MASTER

HUMAN RESOURCE MANAGEMENT

MASTER'S FINAL WORK

DISSERTATION

FROM FEEDBACK TO ACTION: AN EXPLORATORY STUDY ON THE CONNECTION BETWEEN PERFORMANCE APPRAISAL AND COMPETENCY DEVELOPMENT

ANA BÁRBARA LEME DE LIMA DIAS

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Glossary

PA - Performance Appraisal

KSAOs - Knowledge, Skills, Abilities, and Other Characteristics

CD - Competency Development

HRD - Human Resources Development

PM - Performance Management

HRM - Human Resources Management

CM - Competency Model

CMM - Competency Management Model

IDP - Individual Development Plan

HR - Human Resources

Abstract

This study examined the role of Performance Appraisal (PA) in the Competency Development (CD) within organizations that utilize competency-based management models. Employing an exploratory-descriptive research design with a qualitative approach, 28 semi-structured interviews were conducted with Human Ressources (HR) professionals from companies in Brazil and Portugal. Content analysis was applied to analyze the interviews in this study. It indicated that PA acts as a crucial diagnostic tool for CD, particularly at the organizational level. Additionally, the research also identified weaknesses in the implementation of Individual Development Plans (IDPs) and the integration of PA and CD systems through feedback and ongoing follow-up. The findings highlight the need to clarify the objectives of PA and enhance the connection between PA and CD.

Keywords: performance appraisal; competency development; human resources; individual development plan; feedback.

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Chapter 1: Introduction

The global landscape of competitiveness and rapid change impacts organizations and workers, and both must have the ability to adapt to thrive. Within companies, work structures are becoming increasingly flexible, and relationships are shifting to a more horizontal approach. This shift, alongside the focus on Competency Development (CD), facilitates quicker and higher-quality responses to emerging demands. Eilström & Kock (2008) state that there is a widespread belief in the importance of devoting resources to CD as a key factor behind productivity development, innovative capacity, and competitiveness, which are essential for survival in this context. Companies that prioritize the development of their professionals stand out in the talent war, as employees represent the key resources that enable this competitive advantage. Consequently, empowering the workforce is essential to enhance competitive edge, drive innovation, and improve overall effectiveness (Draganidis & Mentzas, 2006).

The evolving context influences Human Resource Management (HRM), with one consequence being that Competency Models (CMs) have become popular, often used as an alternative to traditional job analysis and description (Aguinis & Pierce, 2008). This is because they provide greater flexibility and adaptability to changing organizational needs. Consequently, CD and Performance Appraisal (PA) have emerged as vital HRM practices for establishing and maintaining organizational competitiveness and high performance (Wong, 2020). These practices are essential for attracting and retaining talent, as well as for ensuring that Human Resources (HR) remains employable.

CD is critical for competency management because it allows for greater flexibility in responding to or anticipating changes in demand through the development of human resources (De Vos et al., 2015). It is also a key challenge for the knowledge society (Schoonenboom et al., 2008), with PA being an integral part and an essential step towards achieving CD. The possibility to "focus the individual and group development plans to eliminate the gap between the competencies requested by a project, job role, or enterprise strategy and those available." (Draganidis & Mentzas, 2006, p. 2) makes the CD process relevant in executing strategic plans and aligning organizational and individual objectives. PA is an essential process for CD, as it enables

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the assessment and diagnosis of HR's Knowledge, Skills, Attitudes, and Other characteristics (KSAOs).

A significant body of literature exists on these topics; however, specific gaps remain apparent. Notably, there is insufficient attention to the interaction between different practices involved in the development of skills in an integrated manner (DeNisi & Murphy, 2017; De Vos et al., 2015; Eilström & Kock, 2008; Drejer, 2000; Schoonenboom et al., 2008). Unfortunately, neither the strong interest of management in competency development has been fully translated into academia (De Vos et al., 2015), nor have the important roles of competencies been fully integrated into the business world (Wong, 2020), and there are almost no systems integrating learning practices into competency management systems (Draganidis & Mentzas, 2006), highlighting a gap between theory and professional practice. This paper aims to bridge this practical gap by answering the question: What is the role of performance appraisal in competency development? The question posed defines this research as exploratory and informs the methodology of content analysis.

The literature review of this work presents the competencies and competency-based systems or Competency Models (CMs), followed by the PA and CD systems, as well as the connections between them. The methodology presents the general and specific objectives and explains how the qualitative design and content analysis guide the presentation and discussion of the results. Finally, this study concludes that the primary contribution of performance appraisal to competency development lies in its role as a diagnostic tool for organizational development. It provides formal and structured feedback, ensuring everyone operates from a shared standard of behaviors and competencies. Ensures clarity and alignment by helping to define expectations. This strategic diagnostic role is more prominent in organizational than in individual development, as the tool linking appraisal feedback to strategic action often highlights underlying inconsistencies.

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Chapter 2: Literature Review

The objective of this research is to understand the role of PA in CD within organizations that utilize competency models. To investigate if and how the information generated by PA is integrated into the planning of CD, a comprehensive understanding of both systems is essential. Figure 1 provides a visual representation of the work's structure, as well as the interplay between PA and CD systems, including their respective elements and relationships. Organizations can be viewed as self-contained systems, operating within distinct contexts that are part of the larger societal system. Both the social and organizational contexts constitute valuable inputs for CD.

In organizations that adopt competency-based management, the competency management model serves as the foundation for PA and CD. Both systems rely on the definition and description of competencies, along with the associated skills and behaviors. Consequently, organizations can—and should—use performance appraisal as input for competency development. As indicated in Figure 1, it is precisely this relationship between PA and CD that will be investigated in the subsequent chapters of this work.
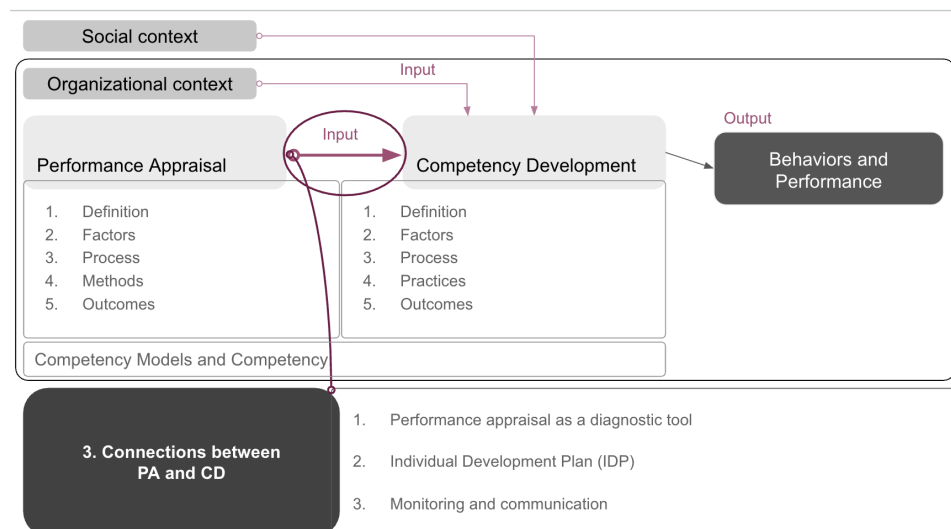
FIGURE 1 - Work structure.

Throughout this chapter, it will be elucidated how the competency management model and competencies serve as a foundation for PA and CD systems. The literature review will encompass definitions, factors, processes, methods, practices, and the outcomes associated with both PA and CD. Additionally, the existing connections between these two areas will be explored.

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2.1. Competency Management

The evolution of companies towards greater flexibility has contributed to the development of new human resource management (HRM) models, such as competency-based systems (De Vos et al., 2015). Leading business organizations started using competencies for recruiting, selecting, developing, and managing superior performers (Wong, 2020).

The typical components of a competency-based system are: identification of desired results, organizational performance appraisal, competency model, and Employee competency assessment (Draganidis & Mentzas, 2006).

2.1.1. Competency Models

A CM is a list of competencies derived from observing employees' satisfactory or exceptional performance in a specific occupation (Draganidis & Mentzas, 2006). CMs align HR systems in terms of competencies, using the same language about KSAOs (Campion et al., 2011).

Organizations aim to identify the competencies that are critical to successful job performance (De Vos et al., 2015). Employees are hired, trained, evaluated, developed, and promoted according to the set of pre-established KSAOs, which generates efficiency and effectiveness of HR systems. Campion et al. (2011) highlight that CMs can consider future work needs and train employees through courses or coaching. In addition to anchoring performance appraisal in a competency-based framework, it establishes proficiency standards and guides career management strategies.

2.1.2. Competencies

Competencies are the building blocks of competency models (Draganidis & Mentzas, 2006). They are at the heart of PA and CD. Campion et al. (2011) elucidate Competencies are usually described very thoroughly by including several parts exemplified in figure 2: (a) a descriptive label or title; (b) a definition, usually describing how the competency appears on the job in detailed behavioral terms; and (c) a detailed description of the levels of proficiency on the competency (e.g., beginner, master, and expert or marginal, good, and excellent). Several definitions of competencies exist in the literature. To illustrate this statement, Table I was developed.

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Competency name
① A brief description of the type of behaviors the competency addresses.

Competency definition
② Describes the observable behaviors that represent proficiency in the competency.

Proficiency levels
③ Behavioral descriptions representing demonstrated level of master. They are additive, building in complexity across the proficiency levels.

Project Management ①
Is the art of creating accurate and effective schedules with a well-defined scope while being personally accountable for the ② execution and invested in the success of the project. People who exhibit this competency effectively and continuously manage risks and dependencies by making timely decisions while ensuring the quality of the project.

Proficiency Level 1
Identifies risks and dependencies and communicates routinely to stakeholders.

Proficiency Level 2
Develops systems to monitor risks and dependencies and report ③ changes.

Proficiency Level 3
Anticipates changing conditions and impacts to risks and dependencies and takes preventive action.

Proficiency Level 4
Proactively identifies implications of related internal and external business conditions to risks and dependencies.

FIGURE 2 - Description of Competency
Source: Adapted from Campion et al. (2011), p. 240.

As shown in Table I, despite variations in definitions, two core elements are consistently present across them. The first element is that competence is defined through specific characteristics, with knowledge and skill being the most frequently used. The second element is the mobilization of these characteristics or resources for some purpose, whether it's to perform a job or complete a task. In this work, we follow the competency definition described by Draganidis and Mentzas (2006) as a combination of tacit and explicit knowledge, behavior, and skills that gives someone the potential for effectiveness in performing tasks.

It is essential to distinguish between knowledge, skill, and competency. While knowledge refers to understanding something, such as studying how to drive a car from a book, skill refers to the practice of learning to drive in driving school classes. Competency, on the other hand, is related to application, that is, driving a car in traffic (Rowe, 1995). The use of competencies as standards of comparison for various HRM processes and practices enables a more strategic investment in training and development. The competency model is often an organizational development intervention that aims to bring about change (Campion et al., 2011).

Therefore, competency models, and more specifically, competencies, can be understood as the basis on which other HR systems are built. This will determine the logic by which they will operate and communicate. Campion et al. (2011) highlight that

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CMs, which are generally linked to the business's strategic objectives, are used to align HR systems and are highly customized to each organization's specific needs.

TABLE I - DEFINITION OF COMPETENCIES

Author	Year	Definition
Parry	1996	Competencies are a set of interrelated knowledge, skills and attitudes that represents a key component of a person's job role and responsibility, that associates with performance in a job, that can be measured against well-established standards, and that can be reinforced through training and development.
Chung & Lo	2007	Competencies are skills, knowledge, and capabilities that individuals should have possessed when completing assigned tasks or achieving the goals.
Draganidis & Mentzas	2006	Competencies are those direct and indirect skills and behaviours that allow individuals to perform given tasks or assigned roles effectively.
Athey & Orth	1999	Competencies refer to "...a set of observable performance dimensions, including individual knowledge, skills, attitudes, and behaviors, as well as collective team, process, and organizational capabilities, that are linked to high performance, and provide the organization with sustainable competitive advantage" (p. 216).
De Vos et al.	2011	an underlying characteristic of an individual that is causally related to criterion-referenced effective and/or superior performance in a job or a situation
Eilström & Kock	2008	capacity of an individual (or a collective) to successfully handle certain situations or complete a certain task or job.
Dubois	1998	Competencies are those characteristics- knowledge, skills, mindsets, thought patterns, and the like-that, when used either singularly or in various combinations, result in successful performance.
Perrenaud	2000	A capacity to mobilize diverse cognitive resources to meet a certain type of situation.
LeBoterf	1998	competencies are not themselves resources in the sense of knowing how to act, knowing how to do, or attitudes, but they mobilize, integrate and orchestrate such resources. This mobilization is only pertinent in one situation, and each situation is unique, although it could be approached as an analogy to other situations that are already known.
Jackson & Schuler	2003	Competencies are defined as "the skills, knowledge, abilities and other characteristics that someone needs to perform a job effectively"

Source: Adapted from De Vos et al. (2011) p. 5, Draganidis et al. (2006) p.53, Eilström & Kock (2018) p.6, and Wong (2020) p. 99.

2.2. Performance Appraisal

Performance management is a process that, by definition, should ensure that employee and team goals are aligned with the organization's strategic direction (Brown et al., 2019). Setting performance goals or expectations is a key component of effective performance management systems (Aguinis, 2023).

The important ability of the PA to function as a feedback control measure, which can be integrated with and incorporated into overall strategy formulation and implementation (Caruth & Humphreys, 2008). Due to these characteristics, it serves as a basis for decision-making and HR policies (do Carmo Lameque et al., 2023). It also constitutes the motivational basis for workers' behavior. Throughout this chapter, the

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definition of PA, the factors related to PA, its process, techniques, and expected outcomes will be presented.

2.2.1. Definition of Performance Appraisal

The term performance appraisal is used as a synonym for other terms, such as performance evaluation (Kondrasuk, 2011), performance management, competency evaluation, and various combinations of these terms.

PM is a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization (Aguinis, 2023). Performance appraisal (PA), in turn, can be understood as a systematic instrument used in finding, analyzing, and recording evidence concerning the assessed employee (Sahay & Kaur, 2021), that aimes measuring the effectiveness and efficiency of workers (Aggarwal & Thakur, 2013). Although PA and PM are conceptually similar, PA tends to focus on the formal evaluation of performance (Brown et al., 2019) and can be seen as both an instrument and a system (Kondrasuk, 2011).

Competency-based assessments have been gaining attention because they help distinguish above-average performers and determine whether individuals demonstrate the required skills, knowledge, and behavior (Wong, 2020). To determine whether a professional demonstrates competencies, it is necessary to have a reference for comparison to evaluate if they meet specific performance standards.

Therefore, competency-based assessments serve as both an instrument that evaluates an individual against prescribed performance standards and behaviors and a system that establishes and aligns individual and organizational expectations.

2.2.2. Factors Related to Performance Appraisal

Characteristics and factors inherent to PA are frequently cited in the literature due to their importance for the effectiveness of this process. Characteristics such as validity, reliability, standardization, practicality, and correctability are highlighted by authors such as Caruth and Humphreys (2008) and Aguinis (2023).

The factors related to PA, which appear most frequently in different literature reviews, are training, reliability, and perception of justice in the evaluation (Carmo Lameque et al., 2023), which will be explained below.

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Researchers have examined training to improve rating accuracy and system effectiveness (Brown et al., 2019). It is well known that training new employees and providing periodic refreshers and retraining for all individuals are necessary (Caruth & Humphreys, 2008; Kondrasuk, 2011). The task of assessing behaviors, knowledge, processes, and outcomes related to performance is arduous and demanding. This task takes place in a complex environment that involves multiple cognitive, procedural, and motivational variables.

The effectiveness of PA depends on the ongoing training of evaluators. Many managers lack the skills to provide feedback and guide the development of subordinates, which requires specific training in communication and coaching (Brown et al., 2019). This training should go beyond manuals, including formal training in language, objectivity, legal aspects, and interpersonal skills (Caruth & Humphreys, 2008; Kondrasuk, 2011). Developing consistent perceptions of performance and providing constructive feedback is more effective than training only to avoid mistakes (DeNisi & Murphy, 2017).

Reliability refers to the quality of data and information, i.e., their validity and accuracy. Brown et al. (2019) point out that, historically, researchers have given considerable weight to psychometric properties, particularly reliability, validity, and absence of bias, as criteria for effective PA. DeNisi and Murphy (2017) mention that some of the most common errors in data assessment and classification are central tendency, leniency, halo, and measurement errors. To avoid errors, it is essential to be clear about what is being measured, i.e., the expected behavior or the result obtained. And how to measure, through goals or comparison parameters, knowing how to compare measures of different natures, whether qualitative or quantitative. Do Carmo Lameque et al. (2023) state that ensuring construct validity and measurement reliability will contribute to bias-free decision-making.

Data reliability also affects the perception of justice, which is essential for establishing the relationships of trust necessary in this process, as well as for achieving the development purpose's outcome. The importance of the perception of justice is empirically confirmed in articles by several authors (DeNisi & Murphy, 2017), who suggest that positive employee reactions and results occur when the system is perceived as fair and employee-centered (Brown et al., 2019). The concept of justice in dealing

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with workers shows that they have implicit rights to certain types of information that directly affect them (Caruth & Humphreys, 2008). According to do Carmo Lameque et al. (2023), when the purposes and criteria are known and clear, PA is perceived as fair.

The perception and expectations of those being assessed can inhibit the success of PA. When they do not trust the process, they deny the importance of the system (Kondrasuk, 2011). Therefore, focusing on results and behaviors, rather than emphasizing personality traits and personal characteristics, or social and cultural factors, helps the employee develop a perception of impartiality. By focusing on results and behaviors, competency-based assessment is considered to have higher levels of fairness (Wong, 2020).

Management has more influence on workers' careers and lives than any other management process (Kondrasuk, 2011). Adequate training, reliability, and the perception of fairness, which are influenced by the techniques used and how biases are addressed, are key determinants of an effective management system.

2.2.3. The Process of Performance Appraisal

PM encompasses policies and actions aimed at improving employee development (DeNisi & Murphy, 2017). PM must be practical, continuous, and systematic, even in changing contexts (De Vos et al., 2015), and its results must support decision-making (Kondrasuk, 2011). The process involves the employee and his/her supervisor in analyzing behaviors and results (Aguinis & Pierce, 2008). The frequency may be annual or biannual, varying according to the sector and the production cycle, but it must be applied simultaneously to everyone (Kondrasuk, 2011).

It is essential to understand that a performance appraisal system is a process with distinct stages, inputs, and outputs. Different authors have specified its stages, such as Brown et al. (2019), who mention the following elements of PA: (a) definition of performance; (b) performance evaluation; (c) performance review; (d) provision of performance consequences; (e) and context. Schoonenboom et al. (2008) describe the steps of the TENCompetence Domain Model: (a) Identifying the competencies; (b) Gathering evidence, (c) Making the decision on the proficiency levels; (d) Making a decision whether a person complies to the requirements of the different function/job levels to determine at which role level they function.

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Regarding the phase of identifying skills, it is worth remembering that Competencies play a significant role in establishing the standards against which employee performance will be measured (Sahay & Kaur, 2021). The CM enables the identification of the described competencies and comparison with corresponding behaviors at different levels of proficiency. It is used as a comparative scale for the entire process.

Regarding the data and evidence collection phase, Rowe (1995) highlights that the emphasis in competency-based assessment systems should be on the data and evidence collection step, which determines the individual's competency rating at a later stage. As stated by Wong (2020), it is difficult to directly observe a competency, especially in environments with complex activities. Therefore, it is necessary to use techniques to measure the competency levels of individuals. It is worth mentioning the importance of selecting techniques that allow self-assessment, peer assessment, in addition to assessment by supervisors, that is, by people who have witnessed the worker's performance and can comment on it. The following phases, which compare evidence of performance to specified objectives and behaviors and assign a rating, are essential to an accurate and impartial assessment that measures employees' contributions to the organization's goals (Shaout & Yousif, 2014).

The feedback phase is conducted by the direct supervisor, who can observe and evaluate behaviors more effectively. An effective system should encourage continuous feedback through formal and informal processes to increase engagement, motivation, and job satisfaction (Brown et al., 2019). This stage should culminate with the elaboration of a development plan, which will be addressed in a future session.

The implementation of this process may encounter challenges, including insufficient support for process integration, non-standardized assessments, insufficient time, and inadequate utilization of the information generated by the process (Kondrasuk, 2011). However, a properly designed and implemented process is the necessary basis for successful management and provides valuable information for other HRM functions (Aggarwal & Thakur, 2013).

The CM used customized to the organizational needs and aligned with the objectives and the PA purpose will establish the (i) Identification of competencies, wich determines the characteristics of the other phases; (ii) Collect data and evidence (iii)

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Evaluate the performance evidence with the set objectives and standards to determine an appropriate rating; and (iv) Feedback.

2.2.4. Appraisal Method

Several techniques are used to evaluate employee performance. The rating method, rating scales, critical incident method, narrative essays, forced distribution method (Bell curve), and checklist are the traditional evaluation methods most used in the past.

TABLE II - APPRAISAL METHODS

Appraisal Methods	Key Concept	Pros	Cons
Ranking Method	Rank employees from best to worst on a particular trait.	✓ Simple and easy to use. ✓ Fast & Transparent.	✗ Less objective. ✗ Not suitable for large workforce. ✗ Difficult to determine workers strengths and weakness.
Graphic Rating Scales	Consists of several numerical scales representing job related performance criterions. The employee is rated by identifying the score that best define his or her performance for each trait.	✓ Easy to use and easily constructed. ✓ Low cost and adaptability. ✓ Every type of job can be evaluated. ✓ Large number of employees covered.	✗ Rater's bias (subjectivity). ✗ Equal weight for all criteria.
Narrative Essays	Rater writes down the employee description in detail the overall impression of performance, existing capabilities and qualifications of performing jobs, strengths and weaknesses.	✓ Filing information gaps about the employees. ✓ Address all factors. ✓ Provide comprehensive feedback.	✗ Time consuming. ✗ Easy rater bias. ✗ Required Effective writers.
Management by Objectives	The performance is rated against the objectives achievement stated by the management.	✓ Easy to execute and measure. ✓ Employees have clear understanding of the roles and responsibilities expected of them. ✓ Assists employee advising and direction.	✗ Difference in goal interpretation. ✗ Possibility of missing integrity, quality, etc. ✗ Difficult for appraise to agree on objectives. ✗ Not applicable to all jobs.
Behaviorally Anchored Rating Scale	BARS links aspects from critical incident and graphic rating scale methods. The manager grades employees' according to items on a numerical scale.	✓ Employee performance is defined by Job behaviors in an expert approach. ✓ Involvement of appraiser and appraisee lead to more acceptance. ✓ Helps overcome rating errors.	✗ Scale independence may not be valid/ reliable. ✗ Behaviors are activity oriented rather than result oriented. ✗ Time consuming. ✗ Each job requires spate BARS scale.
360 Degree	It depends on the input of an employee's superior, peers, subordinates, sometimes suppliers and customers.	✓ Allows employees to gain more understanding of their impact on people they interact with every day. ✓ Excellent employee development tool. ✓ Precise and dependable system. ✓ Legally more justifiable.	✗ Time consuming and very costly. ✗ Difficult to interpret the findings when they differ from group to group. ✗ Difficult to execute in cross-functional teams. ✗ Difficult to maintain confidentiality.

Source: Adapted from Shaout & Yousif (2014), p.968.

Some modern assessment techniques include Management by Objectives, Behaviorally Anchored Rating Scales, Human Resource Accounting, Assessment

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Centers, 360-Degree Assessment, and 720-Degree Assessment (Aggarwal & Thakur, 2013; Kondrasuk, 2011; Shaout & Yousif, 2014; Sahay & Kaur, 2014, 2021). A brief description of the techniques listed above is provided in Table II - Appraisal Methods.

It is worth noting that the 360-degree evaluation is widely used and recommended in PA because it gathers information from multiple sources, which are then compared against established goals or expected behaviors (DeNisi & Murphy, 2017). Brown et al. (2019) state that there is a wealth of research on the PA, which examines the use of behavioral, personality/trait, and outcome formats.

Although several techniques can be applied in PA, there is no consensus on which ones are best or most appropriate (Aggarwal & Thakur, 2013; Kondrasuk, 2011; Shaout & Yousif, 2014). Factors such as organizational context, culture, and size must be considered when selecting a method for a company. As well as the decisions about the CM and the PA adopted process. Management by objectives, anchored behavior rating scales, and 360-degree assessment are widely used techniques adapted to different organizational contexts.

2.2.5. Performance Appraisal Outcomes

It is imperative to understand PA's purpose before presenting the outcomes of this process, as the purpose determines the outcome. For this reason, it is worth drawing attention to the existing discussion on the purpose in the literature before presenting the PA expected outcomes..

PA systems can serve different purposes; the developmental ones (Kondrasuk, 2011) are the most commonly used in organizations and the most frequently cited in the literature (do Carmo Lameque et al., 2023). Followed by administrative ones (Caruth & Humphreys, 2008). When the purpose is administrative, PA provides valid and valuable information for decision-making (Aguinis, 2023) related to rewards and benefits, promotions and dismissals, training, and others (Kondrasuk, 2011). In this case, the supervisor responsible for the evaluation assumes a role similar to that of a judge. When the purpose is development, the supervisor must support the employee in improving their performance, and the supervisor's role is closer to that of a coach or counselor.

Studies show that the purpose of evaluations influences the types of information and evidence collected and how they are utilized in decision-making (DeNisi & Murphy, 2017). For this reason, it is essential to clearly define the system's purposes, as

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attempting to address multiple objectives simultaneously may compromise the effectiveness of achieving each one.

A PA system has the potential to improve individual and organizational performance by showing where workers excel, where they can improve, and the achieved goals. It is recommended that HR managers or policymakers promote development practices that enhance organizational commitment and employee performance (do Carmo Lameque et al., 2023). PA systems are consistently associated with positive organizational outcomes, both at the individual and collective levels. When designed for developmental purposes, it can enhance intrinsic motivation by offering feedback on competencies and development pathways (do Carmo Lameque et al., 2023). The literature highlights its connection to organizational commitment, employee performance, satisfaction, retention, and motivation (Caruth & Humphreys, 2008; Kondrasuk, 2011; Sahay & Kaur, 2021). Empirical studies also suggest that when PM is strategically aligned, it significantly predicts firm performance, financial results, and customer satisfaction (Aguinis & Pierce, 2008; Brown et al., 2019). Additionally, PA contributes to improved communication of expectations (Aggarwal & Thakur, 2013), supports innovation (Sahay & Kaur, 2021; Shaout & Yousif, 2014), fosters team commitment (Shaout & Yousif, 2014), and promotes work engagement (do Carmo Lameque et al., 2023).

However, some issues can impact PA and make outcomes ineffective. Caruth and Humphreys (2008) mention that without consistent alignment between these functions, however, performance appraisal becomes an exercise in futility instead of a vital control measurement. This results in staff dissatisfaction and hinders the implementation of the organizational strategy. When PAs are used as a mechanism of power, domination, or control over subordinates, individual growth and system effectiveness deteriorate (Kondrasuk, 2011). Problems can also arise from a lack of top management support and the organization's commitment to the process, as well as biases and assessment errors. DeNisi and Murphy (2017) stress the need to understand the context in which PA is carried out, how the motives of the participants shape appraisal processes and outcomes.

Although there are possible problems, PA should not be abandoned, as this would mean not implementing a strategy with enormous potential. However, it is crucial

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to consider the system's intended purpose, whether developmental or administrative, and desired outcomes, such as performance, motivation, satisfaction, retention, work engagement, and the clarification of expectations, to evaluate its effectiveness.

2.3. Competency Development

There is a widespread belief in the importance of dedicating resources to developing competencies as a key factor behind productivity, innovation capacity, and competitiveness (Eilström & Kock, 2008). This belief drives management and HR practices towards promoting a learning culture and competency development. Thus, CD has become a crucial strategy for competency management (De Vos et al., 2011), as it allows the combination of vertical alignment with the organization's strategy, horizontal alignment between different HR practices, and external alignment with the context (De Vos et al., 2015).

2.3.1. Definition of Competency Development

Competency development is a term that overlaps with other terms such as PM, competency management, talent development, and Human Resources Development (HRD). Hamlin and Stewart (2011) establish that HRD is any process or activity that helps or enables individuals, groups, organisations, or host systems to learn, develop, and change behaviour to improve or enhance their competence, effectiveness, performance, and growth.

CD encompasses all activities carried out by the organization and its employees to maintain or improve the functional learning and career capabilities of employees (De Vos et al., 2011). Such activities and measures may include recruitment, promotion, staff mobility, training, and planned changes in tasks or work organization aimed at promoting learning at work (Eilström & Kock, 2008). Therefore, the supply of competence is affected in the internal labour market, whether in individual employees, groups of employees, or the whole organization.

Besides the organizational process, CD can also denote the individual learning process by which competency is acquired. For SKAO development, individuals or groups must undergo a training process, whether formal or informal, planned or unstructured, inside or outside the workplace, with activities that have or do not have a learning intention. In other words, there are several possibilities for developing SKAOs,

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and different strategies and methods can be used and combined. The combination of methods is what is most commonly seen in practice (Eilström & Kock, 2008).

De Vos et al. (2015) argue that competence is neither an individual nor a job attribute. Rather, the focus is on the interaction between the individual and the job, and on the competency that is actually used by the individual in performing the job.

2.3.2. Factors Related to Competency Development

Factors related to individuals or organizations can facilitate or limit the use and development of competencies. Among the factors related to individual use, motivation, previous experiences, and self-confidence are relevant. Factors associated with the use of competencies at work are the formal or informal organization environment concerning worker autonomy and participation (De Vos et al., 2015). Other factors that influence the development of competencies include peer support, supervisor support, and career and reward systems (Lai & Kapstad, 2009). As well as communication, feedback, activities planning, and characteristics. It also involves aligning training with business needs (Nwaeke & Obiekwe, 2017).

The CD investment dynamic contemplates internal and external needs, actors involved in promoting CD and culture (Eilström and Kock, 2008). This investment can be reactive or proactive. It is reactive when it meets diagnosed needs, responds to changes, or addresses new demands. It is proactive when it anticipates needs and trends.

According to Eilström and Kock (2008), studies show that external and internal organizational conditions are important factors in determining the predisposition to implement CD. External conditions encompass competitive pressure and consumer demands, as well as the labor market, technological changes, and the political, social, and cultural environment. Internal conditions comprise the structure, culture, organizational strategy, actors, and leadership style. CD initiatives must be consistent with the external context and the organizational context (De Vos et al., 2015).

Actors involved in the work life, such as managers, unions, and institutions, seek to influence content and facilitate workers' involvement in training and planning to increase their engagement. For example, vocational education training, lifelong learning, and HRM play a proactive role in shaping workers' development. In this way, organizational activities may reflect the preexisting ideas or assumptions held by these

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actors. And they do not necessarily stem from a rational analysis based on objectives or from the diagnosis of a gap between workers' performance and skills.

A culture that fosters a work environment that encourages learning and development is essential to the health and well-being of workers. Leaders who encourage innovation, risk-taking, and experimentation promote learning within the firm (Eilström & Kock, 2008). A learning culture is shaped by the values and perspectives of managers and unions, as well as by employees' experiences and motivation to engage in development initiatives. Legitimizing CD as a means of problem-solving is essential in this context.

It is worth highlighting the various factors that influence CD, one of which is PA, which can be used as a diagnostic tool. However, investments, internal and external factors, different actors, and culture are also relevant.

2.3.3. Competency Development Process

Competency management aims to continuously improve both organizational and individual competencies, enabling the organization to meet new external demands and enhance performance by improving the proficiency level of its employees. Therefore, competency development can be understood simultaneously as a process with different stages and as a continuous cycle.

Draganidis and Mentzas (2006) present the four phases of the CD cycle: (i) competency mapping; (ii) competency diagnosis; (iii) competency development; and (iv) competency monitoring. Competency mapping aims to provide an overview of all the necessary competencies to fulfill its objectives. The required proficiency level for each job profile is also defined in this phase. Competency diagnostics highlight the current situation regarding the competencies and proficiency levels that each employee possesses. A skills gap analysis is essential in this phase. The competency development phase plans activities that will improve proficiency, based on the skills gap analysis. Finally, competency monitoring involves the continuous examination of the results achieved by the competency development phase.

In the integrative model presented by De Vos et al. (2015), as shown in Figure 3 of the next section, it is evident that the competency development system is influenced by both organizational and socioeconomic contexts, as well as by PA. In the section on connections between PA and CD, the discussion on competency diagnosis and

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monitoring will be deepened. The present section highlights the importance of mapping competencies, diagnosing competency gaps, developing them, and communicating and monitoring progress for competency development.

2.3.4. Competency Development Practices

CD practices aim to improve performance and develop new skills (Nwaeke & Obiekwe, 2017). Sundberg (2001) understands that competence encompasses knowledge, which is acquired through education and experiences gathered at work and in life, as well as the ability to apply it. Therefore, it is essential to implement different interventions to develop workforce competence (Potnura & Sahoo, 2016).

Based on predefined objectives, it is assumed that an educational process can be designed and implemented to achieve them (Eilström & Kock, 2008). It is feasible to consider practical ways and useful methods for developing skills, which raises the question of how to do so (Sundberg, 2001).
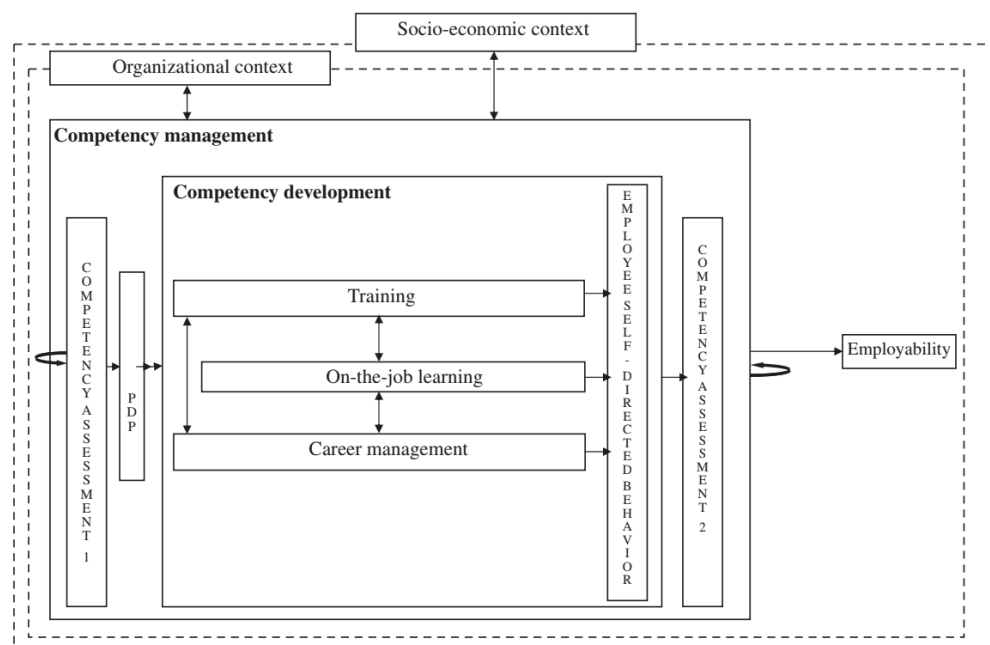

FIGURE 3 - Theoretical Model of Competency Development
Source: De Vos et al. (2015), p. 2551.

The theoretical integrative method presented in Figure 3 exemplifies how training, on-the-job learning, and career management are the main practices for CD. The combination and integration of these practices reinforce the CD trajectory (De Vos et al., 211, 2015).

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Training comprises formalized programs designed to develop knowledge, skills, and abilities (Potnura & Sahoo, 2016), which help modify behaviors and reduce the gap between actual and required performance (Nwaeke & Obiekwe, 2017). The most widely used methodologies are the traditional classroom, e-learning, and business schools. Monitoring is crucial for enhancing training effectiveness (De Vos et al., 2015) and should incorporate theory, demonstration, and application (Nwaeke & Obiekwe, 2017). Lai and Kapstad (2009) note that to create value, learning outcomes and competencies must be mobilized through appropriate tasks and opportunities that motivate and challenge employees to draw on and continue developing their competencies.

However, on-the-job learning stands out as the primary practice for CD, often occurring informally through mentoring, coaching, and feedback, whether structured or not (De Vos et al., 2015; Aguinis & Pierce, 2008). Coaching, for example, is seen as a facilitative process to enhance performance, effectiveness, and personal development (Hamlin & Stewart, 2011). These practices support both on-the-job learning and career development. Career management enhances mobility within organizations, which in turn improves CD (De Vos et al., 2015). Creating a career plan can inspire employees to reflect on their next steps in a conscious and deliberate manner.

The development of competencies should draw on a range of complementary methods and strategies. Eilström & Kock (2008) point out that promising practices employ a combination of training, on-the-job learning, and career management, which underscores the importance of integrating these elements. This idea aligns with the model proposed by De Vos et al. (2015), which suggests that the strength of CD stems from the variety of activities that reinforce one another.

2.3.5. Competency Development Outcomes

CD expected outcomes include increased career satisfaction and employability (De Vos et al., 2015) at the individual level, as well as improved organizational performance. However, beyond the Kirkpatrick model, which presents the four levels of assessment (Reaction, Learning, Behavior, and Results), there has been little progress in measuring learning outcomes and skills development (Eilström & Kock, 2008).

Some authors demonstrated a positive relationship between competency development, professional behaviors, and organizational outcomes. Potnuru and Sahoo (2016) identified significant links between employee competencies, training practices,

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career management, performance, and organizational effectiveness. Nwaeke and Obiekwe (2017) demonstrate that training enhances adaptation to change, internal confidence, and support among colleagues. Studies presented by Eilström and Kock (2008) bring attention to cognitive, motivational, and psychosocial effects, reinforcing the importance of opportunities to apply skills. An interesting conclusion from the Lai and Kapstad study is that intrinsic motivation is the strongest predictor of skills mobilization, which in turn is negatively related to the intention to leave the company.

Potnura and Sahoo (2016) highlight that HRD theory links the development of individual skills and abilities to improvements in organizational productivity, performance, and competitive advantage. Complementing this perspective, Eilström and Kock (2008) categorize the organizational-level effects into three dimensions: economic outcomes, including staff retention, customer retention, and quality enhancement; symbolic outcomes, such as increased participation, legitimization of objectives and decisions, and greater trust from customers and management; and organizational learning outcomes, which encompass improved decision-making capacity and enhanced readiness for change.

In summary, the reported outcomes of CD include career progression, increased career satisfaction, and employability at the individual level, as well as improved organizational performance and effectiveness.

2.4. Connections between Performance Appraisal and Competency Development

The previous sections share common points, despite addressing different processes or systems. For example, one can see PA and CD as belonging to the PM umbrella. Alternatively, one can understand that PA falls within the field of HRM and CD, within the broader field of HRD. Brown et al. (2019) argue that PM could very well be a bridge area between these fields. Of course, one can think of other forms of connections between these processes, or even that they belong to different fields. This interpretation will vary according to organizational practices and context. However, the strong connection between PA and CD, as well as the overlap between these areas, is undeniable.

Competencies serve as the basis for development purposes and PA systems. Organizations that use PA for development rely on the information it provides to

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promote activities aimed at improving individual or organizational performance (do Carmo Lameque et al., 2023). PA provides valuable information necessary for decision-making in HRM, as well as for development activities (Aguinis and Pierce, 2008). Therefore, PA is a strategic tool for HRD because it provides a map of where the employee is and where they should go, promoting individual and organizational growth. In the absence of this diagnosis provided by the PA, it is uncertain whether investments in training will be efficient.

The relevance of PA in CD is recognized by different authors, as employee assessment constitutes a core function of HRM, and improving individual and organizational performance is fundamental to human HRD (Brown et al., 2019). De Vos et al. (2015) and Draganidis et al. (2006) emphasize the importance of integrating skills models with learning systems, highlighting the need for further research in this domain. Accordingly, this section will explore the intersections between these fields, focusing on PA as a diagnostic tool, the Individual Development Plan (IDP), and the processes of monitoring and communication.

2.4.1. Performance Appraisal as a Diagnostic Tool

PA plays a fundamental role in identifying and measuring individual behaviors, competencies, and performance. It provides information about employees' situations and development needs, serving as an important input for learning activities. Put simply, the diagnosis conducted in PA can inform both learning objectives and competency development targets.

Draganidis and Mentzas (2006) state that, in the competency diagnosis phase, a skill gap analysis is essential to identify the current situation of the competencies and equivalent proficiency level of employee in comparison to the competencies required by the organization for their respective job roles, or needed to achieve personal or organizational goals and objectives. Campion et al. (2011) emphasize the importance of examining the distribution of proficiency levels to identify areas of strength or weakness and to direct interventions accordingly. The diagnostic insights from performance appraisal guides and structures the competence development process.

New skills can be acquired, developed, or proficiency levels can be worked on. When used for developmental rather than assessment purposes, PA scales can be designed to motivate and develop skills, emphasizing how to expand and advance

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(Campion et al., 2011). Effective learning management facilitates the connection between the necessary skills identified in the diagnostic phase and the corresponding learning objectives.

The effectiveness of the alignment between the systems studied depends on a proper diagnosis carried out through performance appraisal (PA). This diagnostic information is essential for identifying competency gaps and structuring development efforts at both the individual and organizational levels.

2.4.2. Individual Development Plan

As employees develop new skills, the need to reassess their skills arises (De Vos et al., 2015). The constant challenges of change prompt employees to initiate new CD processes and, to this end, build an individual development plan (IDP).

The effectiveness of CD depends largely on employees' self-directed behavior and proactive attitude (De Vos et al., 2015). They are responsible for capitalizing on the development opportunities offered by organizations and for investing in their own professional growth. The IDP seeks to align employees' aspirations and needs with the organization's strategic objectives, which is why it is a strategic tool in people management (Muylaert & Villardi, 2021).

The Individual IDP is considered a central element in the model proposed by De Vos et al. (2015), Figure 3, as it guides competency development based on PA´s results and employees' aspirations. It aims to bridge skill gaps (Draganidis & Mentzas, 2006), align individual and organizational goals (Davis, 2015), and anticipate future roles and competencies (Campion et al., 2011). As described by Muylaert and Villardi (2021), the IDP outlines the objectives and actions an individual plans to pursue for skill enhancement and career advancement. It is a key element that serves as both a roadmap for development and a tool for planning training initiatives (De Vos et al., 2015).

Coltro et al. (2023) conclude that to integrate PA and CD processes, managers must support employees in developing an IDP, acting as a facilitator, and promoting the adoption of the IDP and the organization's learning culture. Managers also provide support, resources, and opportunities for employees. It is up to them to review the IDPs, recognize progress, and encourage development (Davis, 2015), with the support of HR in terms of tools, training, and guidance.

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The IDP can be used to guide development choices, to increase competitiveness, and for promotion (Campion et al., 2011). It is the responsibility of the professional to develop it, but it relies on the guidance of the supervisor, as well as the support of HR and the organization. It is a key element that connects the diagnosis obtained in the PA with the actions necessary to achieve professional or organizational objectives.

2.4.3. Monitoring and Communication

Monitoring and tracking of competencies is the continuous examination of the results achieved by the development phase (Draganidis & Mentzas, 2006). Managers and supervisors must be able to develop plans for the team, monitor progress, and identify solutions to problems, managing the performance of team members (Davis, 2015). Potnuru & Sahoo (2016) argue that it is essential to create structures for employee CD and that top managers focus on the partnership between the organization and employees for ongoing career development, with organizational support. Brown et al. (2019) note that there is a lack of research on ways to enhance managers' ability to maintain ongoing conversations, which are essential for effective management.

Communication is a crucial link between systems, both the PA´s feedback and the continuous feedback required for monitoring are vital for development. It is worth emphasizing the need to improve communication between managers and employees, ensuring it is open and supportive, and can address performance issues constructively (Brown et al., 2019).

Aguinis (2023) states that managers can utilize feedback to train employees, and organizations should strive to foster a culture of ongoing feedback and coaching. The HR professional plays a crucial role in training managers to be effective coaches and develop the interpersonal skills necessary for communication, and is also responsible for creating a climate that facilitates training and monitoring (Brown et al., 2019).

An organization with a learning culture must communicate more and better. It is necessary to share knowledge, learn from mistakes, and provide ongoing feedback to ensure organizational development. Therefore, having consistent monitoring and a feedback culture is essential to ensure alignment between PA and CD systems as well as between individual and organizational goals and expectations.

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Chapter 3: Methodology

The objective of this study is to investigate how performance appraisal results are used for competency development. To this end, and to answer the central question of this exploratory study: What is the role of performance appraisal in competency development? A qualitative method will be employed within an exploratory-descriptive research design, using semi-structured interviews and content analysis.

When seeking to understand how a process unfolds in the corporate world´s practice, it is necessary to focus on the issue to be investigated and utilize the available approaches to comprehend the problem (Creswell, 2023). Qualitative research involves an interpretive and naturalistic approach (Denzin & Lincoln, 2011). According to Sarantakos (2012), the qualitative method allows us to focus on processes and structural characteristics and attempts to capture reality. It is sensitive to the context, its logic, organization, and implicit and explicit rules, while being informative and detailed. This aligns with the objective of deepening the understanding of the practices related to the studied processes, and, more importantly, of how the information generated by them is used and integrated within organizations.

Semi-structured interviews were used for data collection because they have the potential to provide first-order understanding through concrete description. (Denzin & Lincoln, 2011). Qualitative data were obtained from professionals with a well-established practical knowledge of the topics studied. This data collection method helps to interpret and understand the reasons behind the social action, its meanings, and context (Sarantakos, 2012). The objective is to obtain the interviewee's concrete description of the phenomenon (Denzin & Lincoln, 2011).

The method used to analyze qualitative data is content analysis. It is a technique that consists of extracting from highly approximate, subjective descriptions an objective representation of the nature and relative strength of the stimuli to which the subject has been exposed (Bardin, 1977). So, it´s possible to both enrich the exploration of qualitative data and synthesize it for the results presentation. And, most importantly, to infer an answer to the research question, and to describe the processes and the role of PA in CD. Due to the characteristics described above, the qualitative method, including semi-structured interviews and content analysis, was selected for this study.

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3.1. Research Sample and Instruments

The research object is companies that use CM models. The interviewees were selected based on their expertise and direct involvement in PA and CD processes and data collection was conducted through interviews with HR managers and consultants from companies based in Portugal and Brazil, to ensure an adequate number of participants and to capture different organizational and cultural contexts, composing a heterogeneous research sample (Appendix 1). Because this is a qualitative exploratory study, the sample is not representative of a population. Therefore, the results of this work cannot be extrapolated.

TABLE III - RATIONALE FOR CONSTRUCTING THE INTERVIEW GUIDE

Sets of questions	Questions themes	Theoretical framework	Objectives:
Characterization	Demographic data		Describe the profile of the interviewees and the characteristics of the organizations in which they work.
Sistemas baseados em competências	Competency-based management models and alignment	Campion et al. (2011).	Describe how competency management models are used and how they align with the organization's strategic objectives.
Avaliação de Desempenho	• Related factors; • Process; • Methods; • Objetivos esperados.	• Brown et al. (2019) e Caruth e Humphreys (2008); • Brown et al. (2019) e Schoonenboom et al. (2008); • Shaout e Yousif (2014); • Kondrasuk (2011); do Carmo Lameque et al. (2023); Sahay e Kaur (2021).	Describe the performance appraisal process and its characteristics, and identify the most relevant aspects related to the research question.
Desenvolvimento de competências	• Related factors; • Process; • Practice; • Outcomes.	• Eilström e Kock (2008); • Draganidis e Mentzas (2006); • De Vos et al. (2015); • Potnuru e Sahoo (2016); Eilström e Kock (2008).	Describe the competence development process and its characteristics, and identify the most relevant aspects related to the research question.
O papel da avaliação de desempenho no desenvolvimento de competências	• Diagnosis; • IDP; • Monitoring and communication.	• Campion et al. (2011); • De Vos et al. (2015); Muylaert & Villardi (2021); • Brown et al. (2019).	Describe the practices that connect performance appraisal to competence development. Analyze the role of performance appraisal in competence development.

To meet the objective of investigating how PA results are used for CD, partial objectives were identified, which are described in Table III. These partial objectives guided the thematic sets of questions in the Interview Guide. The questions were developed based on the topics discussed in the Literature Review. The interview guide (Appendix 2) consists of open-ended questions. The interviews were recorded on the Teams platform. After explaining the objective of the work, the methodology used, and guaranteeing the anonymity of the interviewees, consent was obtained for the recording. The transcriptions were made in the Whisper AI software.

3.2. Analysis Method

The aim is to understand whether and how the information obtained through PA is systematized and taken into consideration for CD planning, whether at an individual

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or organizational level. Thus, content analysis proved to be appropriate for processing the data collected in interviews. It is a set of communication analysis techniques that employ systematic and objective procedures to describe message content and derive indicators that enable the inference of knowledge (Bardin, 1977). Inference, or logical deduction, leads to interpretation and brings meaning to the information gathered. Its application to the interview transcripts enabled an objective and systematic description of the responses, aiming to interpret their underlying meanings.

To perform the analytical description of the interviews, thematic analysis or analysis of meanings was used. The themes described in the Literature Review were identified in the interviewees' responses. According to the method elucidated by Bardin (1977), the analysis was carried out in three phases: 1) Pre-analysis; 2) Exploration of the material; and 3) Treatment of the results, inference, and interpretation.

After pre-analysis and exploration of the material, and based on the 'boxes' categorization method described by Bardin (1977), a system of categories was established according to the topics of this work. Codes were generated from the themes identified in the theoretical discussion, as well as from those that appeared frequently in the interview data (Appendix 3). This process facilitated a data organization consistent with the theoretical underpinnings of the study. MAXQDA software was used to categorize, code, and analyze the interview transcripts.

First, demographic data analysis was conducted to characterize the sample. Next, the frequency of the indicators, corresponding to the predefined codes or themes, was examined to describe the CMs, PAs, and CD. This aimed to identify the most relevant elements and patterns within organizational practices. Finally, the frequencies were utilized to objectively and systematically describe the practices that connect performance appraisal to competency development.

Contingency analysis, a co-occurrence measure that allows the identification of associations between elements, was used to analyze the relationship between PA´s purpose and the outcomes of both PA and CD. It was also applied to examine the association between the connecting elements of PA and CD and the intended outcomes of these processes. This analysis helps interpret the results obtained and allows for inferences about the role of performance appraisal in competency development.

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Chapter 4: Analysis and Discussion of Results

The results of the content analysis of the interview transcripts are presented through graphs and qualitative data, excerpts from the interviewees that provide deeper insight into how specific themes emerged during the conversations. Frequency analysis is employed to highlight the most recurrent themes within each category, enabling a clearer description of the practices related to PA and CD systems. The co-occurrence maps are used to investigate the relationships between codes, which represent the topics being studied. These analyses are used to describe the systems studied, the connection between them, and finally, to infer the role of PA in CD.

It is noteworthy that frequencies measure the occurrence of a given coded theme within a category across the group of interviews. Categories, in turn, group together several related codes. The coded themes within a given category are not necessarily mutually exclusive. Therefore, one interview may include all the codes within a category, while another may contain none.

It is relevant to mention that the absence of a theme corresponding to a given code in an interviewee's response does not necessarily mean that the theme is not present within the organization. It is merely evidence that it was not mentioned in the interviewee's response. Therefore, it is crucial to clarify that the accounts provided about PA and CD are good approximations of the processes but may not be perfect descriptions. This is because the interviewees' narratives highlight the most relevant points to answer a question, and consequently, syntheses and omissions may occur.

4.1. Sample Characterization

The sample comprises 28 HR professionals, each interviewed from distinct organizations spanning 22 different sectors (see Appendix 1). Approximately half of the interviewees work in companies headquartered in Brazil (54%) and the other half in Portugal (46%). The country of origin of twelve organizations is Brazil; of five, it is Portugal; of four, it is the United States; of three, it is England; of two, it is Germany; of one, it is Belgium, and of another, it is Singapore. Regarding the size of the companies, 57% are large (with more than 250 employees), 14% are medium (from 50 to 249 employees), 14% are small (from 10 to 49 employees) and 14% are micro-enterprises

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(with up to 9 employees), as can be seen in Figure 4. The largest company has approximately 90 thousand employees, and the smallest organizations are made up of a professional who works as a Human Resources Consultant.

FIGURE 4 - Demographic data of respondents.

Most interviewees are managers. However, coordinators, directors, presidents, and independent consultants are also part of the sample. All professionals work in the Human Resources field or provide Human Resources services. It is noteworthy that the group is composed predominantly of women, 79%. Most of the interviewees fall within the age range of 30 to 40 years old, as shown in Figure 4.

4.2. Results

The frequency of themes is shown in bar graphs, as in Figure 5, which represents the frequency of themes in the sample. Each graph corresponds to a category, with bars representing individual codes. Percentages and total occurrences are indicated above each bar, while a color-coded legend identifies the codes. When relevant, illustrative interview excerpts are provided to deepen the interpretation of the themes.

Co-occurrences are presented through visual co-occurrence maps of codes, as shown in Figure 12. The labels in the model represent the codes, and the lines connecting two codes indicate their co-occurrence, that is, when both codes appear simultaneously in a document, a relationship between them can be observed.

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4.2.1. Competency Management Models

The most frequently mentioned criterion in the descriptions of competency management models (CMMs) is the use of behavioral rating scales and rubrics. As shown in Figure 5, this was mentioned in 89% of the interviews. The qualitative data (Appendix 4) illustrate the use of this criterion.
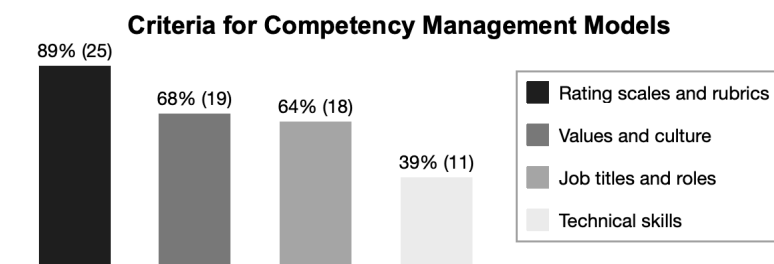
FIGURE 5 - Chart - Criteria for Competency Management Models.

It is also significant to observe that there is no pattern or standard in the use of behavioral scales and rubrics. Also, there is no uniformity in how performance is evaluated. While some interviewees describe that "Performance is assessed by KPIs (Key Performance Indicators), quantitative and qualitative metrics that measure past performance. We use a five-point rating, which can be below, partial, successful, high, and top" (Interviewee 4, 2025). Others explain that "Performance has a scale of 1 to 5 with 12 behaviors. Each employee is evaluated on this" (Interviewee 8, 2025).

The values and culture criteria were mentioned in 68% of the interviews as a structuring element of behavioral assessments. "The performance appraisal model is based on cultural values" (Interviewee 13, 2025).

Some organizations apply competencies transversally, while others differentiate them by functional level, proficiency levels, and technical competencies. Among the interviewees, 64% mentioned variations based on different roles and positions, and 39% reported differentiations according to technical competencies, as shown in Figure 5.

> Some companies have a competency profile that applies across the entire organization. Others focus on specific functions. Some map competencies by functional level. For example, interns have a competency profile. Senior employees have a different profile. And leaders have yet another competency profile (Interviewee 15, 2025).

It was observed that there is no standard CMM, but rather criteria that are observed in a customized manner to suit the organization, its culture, and its needs.

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Some interviewees mentioned the use of methodologies for competency management, such as evaluating "what" results were achieved and "how" those results were attained. In addition to the "What and How" approach, other methodologies mentioned included the 9-box grid and Levels. Notably, 39% of interviewees did not specify the method they use, as shown in Figure 6. Once again, the methodologies appear to be customized to the characteristics and needs of each company, with some being applied concurrently.
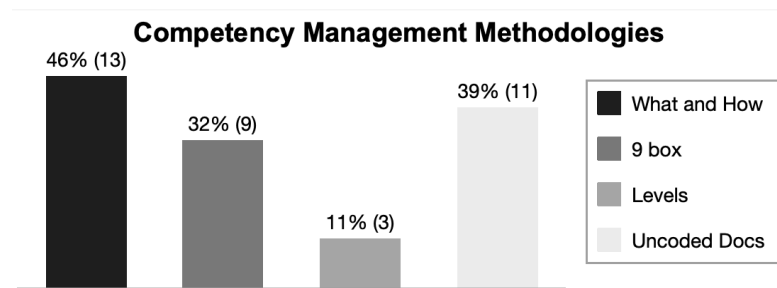
FIGURE 6 - Chart - Competency Management Methodologies.

Regarding the strategic alignment between the company's objectives, performance appraisal, and competency development, 18% of the interviewees reported the existence of a strong alignment, as shown in Figure 7 and the extracts in Appendix 4. Revealing a convergence between the strategic vision of the business and the operation of HR systems.

> When we began designing the model, one of the questions we answered was what we expected from it and how it related to the business. We knew our business would go through different phases. In these phases, we reviewed whether we wanted to change the competencies or not, because they required different skills and abilities from the team. It's also closely related to the company culture—how we do things, what we value, how people grow, and what kind of drive we want to promote. So, in that sense, it's strongly connected to the business. (Interviewee 15, 2025).

However, 54% of the interviewees reported an alignment classified as intermediate. This indicates a more tactical and operational alignment between organizational goals and results, and the bonus linked to PA. "These competencies defined in the competency plan are evaluated, and then, the company's objectives, because there is a bonus system that takes into account the results of the performance appraisal." (Interviewee 12, 2025).

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Strategic Alignment
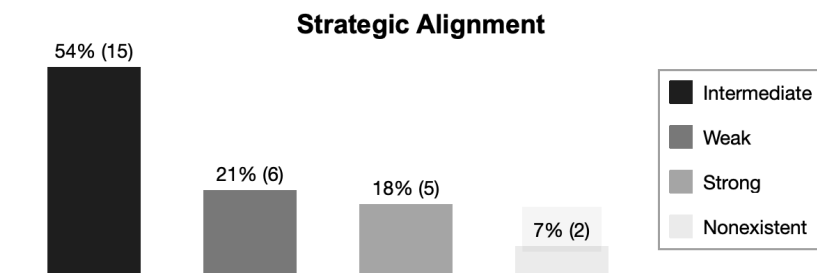
FIGURE 7 - Chart - Strategic Alignment.

21% of respondents mentioned a weak alignment. "It should be there, it should be simple, but often what is said is not what happens in practice" (Interviewee 2, 2025). It is worth noting that most companies have weak or intermediate strategic alignment.

It was observed that, although companies follow criteria and methodologies to develop their competency management models, their customization to the organization's culture, characteristics, and needs is predominant in this group. However, in most cases, strategic alignment between HR systems occurs at a more tactical level or does not occur at all.

4.2.2. Performance Appraisal

For the majority of companies interviewed, 64%, PAs are annual. However, 32% occur every six months and 7% every three months, as shown in Figure 8. The stages described in the literature review were redefined to better align with interviewees' descriptions: goal setting, self-assessment, evaluation and evidence-gathering, calibration, feedback, check-ins, and follow-up. Of these, the evidence-gathering and evaluation stages are present in 100% of cases. The other stages are present in most cases. The percentages are shown in Figure 8. The check-in and conversations stage was the least reported, with a frequency of 61%.

Performance Appraisal Process and Methods
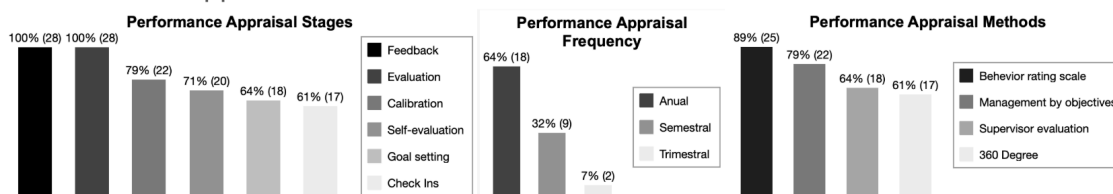
FIGURE 8 - Chart - Performance Appraisal Processes and Methods.

The frequency of the most commonly used methods in PAs is illustrated in Figure 8. It is worth noting that, in many cases, these methods are applied simultaneously and adapted to the specific context of each organization. However, some

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organizations choose not to use specific methods, as illustrated in the qualitative data presented in Appendix 5.

Most of the performance evaluations described have a dual or triple purpose. This finding can be inferred from the results presented in Figure 9. Development and administrative purposes (payment of benefits such as bonuses and salary increases) were both mentioned in 75% of cases. 43% HR professionals mentioned the purpose of career progression. And the Cultural Fit code was created to encompass 21% of the interviewees who mentioned this purpose.
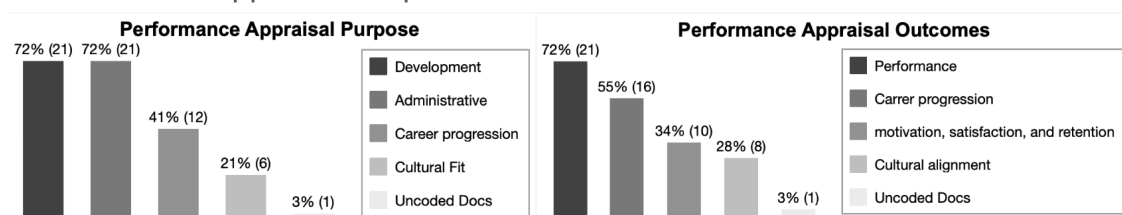
FIGURE 9 - Chart - Performance Appraisal Purpose and Outcomes

The outcomes, described in the literature review, of performance (75%) and motivation, satisfaction, and retention (36%), appeared in the interviewees' responses, Figure 9. Two new categories were created for the results related to career progression (57%) and cultural alignment (29%), as they were mentioned with significant frequency. In general, the interviewees who reported the purpose of developing PA also reported performance as an outcome of this process.
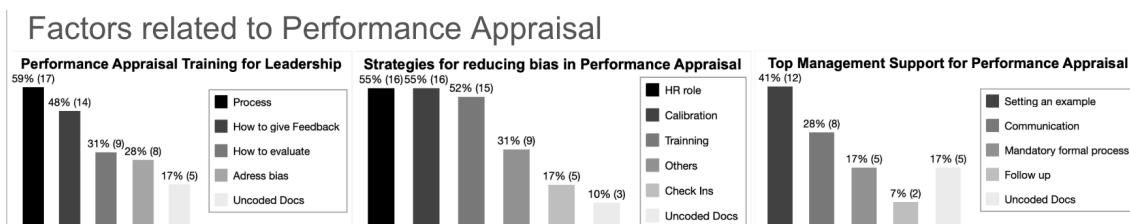
FIGURE 10 - Chart - Factors related to performance appraisal.

As shown in Figure 10, all interviewees reported that training on PA is provided to leaders, who serve as evaluators. Among the types of training, the most frequently offered is training on the process itself, including how to give feedback, conduct evaluations, and address bias. Specifically, the PA process is the most commonly provided training (71%). On the other hand, training for the employees being evaluated was not mentioned in 64% of the interviews.

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The role of HR in the PA process, such as ensuring evidence-based evaluation quality and leading calibration sessions (62%), is relevant in reducing bias. Calibration practices (62%) and training on bias (58%) also contribute to this objective, as shown in Figure 10. However, 7% of the organizations did not report any strategies to mitigate bias. Top management support for the PA process is mainly expressed through leading by example (50%).

New codes were created to incorporate other relevant points that emerged transversally in the participants' responses. These include ongoing feedback, changes, the dual purpose of performance appraisal, bell curve and forced-choice assessments, competencies and objectives in separate processes, and potential and career development in separate processes, as shown in Figure 11.
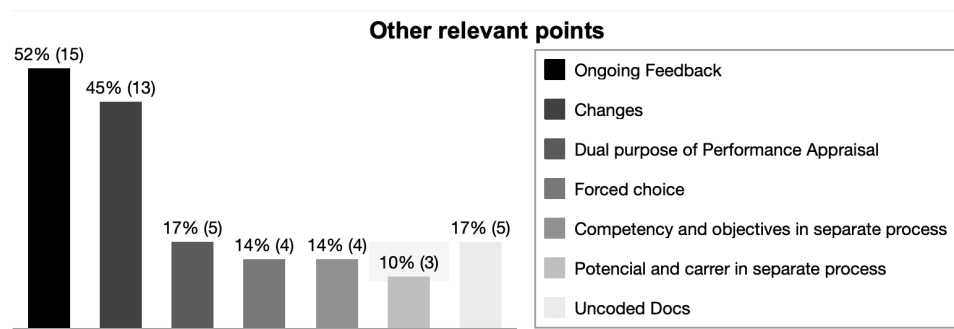
FIGURE 11 - Chart - Other Relevant Points.

The discussion in the literature about PA serving multiple purposes and the implications of this was reflected as a significant theme in the interviews. The vast majority of interviewees indicated that two or more purposes were simultaneously served in the PA process. However, four interviewees (14%) reported that their organizations chose to assess performance in one process and objectives in another, unlinking PA from compensation decisions such as bonuses and salary increases.

> Having this cycle with an impact on finances makes people feel anxious and biased towards this being the main thing in the cycle. Ultimately, the main question is: Will I get promoted or not? And not what I can get out of this for my development. So, I think it´s bad to have things mixed up (Interviewee 3, 2025).

Ongoing feedback was highlighted as an important aspect of the PA process by 54% of the HR professionals interviewed. "We have always fostered this feedback culture" (Interviewee 3, 2025). The impact of changes in these processes was emphasized in 46% of the interviews. Either because "Very large organizations are

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almost constantly undergoing reorganizations" (Interviewee 2, 2025). Or because "competencies are evolving at a speed never seen before. You finish mapping needed technological KSAOs. And tomorrow, there will be another skill that you didn't map" (Interviewee 22, 2025).

Below, models of code co-occurrence are presented to investigate the relationships between codes. The labels represent the codes. The lines connecting two codes represent the co-occurrence between them. Meaning both codes appear simultaneously in a document, which may suggest a relationship.

Co-occurrence between Performance Appraisal Purposes and Outcome Categories
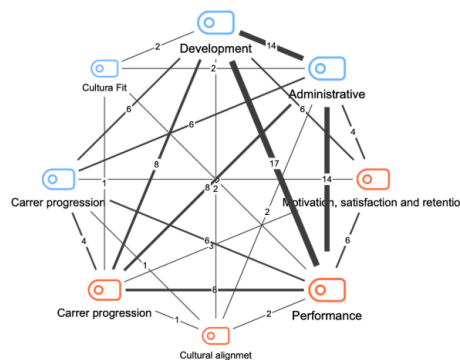
FIGURE 12 - Co-occurrence between Performance Appraisal Purpose and Outcomes Categories.

The career purpose shows a co-occurrence of 6 out of 12 (50%) with both the developmental and administrative purposes. The developmental and administrative purposes co-occur in 14 out of 21 cases (66%). The developmental purpose co-occurs with the performance outcome in 17 out of 21 cases (81%), indicating a strong relationship. The administrative purpose, on the other hand, co-occurs with the performance outcome in 14 out of 21 cases (66%), suggesting a weaker relationship.

Overall, the interviewees' responses demonstrate an alignment between the PA descriptions and the themes discussed in the literature. However, some important points are worth highlighting. First, calibration was frequently mentioned and emphasized by the interviewees, although it receives less attention in the literature. It emerged as a key element for standardizing evaluations, increasing the reliability of the process, and reducing bias, thereby enhancing the perception of fairness, as illustrated in Appendix 5. Second, although various authors highlight training as an essential factor, it could be better developed, as 61% of respondents reported training on processes and 50% on how to give feedback. That is, many organizations do not provide training in this regard.

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Finally, the topic of dual purpose, widely discussed in the literature, and the connection between PA purpose and the intended outcomes should be emphasized. The results of these categories indicate the importance of organizations and their professionals clarifying the purpose of PA, as well as the outcomes it aims to achieve. Certain purposes are more strongly associated with specific outcomes than others. For example, the developmental purpose and performance outcome co-occurred in 17 out of 21 cases (81%). Additionally, adopting a dual purpose appears to impose a cost on the process and its outcomes.

> "When we separated the performance process from the financial recognition process, people started to raise the bar (of evaluation). Because when you know that you are evaluating someone and that will determine, at that moment, their merit or promotion, you are much more concerned with how to make them eligible for merit and promotion than necessarily evaluating them with the right metric. So, when we separated these processes, we realized that the bar rose" (Interviewee 22, 2025).

4.2.3. Competency Development

Planning for CD is done reactively in 79% of the organizations in the sample, as shown in Figure 13. And, proactively in 36%. Internal factors (61%) influence training more frequently than external factors (32%). It can also be observed in Figure 13 that Leaders (68%) are the main actors determining the training, followed by the Learning team and Business Partners (54%).
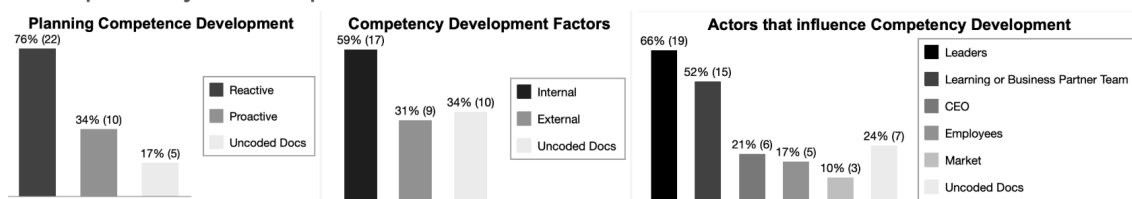
FIGURE 13 - Chart - Planning, Factors, and Actors that influence Competency Development.

The most frequently mentioned practice for competency development is training, cited in 100% of cases (Figure 14). Learning on the job appeared with a frequency of 88%, and career management with 46%. Six participants reported applying the 70-20-10 model, where 70% of learning occurs through work practices, 20% through interactions such as coaching and mentoring, and 10% through formal training.

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Competence Development
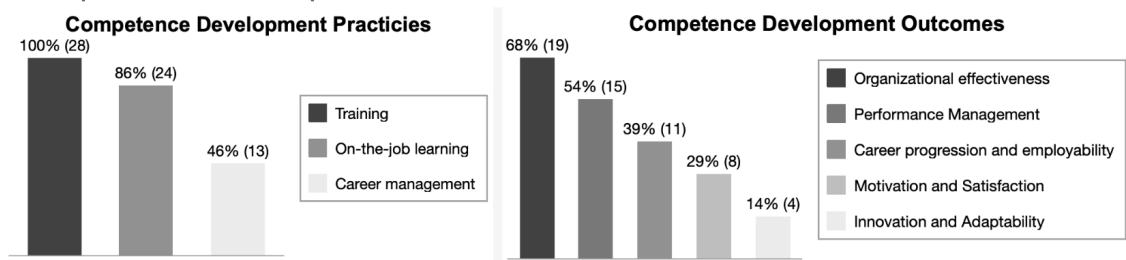
FIGURE 14 - Chart - Competency Development Practices and Outcomes

Regarding the CD outcomes, organizational effectiveness was the most mentioned (68%), followed by performance management (54%), career progression and employability (39%), motivation and satisfaction (29%) and innovation and readiness for change (14%), as can be seen in Figure 14.
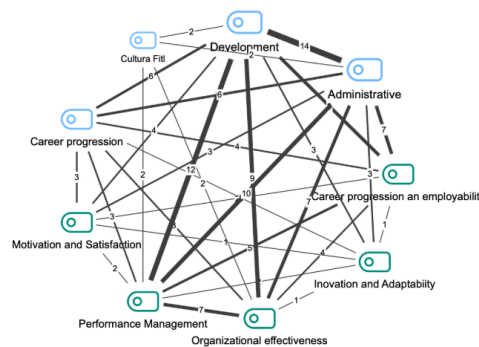
FIGURE 15 - Co-occurrence between Performance Appraisal Purpose and Competency Development Outcomes categories

Figure 15 shows the co-occurrence between the codes of the PA purpose category (blue label) and the codes of the CD outcomes category (green label). It is noticeable that the development purpose co-occurs with the performance management objective in 12 out of 21 cases (57%) and with the organizational effectiveness objective in 9 out of 21 cases (43%).

It is essential to note that, beyond PA, which serves as a situational point and basis for CD, other factors can influence CD, including both internal and external factors, such as leadership and learning teams. In other words, despite the importance of PA as a diagnosis for competency development, this development is influenced by various factors. It was also observed that the purpose of PA relates to the CD outcomes.

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4.2.4. Connections between Performance Appraisal and Competency Development

PA is used as a way to identify competency gaps in 93% of the cases studied (Figure 16). This highlights that PA plays a fundamental role in identifying the competencies that need to be developed. Other ways to identify competency gaps include: gathering information from leaders and supervisors (39%), considering future competencies(14%), organic identification (11%), employee identification (11%), and assessing business needs (11%).
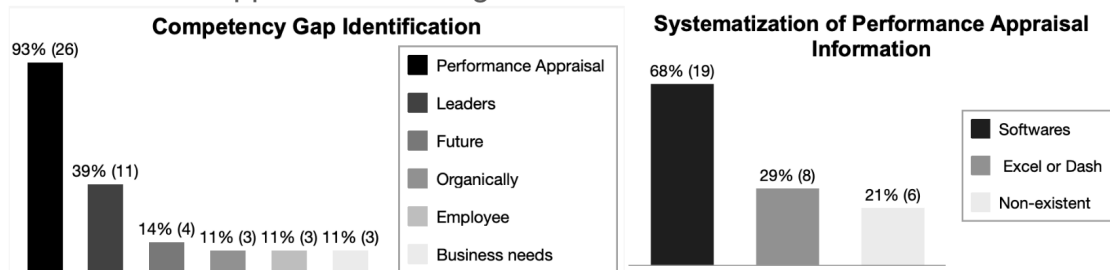
FIGURE 16 - Chart - Performance Appraisal as a Diagnostic

The systematization of the information provided by performance appraisals is carried out through systems or software in 68% of the cases, and through Excel or dashboards in 29%. Additionally, 21% of the interviewees reported that they do not systematize the information to obtain a managerial view of the PA results
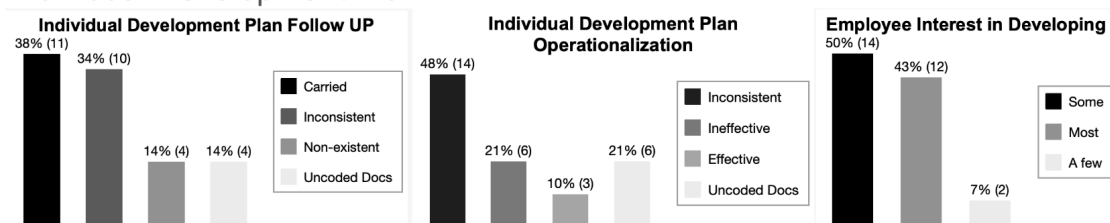
FIGURE 17 - Chart - Individual Development Plan

The IDP is prepared by the employee with the support of their manager in the vast majority of the cases studied (75%). The IDP was mentioned as non-mandatory by 68% of the interviewees, and as mandatory by 14%. In Figure 17, it is possible to observe that follow-up is carried out in 39% of the sample. "It is monitored during performance feedback sessions. The opportunity is also used to follow up on the development actions identified" (Interviewee 6, 2025). In 36% of cases, follow-up was reported to occur inconsistently, and in 14% it was described as nonexistent. In 14% of the responses, it was not possible to assign a code within the IDP follow-up category.

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When asked whether they perceive that employees are interested in developing themselves, half of the interviewees (50%) stated that some employees are, while 43% said that most are, and 7% said that few are.

The functioning of the IDP was described as effective in only 11% of the responses. In these few cases, it was reported that the IDP has an impact on development and, consequently, on professional growth.

> "There is a study we did last year that shows that people who were allocated to the lower L and had well-constructed IDPs and monitoring from their respective leaders, they evolved in quadrant. The vast majority, 70%, managed to evolve their performance to a central L quadrant. It is clear, mathematically, how much a person with good alignment, with good *feedback* and strategy, can increase in performance and, consequently, this impacts the organization's performance."*(*Interviewee 22, 2025)

However, in most cases (50%), the IDP is described as inconsistent. "There is a plan that is not mandatory, but there is a defined plan in which the employee and the manager are supposed to follow up with periodic sessions, which many then fail to do. We know that they end up not following through." (Interviewee 14, 2025). It was also described as ineffective in 21% of the cases. "Many don't have an IDP, and when they do, it's difficult for it to actually exist and be followed up." "With the daily rush, it can be hard to keep this in mind." (Interviewee 15, 2025).

Some common points were observed in the answers to the question: What is the role of performance appraisal in competency development? Which can be found in Annex 6. They are:

- PA is essential to identify what needs to be developed. It is a diagnostic tool.

  > "PA ends up being the source of diagnosis and monitoring of progress in CD. In other words, through assessment, I can understand the strengths and areas for improvement, both at an individual level and at the organizational level." Interviewee 15 (2025).

- PA is seen as the foundation for organizational or individual development.

  > "It is a crucial process. When we talk not only about CD, but also about developing the organization. It exists so that the organization has this formal picture of what is working, what is not, and how to leverage people. But, individually, it should be almost a bureaucratic act of formalizing, because we believe in on-the-job feedback" Interviewee 22 (2025).

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- Structured and formal feedback is crucial for employees and the company to communicate based on the same standard. "It is essential because it is precisely at this moment that we can have objective feedback with a specific and conceptually well-defined metric." (Interviewee 12, 2025).

- It provides clarity and alignment between what the company needs and what the employee must deliver, which helps define expectations.

> "Giving people more clarity and alignment on what is expected, where they are, versus what is expected. The bottom line is that the importance of this exercise is alignment, it's making sure that conversations are happening and that people know that their work is being noticed." Interviewee 10 (2025).

Figure 18 shows the co-occurrence between IDP Operationalization (green labels) and PA´s Outcomes (orange labels). It is noteworthy that in the three interviews where the 'Effective' code occurred, the code 'Performance' also appeared. In other words, in these three cases, there is a strong relationship, 100%. However, the codes 'Inconsistent' and 'Ineffective' also show a significant relationship with 'Performance', which is the most frequently reported outcome. The former has a co-occurrence of 8 out of 14 (57%) and the latter, 4 out of 6 (67%).
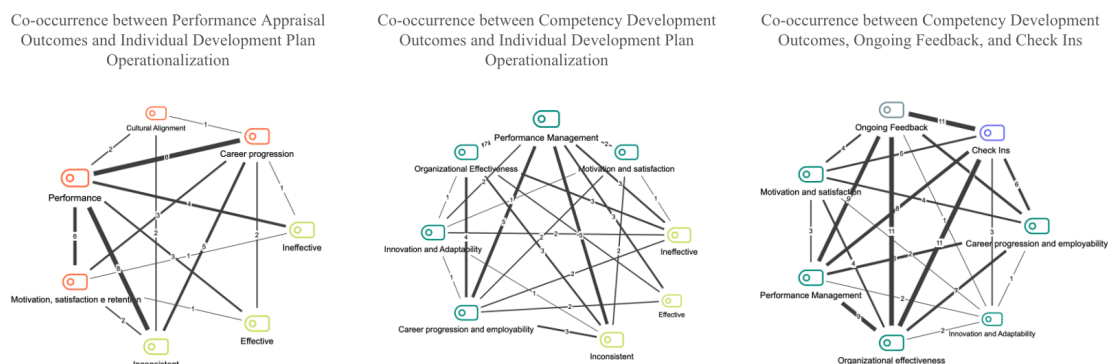
FIGURE 18 - Co-occurrence between Individual Development Plan categories and Outcome categories.

Figure 18 also shows the co-occurrence between IDP Operationalization (light green labels) and CD Outcomes (dark green labels). In the three interviews where the 'Effective' code occurred, the codes 'Organizational effectiveness' and 'Performance management' also occurred, indicating a strong relationship, with 100% co-occurrence. The other codes presented a less significant relationship 3 out of 14 (21%) for 'Inconsistent' and 'Organizational effectiveness', 5 out of 14 (36%) for 'Inconsistent' and

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'Performance management', and 3 out of 6 (50%) for 'Ineffective' and the codes 'Organizational effectiveness' and 'Performance management'.

The codes 'Ongoing Feedback' (gray labels) and 'Check Ins and Conversations' (purple label) represent the Monitoring and Communication theme (Figure 18). They have a significant relationship with the 'Organizational effectiveness' code 11 of 15 (73%) and 11 of 17 (65%), respectively. As well as with the 'Performance management' code, 9 of 15 (60%) and 8 of 17 (47%).

Three key points are worth highlighting in this section. First, the essential role of PA in identifying competency gaps. In other words, PA plays an essential role as a diagnostic tool. However, there is still room for improvement in the systematization of this information. Second, IDP was described as inconsistent or ineffective in 71% of the cases, indicating that this instrument does not function well in most of the organizations in the sample. Nonetheless, its effectiveness is strongly related to performance management and organizational effectiveness. In other words, the IDP holds potential for generating improvements in HR and organizational practices, but this potential is not being realized. Third, Ongoing Feedback, Check-ins, and Conversations show a significant relationship with performance management and organizational effectiveness. However, inconsistencies and the lack of monitoring in IDP implementation are notable.

4.3. Discussion of Results

First, the results related to Competency Management Models, which serve as the foundation connecting PA and CD systems (Figure 1), will be discussed, along with key points worth highlighting within each system. The second part of the discussion addresses the connection between PA and CD systems: PA as a diagnostic tool for CD, Individual Development Plan, and monitoring and communication.

CMMs are often linked directly to business objectives and strategies and are often used to align HR systems (Campion et al., 2011). Bayo-Moriones et al. (2021) emphasize that firms can improve performance by aligning PA with strategy. However, in many organizations, strategic alignment was described at a tactical level or as nonexistent. According to Campion et al. (2020), the CMM translates organizational strategy into employee behavior in an interactive manner, enabling top managers to drive their logic throughout the organization. Therefore, this result may suggest

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breakdowns or misalignments between HR systems or in the transmission of strategic logic from top management to the organization.

Regarding PA and CD systems, the findings underscore that PA serves as a diagnostic foundation for CD (Aguinis, 2023; De Vos et al., 2015; Sahay & Kaur, 2021). However, CD is influenced by multiple factors (De Vos et al., 2011, 2015; Eilström & Kock, 2008). Calibration was highlighted for standardizing assessments and enhancing perceptions of fairness (Pulakos et al., 2015).

The results reinforce the importance of clarifying the objectives of PA (Kondrasuk, 2011), as its purpose impacts both the process and the outcomes of PA and CD (De Vos et al., 2011, 2015; Kondrasuk, 2011; Sahay & Kaur, 2021). According to Caruth & Humphreys (2008), it is essential that leaders understand and establish performance and feedback systems that link HRM activities to business strategy. Competency-based systems facilitate the development of performance plans that clearly outline the behaviors required to achieve strategic goals (Sahay & Kaur, 2021). Therefore, the decision regarding which needs to be prioritized, which purposes to integrate, and how to do so in PA must be carefully considered (Caruth & Humphreys, 2008; Wong, 2020). Additionally, PA should adapt to different contexts and potential changes (do Carmo Lameque et al., 2023).

The discussion on dual purpose, administrative and developmental, existing in the literature (do Carmo Lameque et al., 2023; De Vos et al., 2011, 2015; Kondrasuk, 2011) also emerged in this study. It was inferred from the qualitative data that a dual purpose in PA may take a toll on the process. Literature indicates that using PA systems for multiple purposes can create conflicting demands and expectations, resulting in suboptimal outcomes (do Carmo Lameque et al., 2023; DeNisi & Murphy, 2017; Kondrasuk, 2011). Interviewees working in organizations where purposes were separated reported better adherence of the appraisal to the competency rating scales. Some managers indicated that evaluations and ratings are often adapted to meet administrative demands, such as promotions or benefit adjustments (Pulakos et al., 2015). Delivering feedback on both compensation and development simultaneously is a challenge (do Carmo Lameque et al., 2023; Kondrasuk, 2011).

The second part of the discussion, on the connection between PA and CD systems, reveals that PA is a crucial diagnosis that identifies competency gaps (Aguinis,

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2023; De Vos et al., 2011, 2015; Draganidis & Mentzas, 2006; Sahay & Kaur, 2021). However, the use of the IDP was considered inconsistent or ineffective in most of the cases analyzed. Although some authors discuss its importance for integrating performance management (Coltro et al., 2023; Muylaert & Villardi, 2021) and its intended purpose (Beausaert et al., 2011), the literature is scarce, and no discussion was found in this research regarding its effectiveness in corporate settings.

The results show that, when well implemented, the IDP is associated with performance management and organizational effectiveness. However, the difficulty of implementing the IDP is notorious. Employees may lack the skills to create the plan, and leaders may struggle to support and guide them through the process. Employee interest and motivation in development also fluctuate over time. Furthermore, even in companies that provide resources for development, competing priorities and other interferences often compromise availability for training. This raises the question: What is the best way to optimize and integrate these systems? Is the IDP the best tool to link these HRM systems, or could another tool with lower adoption costs and higher effectiveness be more suitable? Is the leader the most appropriate person to follow up on employee development, or would another professional be better suited?

Interviewees widely recognized the importance of regular and continuous feedback through both formal and informal processes (Aguinis & Pierce, 2008; Brown et al., 2019; Caruth & Humphreys, 2008; De Vos et al., 2011, 2015; Shaout & Yousif, 2014). Nonetheless, inconsistencies in reported practices were evident. In some organizations, a feedback culture is clearly present; in others, follow-up and development conversations appear to be irregular. One possible inference is that finding the right balance between structured and informal feedback is challenging. Some interviewees stated that day-to-day feedback is more effective in fostering development (Pulakos, 2015). However, this informal feedback may not always be aligned with personal or organizational development needs or with behavioral benchmarks. On the other hand, structured feedback processes are time-consuming and more difficult to implement (Kondrasuk, 2011).

The impact of PA is greater on organizational development than on individual development, as it serves as an essential diagnostic tool for identifying which competencies the organization currently possesses and which it needs to develop. It also

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ensures alignment between organizational and individual goals. However, the tool designed to support individual development, IDP, is inconsistently applied. Follow-up and communication also require attention to identify the most appropriate approach, which remains a challenge for some organizations.

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Chapter 5: Conclusion

The objective of this study is to investigate how the results of performance appraisals are used for the development of human resource competencies. Therefore, the research question "What is the role of performance appraisal in competency development?" guided this exploratory study. To answer it, the most relevant themes for both HR systems, PA and CD, were discussed in the theoretical framework. These themes informed the interview guide and served as the basis for the coding and categorization in the content analysis. The findings indicate that, overall, the sample shows a high adherence to the discussions presented in the literature.

PA is an essential diagnostic tool to identify what needs to be developed. As such, it serves as a foundation for both individual and organizational development. Structured and formal feedback is crucial for enabling employees and the organization to communicate using a shared framework, providing clarity and alignment between what the organization needs and what the professional must deliver, helping to define expectations.

The fundamental role of PA in identifying competency gaps strengthens the connection between PA and CD systems. The study's results reinforce the importance of clarifying the purpose of PA and indicate that having a dual purpose, a topic widely discussed in both the literature and the interviews, may entail a burden on the process and the outcomes of both PA and CD.

It was observed that PA plays a more significant role in organizational development than in individual development, as it functions as a strategic tool to align competency scales and rubrics, as well as the expectations between employees and the organization. Furthermore, the IDP, which is intended to reinforce actions for individual development, is applied inconsistently. This inconsistency stems from factors such as a lack of development culture, limited managerial competencies, or the absence of structured processes. Although monitoring and communication are perceived as critical, a dilemma arises regarding the degree to which these should be formal or informal to promote competency development effectively.

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5.1. Contributions to Practice and Theory

The main theoretical contribution is to highlight the importance of integrating PA and CD systems, confirming the diagnostic role of PA and the need to better structure communication and monitoring, which are critical for development. Finally, the study emphasizes that the IDP is a weak link in this connection. In doing so, it helps reduce the gap pointed out by authors who argue that there is insufficient attention to the interaction and integration between different practices involved in competency development (DeNisi & Murphy, 2017; De Vos et al., 2015; Draganidis & Mentzas, 2006; Eilström & Kock, 2008; Drejer, 2000; Schoonenboom et al., 2008). For future research, it is recommended to investigate the use of the IDP and explore integration elements between these systems.

The main practical contribution is to shed light on the need to strengthen the integration links between the studied systems. For example, to structure processes that not only diagnose gaps, but also guide and sustain employees' continuous development. This includes taking practical steps to train managers and employees to use professional development tools and integrate them into organizational plans and goals. It also means establishing guidelines that combine formal and informal communication to foster a culture of learning and dialogue.

5.2. Limitations

This study has limitations inherent to its geographic and temporal scope, methodological choices, analysis, and the fact that the literature on the systems is vast, but scarce regarding the connection between the systems studied. The exploratory qualitative study format, with a non-representative sample, generates results that cannot be extrapolated or generalized. Therefore, associations and causal relationships cannot be established. The sample may also contain selection biases.

Regarding the analysis, it is worth noting that the results may be subject to bias due to the subjectivity of the interviewees. Furthermore, only one researcher performed the coding, which prevents the verification of the classification and coding criteria by a second researcher.

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Appendix I - Sectors in which the interviewees work

TABLE IV - SECTOR IN WHICH THE INTERVIEWEES WORK

SECTOR IN WHICH THE INTERVIEWEES WORK	
1	Outsourcing and offshoring consultancy,
2	HR Consulting
3	E-commerce and retail
4	Chemical
5	Energy
6	Telecommunications
7	Consumer goods
8	Petrochemical
9	Real estate and technology
10	Pharmaceutical
11	Logistics and transportation
12	Drinks and food
13	Road infrastructure and mobility
14	E-commerce
15	Financial
16	Health tech
17	Software development
18	Fintech
19	Auditing and consulting
20	Education
21	NGO
22	Goods and services

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Appendix II - Interview Guide

The aim is to understand the role of performance appraisals in competency development. The interviews will be anonymized, and no identification of the company or the interviewee will appear in the final report. To carry out the content analysis of the interview (in MAXQDA software), it is necessary to record the session. Do you authorize the recording of the interview? The interview will begin with background questions, followed by open-ended questions to guide the conversation.

Background questions

1. How old are you?

2. What is your background?

3. What is your job title?

4. What sector of the organization do you work in?

5. How many employees does the organization have?

6. What is your company's country of origin? (Identify whether it is an MNE or a local company.)

COMPETENCY-BASED SYSTEMS

7. Does your organization use a competency management model? Can you give me an example of how it is used?

8. Is there a strategic alignment between the company's objectives, performance appraisals, and competency development? Can you give me an example of how this alignment is achieved?

Performance Appraisal (PA)

9. Can you describe the PA process and objectives in your organization?

☐ PROCESS - stages, frequency, and responsible parties (References: Brown et al., 2019; Schoonenboom et al., 2008).

☐ PURPOSE - administrative or developmental (Reference: Kondrasuk, 2011).

10. Typically, 360-degree assessment, management by objectives, and behavior scales are the most commonly used methods in PAs. However, the way each organization uses these techniques varies significantly. Can you describe and provide examples of the methods used and how they are applied?

☐ METHODS - Classification method, Behavior scales, Essays or essays on performance, Management by objectives or 360-degree evaluation. (Reference: Shaout and Yousif, 2014).

11. Are training sessions provided for PA?

12. PA processes often encounter issues related to measurement errors and perceptions of fairness. In your opinion, do they also face and continue to face similar issues, and how do they resolve and avoid such ISSUES?

13. Is there top management support for the process? Can you give me an example of what this support looks like or doesn't look like in practice?

☐ FACTORS RELATED TO PA - training for evaluators or those being evaluated. Errors of central tendency, leniency, measurement, halo effect, and perception of injustice by those being assessed. Top management or organizational support for the process (Reference: Brown et al., 2019; Caruth and Humphreys, 2008).

14. What is the main outcome of the PA process for your organization?

☐ OUTCOMES (References: Kondrasuk, 2011; do Carmo Lameque et al., 2023; Sahay and Kaur, 2021).

Competency development

15. How is competency developed in your organization?

16. PRACTICES - Training, on-the-job learning, and career management (Reference: De Vos et al., 2015).

17. How do you identify the competencies to be developed?

18. What or who determines a formation?

☐ FACTORS - Formal or informal learning activities, actors that determine training (Reference: Eilström and Kock, 2008).

19. What is the CD process like? Is there a plan?

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☐ PROCESS - (Reference: Draganidis and Mentzas, 2006).

20. What is the main outcome of CD for your organization?

☐ EXPECTED OBJECTIVES (Reference: Potnura and Sahoo, 2016; Eilström and Kock, 2008).

The role of PA in CD

21. In your organization, are there instruments or methods to systematize PA information?

22. Is PA used as a diagnostic for CD planning?

☐ PERFORMANCE APPRAISAL AS A DIAGNOSIS (Reference: Campion et al., 2011).

23. Do the results of the performance appraisal influence the development of training and professional development plans? If so, how are they developed and used?

☐ INDIVIDUAL DEVELOPMENT PLAN (Reference: De Vos et al., 2015; Muylaert & Villardi, 2021).

24. Is there any kind of monitoring of the Development Plan?

☐ MONITORING AND COMMUNICATION (Reference: Brown et al., 2019).

25. Do you notice interest from workers in developing themselves?

26. In your organization, what is the role of PA in CD?

27. Would you like to add anything that was not covered and that you consider relevant to this topic?

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Appendix III - Codes generated for thematic content analysis

TABLE V – LIST OF CODES IN MAXQDA

TO ADD	22
PERFORMANCE APPRAISAL ROLE IN COMPETENCE DEVELOPMENT	28
EMPLOYEE INTEREST IN DEVELOPING	0
A few	2
Most	12
Some	14
INDIVIDUAL DEVELOPMENT PLAN	0
IDP OPERATIONALIZATION	0
Ineffective	6
Effective	3
Inconsistent	14
Mandatory nature	0
Mandatory	4
Non-mandatory	19
Responsibility for planning	0
Leader	0
Employee	4
Employee with the leader's support	22
Follow up	0
Inconsistent	10
Non-existent	4
Carried	11
SYSTEMATIZATION OF PERFORMANCE APPRAISAL INFORMATION	1
Non-existent	6
Excel or Dash	8
Softwares	19
COMPETENCY DEVELOPMENT OUTCOMES	0
Career progression and employability	12
Innovation and Adaptability	4
Organizational effectiveness	19
Performance Management	15
Motivation and Satisfaction	8
ACTORS THAT INFLUENCE COMPETENCY DEVELOPMENT	0
CEO	7
Market	3
Learning or Business Partner Team	16
Employees	5

Leaders	21
COMPETENCY DEVELOPMENT FACTORS	0
External	12
Internal	17
PLANNING COMPETENCY DEVELOPMENT	0
Reactive	20
Tranversal	6
Proactive	11
COMPETENCY GAP IDENTIFICATION	0
Future	4
Leaders	12
Organically	3
Employee	3
Business needs	3
Performance Appraisal	30
COMPETENCY DEVELOPMENT	0
Formal	3
Informal	6
PRACTICIES	0
70-20-10	6
Carrer managemetn	13
Training	28
On-the-job learning	21
Coaching e mentoria	14
VERMELHO	1
INDIVIDUAL DEVELOPMENT PLAN	0
Mandatory	0
Non-mandatory	2
OTHER RELEVANT POINTS	1
Ongoing Feedback	21
Forced choice	5
Competency and objectives in a separate process	4
Dual purpose of Performance Appraisal	6
Changes	16
Potential and career in a separate process	5
PERFORMANCE APPRAISAL OUTCOMES	0
motivation, satisfaction, and retention	10
Performance	21
Cultural alignment	8
Carrer progression	16
TOP MANAGEMENT SUPPORT	0
Mandatory formal process	5

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Follow up	2
Setting an example	12
Communication	8
STRATEGIES FOR REDUCING BIAS	0
Check Ins	5
Others	10
HR role	16
Calibration	16
Trainning	15
TRAINING	0
OTHERS	7
Leadership	0
Process	17
How to give Feedback	14
Adress bias	8
How to evaluate	9
Assessed employees	0
Process	8
Recieve Feedback	3
PERFORMANCE APPRAISAL METHODS	1
Supervisor evaluation	18
Management by Objectives	25
Gestão por objetivos	22
360 Degree	17
PERFORMANCE APPRAISAL PURPOSE	5
Career progression	12
Cultural Fit	6
Development	22
Administrative	21
PROCESS	0
STAGES	1
Check Ins	17
Feedback	28
Calibration	23
Evidence gathering and evaluation	28
Self-evaluation	20
Goal setting	18
FREQUENCY	0
Trimestral	2
Semestral	9
Anual	18
STRATEGIC ALIGNMENT	0
Strong	5

Intermediate	15
Weak	6
Nonexistent	2
PERFORMANCE APPRAISAL METHODOLOGIES	1
Without MMC	5
COMPETENCY MANAGEMENT MODEL	0
CRITERIA	0
Technical skills	11
Rating scales and rubrics	25
Job titles and roles	18
Values and culture	19
DEMOGRAPHIC DATA	0
Country of origin	28
Company Size	30
Job title	27
Academic background	28
Organization sector	28
Age	28

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Appendix IV - Qualitative Data

TABLE VI – COMPETENCY MANAGEMENT MODELS

Category: Criteria

Code: Scales and comparison

Interviewee 4 (2025):	Performance is assessed by KPIs (Key Performance Indicators), quantitative and qualitative metrics that measure past performance. We use a five-point rating system, which can be rated as below, partial, successful, high, or top.
Interviewee 8 (2025):	Performance is assessed on a scale of 1 to 5, with 12 behaviors. Each employee is evaluated on this.
Interviewee 22 (2025):	I should open the job design and say what is expected in critical thinking from the person. A, B, C, D, E are expected. The person does ABC. Therefore, they are one grade below expectations.

Code: Values and culture

Interviewee 1 (2025):	We have identified what it means to be suitable for each of these values.
Interviewee 2 (2025):	Behavioral is generally a structure that is deeply rooted in the company's values and culture.

Code: Functions and positions

Interviewee 15 (2025):	Some companies have a competency profile that is transversal to all people in the organization. Others focus on specific functions. Others map skills by functional level. For example, interns have a skills profile. Seniors have a skills profile. Leaders have a skills profile.

Category: Alignment

Code: Strong

Interviewee 15 (2025):	When we started designing the model, one of the questions we answered was what we expected and how it would relate to the business. We knew that our business would go through different phases. In these different phases, we reviewed whether we wanted to change these competencies or not, because they required different competencies and skills from the team. It also has a lot to do with the company culture, how we do things, what we value, how people grow, and what we want to drive. Therefore, it is closely tied to the business in that sense.
Interviewee 22 (2025):	We constantly revisit our job design. We look both internally and externally at market movements and future competencies, and map competency gaps. We also conduct interviews with our executives. We hear from them what skills are needed for the current business and the coming years.

Code: Intermediate

Interviewee 12 (2025):	These competencies are assessed, as defined in the competency plan. Then, the company's objectives. Because the bonus system takes into account the results of the PA.
Interviewee 6 (2025):	The other thing you align with is that most bonuses are tied to what a person's base pay is and are only payable if a portion of the company's goals are met.
Interviewee 19 (2025):	It does exist, but it is not so well aligned in all areas. In business areas, this is well aligned. But, for example, in areas such as back-office or technology, it is more difficult to achieve this alignment.

Code: Weak

Interviewee 1 (2025):	It always exists in any organization, although often in an informal way.
Interviewee 2 (2025):	It should be simple, but often what is said is not what happens in practice.

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TABLE VI – PERFORMANCE APPRAISAL

Category: Techniques

Interviewee 15 (2025): I have seen clients who choose to have top-down processes, that is, managers evaluate downwards, and the 360 process is exclusive to leaders. That is because, considering the size of the organizations, it is more manageable to only do the 360 approach on the leadership level. To apply a 360 process requires some maturity, and therefore it does not apply to all organizations.

Category: Other relevant points

Code: Dual purpose of performance appraisal

Interviewee 3 (2025): I think that having this cycle with an impact on compensation makes people feel anxious and biased towards this being the main thing in the cycle. Because in the end, the main expected result is: will I get promoted or not? And not what I can get out of this for my development. So I think this is a bad point to have mixed up.

Interviewee 22 (2025): Recognition does not happen together with the performance appraisal model. We do not make decisions on merits or promotions here within this process, because its sole purpose is to provide feedback for the organization's development and not to generate any type of reward decision. If I am going to give you feedback,and along with that feedback I'll tell you about money, about recognition, it becomes more about that than about development. So, I think it was a difficult but very correct decision for us to separate these processes.

Code: Continuous Feedback

Interviewee 3 (2025): We have always encouraged this culture of feedback.

Interviewee 20 (2025): Ongoing feedback. The most important thing is to have regular conversations about performance.

Code: Changes

Interviewee 2 (2025): Very large organizations are almost constantly undergoing reorganizations. Many companies have difficulty maintaining a culture discourse for 5 or 10 years. Every 2 or 3 years, companies make a cultural change. Then they revisit their values and culture. In a large, highly capillary company, it takes 2 to 3 years for the culture to pass from top leadership to the top. If in 2 years this culture changes again, you have a conflict between what is the real culture and what is the discourse.

Interviewee 10 (2025): Since I implemented the performance appraisal process in 2016 to 2017, in every cycle it changed something important and relevant. So, this is the main characteristic, which is a living process that changes very frequently.

Interviewee 16 (2025): I worked at such a fast pace that I couldn't wait until the middle of the year or the end of the year for this to happen. So, sometimes, after six months, I had to completely revise the goals.

Interviewee 22 (2025): And competencies are evolving at a speed never seen before. You finish mapping the competencies that the technology team needs, and tomorrow there will be another competency you haven't mapped.

Category: Stages

Code: Calibration

Interviewee 8 (2025): There is a point of trying to eliminate these unconscious biases. And for the committee, you need to be very well-reasoned. So, if you arrive and do not provide enough arguments, enough facts, concrete facts, you will not be able to hold (the evaluation you proposed).

Interviewee 23 (2025): I need to ensure greater alignment between the assessments that leaders are giving to the pool of people that exist, the pool of people who have the same position, the same seniority, the same scope of work. And that's where this extra layer that we call calibration comes in.

Interviewee 25 (2025): I have to follow the collective rule, the rule that was defined by the company. So, calibration, in my view, serves this purpose, to guarantee this rule is applied. In addition to mitigating biases, which go in the same direction.

IInterviewee 26 (2025): At this time of calibration committees, as we have other perspectives, we bring elements to minimize the impact of bias. We have other elements of comparison.

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TABLE VI – THE ROLE OF PERFORMANCE APPRAISAL IN COMPETENCY DEVELOPMENT

Category: IDP Follow Up Monitoring

Code: Carried

Interviewee 22 (2025):	Today, within our management rituals, every leader must have a one-on-one session at least biweekly with each reportee. And once a month she has to review this development map.
Interviewee 11 (2025):	Follow within these quarterly ongoing conversations. What has been achieved, or what is being worked on, or not.

Code: Inconsistent

Interviewee 2 (2025):	What we see happening is that the leadership arrives at this point in the development plan without knowing the possibilities that the company itself offers. So, it has been identified that it is necessary to develop competency X. But the leadership has few resources to offer to that person. Because, often, they do not even know what the company has. This is more common than we imagine.
Interviewee 13 (2025):	It is very little used in practice. We talk a lot about it, but I have not yet seen a successful case. After the cycle, after the feedback delivery, the person makes the plan and shows it to the leader. The idea is that they would follow up on that plan on a monthly basis. So, that was the theory. In practice, some actions were a little subjective, a little distant. Sometimes, the person couldn't put it into practice.
Interviewee 18 (2025):	It's something we work on. If I tell you we follow it, it's not true.
Interviewee 25 (2025):	Regarding the IDP, we still don't know how to do it because this model was a plan linked to the position. The IDP has existed since the time when people looked at the position. And now, in this context (of competencies), it is not so well defined. So, the IDP has become a boring thing that people don't like to do, and for the leadership it also doesn't generate much results.

Category: IDP Operationalization

Code: Effective

Interviewee 22 (2025):	We did a study that shows that people who were allocated to the lower quadrant and had well-constructed IDPs and follow-up from their respective leaders, evolved their quadrant. The vast majority of them, 70%, managed to evolve in performance to a central quadrant. It is clear, mathematically, how much a person with good alignment, with good feedback and strategy can increase their performance and, consequently, this impacts the organization's performance.

Code: Inconsistent

Interviewee 10 (2025):	It was a framework, the person had to outline three clear development goals and monitor them with the leader. This model was disclosed to the company, but it was optional. Neither HR nor leadership controlled it, and no one was held accountable for doing, monitoring or achieving the IDP. So, it was very loose.
Interviewee 20 (2025):	This is a weak area in organizations. Not only because managers and leaders do not have many skills to help employees with their development plans, but also because the employees themselves do not have the skills to develop plans.

Code: Ineffective

Interviewee 8 (2025):	Few people had closed the IDP. I think they don't see the added value and maybe we don't communicate it in the best way.
Interviewee 15 (2025):	There are many who do not have the IDP and when they do, it is difficult for it to exist and be monitored.

Category: The role of Performance Appraisal in Competency Development?

Interviewee 3 (2025):	It's important to calibrate for people where they are versus what the company expects and what the gaps are (...) And sitting down to talk about it.
Interviewee 12 (2025):	It is essential because it is at this moment that we are able to have objective feedback with a specific and conceptually well-defined metric.
Interviewee 14 (2025):	It is the starting point. It is another source from which to obtain information about competency development needs.
Interviewee 22 (2025):	It is a crucial process. When we talk not only about developing competencies, but also about developing the organization. Because it is through it that we can get snapshots to understand which talents and competencies we should hire. So, I think it is fundamental not only for developing individuals' competences, but also for the organization's results.
Interviewee 24 (2025):	Its role is to align functions and what is expected of each person, as well as the results and, as a consequence, development. Therefore, this performance management process is essential to keep the team motivated and to know where and how they should act. This way, we have more satisfied customers and if we have more satisfied customers, we have more projects and if we have more projects, we can have more people and a virtuous cycle is formed.
Interviewee 26 (2025):	Performance appraisal has the role of providing visibility and clarity about proficiency, gaps and strengths. With a lot of evidence, from different perspectives. They reinforce the expected behaviors and what is working, and they highlight what is not going well, what needs to be improved. So, I think the starting point of this process of developing competencies is to have clarity, understanding and visibility about what needs to be develop

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