the standardization of PE through graphic rating scales and formal procedures. After World War II, about 60% of U.S. companies were using standardized rating scales as initially introduced by the US army (by the 1960s, it was closer to 90%) (Capelli & Tavis, 2016).

2.2.1.3 *Goal Alignment and the Rise of MBO (1950s–1970s)*

In the 1950s, the important concept of Management by Objectives (MBO) was first published by Peter Drucker (1954, *The Practice of Management*). The main concept of the

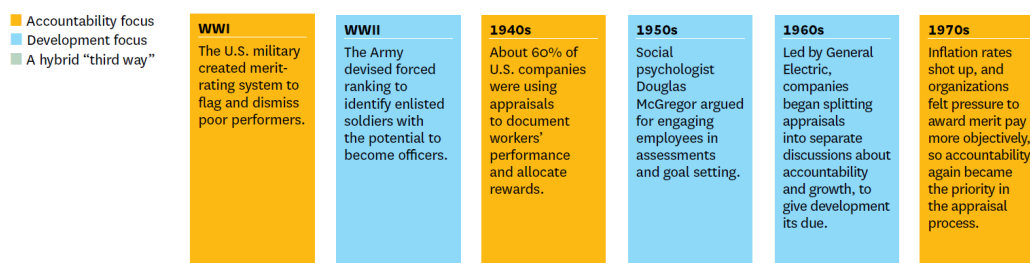
system involved the setting of goals jointly by management and subordinates, based on which feedback was given and performance was evaluated. This process made possible for workers to know where they stand (Gibson, Ivancevich, & Donnelly, 1973; LaFollette & Fleming, 2017). MBO was subsequently supported by scholars and practitioners of the era – e.g., Douglas McGregor advocated for MBO and emphasized how it could be used by superiors to objectively appraise subordinates (LaFollette & Fleming, 2017). MBO was widely adopted by organizations during the 1960 and 1970s and modern PM still relies heavily on MBO-inspired practices like defining objectives and quantifying outcomes. (Pulakos, Mueller-Hanson, & Arad, 2019).

The 1960s and 1970s also marked a significant shift as the Human Relations approach evolved into the Quality of Work Life (QWL) era. This approach attempted to satisfy the interests of employees and organizations by stressing employee well-being and productivity. Management began pairing result-based evaluations with new initiatives focused on job enrichment and career development, while introducing policies designed to safeguard workers' work-life balance. (Deadrick, 2014).

In the 1950s, Esso Research and Engineering Company introduced the "rate your supervisor" program, an early precursor to 360-degree feedback in which employees evaluated their managers' strengths and weaknesses (Sheposh, 2023); however, it was not widely adopted until the 1980s-1990s.

A TALENT MANAGEMENT TIMELINE

The tug-of-war between accountability and development over the decades



1506 Harvard Business Review October 2016



Figure 2-4: Talent management timeline (Capelli & Tavis, 2016)

2.2.2 Evolution from Traditional to Contemporary Systems

2.2.2.1 The Formal Performance Appraisal Era (1970s–1990s)

During the next period MBO continued to rise in popularity, recognized as a valuable tool for management and performance enhancement, supported by analyses documenting its growing adoption in the public sector (Liozidou & Stafyla, 2024).

Another rating method that emerged in the early 1980s was the Forced Ranking (FR), introduced by General Electric CEO Jack Welch. According to this method, employees were categorized in groups based on their relative performance. The top and bottom groups were the smallest in number, while the remaining majority were the ones with average performance. Although FR remained popular in the following decades (reaching up to 48% of companies at its peak), its use declined to 14% by the early 2010s (Pulakos, Mueller-Hanson, & Arad, 2019).

The 1980s and 1990s brought out HRM as a strategic function in organizations due to the recognition that HRM is critical and can lead to a competitive advantage (Deadrick, 2014). Organizations started considering holistic and multi-perspective approaches to PM. For example, rater training shifted from a focus on reducing rating errors to helping raters categorize and store PM information to facilitate accurate utilization (Pulakos, Mueller-Hanson, & Arad, 2019; McIntyre, Smith, & Hassett, 1984; Pulakos E. , 1984).

Moreover, the concept of “360-degree ratings” emerged about this same time, introducing the idea that individuals with different relationships observe different aspects of performance (Borman, 1974; Pulakos, Mueller-Hanson, & Arad, 2019). One of the most

prominent US companies that first adopted the method was General Electric, which implemented a 360-degree feedback program as part of its restructuring efforts aiming to identify underperformers. In the 1980s, 360-degree ratings became widespread and are still widely used today, as indicated by several studies (Pulakos, Mueller-Hanson, & Arad, 2019; Bracken, Timmreck, & Church, 2001; Sheposh, 2023)

2.2.2.2 Strategic Performance Management and the Balanced Scorecard (1990s–2000s)

During the 1990s, organizations faced increasing complexity and competition in globalized markets and realized that a more strategic approach was necessary for their PM metrics and methods. Strategic performance management was recognized as a multi-dimensional field, and companies aimed for more integrated and balanced approaches. This led to complex frameworks, systems and models which balanced between internal and external measures called integrated SPMM systems (Muravu, 2021).

The most influential framework of this time that introduced a strategic perspective was the Balanced Scorecard, introduced by Kaplan and Norton. The main idea behind BSC was to combine financial and operational measures in a performance evaluation system, (Kaplan & Norton, 1992). This method provided company executives with meaningful insights on performance that could help set goals and identify weaknesses related to performance in practical ways.

Besides BSC, alternative strategic frameworks were designed in the 1990s. Indicatively, the Performance Pyramid (Lynch & Cross, 1991) and the Results-Determinants Framework (Fitzgerald, 1991) both provided structured, strategic alternatives to purely financial evaluations. The Performance Pyramid suggests a number of performance measures that go beyond financial metrics and are related to customer satisfaction, flexibility and productivity, and which consider the different levels of operation (ACCA, 2019). The Results-Determinants Framework is similarly based on the coexistence of financial measures, and metrics that focus on the determinants of the results (quality, flexibility, resource utilization and innovation) (Neely, et al., 2000).

Finally, the period marked the rise of the Competency Movement, which brought individual and organizational skills into PM focus as a response to growing workplace complexity.

Prahalad and Hamel (1990), indicatively, argued that companies' competitive advantage would increasingly depend on identifying and cultivating core competencies (Prahalad & Hamel, 1990).

2.2.2.3 Contemporary Performance Management: Continuous, Multi-Source, and Data-Enabled (2000s–Present)

Following the performance management evolution so far, in the 2000s most organizations were already using mature PA methods. However, during this era society and organizations got much flatter, and many industries faced significant changes due to competition and technological advancements. Moreover, the hierarchies became less rigid, and companies started valuing teamwork, adaptability and positive work culture.

A major turning point came in 2005, when General Electric in the US abandoned the forced ranking method because it fostered internal competition and undermined collaboration. GE and many other firms started questioning the comparison between employees and the rating scales, as these methods focused on accountability for past performance and usually ignored individual circumstances, characteristics and development needs (Capelli & Tavis, 2016).

In the light of the above, the 2010s were the period when continuous evaluation emerged. Adobe was among the first to adopt it in 2011, because of the agile model they already used for product development. Adobe expanded agile sprint review sessions and incorporated them into their PMS, with frequent check-ins replacing annual appraisals (Deadrick, 2014). Technology companies such as Dell, Microsoft, and IBM followed shortly, and were later joined by consulting firms (Deloitte, Accenture, PwC) and early adopters in other industries (Gap, Lear, OppenheimerFunds, General Electric (Capelli & Tavis, 2016)).

In the modern era, the PM basics such as goal-oriented frameworks, performance ratings and annual appraisals remain as pillars in many companies due to their simplicity and effectiveness. However, companies now have highly personalized, data-rich ecosystems to benefit from, and the rise of AI provides even more tools that can help detect bias, run sentiment analysis on feedback, provide evaluation algorithms and in general provide automation and insight to PM practices (McRae, 2026).

Contemporary research emphasizes that moderators, namely identity, work context and digital environment play significant role in PM effectiveness, and that evaluations have evolved from mechanical to more humanistic and contextual views following the development of organizational psychology and HRM (Alkhyeli & H.Hazmilah, 2025). In combination with the impact of digital and data-based systems, a successful PMS in the 2020s could be an agile, transparent, human centric but technology enabled system that helps the company realize its goals and individuals maximize their own potential and well-being.

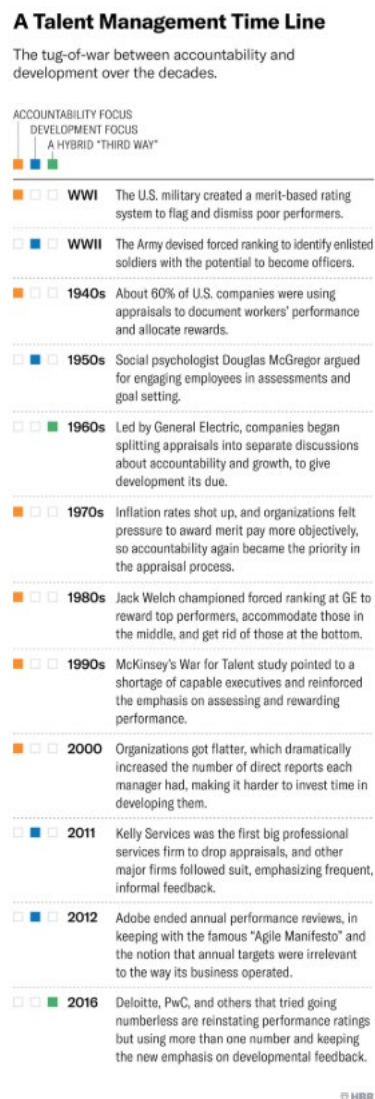


Figure 2-5: Talent Management Timeline (Capelli & Tavis, 2016)

3. Traditional Performance Management Systems

For the purposes of this dissertation, we will examine the following major traditional systems, based on the literature review performed:

- Graphic Rating Scales (GRS)
- Forced Ranking (FR)
- Behaviorally Anchored Rating Scales (BARS)
- Management By Objectives (MBO)

These are categorized as “traditional” because they were among the first PM/PA systems that were widely adopted by organizations and they set the foundations of PM practices.

3.1 Graphic Rating Scales

3.1.1 Overview

The Graphic Rating Scales (GRS) is a widely used traditional PA method, where supervisors assess the performance of employees based on their own evaluation of predefined criteria (Lunenburg, 2012; Aggarwal & Thakur, 2013). The evaluation is performed typically on a set of performance dimensions or work traits for which the evaluator provides a score on a rating scale that reflects the performance of the employee (Lunenburg, 2012; Shaout & Yousif, 2014). These scales compose of either numeric or verbal values, and the individual ratings may be aggregated to provide one final result (Aggarwal & Thakur, 2013). Although the number of values in a rating scale may vary, research suggests that a small number of values, about five or six, is optimal for maintaining reliability and discriminative power (McKelvie, 1978).

Work Dimension	Does not meet expectations	Partially meets expectations	Meets expectations	Partially exceeds expectations	Exceeds expectations
Work Quality	1	2	3	4	5
Cooperation	1	2	3	4	5
Leadership skills	1	2	3	4	5
Communication skills	1	2	3	4	5

Table 3-1: Indicative GSR with 4 dimensions



Figure 3-1 GRS examples (Jay)

The underlying logic of GRS is that employee performance can be decomposed into distinct, measurable attributes, which can be assessed universally for all individuals. Due to this structured and scalable design, GRS remains a popular PMS, as it enables organizations to apply a standardized evaluation framework that facilitates comparability (Dolatabad, Tehrani, & Pourasghari, 2025; Feeney, et al., 2026).

3.1.2 Key Advantages and Disadvantages

3.1.2.1 Advantages

Operational efficiency and simplicity: GRS is one of the most cost-effective and least time-consuming PA methods as the scales are easy to construct, maintain and use (Aggarwal & Thakur, 2013; Shaout & Yousif, 2014). As such, evaluators can perform their assessments efficiently and without the need for extensive training sessions.

Standardization and quantitative analysis: As the same set of criteria and discrete scales are used for all employees, GRS facilitates the standardization of the PA process across different

teams and departments (Dolatabad, Tehrani, & Pourasghari, 2025). Moreover, the discreteness allows easy data aggregation, statistical analysis and linkage of the scores to administrative decisions (Aggarwal & Thakur, 2013) .

3.1.2.2 Disadvantages

Susceptibility to rater errors: Although the rating scale provides some objectivity, it remains vulnerable to errors as the evaluation depends on the judgment of the rater. As such, it is frequently compromised by errors like the “halo effect” (overall impression of a person influences the judgment of specific traits), the “central tendency” error (preference of average ratings rather than extremes) and the “leniency” error (higher ratings provision to avoid conflict) (Lunenburg, 2012; Birkenbach, 1986; Feeney, et al., 2026).

Ambiguous scale and results interpretation: GRS focus on specific work dimensions that may be generic rather than specific, observable behaviors (Birkenbach, 1986). Thus, the ratings provided for these dimensions may be difficult for both supervisors and employees to link to specific incidents and behaviors. Moreover, different raters may interpret scale labels differently, reducing the validity of the results (Aggarwal & Thakur, 2013).

Limited developmental value: While the simplicity of a GRS is efficient for administrative purposes, they provide limited developmental value, as numeric scores alone do not offer the necessary context for employees to understand performance gaps or actionable steps required for improvement (Aggarwal & Thakur, 2013; Feeney, et al., 2026).

	Advantages	Disadvantages
1	Simplicity	Susceptibility to rater errors
2	Operational efficiency	Rater subjectivity
3	Limited training needs	Inconsistent scale interpretation
4	Standardization	Ambiguous results interpretation
5	Easy results analysis	Limited developmental value

Table 3-2 GRS Advantages & Disadvantages Summary

3.1.3 Case Studies: Real-world application

Case Study: Deloitte

In 2015, (Buckingham & Goodall, 2015) published an article regarding the effectiveness of Deloitte's PMS. Traditionally, the company set objectives once a year, used GRS after each project and produced one final rating per employee at year-end. Although most employees were satisfied with the process, the company found that the method was extremely time-consuming. Specifically, for 65,000 employees the ratings consumed close to *2 million hours a year*. Moreover, through a quantitative case study the firm discovered that approximately 62% of the variance in their ratings was driven by rater biases. These findings encouraged moving towards a less rigid, more objective system, replacing the rating of skills with decision points.

Case Study: IBM

IBM has also moved from GRS to a more modern PM approach. Kelli Jordan, director of performance at IBM has revealed during 2021 Insider's virtual event "Transforming HR in the Digital Era" that IBM created a continuous performance program called "checkpoint" for its employees already from 2016. This system included the setting of goals multiple times throughout the year, and reframed annual reviews where employees no longer received a single numeric rating. According to Jordan, this change improved the performance culture and enhanced personal growth, internal mobility, recognition and development. (Hardy, 2021) .

Case Study: New York Life

In an attempt to modernize its PM approach, New York Life company eliminated formal ratings. As this move resulted to practical implications, merit-pay increases started getting shared internally and then were interpreted as performance scores. These became known as "shadow ratings," and eventually were used unofficially to support administrative PM decisions. Due to this effect, the company decided to re-adopt ratings and formal appraisals. It is important to mention that other changes towards more contemporary practices, such as quarterly feedback sessions, were kept (Capelli & Tavis, 2016).

Case Study: Intel, PwC

Similarly to NYL, Intel and PwC also returned to classic rating scales after pilot programs to abandon them for more modern systems. In Intel, although supervisors did not have difficulty differentiating performance without the ratings, company executives returned to using them as they believed they triggered healthy competition. In PwC's case, the return to rating scales was demanded by employees, especially those on a partner track, who wanted to know their performance. (Capelli & Tavis, 2016)

3.2 Forced Ranking

3.2.1 Overview

The Forced Ranking (FR) or Forced Distribution Rating System (FDRS) is a PA system that evaluates employees by comparing them to their peers and categorizing them into top, average, and low performers. Managers typically place a certain percentage of employees in each category - e.g., 20% are rated as top performers, 70% as average performers, and 10% as low performers (AIHR, 2024). The FR is also referred to as “forced ranking”, “stack ranking”, “rank and yank” or “the bell curve”, after the shape of statistical normal distribution (Moon, Scullen, & Latham, 2016; AIHR, 2024; Grote, 2002).

The FR method was introduced in the 1980s by General Electric, and adopted by companies like Ford, Amazon, and Dell (Willie, 2025; Grote, 2002). Although there are significant disadvantages in the traditional FR method, it is still used in large organizations until today (Moon, Scullen, & Latham, 2016).

The main characteristic of the FR method is that employee performance is evaluated against that of all other employees in a department or organization and not on individual performance standards, tasks or traits. The process usually involves the following steps:

- ❖ Establishment of performance criteria, possibly specific to different job functions or departments.
- ❖ Setting of the evaluation period.
- ❖ Ranking of employees in the decided performance categories
- ❖ Outcomes and feedback, including announcement of the results, and subsequent rewards, disciplinary actions and improvement plans. (AIHR, 2024; Grote, 2002).

Forced Ranking System

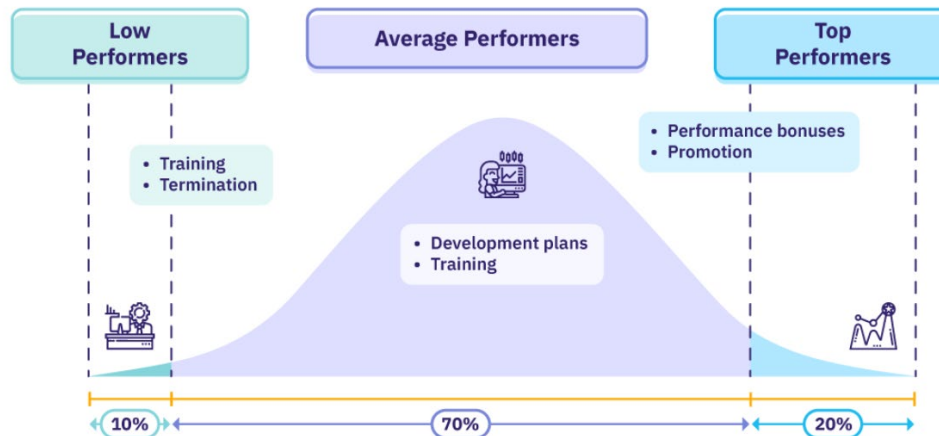


Figure 3-2: FR System Bell Curve (AIHR, 2024)

3.2.2 Key Advantages and Disadvantages

3.2.2.1 Advantages

Simplicity and administrative efficiency: FR systems are straightforward, easy to use, streamlining administrative decisions. Employees are ranked in a specific order of eligibility. Making it easier for leadership to distinguish low, average and high performers (AIHR, 2024; Kotter, 2018).

Reduction of rater errors: FR systems help reduce rater errors, such as leniency error, as ratings need to be distributed in specific percentages (Bashir, Bashir, & Rohra, 2011).

Promotion of a high-performance culture: The goal to achieve high rankings can work as a motivator for aspiring high performers, knowing that their efforts will be clearly recognized (AIHR, 2024; Kotter, 2018).

3.2.2.2 Disadvantages

Bias and favoritism: FR systems leave room for personal bias, as rankings often reflect personal priorities rather than actual performance. Managers may form rigid opinions about

individuals – granting top performers ongoing support, while disregarding low performers despite their efforts (Kotter, 2018; Taggd, 2025; Willie, 2025).

Collaboration issues & competitive culture: FR’s harsh categorization can create a toxic, overly competitive work environment that hinders collaboration, knowledge sharing and relationships, hurting overall team performance (Kotter, 2018; Taggd, 2025). This is especially counterproductive in innovation driven, agile environments (Willie, 2025).

Decreased motivation and engagement: Low-ranked employees can feel undervalued, leading to high turnover rates and decreased productivity. Research shows FR systems correlate with 14% lower engagement scores (Taggd, 2025), effect compounded when ratings are unrelated to individual performance but enforced due to mandated distributions (Willie, 2025; AIHR , 2024).

Disregard of context and individuality: Comparing employees against each other may ignore individual circumstances, job complexity, team priorities and differentiation of roles and skills of each employee (AIHR , 2024; Willie, 2025).

Lack of organizational suitability: One of the criticisms of the FR is their incompatibility with organizations and teams of varying sizes and performance. FR assumes performance follows a normal distribution, which may not be true in small teams or uniformly high or low-performing groups (Willie, 2025).

	Advantages	Disadvantages
1	Simplicity	Rater bias and favoritism
2	Operational efficiency	Toxic work environment
3	Reduction of common rating errors	Impaired team collaboration
4	High-performance culture promotion	Decreased motivation and engagement
5	Facilitation of administrative decisions	Disregard of employee individuality
6		Lack of organizational suitability

Table 3-3: FR Advantages & Disadvantages Summary

3.2.3 Case Studies: Real-World Application

Case study: General Electric

The implementation of the FR pioneer involved sorting employees into three categories (top, middle and low performers), with respective percentages of 20%, 70% and 10%. Welch as a CEO was a strong supporter of this system, as he considered vital the differentiation among employees and dismissal of the weakest. However, in the long term the company acknowledged that it had created a counterproductive culture and that it was increasingly difficult to rank the elite employees that remained each year. After Welch's tenure, the company shifted from FR towards methods that foster development such as 360-degree feedback, continuous evaluation and technology-enabled PM systems (Baldassarre & Finken, 2015; Grote, 2002; Taggd, 2025).

Case study: Goodyear Tire & Rubber Company

Goodyear company in Ohio was also a traditional user of FR for its performance evaluation, that ranked the employees in three categories of performance, following a 10%-80-10% distribution. The employees ranked in the last category were not eligible for rewards, received warnings or were terminated. The application of this method led to legal problems, as several employees with years of good or average performance filed lawsuits for age discrimination. Goodyear eventually abandoned the PM system in 2002 due to continued legal pressure (Taggd, 2025).

Case study: Pakistan Petroleum Limited (PPL)

In 2002, PPL adopted a FR system consisting of 5 rating scales to evaluate all management staff during annual performance appraisals, which used a 5%/20%/60%/10%/5% distribution respectively. A study performed on 100 PPL managers by Bashir et al. (2011) revealed that 67% of lower-management respondents felt their ratings were unfair, and 65% reported being excluded from calibration decisions. The study also concluded that there was a lack of developmental value for underperforming staff, operational failures from the side of HR, and that the company had developed an unhealthy communication environment where employees hesitated to raise their viewpoints to supervisors (Bashir, Bashir, & Rohra, 2011).

3.3 Behaviorally Anchored Rating Scales

3.3.1 Overview

Behaviorally anchored rating scales (BARS) is a PE method in the form of rating scales. The key difference with GRS is that for each dimension evaluated, there are clearly defined examples/descriptions tied to each level of the rating scale that describe the expected behaviors - typically using five, seven, or nine points (Aguinis, 2013; McCoy, 2025). For example, the dimension of “Teamwork”, evaluated on a five-point scale, could have the following definitions:

- ❖ Makes inappropriate or rude comments; shows uncooperative behavior.
- ❖ Participates in team activities but often interrupts others.
- ❖ Cooperates with others and communicates respectfully.
- ❖ Actively supports team members and listens to different perspectives.
- ❖ Encourages open communication and fosters a positive team dynamic. (McCoy, 2025)

The idea to anchor different rating levels with work behaviors to help managers match their observations of employee performance to an appropriate rating level was introduced by Smith and Kendall (1963), became popular in the 1960s and 1970s and was further developed using different formats over the next 20 years (Pulakos, Mueller-Hanson, & Arad, 2019).

A fundamental advantage of BARS is that they mitigate rater biases, such as leniency or halo errors, by providing raters with specific behavioral examples that describe what is expected by the employees at each performance scale (Pulakos, Hanson, Arad, & Moya, 2015). Moreover, behavioral anchors make it easier for managers to give targeted feedback, reducing the complexity of the PA process and making it less time consuming.

However, while BARS offer this higher degree of precision, they are complex to maintain, as the anchors need to remain updated for all job roles (Dolatabad, Tehrani, & Poursaghari, 2025).

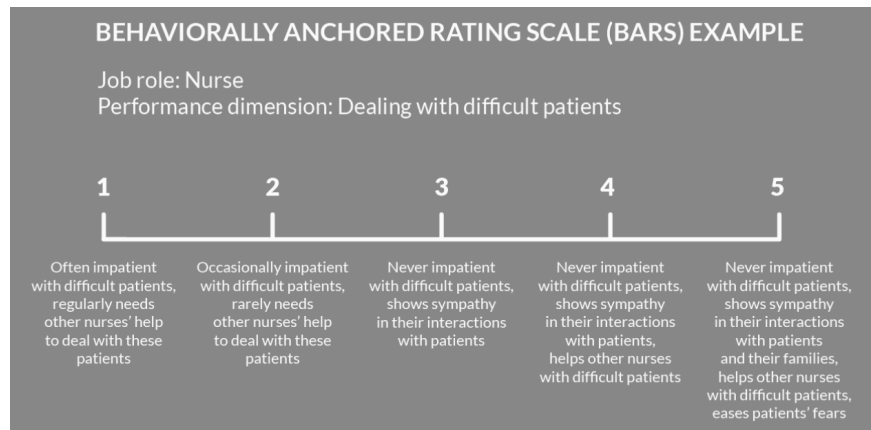


Figure 3-3: BARS Example (McCoy, 2025)

3.3.2 Key Advantages and Disadvantages

3.3.2.1 Advantages

Simplicity and clarity: Because of the nature of the BARS and their specific job descriptions (what is reviewed and based on which criteria), they are easy for supervisor and employees to understand without extensive explanations or training. Consequently, BARS facilitate the delivery of precise feedback, where behaviors that met or failed to meet expectations are highlighted. This saves time, prevents misunderstandings during feedback discussions and leads to increased developmental value.

Accuracy of ratings: As the scales and anchors are tailored to specific job descriptions and created by people who know the respective roles, they are highly accurate and clear for both supervisors and employees. This accuracy reduces the subjectivity of the evaluation, as managers are guided to compare an employee's actual performance against specific, measurable behaviors (Dolatabad, Tehrani, & Poursaghari, 2025; McCoy, 2025).

Reduction of rater bias and common errors: By providing a clear behavioral framework, BARS significantly reduce common rating errors such as leniency, central tendency, and halo effects. Raters focus on behaviors and defined performance standards rather than general impressions that may be influenced by several types of conscious and unconscious personal bias (Aguinis, 2013; Dolatabad, Tehrani, & Poursaghari, 2025; McCoy, 2025).

3.3.2.2 Disadvantages

Operational and administrative complexity: Although many roles have similar soft skills and expected behaviors, every role and level within an organization is usually different and requires separate development, review and calibration. (Dolatabad, Tehrani, & Pourasghari, 2025). Moreover, the construction and maintenance of BARS requires time and effort of subject matter experts, consultants or experienced workers of the organization (McCoy, 2025). An effort is also required on a periodic basis to maintain and update the anchors based on the needs.

Time and cost inefficiency: In specific organizational contexts where supervisors are expected to rate many employees, or employees that have significantly different job descriptions, the process may be overly time consuming for managers during PA periods (Dolatabad, Tehrani, & Pourasghari, 2025; McCoy, 2025).

Disregard of employee individuality: As BARS rely on specific behavioral anchors, there is a risk that raters focus solely on these specific behaviors and ignore the overall traits, characteristics and specific context for each employee. This may result in ratings influenced by specific incidents that are not representative of the overall behavior of the ratee than a comprehensive evaluation of the employee's role (Adler, et al., 2016)

	Advantages	Disadvantages
1	Simplicity	Operational complexity
2	Limited training needs	Time and cost inefficiency
3	Reduction of rater bias	Disregard of employee individuality
4	Reduction of common rating errors	
5	Accuracy of ratings	
6	Increased developmental value	

Table 3-4: BARS Advantages & Disadvantages Summary

3.3.3 Case Studies: Real-World Application

Case Study: PT. Polyland Indoteknik Bandung (Manufacturing)

Tanoni & Saputra (2024), performed an interview study to propose a PA system upgrade based on BARS for PT. Polyland Indoteknik Bandung. Up to the date of the study, the manufacturing firm used a PA system that relied solely on KPIs. Management identified that the current system could not capture effectively all aspects of operators' work traits, such as conflict resolution, initiative, and safety-conscious decision-making.

The transition to a BARS-integrated system was designed in steps to ensure smooth transition. Firstly, workshops were conducted to introduce the BARS concept and explain how it would supplement the KPI metrics. Secondly, BARS were integrated into the existing framework, which they supplemented in terms of behavioral indicators. Thirdly, the company established a process of formal feedback sessions to communicate results and discuss action plans. Finally, the KPI and BARS were scheduled to be revisited every six months, for maintenance and update. The research itself contributed to the switch by performing interviews to identify the correct behavioral indicators, including work quality, teamwork and problem solving. As a result, the implementation of BARS was found to significantly improve the quality of performance feedback provided to operators, as specific behavioral elements were included (Tanoni & Saputra, 2024).

3.4 Management by Objectives

3.4.1 Overview

Management by Objectives (MBO) was introduced by Peter Drucker in the 1950s, and was adopted by many organizations during the 1960 and 1970s as the first form of strategic PM. It was the first method that involved the setting of goals jointly by management and employees. (Gibson, Ivancevich., & Donelly, 1973; LaFollette & Fleming, 2017). Besides its primary function as a PE tool, MBO is also valuable for employees, as they actively participate in establishing their own goals, develop ownership and self-confidence, and feel valued by the company (Develi, 2023).

Typically, an MBO system is implemented through the below steps:

- ❖ Establishment of organization goals: Upper management needs to define the objectives of the organization, at the given period.
- ❖ Definition of employee objectives: The employees, in cooperation with their supervisors discuss their role and set personal goals in alignment with the company and team objectives.
- ❖ Performance monitoring: Intermediate feedback on the progress is provided throughout the period, during meetings between employee and supervisor; the feedback is provided on project basis or periodically.
- ❖ Performance appraisal: The periodic (usually annual) review process. Usually, a final year-end discussion is performed at the end of the period to assess the results of the employee's efforts.
- ❖ Performance evaluation: The final assignment of performance ratings.
(CFI Team, 2020; Levinson, 2003)



Figure 3-4: Indicative MBO Implementation (CFI Team, 2020)

3.4.2 Key Advantages and Disadvantages

3.4.2.1 Advantages

Simplicity and clarity: MBO is relatively easy and straightforward. This enables employees to better understand their strengths and weaknesses and act accordingly or ask for support to improve their performance. (Vulpen, 2023).

Perception of fairness & reduced bias: The MBO process by clarifying job obligations and measuring performance against an employee's own goals is reasonable, fair and can help increase sense of fairness on the employee side. Also, as the performance is evaluated based on predefined goals and not personal judgement, it can help reduce bias by providing objective, individual criteria to the supervisor (Levinson, 2003).

Increased motivation and high employee participation: In MBO, employees participate in the process by co-creating and monitoring their own goals in cooperation with their managers. The necessary collaboration improves communication and positive team culture (Aggarwal & Thakur, 2013; Shaout & Yousif, 2014; Rahman, Islam, Islam, & Sarker, 2020; Develi, 2023). Moreover, this engagement enhances ownership, self-confidence, and eventually increased motivation and job performance (Rahman, Islam, Islam, & Sarker, 2020; Develi, 2023).

Strategic alignment: An integral part of the MBO method is the alignment of individual goals, with those set on a company level. As a result, the goals set have the potential to be valuable for both the employee and the organization, generating extra motivation for all parties to help achieve them. (Vulpen, 2023)

3.4.2.2 *Disadvantages*

Increased complexity and time/cost-inefficiency: A complete MBO cycle consists of several steps, including the agreement on goals, that demand time and resources. Moreover, the goals are sometimes subject to ambiguous interpretation from individuals with different backgrounds, leading to misalignment and confusion (Aggarwal & Thakur, 2013; Rahman, Islam, Islam, & Sarker, 2020; Develi, 2023).

Ignoring individuality and context: MBO focuses exclusively on what the employee can achieve for the company, with a risk of ignoring personal objectives, individual needs, and contextual factors that should be considered in goal setting and evaluation (Develi, 2023 ; Levinson, 2003). Moreover, a person's overall effort may extend above and beyond the initial goals set, that are usually static. Thus, it is possible that the initial goal list will miss

a part of their efforts, including creative activities, innovation and valuable behavioral aspects (Levinson, 2003).

Lack of organizational suitability: Traditional MBO frameworks are implemented on periodic cycles (usually annual or semi-annual). In businesses operating in volatile environments, static objectives can easily become obsolete. Making continuous adjustments to the goals is also inefficient and can lead to administrative burden (Shaout & Yousif, 2014; Rahman, Islam, Islam, & Sarker, 2020; Shi, 2023).

	Advantages	Disadvantages
1	Simplicity	Increased complexity
2	Perception of fairness & reduced bias	Time and cost inefficiency
3	Increased engagement & motivation	Disregard of employee individuality
4	High employee participation	Lack of organizational suitability

Table 3-5: MBO Advantages & Disadvantages Summary

3.4.3 Case Studies: Real-World Application

Sector Data: Commercial Banking

MBO has been used extensively by commercial financial institutions as a motivational and strategic method. The empirical data from commercial banks show that when MBO is integrated into PE to set clear targets and evaluation index systems in customer, financial, and process dimensions, it has a positive effect on task performance, employee job satisfaction, and lower turnover rates (Shi, 2023; Rahman, Islam, Islam, & Sarker, 2020).

Sector Data: Healthcare

Bibliographic reviews over the last decades show that the medical sector is a favorable area for the application of MBO, with healthcare, nursing, hospital management, and hospital pharmacy accounting for approximately 40% of documented research references. Case evidence illustrates MBO's application in healthcare can improve communication, structure educational programs, reduce employee turnover, and optimize QA systems. Furthermore, regional hospital implementations have successfully used MBO to decrease critical

medication transcription errors by defining clear accountability guidelines within nursing personnel and pharmacy services (Kyriakopoulos, 2012).

Case Study: Greek Public Sector

In contrast to private sector implementation, the use of MBO within public administration may be more challenging. Research conducted in 38 municipalities of the Region of Central Macedonia in Greece provides insights in the MBO's operational failure. A 60.8% of the public organizations surveyed do not implement MBO at all, 29.3% implement it partially or superficially, and only a 3.6% was able to implement it correctly. These results are attributed to chronic issues of the Greek local governance such as inadequate training, insufficient QA procedures, lack of tailored KPIs, leadership incompetencies and problematic bureaucracy. Under these circumstances, MBO turns into a top-down imposed, superficial exercise rather than a substantial modernization of PM (Liozidou & Stafyla, 2024).

4. Modern Performance Management Systems

For the purposes of this dissertation, we will examine the following major modern/contemporary systems, based on the literature review performed:

- Continuous Feedback (CF)
- 360-Degree Feedback
- Objectives & Key Results (OKRs)
- Balanced Scorecard (BSC)

These are categorized as “modern” due to their relatively recent adoption (the last decades) and their common characteristics such as human-centric approach and strategic nature.

4.1 Continuous Feedback

4.1.1 Overview

Continuous Feedback (CF) also referenced as “continuous evaluation” or “continuous performance management” is an ongoing process where employees receive frequent input from their managers and colleagues instead of annually or bi-annually as per the norm (Siocon, 2025). CF is a holistic approach to PM, usually combined with coaching and goal-setting (Vulpen, 2023; Pulakos, Mueller-Hanson, & Arad, 2019).

The main elements of CF include the establishment of continuous feedback loops (ideally enabled by technology tools), focus on development, positive reinforcement, and a frequent re-evaluation of goals to ensure strategic alignment and flexibility (Idrus, 2025; Chhapola, 2024).

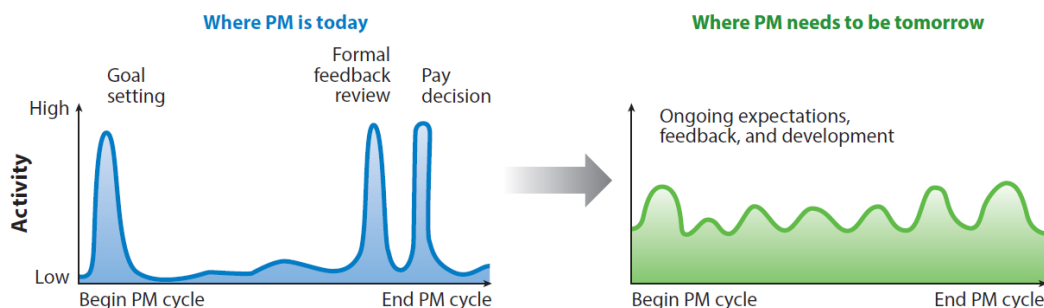


Figure 4-1: Transformation of Continuous Feedback (Pulakos, Mueller-Hanson, & Arad, 2019)

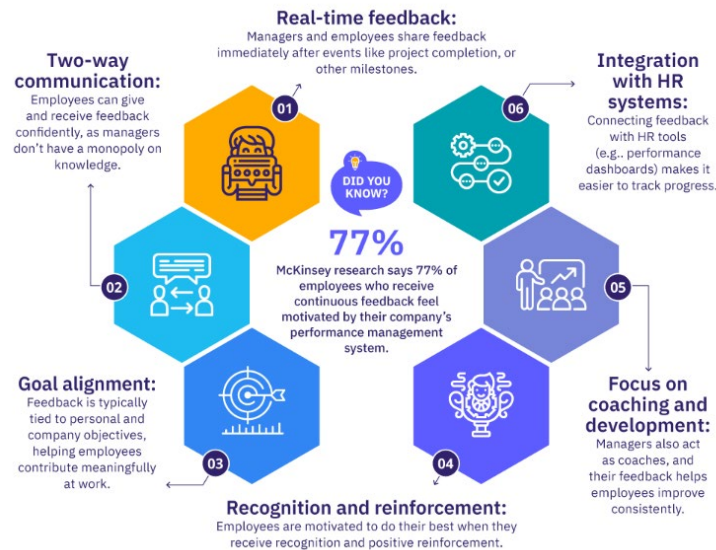


Figure 4-2: Key Elements of CF model (Siocon, 2025)

CF is one of the most popular HR trends of the last decades, with many studies proving its positive effect on employees and organizations (Deadrick, 2014; Chhapola, 2024; Vulpen, 2023). Based on (Deadrick, 2014), the percentage of CF adoption in the US in 2014 was estimated from 8-12%, with around 29% of companies planning to do the same. Another survey in 2017 on 1,761 participants from diverse business environments suggested that performance goals should be adaptable and frequently revisited as a response to changing conditions (Chowdhury, Hioe, & Schaninger, 2018). By 2026, research shows that more than 30% of US and 70% of multinational companies are moving towards CF methods (Capelli & Tavis, 2016).

4.1.2 Key Advantages and Disadvantages

4.1.2.1 Advantages

Adaptability and individualization: Unlike the one-size-fits-all approach of traditional annual reviews and other modern PM systems that are focused on results, CF takes into consideration the individual needs and characteristics of employees, offering personalized guidance and ongoing support (Idrus, 2025).

Improved communication and high employee participation: Consistent feedback encourages open communication, resolves misunderstandings quickly and keeps teams aligned. It also helps build stronger relationships based on mutual trust and transparency and fosters a culture of growth and development where everyone can fulfill their potential (Vulpen, 2023; Siocon, 2025; Chhapola, 2024).

Increased engagement and motivation: CF systems foster a sense of recognition, leading to higher engagement, motivation and lower turnover (Siocon, 2025). Employees that feel supported and with clear guidance are more likely to be productive, satisfied and committed (Chhapola, 2024; Idrus, 2025). Moreover, frequent feedback along with improved communication can be less stressful than the process of annual reviews (Siocon, 2025).

Enhanced developmental value: Regular feedback helps employees know how they perform and acknowledge their strengths and weaknesses. As such, performance issues can be addressed faster, benefiting both the individual and the organization (Siocon, 2025; Idrus, 2025; Vulpen, 2023).

Strategic alignment: CF systems are usually implemented using modern technological solutions to document performance metrics and feedback. If used correctly, they are a valuable source of data that can be analyzed to gain insights and facilitate both HR and strategic decisions regarding organizational objectives (Chhapola, 2024; Siocon, 2025).

4.1.2.2 Disadvantages

Time and cost inefficiency: The implementation of CF often requires substantial investment in technological tools and administration, raising concerns for smaller organizations (Idrus, 2025).

Administrative overload and feedback fatigue: Although useful, continuous feedback can be overwhelming, leading to gradual disengagement and reduced effectiveness for the method (Pulakos, Mueller-Hanson, & Arad, 2019). If it includes peer feedback which is less objective, frequency may have adverse results on employee psychology. (Capelli & Tavis, 2016).

Lack of organizational suitability: The implementation of CF systems often requires technologically advanced infrastructure and familiarity with the agile mindset and way of working. Consequently, it does not fit to all organizations or might need significant adaptations to their systems and practices to ensure effective implementation (Chhapola, 2024; Capelli & Tavis, 2016).

Risk of inconsistent application: In organizations where CF is inconsistent with their culture, issues in feedback quality and frequency can arise. Managers may lack the time, training or resources to provide effective, ongoing feedback, and employees as a result might receive biased, unjust feedback that increases stress and does not bear developmental value (Idrus, 2025).

	Advantages	Disadvantages
1	Adaptability and individualization	Risk of inconsistent application
2	High employee participation	Time and cost inefficiency
3	Increased engagement & motivation	Administrative overload
4	Reduced performance anxiety	Feedback fatigue and stress
5	Increased developmental value	Lack of organizational suitability
6	Improved communication and teamwork	Risk of inconsistent application

Table 4-1: 360 Feedback Advantages & Disadvantages Summary

4.1.3 Case Studies: Real-World Application

Case Study: Deloitte

Deloitte adopted a pilot CF program that included frequent check-ins with team members about their performance, priorities, and strengths. The company used surveys to help supervisors understand the process from the employee point of view and make the necessary adjustments. The system also included custom development plans and the assignment of a career coach to each employee. Deloitte claims to have seen improvement, particularly in the development of underperforming employees, and in the better understanding of people, teams, and leadership trends (Trisca, 2025).

Case Study: Adobe

Adobe in 2012 abandoned annual ratings in favor of a new CF program called “Check-in”. Adobe claims it directly led to a 30% reduction in turnover, trend that pertained despite the competitive talent market. The program included the development of trainings to equip managers with the necessary coaching skills and employees with capabilities to drive their own growth. After the initial years of CF application, Adobe’s HR leaders concluded that performance conversations became easier, and engagement surveys indicated that employees are more engaged and satisfied from the feedback process (Sloan, 2015).

Case Study: Typeform

Typeform has adopted a program that includes continuous feedback through one-on-one meetings, rewards, 360-degree feedback, and workshops. Instead of looking at the task or project, managers work with employees to solve any challenges that they might be having and to achieve their goals. Moreover, Typeform runs feedback workshops to assist with making feedback easier to handle. (Siocon, 2025).

4.2 360-Degree Feedback

4.2.1 Overview

The 360-Degree Feedback (or “multi-source” or “multi-rater” feedback) is a PM method where employees receive feedback from multiple sources. After its widespread adoption in the 1980s-1990s, it became increasingly popular and its logic quickly altered how organizations evaluate, develop, and retain talent (Bracken, Rose, & Church, 2016). According to Forbes magazine, more than 85% of companies in the Fortune 500 were using the system already in 2016 (Zenger, 2016).

The main concept of the methodology is to provide a holistic view of an individual's performance by aggregating perspectives from multiple stakeholders of different positions and characteristics. However, several practical questions arise on the specifics of the process, such as the optimal number of raters, the feedback scales, the training and preparation of those involved and the interpretation of conflicting feedback (Nowack & Mashihi, 2012). A common categorization of the raters is summarized in the following table:

Rater Group	Contribution
Supervisors	Top-down perspective on performance based on organizational standards.
Peers	Peer view on interpersonal and soft skills.
Subordinates	Evaluation of behavior and managerial skills.
Self-Evaluation	Self-assessment against predefined standards and goals.
Clients/Vendors	Input on soft skills and work quality for the services provided.

Table 4-2: 360-Degree Feedback rater groups

Generally, the process splits in distinct phases that usually include the Definition of assessment areas, Selection of raters, Survey execution, Aggregation and analysis of results, Results handover and feedback sessions (Towe, 2024; McDowall & Kurz, 2007).

4.2.2 Key Advantages and Disadvantages

4.2.2.1 Advantages

Mitigation of bias & fairness: In traditional performance appraisals, the single-source evaluation often leads to a biased or limited perspective. Specifically, the appraisal may be affected by biases that include personal chemistry, similarity bias, and rater errors (P.V.Raveendra, M, & Singh, 2018). The 360-degree method mitigates this risk by aggregating data from several sources, providing a more balanced assessment. Employees also tend to see the feedback as fairer and are more positive towards development plans (Vulpen, 2023; McDowall & Kurz, 2007).

High employee participation, improved motivation & collaboration: Employees that participate in 360 reviews have increased ownership of their development and the PM process. They gradually become more aware of how their behavior affects others, which supports shared accountability, trust and collaboration. Moreover, they feel their feedback is considered, which improves engagement, communication and teamwork (Sawant, Bajaj, & Mohite, 2023).

Enhanced developmental value: 360-Degree Feedback offers the opportunity to compare ratings from different sources against how people rate themselves. The gaps between the self-assessment and the ratings of others indicate the areas where development may be needed. Studies suggest that individuals who become self-aware, tend to perform optimally in the workplace (McDowall & Kurz, 2007).

4.2.2.2 *Disadvantages*

Risk of rater unreliability: 360-Feedback is usually anonymous, so that all hierarchy levels can contribute honestly and without the fear of retaliation. However, this has a downside, as employees with personal issues or competitiveness may use the process to negatively affect their colleagues. This can lead to a toxic atmosphere of suspicion and distrust within the teams (Stone, 2020).

Administrative overload and time/cost inefficiency: Due to the multiple sources required to complete a feedback cycle, the administration is complex, time-consuming and might require specified training for each rater group. Employees take a significant part of this burden, as they must complete a large number of questionnaires for their colleagues – this can also lead to limited feedback value, as they might see it as a tick-the-box exercise (Silverman, Kerrin, & Carter, 2005).

Peer appraisal anxiety: The receipt of negative 360 input is harsher than the single-source equivalent. Studies have shown that employees can experience discouragement and frustration when 360-Feedback is not as positive as they expected. A meta-analysis by Kluger and DeNisi (1996) found that in more than 30% of the cases, 360-Feedback resulted in decreased performance, often due to the recipient becoming defensive or discouraged. This finding is also confirmed by more recent studies (Nowack & Mashihi, 2012).

Lack of organizational suitability: The 360-feedback process requires a level of maturity and responsibility among the raters, and the correct culture that drives honesty and objectivity. Although the 360-Feedback approach itself can contribute to a positive culture, it is unclear whether the feedback itself contributes to culture change or whether the culture

has to be the right one for the process to work effectively (Morgan, Cannan, & Cullinane, 2005).

	Advantages	Disadvantages
1	Perception of fairness & reduced bias	Risk of rater unreliability
2	High employee participation	Time and cost inefficiency
3	Increased engagement & motivation	Peer appraisal anxiety
4	Increased developmental value	Administrative overload
5	Improved communication and teamwork	Lack of organizational suitability

Table 4-3: 360 Feedback Advantages & Disadvantages Summary

4.2.3 Case Studies: Real-World Application

Case Study: Netflix

Netflix has adopted a non-anonymous version of 360-Feedback, called “Live 360”. In her book “No Rule Rules”, former CEO Reed Hastings explains how they initially performed experiments of feedback sessions in pairs and in circles, before landing on the final approach. Their method involves the live provision of face-to-face feedback in group settings, following the “4A” principles: Aim to assist, Actionable, Appreciate, and Accept or decline). This method resulted to a 30% reduction in their turnover rate, as employees found these sessions to be particularly helpful. However, as Reed underlines this approach relies on the kind of culture their company has and the majority of mature, confident and talented employees that can cooperate effectively in this feedback process.

Case Study: Deloitte and Accenture

Deloitte and Accenture have both incorporated 360-Feedback in their PM systems. By adopting the process which engaged employees, peers, and managers, Deloitte measured significant positive outcomes (boosted employee engagement by 14%, and leadership capabilities by 40% within a year). They also emphasize that to achieve these results, their feedback mechanisms are transparent, actionable, and tied to both performance metrics and career development paths. Similarly, Accenture measured an increase of 35% in the employee sense of feeling valuable and recognized for their contributions. Their approach

also entails regular feedback instead of a single annual appraisal (Psico-smart Editorial Team, 2024).

4.3 Objectives & Key Results

4.3.1 Overview of the OKRs

OKRs theory was developed in the 1970s by Andrew Grove, former CEO of Intel as an evolution of MBO. The idea was to define specific, measurable outcomes (key results) that complement the strategic objectives (Khan, 2025; Day, 2025). Since then, the OKRs framework was adopted by many companies such as Google, Samsung and Amazon. Based on the framework, objectives and key results are set at least quarterly and are designed to integrate in fast-paced or agile business environments. In general, OKRs can be categorized as *Committed* (realistic, time-bound objectives), *Aspirational* (ambitious goals where efforts are recognized) and *Learning* (related to new opportunities, complex problems or insights).

A full OKRs PM cycle usually includes the setting of OKRs by the teams, regular check-ins to help teams track progress, and evaluation of the results with numerical scoring or other discrete rating systems (Khan, 2025). Effective OKRs are comprised of quantifiable, results-focused elements, and each objective should optimally have no more than 2-4 key results to maintain focus and manageability (Day, 2025; Khan, 2025). Examples are illustrated in the following table:

Department	Objective	Key Result
Marketing	Meet 2025 sales targets by Q1	Increase monthly sales from \$40,000 to \$60,000
		Decrease the website homepage bounce rate to 50%
HR	Create a friendlier onboarding procedure by Q2	Increase onboarding satisfaction percentage to 90%
		Ensure that the 30-day new hire check-in percentage increases to 80%
Operations	Deliver platform availability	Maintain 99.9% system uptime
		Process all transactions within 3 seconds
		Resolve all critical issues within 1 hour

Table 4-4: OKRs Examples (Day, 2025; Khan, 2025).

4.3.2 Key Advantages and Disadvantages

4.3.2.1 Advantages

Agility and flexibility: The frequent cycles of OKRs enable teams to receive real-time feedback and re-evaluate their goals, a practice that fits the agile mindset of rapid iteration and responsiveness (Adewusi, Adekunle, Mustapha, & Uzoka, 2022; Troian, et al., 2022).

Employee participation, improved motivation and teamwork: OKRs can help increase employee engagement and motivation, leading to increased productivity. Individuals contribute to the transparent goal-setting process, enhancing a sense of justice and fairness. Stretch goals can be set to further boost creativity (Day, 2025; Troian, et al., 2022; Zierock, Blatz, & Karcher, 2024). Moreover, collaboration is encouraged as frequent goal-setting promotes communication and commitment on team and/or department level (Day, 2025; Khan, 2025).

Accuracy of ratings and Perception of fairness: The use of clear, measurable targets that are pre-agreed with the individuals and transparent, reduces the rater bias and creates a sense of fairness. Also, it can improve the accuracy of ratings as the latter are not provided in a vague way but on specific items (Day, 2025; Khan, 2025).

Strategic alignment and focus: OKRs with clear strategic objectives and attainable key results can help align every team member with the organizational goals. As such, employees stay focused on the execution of strategy on a practical level (Troian, et al., 2022; Khan, 2025). Moreover, the focus on strategic goals ensures that the company puts its efforts towards high-impact areas (Herkenrath, Hoeborn, & Stich, 2023).

4.3.2.2 Disadvantages

Complexity and cost/time inefficiency: OKRs are a relatively complex PM system to implement and understand, which requires time and effort from qualified employees. Teams often struggle to distinguish objectives and results, typically opting for task-based goals that lack in strategic value (Herkenrath, Hoeborn, & Stich, 2023; Silva1 & Santos, 2023).

Ambiguity and misalignment: OKRs process is flexible and subject to individual interpretation, so improper implementation could lead to misalignment, causing a disconnect between daily work and the strategy (Zierock, Blatz, & Karcher, 2024; Silva1 & Santos, 2023)

Performance anxiety and risk aversion: The ambitious and dynamic nature OKRs can lead to high expectations and create a fear of failure (Herkenrath, Hoeborn, & Stich, 2023). This leads to risk aversion to ensure good performance, thus cancelling the innovation the framework is meant to support (Zierock, Blatz, & Karcher, 2024).

Lack of organizational suitability: The application of OKRs has specific characteristics that are not suitable for all organizations and management styles. The frequent update of goals might not be easy in traditional or small organizations, where employees have a limited, standard work scope. Also, in many cases major changes would be required in management style to a facilitative rather than authoritarian leadership (Herkenrath, Hoeborn, & Stich, 2023; Silva1 & Santos, 2023).

	Advantages	Disadvantages
1	Agility and flexibility	Complexity
2	High employee participation	Ambiguity and misalignment
3	Improved communication and teamwork	Time and cost inefficiency
4	Increased engagement and motivation	Performance anxiety and risk aversion
5	Strategic alignment and focus	Lack of organizational suitability
6	Accuracy of ratings	
7	Perception of fairness	

Table 4-5: OKRs Advantages & Disadvantages Summary

4.3.3 Case Studies: Real-World Application

Case Study: Google

Google was one of the first users of OKRs, which were introduced to the company by John Doerr in 1999, a former colleague of Intel CEO and OKRs founder Andy Grove. Since implementing OKRs, Google has grown from 40 to more than 140,000 employees worldwide. They utilize a fully transparent version of the PM system, where every employee

can view their colleagues' OKRs. OKRs are set quarterly by management and teams, and performance is graded on a scale of 0-1. Scores above 0.6 are considered successful, and the rest are identified as growth opportunities for the following quarter (Schuldt, 2024).

Case Study: LinkedIn

LinkedIn adopted the OKRs method when CEO Jeff Wiener took over the company in 2008. The CEO credits his success to the implementation of OKRs framework. In the version of the system LinkedIn utilizes, each team member sets three to five quarterly objectives based on the role of the individual. The progress is monitored in regular meetings, which keep leadership and teams aligned on objectives and business goals. Employees can identify their achievements and areas of improvement, and leaders recognize efforts and provide assistance as needed (Schuldt, 2024).

Case Study: Nigerian Hospitality Sector

Research on over 200 hotel employees and managers in the metropolis of Abuja municipal, Nigeria, demonstrated that the OKRs system has a positive and significant effect on organizational performance. As per the findings, managers collaborated effectively with their subordinates to create OKRs aligned with the organization's overall goals, addressed challenges and reduced turnover. This systematic alignment validated that OKRs are a robust management tool applicable for the hospitality industry (Irikefe, 2021).

4.4 Balanced Scorecard

4.4.1 Overview of the Balanced Scorecard

The method of Balanced Scorecard (BSC) was introduced by Kaplan & Norton in 1992 and was meant to provide management with a holistic view of the business -including financial and operational measures. Specifically, the operational side was designed on four important perspectives: Customer, Internal, Innovation and Financial perspective (Kaplan & Norton, 1992). According to the creators, these perspectives are interconnected through cause-and-effects relationships (Owais, 2021).

The BSC has proven to be popular and innovative, as it helps management identify operational gaps and adjust their strategies accordingly (Madsen, 2025; Owais, 2021). It promotes agility, transparency, and strategic coherence in increasingly complex and competitive business environments (Madsen, 2025). Its popularity is confirmed by research, according to which in 2017 BSC approach was adopted by 30-80% of the firms around the world, including 64% of Fortune 500 companies (Hasan & Chyi, 2017).

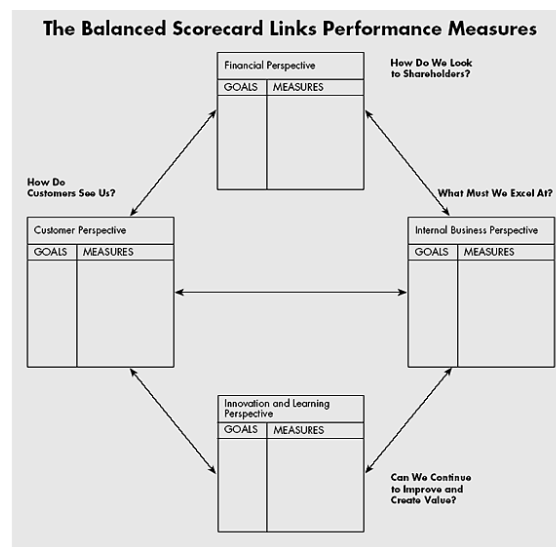


Figure 4-3: BSC Performance measures (Kaplan & Norton, 1992)

	Step	Description
1	Preparation	Identify the business unit for which a top-level BSC is appropriate.
2	Interviews first round	Interview senior management to identify strategic objectives and potential performance measures.
3	Executive workshop first round	Develop a draft BSC based on what executives consider success for shareholders, customers, internal processes and innovation.
4	Interviews second round	Summarize the output and discuss with each manager.
5	Executive workshop second round	Senior managers and direct reports debate mission and strategy, link measures to change programs, and develop an implementation plan.
6	Executive workshop third round	Senior executive team concludes on the vision, objectives, measurements, stretch targets, and action programs.
7	Implementation	Formulate detailed plans, covering connection to IT systems, communication methods, and development of metrics.
8	Periodic reviews	Quarterly or monthly management reviews of BSC measures, which are revisited annually as part of strategic planning and goal-setting.

Table 4-6: BSC Design Process (Kaplan & Norton, 1993)

4.4.2 Key Advantages and Disadvantages

4.4.2.1 Advantages

Clarity and comprehensiveness: BSC provides a clear, comprehensive picture of organizational performance in a single report, focusing only to the most critical measures and avoiding information overload. (Hasan & Chyi, 2017; Kaplan & Norton, The Balanced Scorecard—Measures that Drive Performance , 1992; Mukhtaruddin, Adhyaksa, & Tjandrakirana, 2026).

Improved communication and teamwork: As described in the work of Kaplan & Norton, the execution of BSC methodology is a communication intense, collaborative effort between various hierarchy levels and teams that consists of various steps.

Holistic performance measurement: The BSC method integrates several metrics, providing insight in different aspects of (Neely, et al., 2000). This results in a balanced evaluation of multiple dimensions, including customer relationships, and internal efficiency, which is more complete compared to traditional systems (Owais, 2021).

Strategic alignment & flexibility: BSC prioritizes strategy and vision, enabling people to adopt the behaviors required to achieve them (Kaplan & Norton, 1992). Strategic goals are broken down into specific, measurable performance metrics, improving ownership, engagement, and sense of purpose (Mukhtaruddin, Adhyaksa, & Tjandrakirana, 2026). Moreover, with the correct customization, BSC can be tailored successfully across industries including manufacturing, consulting, healthcare and hospitality (Mukhtaruddin, Adhyaksa, & Tjandrakirana, 2026).

Accuracy of ratings and fairness: A complete goal-setting framework with specific action plans, provides raters with the necessary tools to accurately measure performance, improving perception of fairness (Kaplan & Norton, 1993).

4.4.2.2 Disadvantages

Complexity and administrative load: BSC is quite complex to implement, and failure to reflect actual attainable goals can undermine commitment and understanding of concepts

and strategies (Mukhtaruddin, Adhyaksa, & Tjandrakirana, 2026). Moreover, in dynamic environments frequent strategy revisions require top-down BSC updates, causing administrative overload and reduced effectiveness (Mukhtaruddin, Adhyaksa, & Tjandrakirana, 2026).

Time/Cost inefficiency: Successful BSC implementation requires significant investment in time and expertise, including experienced employees and/or consultants, due to its complexity and impact of potential failure. Additionally, through cost–benefit analysis, many organizations may determine that a simpler performance measurement system is sufficient for their needs (Madsen, 2025).

	Advantages	Disadvantages
1	Comprehensiveness	Complexity
2	Flexibility in different contexts	Administrative inefficiency
3	Improved communication and teamwork	Time and cost inefficiency
4	Holistic performance measurement	
5	Strategic alignment	
6	Accuracy of ratings and fairness	

Table 4-7: 360 Feedback Advantages & Disadvantages Summary

4.4.3 Case Studies: Real-World Application

Case Study: ENSR

ENSR is a provider of environmental and energy services, operating in more than 70 locations worldwide. Its BSC implementation consists of 6 strategic pillars (health and safety, employee engagement, client loyalty, cost management, profitability, and revenue growth). The evaluation of employees is performed using these dimensions and managers evaluate it as inadequate, average or top. The BSC is also utilized in feedback sessions and in the creation of new plans and initiatives from senior management. The implementation of the system is considered to successfully align individual performance with team and organizational objectives (Aguinis, 2013).

Case Study: Public Hospitals

Research across healthcare providers in Portugal, Spain and Italy demonstrated that the BSC was successful in providing specific metrics for behaviors such as patient care quality and staff expertise, that are difficult to measure otherwise. By adopting a BSC approach, the institutions were able to improve service quality and patient outcomes, even in non-profit environments where competition for traditional profit is absent (Hasan & Chyi, 2017).

Case Study: Banking Sector

BSC is particularly popular in banks and financial institutions, to combine financial metrics with strategic management. Banks often use it at three distinct levels: organizational, business process, and employee. Surveys conducted among financial institutions in the US and UK show that up to 20% were using the BSC by the late 1990s, while later research suggested even higher utilization. As a specific example, Venture Bancorp aligned its performance reporting with its digital strategy using BSC. The bank used a scorecard that included both short and long-term performance indicators to ensure that its workforce was prepared for the digital transformation (Öztürk & Coskun, 2014).

5. Methodology & Comparative Framework

5.1 Research Philosophy and Strategy

5.1.1 Methodology and Tools

The selection of a suitable methodology is key for achieving the objectives of this dissertation. According to the methodological guidelines provided in the HOU Dissertation Handbook 2025-2026, this study is classified as a *Comparative study*, based on a *Literature-based survey*.

The main objective of the study is the evaluation and comparison of traditional and contemporary PM methods on various aspects and in different organizational contexts. For this purpose, a qualitative, non-empirical review of existing theoretical frameworks, secondary data and case studies was selected as the most appropriate approach. This qualitative approach enables a deeper understanding on the characteristics and effectiveness of multiple PA systems, which would be difficult to capture through isolated statistical metrics.

To properly implement the research strategy described, the methodological tools utilized were:

- ❖ Critical review of the literature: Careful selection and critical analysis of credible sources including earlier academic research, in order to document the theoretical background, historical evolution and available practical insights of the selected PM systems.
- ❖ Comparative analysis: Systematic comparison of the selected traditional and modern PM systems Establishment of a comparative framework based on which the items were compared across standardized dimensions for their effectiveness and contextual applicability.

By combining a *Critical review of the literature* with *Comparative analysis*, this dissertation aims to compare the selected PM systems with respect to their effectiveness, taking into consideration theoretical background and contextual factors from real-life cases. Eventually, it aims to synthesize a holistic framework for context-sensitive managerial decision-making.

Regarding the effectiveness dimensions, the six (6) criteria selected for the analysis, which are presented in section 5.2.1, emerged through the literature review conducted in Chapters 2 to 4, and specifically from the advantages, disadvantages, and implementation outcomes of the examined methods that recurred consistently across the sources inspected. Furthermore, the rationale of comparing performance management systems through a structured table of characteristics was inspired by studies in the literature that classify and compare methods in this way - e.g., (Dolatabad, Tehrani, & Pourasghari, 2025), (Shaout & Yousif, 2014), (Aggarwal & Thakur, 2013).

The distinction between factors important for the organization and the employee respectively is also frequently encountered in the literature, especially in the historical evolution of PM methods (e.g., the shift from performance-control tools to employee-development tools), and led accordingly to the grouping of the evaluation metrics into two categories (Employee Perspective and Organizational Perspective). This grouping enhances the methodology with a solid logical structure, although some correlation naturally exists between certain dimensions. The remaining methodological framework, as described in section 5.2.2 and implemented in Chapter 6, is the result of a personal effort to perform a thorough comparative analysis, incorporating, to the extent possible, a scoring logic so as not to remain at a purely theoretical level where the drawing of conclusions would be more subjective.

5.1.2 Data Sources

To support the comparative and context-sensitive analysis of this dissertation, data collection relies on *Secondary Research*. This method involves systematic collection and analysis of verified data from known, available, and published sources. For the scope of this study, the secondary data sources utilized belong in the following main categories:

- Articles from academic journals
- Academic textbooks
- Conference proceedings
- Articles from esteemed periodicals (e.g., Forbes, Harvard Business Review)

- Articles and surveys from credible websites of companies and organizations (e.g., AIHR, IBM, McKinsey)

The sources were identified and extracted from the internet and academic databases such as Google Scholar and ResearchGate. The search was performed using the appropriate sets of keywords depending on the research area, as outlined in the table below:

Chapter	Search terms
Literature Review/Theoretical Foundations	“performance management” OR “performance appraisal” OR “performance evaluation”
Historical Evolution of Performance Management	(“performance management” OR “performance appraisal” OR “performance evaluation”) AND (“evolution” OR “historical evolution” OR “history”)
Traditional Performance Management Systems	(“performance management” OR “performance appraisal” OR “performance evaluation”) AND (“rating scales” OR “forced ranking” OR “behaviorally anchored rating scales” OR “management by objectives”)
Modern Performance Management Systems	(“performance management” OR “performance appraisal” OR “performance evaluation”) AND (“360 feedback” OR “continuous feedback” OR “balanced scorecard” OR “objectives and key results”)

Table 5-1: Search Terms

5.2 Comparative Framework

5.2.1 Criteria for Evaluation

To conduct a realistic and structured comparative analysis, this dissertation evaluates the selected traditional and modern performance management systems through a multidimensional framework. This framework is built around two primary perspectives: the Employee Perspective and the Organizational Perspective.

Six (6) effectiveness metrics are utilized -three (3) corresponding to each perspective- which are aligned with the research questions established in Chapter 1 and the data analyzed in Chapters 2, 3, and 4:

➤ Employee Perspective

- *Motivation:* Different evaluation mechanisms have proved to influence intrinsic and extrinsic motivation and overall engagement. The framework examines the effect of the selected systems on motivation, which is also directly associated with employee commitment and engagement. Employee engagement is crucial for the success of a PMS, contributing to improved productivity and overall organizational success (Harefa, Santoso, & Fuadah, 2024).
- *Perception of Fairness:* The perceived fairness of a PE system affects morale, satisfaction, engagement, trust and team collaboration (McKinsey & Company, 2018). Fairness is evaluated for each system, taking into consideration how subjectivity, rater biases, or other factors affect employee trust.
- *Developmental Value:* Effective PM systems enable the recognition of development needs and design of respective training and development initiatives (Yapa, 2024). Based on this metric, the capacity of each method to act as a driver for growth and career progression is assessed.

➤ **Organizational Perspective**

- *Strategic Alignment:* The degree to which individual and team goals are aligned with the objectives of the company creates a competitive advantage in the market (Pulakos, Hanson, Arad, & Moyer, 2015). This metric measures how effectively systems translate high-level corporate goals into individual tasks.
- *Organizational Culture:* PM systems contribute in many ways to the company culture, which has been a major point of focus in the last decades. A robust PE process leads to improved culture and reduced turnover rates (Yapa, 2024; Capelli & Tavis, 2016). The framework examines whether each system promotes a collaborative, positive culture or cultivates feelings of distrust and toxic competition.
- *Systemic efficiency:* The last effectiveness metric refers to the efficiency of the system itself. During the comparative analysis, it occurred that many of the advantages and disadvantages of the traditional and modern PMS were related to its own operational viability. The inherent characteristics of the system, such as administrative burden, operational complexity, and resource requirements are

mentioned quite extensively in the literature and point out that organizations must consider the practical feasibility of the PM system to achieve their objectives.

5.2.2 Comparative Approach

To execute the *Comparative analysis*, the selected PM systems will be compared using a two-step qualitative approach:

1. **Effectiveness Baseline Evaluation:** Each of the eight (8) selected systems will be evaluated against the six (6) effectiveness metrics. This evaluation will be performed based on the theoretical background, operational characteristics, and advantage-disadvantage matrices already documented in Chapters 3 and 4.
2. **Contextual Evaluation:** To ensure the framework has practical value, the theoretical baseline will be supplemented by industry-specific data collected from real-world cases. This step examines how the presence of specific contextual variables -such as industry and organizational size- influence the effectiveness of the systems against the evaluation criteria and comparing to each other.
3. **Synthesis:** The final output of this approach will be a final condensed comparison matrix, and a proposed decision framework designed to serve as a practical guide for organizations, outlining under which conditions each system is optimal.

6. Comparative Analysis of Performance Management Systems

6.1 Comparison on Structural Dimensions

The first step for the comparative analysis of the selected systems is the comparison of their structural characteristics. To avoid overlap with the main criteria for evaluation, we will compare the systems on six (6) structural parameters:

- The frequency of the feedback provided on performance
- The level of employee participation in the process
- The measurement focus
- The relative administrative cost
- The inherent complexity
- The degree of standardization versus personalization

Feedback Frequency

As derived from the literature review, traditional PMS usually operate on large periodic cycles. Conversely, contemporary systems follow an agile logic where performance is more frequently evaluated and goals may be adjusted. Results-driven frameworks based on Management by Objectives (MBO) and the Balanced Scorecard (BSC) lay in the middle, allowing more or less frequent periodic cycles.

Employee Participation

Traditional GRS, FR and BARS were designed as tools for strict top-down evaluation, while modern systems introduce collaborative processes; CF, OKRs, and BSC require interaction between the manager and the employee, and so does MBO as objectives are usually co-created. The most distinct behavior in this variable is the 360-Degree Feedback, which expands the role of employee asking them to participate in peer evaluation as well.

Focus of Measurement

PM systems can be focused on individual behaviors, the goals set, or both. Traditional GRS focus on the evaluation of work attributes, whereas FR applies a relative comparison-based approach without clear focus; BARS measure specific behaviors based on specific job descriptions. On the other hand, results-oriented frameworks like MBO, OKRs, and BSC

focus strictly on quantifiable results and outcomes. Contemporary CF adopts a versatile approach, usually including feedback on all aspects of everyday work, both behavioral and task related due to its ongoing nature.

Administrative Cost & Effort

The implementation, maintenance and execution of a PMS introduce a specific cost for the organization. Traditional systems like GRS and FR usually require low-to-moderate administrative effort due to their simplicity. BARS demand a moderate effort, as it is hard to keep updated when job descriptions and expected behaviors change. MBO also requires moderate effort due to its alignment sessions.

On the other hand, contemporary systems usually increase the administrative effort required. 360-Degree Feedback is costly due to intensive questionnaire logistics, high number of involved resources and results aggregation. Similarly, CF and OKRs demand an ongoing time commitment for constant tracking and updates. BSC is also very demanding, with very high administrative effort by specialized resources and in some cases external consulting help.

System Complexity

System complexity reflects the inherent difficulty in the initial design and user understanding of the framework. GRS and FR are the least complex options, as the rating process is intuitive and straightforward. MBO and CF demonstrate moderate complexity; they are relatively easy to grasp, but they require managers to develop solid coaching skills. BARS have a high complexity due to the specialized work required during development, in order to map behavior ratings with specific examples, different for each job description. 360-Degree Feedback complexity lies in the need to synthesize and critically interpret results. OKRs are also quite complex, as teams often find it hard to separate high-level objectives from operational key results, and demand a level of strategic thinking. The same applies to the BSC which can be characterized as the most complex, demanding a sophisticated, multi-perspective strategic design.

Standardization vs. Personalization

The final structural dimension evaluates whether a system applies a universal template for the evaluation of all employees, or it is tailored to an extent to the individual traits and context. Traditional tools (GRS, FR, and BARS) are highly standardized, utilizing universal templates, methods and scales tailored only per job description. 360-Degree Feedback also is quite standardized, as the same generic questionnaires and scales are usually used per level.

On the contrary, modern agile methodologies demonstrate a high degree of personalization. CF is very individualized and adaptive, offering tailored guidance to meet current employee needs, while OKRs use custom goals depending on specific team strategies. MBO and the BSC have a mixed structure, combining standardized corporate-level objective perspectives with individualized goals.

Nefeli Panagiotopoulou, Study on the effectiveness of traditional and modern performance evaluation systems in contemporary organizations

Performance System	Feedback Frequency	Employee Participation	Focus of Measurement	Administrative Cost	System Complexity	Degree of Personalization
Graphic Rating Scales (GRS)	Periodic / Annual	Strict Top-down	General Traits & Attributes	Low; simple to execute and maintain	Low; highly intuitive and standardized	Standardized; rigid company-wide templates
Forced Ranking (FR)	Periodic / Annual	Strict Top-down	Generic (Peer comparison)	Low to Moderate; straightforward processing	Low; clear but rigid administrative rules	Standardized; uniform quota-based distribution
BARS	Periodic / Annual	Strict Top-down	Specific Traits & Behaviors	Moderate; simple to log but hard to update	High; requires specialized behavioral scaling	Standardized; tailored only per job description
Management by Objectives (MBO)	Periodic	Collaborative / Dyadic	Quantifiable Results & Outcomes	Moderate; requires dedicated alignment sessions	Moderate; focuses on clear goal setting	Mixed; standard corporate perspectives with individualized goals
Continuous Feedback	Continuous / Real-time, Daily or Weekly	Collaborative / Dyadic	Behaviors & Results	High; demands continuous time commitment	Moderate; easy to log but needs coaching skills	Individualized; tailored to current employee needs
360-Degree Feedback	Periodic / Annual, Semi-annual or Project-Based	Highly Collaborative / Multi-rater	Behaviors & Results	High; requires intensive questionnaire logistics	High; complex multi-source statistical synthesis	Standardized; standard competency frameworks
Objectives & Key Results (OKRs)	Continuous / Quarterly	Collaborative / Dyadic	Quantifiable Results & Outcomes	High; requires continuous tracking and updates	High; hard to separate objectives from key results	Individualized; custom goals mapped to team strategy
Balanced Scorecard (BSC)	Periodic	Collaborative / Dyadic	Quantifiable Results & Outcomes	Very High; demands continuous corporate resources	Extremely High; requires complex multi-perspective design	Mixed; standard corporate perspectives with individualized goals

Table 6-1: Structural PMS Comparison Matrix

6.2 Comparison on Evaluation Criteria

In order to continue the systematic comparative analysis of the selected PM systems, the next step was to aggregate the advantages and disadvantages of each system, as documented in Chapters 3 and 4. The results are depicted in Table 6-1 Table 6-2 and Table 6-3.

Advantages	Graphic Rating Scales	Forced Ranking	BARS	MBO	Continuous Feedback	360-Degree Feedback	OKRs	Balanced Scorecard
Simplicity	X	X	X					
Operational efficiency	X	X						
Limited training needs	X		X					
Standardization	X							
Easy results analysis	X							
Facilitation of administrative decisions		X						
Accuracy of ratings			X				X	X
High-performance culture promotion		X						
Reduction of rater bias / Perception of fairness			X	X		X	X	X
Reduction of common rating errors		X	X					
High employee participation				X	X	X	X	
Increased engagement & motivation				X	X	X	X	
Increased developmental value			X		X	X		
Reduced performance anxiety					X			
Improved communication and teamwork					X	X	X	X
Adaptability and individualization					X			
Holistic performance measurement								X
Agility and flexibility / Flexibility in different contexts								X
Comprehensiveness				X				X
Strategic alignment / Strategic alignment and focus				X	X		X	X

Table 6-2: PMS Advantages Comparison Matrix

Disadvantages	Graphic Rating Scales	Forced Ranking	BARS	MBO	Continuous Feedback	360-Degree Feedback	OKRs	Balanced Scorecard
Complexity				X			X	X
Administrative overload / inefficiency					X	X		X
Operational complexity			X					
Time and cost inefficiency			X	X	X	X	X	X
Inconsistent scale interpretation	X							
Ambiguous results interpretation	X							
Toxic work environment		X						
Rater subjectivity / Rater bias and favoritism	X	X						
Susceptibility to rater errors	X							
Risk of rater unreliability						X		
Limited developmental value	X							
Peer appraisal anxiety						X		
Decreased motivation and engagement		X						
Disregard of employee individuality		X	X	X				
Impaired team collaboration		X						
Feedback fatigue and stress					X			
Performance anxiety and risk aversion							X	
Lack of organizational suitability		X		X	X	X	X	
Risk of inconsistent application					X			
Ambiguity and misalignment							X	

Table 6-3: PMS Disadvantages Comparison Matrix

For the mapping of advantages and disadvantages to the evaluation criteria, please refer to Table 6-4 and Table 6-5.

Advantages	Employee perspective	Organizational perspective
Simplicity		Systemic Efficiency
Operational efficiency		Systemic Efficiency
Limited training needs		Systemic Efficiency
Standardization	Fairness	Systemic Efficiency
Easy results analysis		Systemic Efficiency
Facilitation of administrative decisions		Systemic Efficiency
Accuracy of ratings	Development	Strategic Alignment
High-performance culture promotion	Motivation	
Reduction of rater bias / Perception of fairness	Fairness	
Reduction of common rating errors	Fairness	
High employee participation	Motivation	Organizational Culture
Increased engagement & motivation	Motivation	Organizational Culture
Increased developmental value	Development	Organizational Culture
Reduced performance anxiety	Motivation	Organizational Culture
Improved communication and teamwork	Motivation	Organizational Culture
Adaptability and individualization	Development	
Holistic performance measurement	Fairness	
Agility and flexibility / Flexibility in different contexts		Strategic Alignment
Comprehensiveness		Strategic Alignment
Strategic alignment / Strategic alignment and focus		Strategic Alignment

Table 6-4: Mapping of PM Advantages to the Evaluation Criteria

Disadvantages	Employee perspective	Organizational perspective
Complexity		Systemic Efficiency
Administrative overload / inefficiency		Systemic Efficiency
Operational complexity		Systemic Efficiency
Time and cost inefficiency		Systemic Efficiency
Inconsistent scale interpretation		Systemic Efficiency
Ambiguous results interpretation	Development	Strategic Alignment
Toxic work environment	Motivation	Organizational Culture
Rater subjectivity	Fairness	
Susceptibility to rater errors	Fairness	
Risk of rater unreliability	Fairness	
Limited developmental value	Development	Organizational Culture
Peer appraisal anxiety	Motivation	Organizational Culture
Decreased motivation and engagement	Motivation	Organizational Culture
Disregard of employee individuality	Fairness	
Impaired team collaboration	Motivation	Organizational Culture
Feedback fatigue and stress	Motivation	
Performance anxiety and risk aversion	Motivation	
Lack of organizational suitability		Strategic Alignment
Risk of inconsistent application		Strategic Alignment
Ambiguity and misalignment	Development	Strategic Alignment

Table 6-5: Mapping of PM Disadvantages to the Evaluation Criteria

After mapping the identified advantages and disadvantages to the evaluation criteria, we performed a quantitative aggregation process to synthesize the findings. This step was necessary to create a final comparative matrix where the PM systems are evaluated against the selected criteria.

The aggregation was applied as follows:

- **Quantification of characteristics:** Each identified advantage was assigned a value of +1, and each disadvantage was assigned a value of -1, reflecting its positive or negative contribution to the respective evaluation criterion.
- **Aggregation:** For each PMS, the scores were aggregated across all mapped criteria. This resulted in a net score for each system per criterion (e.g., the score of Graphic Rating Scales in the Fairness criterion is -2).
- **Normalization and Categorization:** Based on the calculated net scores, the performance of each PMS was grouped in a category; “Low” for values < 0 , “Medium” for values ≤ 2 and ≥ 0 and “High” for values ≥ 2 . This categorization provides a visual representation of the effectiveness of the PM systems in each criterion, as presented in the Table 6-6 below. For the intermediate tables (quantification & aggregation) please refer to Appendix A.

Performance Management System	Motivation	Fairness	Development	Systemic Efficiency	Strategic Alignment	Organizational Culture
Graphic Rating Scales	Medium	Low	Low	High	Low	Low
Forced Ranking	Low	Low	Medium	High	Low	Low
BARS	Medium	Medium	High	Medium	Medium	Medium
Management by Objectives	High	Medium	Medium	Low	Medium	High
Continuous Feedback	High	Medium	High	Low	Low	High
360-Degree Feedback	High	Medium	Medium	Low	Low	High
Objectives and Key Results	High	Medium	Medium	Low	Medium	High
Balanced Scorecard	Medium	High	Medium	Low	High	Medium

Table 6-6: PMS Effectiveness per Criterion

6.2.1 Effect on Employee Perspective Criteria

The comparative analysis of performance management systems exposes the fundamental difference in how traditional and contemporary PM systems address the psychological and developmental needs of the workforce. The scoring results in Table 6-6 indicate that modern approaches score “Medium” and “High” in the criteria of Fairness, employee Motivation and Development (developmental value). This finding is in line with the historical evolution analysis in Chapter 2, where we saw that evaluations have evolved from control-based to more humanistic and contextual views following the development of organizational psychology and HRM (Alkhyeli & H.Hazmilah, 2025).

Motivation and Engagement

The scoring data highlights that systems with high employee participation and frequent communication, such as CF, 360-Degree Feedback, and OKRs, consistently rank “High” in the Motivation criterion. Modern systems succeed here by implementing transparent, collaborative processes that promote a sense of ownership.

In contrast, traditional systems like FR and GRS score “Low” and “Medium” in motivation. As documented in Chapter 3, the competitive nature and strict top-down approach of the traditional methods can lead to toxic work environments and impaired team collaboration, which are significant demotivators for high-potential employees.

Perception of Fairness

Fairness itself is a more complex case as indicated by our comparison. Traditional systems scores are “Low” or “Medium” as they are prone to rater subjectivity and errors and also tend to disregard the individuality dimension. From the modern systems, BSC achieves a “High” score in Fairness, justified by the system’s comprehensiveness, which ensures that employees are evaluated against multiple, well-communicated dimensions. The rest of the modern frameworks, along with BARS, are in the middle – although the reduction of bias is present in most cases, the risk of rater errors, unreliability and subjectivity is difficult to entirely offset.

Developmental Value

As seen in in Table 6-6, BARS and Continuous Feedback are the ones that achieve “High” scores in the employee Development criterion, GRS has a “Low” score to “Medium”.

The success of BARS in this dimension is driven from their accuracy of ratings and simplicity. By having detailed descriptions of the traits they are evaluated on, employees can effectively identify their strengths and weaknesses and generate a growth roadmap. CF is also valuable from a growth perspective, due to its high frequency and adaptability employee needs and current tasks. Conversely, the “Low” developmental score for GRS is attributed to the limited value of generic criteria, which, as noted in the literature, often leaves employees without actionable feedback on how to bridge their performance gaps.

6.2.2 Effect on Organizational Perspective Criteria

The comparative analysis reveals that the success of the PMS in the organizational criteria also follows some patterns regarding the dipole modern-traditional, as we would expect after the review of the literature and the individual characteristics of the systems. Organizations must balance the need for administrative Systemic Efficiency against the demand for Strategic Alignment and Organizational Culture, a positive impact to which is complex to achieve.

Strategic Alignment

The scoring data from Table 6-6 indicate that goal-oriented systems (BSC, MBO, OKRs) achieve the best performance in Strategic Alignment, which was anticipated as they were designed specifically for this purpose (Kaplan & Norton, 1992; Muravu, 2021). The BSC earns a “High” score, achieving its purpose. Despite their strategic nature, OKRs and MBO score “Medium” due to specific disadvantages that may jeopardize it (organizational suitability, inconsistent application, misalignment).

In contrast, traditional frameworks such as GRS and FR score “Low” in Strategic Alignment. As documented in Chapter 3, these systems are more about assessing past performance than strategic goal setting for the future. They are based on standardized scales that often create a “disconnect between daily work and strategy”, as the evaluation criteria often are not directly linked to the company’s objectives.

Organizational Culture

As we can see in Table 6-6, the impact of a PMS on Organizational Culture is closely related to employee Motivation (it follows almost the same pattern). This is also a logical conclusion, as consistent, transparent PE against predefined standards foster a positive work culture and also drive motivation and boost the perception of fairness (Yapa, 2024). Satisfied employees contribute to a positive culture and vice versa. Modern systems, such as CF, 360-Degree Feedback, and OKRs, work in this direction and also encourage developmental dialogue, openness and shared accountability, which also contribute positively to the company culture.

On the other hand, traditional methods such as GRS and FR score “Low” in Organizational Culture. FR in particular, often cause excessive competition and mistrust, directly sabotaging teamwork and cooperation.

Systemic Efficiency: The Efficiency-Effectiveness Trade-off

Systemic Efficiency represents the most distinct analytical tension in our comparative framework. Traditional systems, and mostly GRS and Forced Ranking score particularly “High” in efficiency as they are the easiest to implement, they have limited training requirements, and straightforward administrative processing. Modern systems like CF, OKRs, and BSC score “Low” in this category as they are more elaborate and complex to understand and implement, demanding time and money resources and elevated managerial capabilities.

This finding is crucial for the decision-making in an organization regarding the system they will use for PM: Efficiency is not paired with effectiveness. Systems with a lower administrative load usually fail to perform adequately in the rest of the evaluation criteria, both on an employee and organizational perspective, compromising their effectiveness. However, if the organization’s budget and resources are limited, or if there are specific industry idiosyncrasies, low systemic efficiency can be a no-go for the implementation of a more effective PMS.

6.2.3 Role of Contextual Moderators

Although its inherent characteristics influence its effectiveness in different areas, the success of a PMS also depends on the organizational environment in which it operates. As indicated throughout the study, the industry, size, and existing culture of an organization should also be considered in the selection of a PMS. To assist with the contextual analysis, a summary of the 24 case studies included in Chapters 3 and 4 is depicted in the table below:

Company / Entity	Size	Industry	PMS	Adoption Success	Comments
Accenture	Large	Consulting	360-Degree Feedback	Successful	
Deloitte	Large	Consulting / Audit	360-Degree Feedback	Successful	
Netflix	Large	Technology	360-Degree Feedback	Successful	
ENSR	Large	Energy	BSC	Successful	
Venture Bancorp	Medium / Large	Financial Services	BSC	Successful	
Hospitals (Southern Europe)	Large	Healthcare	BSC	Successful	
PT. Polyland Indoteknik	Medium	Manufacturing	BARS	Successful	
Microsoft	Large	Technology	Continuous Feedback	Successful	
Adobe	Large	Technology	Continuous Feedback	Successful	
Typeform	Medium	Technology	Continuous Feedback	Successful	
PPL (Pakistan Petroleum)	Medium / Large	Energy	Forced Ranking	Unsuccessful	Did not transition
Goodyear	Large	Manufacturing	Forced Ranking	Unsuccessful	Ended for legal reasons
General Electric	Large	Manufacturing	Forced Ranking	Unsuccessful	Transitioned to CF & 360
PwC	Large	Consulting / Audit	GRS	Successful	Transitioned back to GRS
Deloitte	Large	Consulting / Audit	GRS	Unsuccessful	Transitioned to CF
New York Life	Large	Financial Services	GRS	Successful	Transitioned back to GRS
Intel	Large	Technology	GRS	Successful	Transitioned back to GRS

Company / Entity	Size	Industry	PMS	Adoption Success	Comments
IBM	Large	Technology	GRS	Unsuccessful	Transitioned to CF
Commercial Banking	Large	Financial Services	MBO	Successful	
Healthcare sector data	Medium / Large	Healthcare	MBO	Successful	
Greek Public Sector	Large	Public Sector	MBO	Unsuccessful	Reforms are needed
Abuja Hotels	Medium	Hospitality	OKRs	Successful	
Google	Large	Technology	OKRs	Successful	
LinkedIn	Large	Technology	OKRs	Successful	

Table 6-7: PMS Case Studies Summary

Industry Context

Different industries demand different PMS characteristics from the beginning. In environments where strict adherence to process is important, or the nature of tasks is very specific (such as the Healthcare sector, Energy or Manufacturing), standardized frameworks like MBO, BSC and BARS provide the necessary structure to minimize errors. Examples of successful implementation are ENSR, the studies performed in the Healthcare sector and Polyland Indoteknik.

Goal-oriented, strategic frameworks seem to be a good fit for the Financial Services sector as well, where the nature of the work calls for effective strategic alignment and control. On the other hand, companies that operate in volatile, high-tech, and highly competitive industries (e.g. Technology, Consulting), are the best environment for the most modern and agile approaches. Indicatively, Microsoft, Google, Adobe and LinkedIn thrive in the adoption of CF and OKRs, while Netflix, Accenture and Deloitte are pioneers of 360 Feedback.

Organizational Culture and Leadership Maturity

A PMS cannot be successful if the culture cannot support it. The implementation of a collaborative, high-trust system in a culture of mistrust often leads to failure. In the literature, there are many case studies where companies tried to implement a specific system

but quickly recognized it was not a good fit for their characteristics; New York Life attempted to move toward a more contemporary system, however leadership culture still required ratings, which were eventually re-adopted. In PwC, the cultural effect came from the employee side, and a backwards transition to GRS was performed. Another notable example is the attempt to adopt MBO in the Green Public sector. In this case, it was clear that radical reforms were needed to support a change like this, due to the cultural characteristics of the sector.

On the contrary, Netflix's success with "Live 360" shows that high-transparency models can be very effective if the culture is shaped from mature, confident, and highly skilled personnel that appreciates honest feedback and challenges. This supports the view that contemporary frameworks such as CF and 360-Feedback are highly dependent on both employee cultural characteristics but also on a facilitative, democratic or transformational leadership style. If management is authoritarian, then these modern systems will probably fail as more rigid structures are required.

Scalability and Workforce Size

There are not enough cases of Medium size organizations (and no cases of Small ones) in our sample, so it is difficult to draw a conclusion on the effectiveness of PM systems from this point of view – except, maybe, from the observation that goal-oriented frameworks and BARS seem to do well there.

However, from the comparative analysis performed in the previous sections, we have already noticed that modern systems that perform well in strategic and human-centric criteria, are often very demanding on time and resources, performing bad in systemic efficiency. Large-scale firms have the monetary, human capital and knowledge resources to support more complex systems in order to benefit from their significant advantages. This may not be the case for smaller organizations that need to find the right balance in their return on investment in that matter. Such companies organizations may find the simplicity of GRS or MBO sufficient and more cost-effective.

7. Synthesis, Recommendations & Framework

7.1 Key Findings and Insights

The Efficiency-Effectiveness Trade-off

The comparative analysis conducted in this study reveals that the selection of a PMS is dictated by a key contradiction: the *efficiency-effectiveness trade-off*. The data shows that the administrative ease of a PMS is usually incompatible with its contribution in strategic alignment, employee motivation, and developmental growth. Traditional models that rely on rigid, standardized templates are easy to implement but cannot provide the foundations for employee development and strategic alignment.

On the contrary, modern frameworks perform well in improving motivation, company culture, and strategic focus. However, they come with increased administrative burden and investment in time and resources. Organizations must, therefore, evaluate which trade-off aligns with their specific operational capacity and long-term performance objectives.

The Effect of Contextual Moderators

The identified strengths and weaknesses of each PMS, along with the analysis of 24 case studies confirm that the successful implementation of a PMS depends on the alignment with its contextual environment. Highly volatile industries such as Technology and Consulting, work well with agile, cutting-edge frameworks like CF and OKRs. On the other hand, sectors with more rigid, top-down processes such as Manufacturing and Healthcare, benefit from the simplicity of MBO, BSC, or BARS.

Moreover, the implementation of high-trust, collaborative models such as 360-Degree Feedback is incompatible with authoritarian leadership styles or low-trust cultures. Such systems succeed in cultures that are already advanced in trust, maturity and good collaboration. Lastly, while larger firms can afford the resources to implement complex systems, for smaller organizations this might not be feasible, as adopting complex systems may lead to operational fatigue rather than performance gains.

The PMS Evolution: Traditional to Modern

The research also identifies a clear pattern of “PMS evolution” where organizations tend to switch between systems searching for the best fit. However, modern does not necessarily mean better. Many large organizations, including PwC, Intel and New York Life, have tried modern high-complexity systems and reverted back to traditional frameworks. In light of such examples, we can see that the implementation of the PMS is not always a path from “traditional” to “modern”; it is an ongoing process of seeking balance where the organization considers trends, idiosyncrasies, new requirements, and also its own readiness to adopt changes. In all of these cases, failure is not a result of the system's inadequacy but of the gap between what the system requires and what the organization is prepared for.

7.2 Proposed Decision Framework

Considering the comparative analysis and the key findings of the study, we can propose an indicative decision framework based on contextual factors, that can be used by HRM practitioners or top management to determine which PMS fits their case better.

- i. Diagnostic Questionnaire: The first step for the selection should be internal reflection so that the organization can respond to the following diagnostic questions:
 - Q1: Does the organization have sufficient **administrative resource capacity** (e.g. HR resources, budget, management resources) to support high-intensity systems (e.g., CF, OKRs, or 360-Degree)?
 - Q2: Is the **current organizational culture** (including leadership styles) characterized by high levels of trust, maturity, collaboration and transparency, or is it more traditional, hierarchical, and command-oriented?
 - Q3: Does the industry operate in a **dynamic/volatile environment** that requires rapid, agile goal adjustments (e.g., Tech/Consulting), or does it rely on stable, long-term processes (e.g., Manufacturing/Healthcare)?
 - Q4: What is the **current top priority** for the organization in terms of this decision (e.g. administrative efficiency and cost effectiveness, cultural improvement, developmental growth or strategic alignment)?

-
- ```

graph TD
 Start([Start: PMS Selection Process]) --> Q1{Q1: Administrative capacity}
 Q1 -- Low --> Q4_1{Q4: Top priority}
 Q1 -- Medium/High --> Q2{Q2: Organizational Culture}
 Q2 -- Hierarchical --> Q4_2{Q4: Top priority}
 Q2 -- Collaborative --> Q3_1{Q3: Environment Volatility}
 Q2 -- Mixed --> Q3_2{Q3: Environment Volatility}
 Q3_1 -- Stable --> Q4_3{Q4: Top priority}
 Q3_1 -- Moderate --> Q4_4{Q4: Top priority}
 Q3_1 -- High --> Q4_5{Q4: Top priority}
 Q3_2 -- Stable --> Q4_6{Q4: Top priority}
 Q3_2 -- Moderate --> Q4_7{Q4: Top priority}
 Q3_2 -- High --> Q4_8{Q4: Top priority}
 Q4_1 -- Development --> BARS1[BARS]
 Q4_1 -- Other --> GRS[GRS]
 Q4_2 -- Development --> BARS2[BARS]
 Q4_2 -- Other --> MBO1[MBO]
 Q4_6 -- Strategy --> BSC1[BSC]
 Q4_6 -- Development --> BARS3[BARS]
 Q4_6 -- Culture --> MBO2[MBO]
 Q4_7 -- Strategy --> MBO3[MBO]
 Q4_7 -- Development --> CF1[Continuous Feedback]
 Q4_7 -- Culture --> CF2[Continuous Feedback]
 Q4_8 -- Strategy --> OKR1[OKRs]
 Q4_8 -- Development --> CF3[Continuous Feedback]
 Q4_8 -- Culture --> CF4[Continuous Feedback]
 Q4_3 -- Strategy --> BSC2[BSC]
 Q4_3 -- Development --> BARS4[BARS]
 Q4_3 -- Culture --> MBO4[MBO]
 Q4_4 -- Strategy --> OKR2[OKRs]
 Q4_4 -- Development --> CF5[Continuous Feedback]
 Q4_4 -- Culture --> CF6[Continuous Feedback]
 Q4_5 -- Strategy --> OKR3[OKRs]
 Q4_5 -- Development --> CF7[Continuous Feedback]
 Q4_5 -- Culture --> CF8[Continuous Feedback]
 Q4_9{Q4: Top priority} --> BARS5[BARS]
 Q4_9 --> GRS2[GRS]
 Q4_10{Q4: Top priority} --> BARS6[BARS]
 Q4_10 --> MBO5[MBO]
 Q4_11{Q4: Top priority} --> BARS7[BARS]
 Q4_11 --> MBO6[MBO]
 Q4_12{Q4: Top priority} --> MBO7[MBO]
 Q4_12 --> CF9[Continuous Feedback]
 Q4_12 --> MBO8[MBO]
 Q4_13{Q4: Top priority} --> OKR4[OKRs]
 Q4_13 --> CF10[Continuous Feedback]
 Q4_13 --> CF11[Continuous Feedback]
 Q4_14{Q4: Top priority} --> OKR5[OKRs]
 Q4_14 --> CF12[Continuous Feedback]
 Q4_14 --> CF13[Continuous Feedback]
 Q4_15{Q4: Top priority} --> OKR6[OKRs]
 Q4_15 --> CF14[Continuous Feedback]
 Q4_15 --> CF15[Continuous Feedback]
 Q4_16{Q4: Top priority} --> OKR7[OKRs]
 Q4_16 --> CF16[Continuous Feedback]
 Q4_16 --> CF17[Continuous Feedback]
 Q4_17{Q4: Top priority} --> OKR8[OKRs]
 Q4_17 --> CF18[Continuous Feedback]
 Q4_17 --> CF19[Continuous Feedback]
 Q4_18{Q4: Top priority} --> OKR9[OKRs]
 Q4_18 --> CF20[Continuous Feedback]
 Q4_18 --> CF21[Continuous Feedback]
 Q4_19{Q4: Top priority} --> OKR10[OKRs]
 Q4_19 --> CF22[Continuous Feedback]
 Q4_19 --> CF23[Continuous Feedback]
 Q4_20{Q4: Top priority} --> OKR11[OKRs]
 Q4_20 --> CF24[Continuous Feedback]
 Q4_20 --> CF25[Continuous Feedback]
 Q4_21{Q4: Top priority} --> OKR12[OKRs]
 Q4_21 --> CF26[Continuous Feedback]
 Q4_21 --> CF27[Continuous Feedback]
 Q4_22{Q4: Top priority} --> OKR13[OKRs]
 Q4_22 --> CF28[Continuous Feedback]
 Q4_22 --> CF29[Continuous Feedback]
 Q4_23{Q4: Top priority} --> OKR14[OKRs]
 Q4_23 --> CF30[Continuous Feedback]
 Q4_23 --> CF31[Continuous Feedback]
 Q4_24{Q4: Top priority} --> OKR15[OKRs]
 Q4_24 --> CF32[Continuous Feedback]
 Q4_24 --> CF33[Continuous Feedback]
 Q4_25{Q4: Top priority} --> OKR16[OKRs]
 Q4_25 --> CF34[Continuous Feedback]
 Q4_25 --> CF35[Continuous Feedback]
 Q4_26{Q4: Top priority} --> OKR17[OKRs]
 Q4_26 --> CF36[Continuous Feedback]
 Q4_26 --> CF37[Continuous Feedback]
 Q4_27{Q4: Top priority} --> OKR18[OKRs]
 Q4_27 --> CF38[Continuous Feedback]
 Q4_27 --> CF39[Continuous Feedback]
 Q4_28{Q4: Top priority} --> OKR19[OKRs]
 Q4_28 --> CF40[Continuous Feedback]
 Q4_28 --> CF41[Continuous Feedback]
 Q4_29{Q4: Top priority} --> OKR20[OKRs]
 Q4_29 --> CF42[Continuous Feedback]
 Q4_29 --> CF43[Continuous Feedback]
 Q4_30{Q4: Top priority} --> OKR21[OKRs]
 Q4_30 --> CF44[Continuous Feedback]
 Q4_30 --> CF45[Continuous Feedback]
 Q4_31{Q4: Top priority} --> OKR22[OKRs]
 Q4_31 --> CF46[Continuous Feedback]
 Q4_31 --> CF47[Continuous Feedback]
 Q4_32{Q4: Top priority} --> OKR23[OKRs]
 Q4_32 --> CF48[Continuous Feedback]
 Q4_32 --> CF49[Continuous Feedback]
 Q4_33{Q4: Top priority} --> OKR24[OKRs]
 Q4_33 --> CF50[Continuous Feedback]
 Q4_33 --> CF51[Continuous Feedback]
 Q4_34{Q4: Top priority} --> OKR25[OKRs]
 Q4_34 --> CF52[Continuous Feedback]
 Q4_34 --> CF53[Continuous Feedback]
 Q4_35{Q4: Top priority} --> OKR26[OKRs]
 Q4_35 --> CF54[Continuous Feedback]
 Q4_35 --> CF55[Continuous Feedback]
 Q4_36{Q4: Top priority} --> OKR27[OKRs]
 Q4_36 --> CF56[Continuous Feedback]
 Q4_36 --> CF57[Continuous Feedback]
 Q4_37{Q4: Top priority} --> OKR28[OKRs]
 Q4_37 --> CF58[Continuous Feedback]
 Q4_37 --> CF59[Continuous Feedback]
 Q4_38{Q4: Top priority} --> OKR29[OKRs]
 Q4_38 --> CF60[Continuous Feedback]
 Q4_38 --> CF61[Continuous Feedback]
 Q4_39{Q4: Top priority} --> OKR30[OKRs]
 Q4_39 --> CF62[Continuous Feedback]
 Q4_39 --> CF63[Continuous Feedback]
 Q4_40{Q4: Top priority} --> OKR31[OKRs]
 Q4_40 --> CF64[Continuous Feedback]
 Q4_40 --> CF65[Continuous Feedback]
 Q4_41{Q4: Top priority} --> OKR32[OKRs]
 Q4_41 --> CF66[Continuous Feedback]
 Q4_41 --> CF67[Continuous Feedback]
 Q4_42{Q4: Top priority} --> OKR33[OKRs]
 Q4_42 --> CF68[Continuous Feedback]
 Q4_42 --> CF69[Continuous Feedback]
 Q4_43{Q4: Top priority} --> OKR34[OKRs]
 Q4_43 --> CF70[Continuous Feedback]
 Q4_43 --> CF71[Continuous Feedback]
 Q4_44{Q4: Top priority} --> OKR35[OKRs]
 Q4_44 --> CF72[Continuous Feedback]
 Q4_44 --> CF73[Continuous Feedback]
 Q4_45{Q4: Top priority} --> OKR36[OKRs]
 Q4_45 --> CF74[Continuous Feedback]
 Q4_45 --> CF75[Continuous Feedback]
 Q4_46{Q4: Top priority} --> OKR37[OKRs]
 Q4_46 --> CF76[Continuous Feedback]
 Q4_46 --> CF77[Continuous Feedback]
 Q4_47{Q4: Top priority} --> OKR38[OKRs]
 Q4_47 --> CF78[Continuous Feedback]
 Q4_47 --> CF79[Continuous Feedback]
 Q4_48{Q4: Top priority} --> OKR39[OKRs]
 Q4_48 --> CF80[Continuous Feedback]
 Q4_48 --> CF81[Continuous Feedback]
 Q4_49{Q4: Top priority} --> OKR40[OKRs]
 Q4_49 --> CF82[Continuous Feedback]
 Q4_49 --> CF83[Continuous Feedback]
 Q4_50{Q4: Top priority} --> OKR41[OKRs]
 Q4_50 --> CF84[Continuous Feedback]
 Q4_50 --> CF85[Continuous Feedback]
 Q4_51{Q4: Top priority} --> OKR42[OKRs]
 Q4_51 --> CF86[Continuous Feedback]
 Q4_51 --> CF87[Continuous Feedback]
 Q4_52{Q4: Top priority} --> OKR43[OKRs]
 Q4_52 --> CF88[Continuous Feedback]
 Q4_52 --> CF89[Continuous Feedback]
 Q4_53{Q4: Top priority} --> OKR44[OKRs]
 Q4_53 --> CF90[Continuous Feedback]
 Q4_53 --> CF91[Continuous Feedback]
 Q4_54{Q4: Top priority} --> OKR45[OKRs]
 Q4_54 --> CF92[Continuous Feedback]
 Q4_54 --> CF93[Continuous Feedback]
 Q4_55{Q4: Top priority} --> OKR46[OKRs]
 Q4_55 --> CF94[Continuous Feedback]
 Q4_55 --> CF95[Continuous Feedback]
 Q4_56{Q4: Top priority} --> OKR47[OKRs]
 Q4_56 --> CF96[Continuous Feedback]
 Q4_56 --> CF97[Continuous Feedback]
 Q4_57{Q4: Top priority} --> OKR48[OKRs]
 Q4_57 --> CF98[Continuous Feedback]
 Q4_57 --> CF99[Continuous Feedback]
 Q4_58{Q4: Top priority} --> OKR49[OKRs]
 Q4_58 --> CF100[Continuous Feedback]
 Q4_58 --> CF101[Continuous Feedback]
 Q4_59{Q4: Top priority} --> OKR50[OKRs]
 Q4_59 --> CF102[Continuous Feedback]
 Q4_59 --> CF103[Continuous Feedback]
 Q4_60{Q4: Top priority} --> OKR51[OKRs]
 Q4_60 --> CF104[Continuous Feedback]
 Q4_60 --> CF105[Continuous Feedback]
 Q4_61{Q4: Top priority} --> OKR52[OKRs]
 Q4_61 --> CF106[Continuous Feedback]
 Q4_61 --> CF107[Continuous Feedback]
 Q4_62{Q4: Top priority} --> OKR53[OKRs]
 Q4_62 --&
```

- iii. Customization and Implementation Roadmap: As we have mentioned in previous chapters, the actual results of a PMS comparing to its initial purpose and basic feature, depend very much on the specific implementation of the company. As such,

organizations need to consider customizing the selected models, or even synthesizing characteristics of different models, based on their needs. For example, although plain GRS is not recommended in the decision chart in most cases, some form of rating is usually considered along with other features to improve efficiency.

Lastly, before the deployment of the PMS, the organization must verify its readiness by ensuring the alignment of leadership, the design of training material to be used by raters and employees, and possibly by organizing a pilot run to identify potential issues before a company-wide rollout.

## 8. Conclusion

### 8.1 Summary of contributions

This study has examined the evolution of Performance Management Systems (PMS), and the characteristics of selected traditional and modern approaches. Specifically:

- The effectiveness of the systems was examined based on specific criteria (from employee and organizational perspective) and in comparison with each other.
- The role of contextual factors (organizational size, industry sector, and culture) in the effectiveness of the selected systems was investigated. By synthesizing data from 24 diverse case studies, it was confirmed that the success of a PMS is highly dependent on contextual alignment.
- Based on the comparative analysis and key insights, a practical decision-making framework was developed to illustrate the process of PMS selection, that can serve as a basis for HRM practitioners and top management to navigate the efficiency-effectiveness trade-off and avoid common pitfalls.

### 8.2 Answering the research questions

*Question 1: What are the key traditional and modern performance management systems used in contemporary organizations and what are their perceived advantages and limitations?*

The study identified 4 key traditional systems, i.e., Graphic Rating Scales (GRS), Forced Ranking (FR), Behaviorally Anchored Rating Scales (BARS) and Management by Objectives (MBO), and 4 key modern systems, i.e., Continuous Feedback (CF), 360-Degree Feedback, Objectives and Key Results (OKRs) and Balanced Scorecard (BSC). Based on the literature review and subsequent analysis performed, the traditional systems offer simplicity, systemic efficiency and easy analysis of results but are prone to rater errors, disregard of employee individuality and may harm employee engagement and teamwork. The most modern frameworks provide agility, high employee participation, increased engagement and strategic focus, at the cost of high complexity and administrative inefficiency. Although patterns are indeed present, the individual characteristics of each

system as analyzed in Chapter 6 may differ per dimension irrespective of their categorization as modern or traditional.

*Question 2: How do selected traditional and modern performance management systems influence employee-level outcomes, such as motivation, development, and perceptions of fairness?*

Our analysis indicated that modern PMS consistently rank higher in the employee-level criteria selected (motivation, development and perception of fairness) due to their collaborative, continuous, and transparent nature. In contrast, traditional top-down PMS have more often issues with these aspects due to their inherent disadvantages. However, BARS and MBO as the most recent ones tend to score higher and act as a transition to the modern side.

*Question 3: How do selected traditional and modern performance management systems contribute to organizational-level outcomes, including strategic alignment and organizational culture?*

Goal-oriented frameworks like MBO, BSC and OKRs demonstrate better performance in strategic alignment, as they are specifically designed for this purpose. Furthermore, organizational culture follows the same pattern as employee motivation; modern systems foster a positive, collaborative culture while traditional methods can sabotage teamwork, compromise trust and create an overly competitive environment.

*Question 4: To what extent do contextual factors -such as industry sector, organizational size, culture, and job characteristics -influence the effectiveness of traditional and modern performance evaluation systems?*

Contextual factors are particularly important for the success of a PMS. Research and case studies confirm that volatile industries (e.g., Technology) thrive on agile frameworks, while stable industries (e.g., Manufacturing, Healthcare) benefit from the structure of traditional models. Additionally, successful implementation of modern, collaborative systems requires a mature, positive organizational culture, while smaller organizations might not be able to adopt the most complex or resource intensive methods.

### 8.3 Final reflections

A PMS is more than an administrative tool; it is a driver for organizational culture, employee development, and the achievement of strategic goals. However, even well-designed modern systems may fail without proper consideration of contextual factors. HRM and top management should consider their resource capacity, industry, internal readiness and unique needs before adoption.

A primary limitation of this study remains the scarcity of data regarding small-scale organizations, suggesting a need for future research into how these frameworks can effectively apply to this organizational category. Moreover, this study did not examine the systems' effectiveness in the light of individual employee factors (e.g., gender, age, nationality).

Ultimately, regardless of the PMS used, effective communication between managers and employees remains of utmost importance. Leaders must continuously adapt to maintain the right balance between efficiency and effectiveness. As companies face constant challenges such as digital revolutions, remote work, adaptation to the new generation of employees and more, leaders will need to constantly upskill themselves and maintain the balance between PM efficiency and effectiveness in demanding circumstances.



## Appendix A

| Advantages/<br>Disadvantages                                | Employee<br>perspective | Organizational<br>perspective | GRS | FR | BARS | MBO | CF | 360- Feedback | OKRs | BSC |
|-------------------------------------------------------------|-------------------------|-------------------------------|-----|----|------|-----|----|---------------|------|-----|
| Simplicity                                                  |                         | Systemic Efficiency           | 1   | 1  | 1    |     |    |               |      |     |
| Operational efficiency                                      |                         | Systemic Efficiency           | 1   | 1  |      |     |    |               |      |     |
| Limited training needs                                      |                         | Systemic Efficiency           | 1   |    | 1    |     |    |               |      |     |
| Standardization                                             | Fairness                | Systemic Efficiency           | 1   |    |      |     |    |               |      |     |
| Easy results analysis                                       |                         | Systemic Efficiency           | 1   |    |      |     |    |               |      |     |
| Facilitation of administrative decisions                    |                         | Systemic Efficiency           |     | 1  |      |     |    |               |      |     |
| Accuracy of ratings                                         | Development             | Strategic Alignment           |     |    | 1    |     |    |               | 1    | 1   |
| High-performance culture promotion                          | Motivation              |                               |     | 1  |      |     |    |               |      |     |
| Reduction of rater bias / Perception of fairness            | Fairness                |                               |     |    | 1    | 1   |    | 1             | 1    | 1   |
| Reduction of common rating errors                           | Fairness                |                               |     | 1  | 1    |     |    |               |      |     |
| High employee participation                                 | Motivation              | Organizational Culture        |     |    |      | 1   | 1  | 1             | 1    |     |
| Increased engagement & motivation                           | Motivation              | Organizational Culture        |     |    |      | 1   | 1  | 1             | 1    |     |
| Increased developmental value                               | Development             | Organizational Culture        |     |    | 1    |     | 1  | 1             |      |     |
| Reduced performance anxiety                                 | Motivation              | Organizational Culture        |     |    |      |     | 1  |               |      |     |
| Improved communication and teamwork                         | Motivation              | Organizational Culture        |     |    |      |     | 1  | 1             | 1    | 1   |
| Adaptability and individualization                          | Development             |                               |     |    |      |     | 1  |               |      |     |
| Holistic performance measurement                            | Fairness                |                               |     |    |      |     |    |               |      | 1   |
| Agility and flexibility / Flexibility in different contexts |                         | Strategic Alignment           |     |    |      |     |    |               |      | 1   |

| Advantages/<br>Disadvantages                              | Employee<br>perspective | Organizational<br>perspective | GRS | FR | BARS | MBO | CF | 360- Feedback | OKRs | BSC |
|-----------------------------------------------------------|-------------------------|-------------------------------|-----|----|------|-----|----|---------------|------|-----|
| Comprehensiveness                                         |                         | Strategic Alignment           |     |    |      | 1   |    |               |      | 1   |
| Strategic alignment /<br>Strategic alignment<br>and focus |                         | Strategic Alignment           |     |    |      | 1   | 1  |               | 1    | 1   |
| Complexity                                                |                         | Systemic Efficiency           |     |    |      | -1  |    |               | -1   | -1  |
| Administrative<br>overload /<br>inefficiency              |                         | Systemic Efficiency           |     |    |      |     | -1 | -1            |      | -1  |
| Operational<br>complexity                                 |                         | Systemic Efficiency           |     |    | -1   |     |    |               |      |     |
| Time and cost<br>inefficiency                             |                         | Systemic Efficiency           |     |    | -1   | -1  | -1 | -1            | -1   | -1  |
| Inconsistent scale<br>interpretation                      |                         | Systemic Efficiency           | -1  |    |      |     |    |               |      |     |
| Ambiguous results<br>interpretation                       | Development             | Strategic Alignment           | -1  |    |      |     |    |               |      |     |
| Toxic work<br>environment                                 | Motivation              | Organizational Culture        |     | -1 |      |     |    |               |      |     |
| Rater subjectivity                                        | Fairness                |                               | -1  | -1 |      |     |    |               |      |     |
| Susceptibility to<br>rater errors                         | Fairness                |                               | -1  |    |      |     |    |               |      |     |
| Risk of rater<br>unreliability                            | Fairness                |                               |     |    |      |     |    | -1            |      |     |
| Limited<br>developmental value                            | Development             | Organizational Culture        | -1  |    |      |     |    |               |      |     |
| Peer appraisal<br>anxiety                                 | Motivation              | Organizational Culture        |     |    |      |     |    | -1            |      |     |
| Decreased<br>motivation and<br>engagement                 | Motivation              | Organizational Culture        |     | -1 |      |     |    |               |      |     |
| Disregard of<br>employee<br>individuality                 | Fairness                |                               |     | -1 | -1   | -1  |    |               |      |     |
| Impaired team<br>collaboration                            | Motivation              | Organizational Culture        |     | -1 |      |     |    |               |      |     |
| Feedback fatigue<br>and stress                            | Motivation              |                               |     |    |      |     | -1 |               |      |     |
| Performance anxiety<br>and risk aversion                  | Motivation              |                               |     |    |      |     |    |               | -1   |     |
| Lack of<br>organizational<br>suitability                  |                         | Strategic Alignment           |     | -1 |      | -1  | -1 | -1            | -1   |     |

| Advantages/<br>Disadvantages     | Employee<br>perspective | Organizational<br>perspective | GRS | FR | BARS | MBO | CF | 360- Feedback | OKRs | BSC |
|----------------------------------|-------------------------|-------------------------------|-----|----|------|-----|----|---------------|------|-----|
| Risk of inconsistent application |                         | Strategic Alignment           |     |    |      |     | -1 |               |      |     |
| Ambiguity and misalignment       | Development             | Strategic Alignment           |     |    |      |     |    |               | -1   |     |

**Table 8-1: Quantification of Advantages/Disadvantages**

| Performance System           | Criteria               | PMS Score | Score Desc |
|------------------------------|------------------------|-----------|------------|
| <b>Graphic Rating Scales</b> | Motivation             | 0         | Medium     |
| <b>Graphic Rating Scales</b> | Fairness               | -1        | Low        |
| <b>Graphic Rating Scales</b> | Development            | -2        | Low        |
| <b>Graphic Rating Scales</b> | Systemic Efficiency    | 4         | High       |
| <b>Graphic Rating Scales</b> | Strategic Alignment    | -1        | Low        |
| <b>Graphic Rating Scales</b> | Organizational Culture | -1        | Low        |
| <b>Forced Ranking</b>        | Motivation             | -2        | Low        |
| <b>Forced Ranking</b>        | Fairness               | -1        | Low        |
| <b>Forced Ranking</b>        | Development            | 0         | Medium     |
| <b>Forced Ranking</b>        | Systemic Efficiency    | 3         | High       |
| <b>Forced Ranking</b>        | Strategic Alignment    | -1        | Low        |
| <b>Forced Ranking</b>        | Organizational Culture | -3        | Low        |
| <b>BARS</b>                  | Motivation             | 0         | Medium     |
| <b>BARS</b>                  | Fairness               | 1         | Medium     |
| <b>BARS</b>                  | Development            | 2         | High       |
| <b>BARS</b>                  | Systemic Efficiency    | 0         | Medium     |
| <b>BARS</b>                  | Strategic Alignment    | 1         | Medium     |

| <b>Performance System</b>         | <b>Criteria</b>        | <b>PMS Score</b> | <b>Score Desc</b> |
|-----------------------------------|------------------------|------------------|-------------------|
| <b>BARS</b>                       | Organizational Culture | 1                | Medium            |
| <b>Management by Objectives</b>   | Motivation             | 2                | High              |
| <b>Management by Objectives</b>   | Fairness               | 0                | Medium            |
| <b>Management by Objectives</b>   | Development            | 0                | Medium            |
| <b>Management by Objectives</b>   | Systemic Efficiency    | -2               | Low               |
| <b>Management by Objectives</b>   | Strategic Alignment    | 1                | Medium            |
| <b>Management by Objectives</b>   | Organizational Culture | 2                | High              |
| <b>Continuous Feedback</b>        | Motivation             | 3                | High              |
| <b>Continuous Feedback</b>        | Fairness               | 0                | Medium            |
| <b>Continuous Feedback</b>        | Development            | 2                | High              |
| <b>Continuous Feedback</b>        | Systemic Efficiency    | -2               | Low               |
| <b>Continuous Feedback</b>        | Strategic Alignment    | -1               | Low               |
| <b>Continuous Feedback</b>        | Organizational Culture | 5                | High              |
| <b>360-Degree Feedback</b>        | Motivation             | 2                | High              |
| <b>360-Degree Feedback</b>        | Fairness               | 0                | Medium            |
| <b>360-Degree Feedback</b>        | Development            | 1                | Medium            |
| <b>360-Degree Feedback</b>        | Systemic Efficiency    | -2               | Low               |
| <b>360-Degree Feedback</b>        | Strategic Alignment    | -1               | Low               |
| <b>360-Degree Feedback</b>        | Organizational Culture | 3                | High              |
| <b>Objectives and Key Results</b> | Motivation             | 2                | High              |
| <b>Objectives and Key Results</b> | Fairness               | 1                | Medium            |
| <b>Objectives and Key Results</b> | Development            | 0                | Medium            |
| <b>Objectives and Key Results</b> | Systemic Efficiency    | -2               | Low               |
| <b>Objectives and Key Results</b> | Strategic Alignment    | 0                | Medium            |

| Performance System                | Criteria               | PMS Score | Score Desc |
|-----------------------------------|------------------------|-----------|------------|
| <b>Objectives and Key Results</b> | Organizational Culture | 3         | High       |
| <b>Balanced Scorecard</b>         | Motivation             | 1         | Medium     |
| <b>Balanced Scorecard</b>         | Fairness               | 2         | High       |
| <b>Balanced Scorecard</b>         | Development            | 1         | Medium     |
| <b>Balanced Scorecard</b>         | Systemic Efficiency    | -3        | Low        |
| <b>Balanced Scorecard</b>         | Strategic Alignment    | 4         | High       |
| <b>Balanced Scorecard</b>         | Organizational Culture | 1         | Medium     |

**Table 8-2: PMS Score Normalization**

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