Performance Management

A roadmap for developing, implementing and evaluating performance management systems

Elaine D. Pulakos
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The SHRM Foundation Board of Directors appreciates how difficult it is for HR practitioners to access current research findings and incorporate them into their own human resource practices.

Human resource professionals juggle multiple responsibilities and do not have time to read long research reports, no matter how beneficial. Realistically, most HR practitioners will seek guidance from research findings only if they are presented in a clear, concise and usable format.

To make research more accessible, the SHRM Foundation has created a new series entitled *Effective Practice Guidelines*. The Foundation will publish new reports on different HR topics each year. You are now reading the first report in the series: *Performance Management*.

Here is the series concept: A subject matter expert with both research and practitioner experience is selected to prepare the guidelines and the author distills the research findings and expert opinion into specific advice on how to conduct effective HR practice. We believe this new product presents relevant research-based knowledge in an easy-to-use format. We look forward to your feedback to let us know if we’ve achieved that goal.

The author of *Performance Management* is Dr. Elaine Pulakos, executive vice president and director of the Personnel Decisions Research Institutes (PDRI) Washington, D.C. office. Dr. Pulakos is one of the country’s leading experts in performance management, both as a researcher and a consultant, and she has provided the very best guidance available on this topic.

The Foundation board recently created a new vision for the organization: “The SHRM Foundation maximizes the impact of the HR profession on organizational decision-making and performance, by promoting innovation, research and the use of research-based knowledge.”

We are confident that this new series of *Effective Practice Guidelines* takes us one step closer to making that vision a reality.

Herbert G. Heneman III, Ph.D.
Director of Research, SHRM Foundation Board
Professor, School of Business, University of Wisconsin-Madison
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About the Author

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Elaine Pulakos is executive vice president and director of the Washington, D.C. office of Personnel Decisions Research Institute (PDRI). PDRI is a premier consulting firm in the field of industrial and organizational psychology. A recognized expert and researcher in the areas of selection and performance appraisal, Dr. Pulakos has over 15 years experience conducting large-scale job analysis, selection, performance appraisal and career development projects.

A Fellow of the American Psychological Association (APA) and the Society for Industrial and Organizational Psychology (SIOP), Dr. Pulakos is a successful author and has written on the topics of staffing and performance management. She is a past president of SIOP. In addition to authoring numerous publications, Dr. Pulakos recently co-edited two books: The Changing Nature of Performance: Implications for Staffing, Motivation, and Development with Daniel Ilgen, and Implementing Organizational Interventions: Steps, Processes, and Best Practices with Jerry Hedge.

Dr. Pulakos has spent her career conducting applied research in public and private sector organizations, where she has designed, developed, and successfully implemented numerous HR systems including staffing, performance management, and career development and training systems. Dr. Pulakos has also been extensively involved in providing expert advice on EEO-related legal matters, serving as an expert witness and advisor to the Department of Justice, among others. Elaine received her Ph.D. in industrial and organizational psychology from Michigan State University.
Effective Practice Guidelines for Performance Management

Performance management systems, which typically include performance appraisal and employee development, are the “Achilles’ heel” of human resources management. They suffer flaws in many organizations, with employees and managers regularly bemoaning their ineffectiveness. A recent survey by Watson Wyatt showed that only three out of 10 workers agree that their company’s performance management system helps improve performance. Less than 40 percent of employees said their systems established clear performance goals, generated honest feedback or used technology to streamline the process. While these results suggest that there may be poorly designed performance management systems in many organizations, it is typically not poorly developed tools and processes that cause difficulties with performance management. Rather, difficulties arise because, at its core, performance management is a highly personal and often threatening process for both managers and employees.

Managers are reluctant to provide candid feedback and have honest discussions with employees for fear of reprisal or damaging relationships with the very individuals they count on to get work done. Employees feel that their managers are unskilled at discussing their performance and ineffective at coaching them on how to develop their skills. Many complain that performance management systems are cumbersome, bureaucratic and too time consuming for the value added. This leads both managers and employees to treat performance management as a necessary evil of work life that should be minimized rather than an important process that achieves key individual and organizational outcomes.

### Possible Outcomes from Effective Performance Management

- Clarifying job responsibilities and expectations.
- Enhancing individual and group productivity.
- Developing employee capabilities to their fullest extent through effective feedback and coaching.
- Driving behavior to align with the organization’s core values, goals and strategy.
- Providing a basis for making operational human capital decisions (e.g., pay).
- Improving communication between employees and managers.

In spite of the difficulties, performance management is an essential tool for high performing organizations, and it is one of a manager’s most important responsibilities,
if not the most important responsibility. Furthermore, done correctly, performance management can result in numerous important outcomes for an organization, its managers and employees. The goal of this booklet is to provide human resource (HR) professionals with useful guidelines for developing and implementing effective performance management systems.

**Methodology for Developing Practice Guidelines**

The guidelines presented here draw upon the best of the academic research literature on performance management, the writings of leading performance management experts and the experience of highly seasoned practitioners who have successfully led the development and implementation of state-of-art performance management systems in their organizations. A total of 15 professionals from public and private sector organizations were interviewed to learn about the characteristics of the performance management systems they implemented, what factors were most important for success and what difficulties were encountered. Information from the research literature, best practice publications and the interviews was melded together to provide a roadmap for developing, implementing and evaluating performance management systems that reflect demonstrably effective and proven practices.

Throughout the paper, many of the guidelines are discussed as being based on either research or practice. Research-based guidelines are those that can be supported by rigorous and systematic research studies that have been published in peer-reviewed academic journals. Practice-based guidelines are those that reflect a consensus of opinion based on benchmarking, best practices and the guidance of leading professionals who have had extensive experience in the field of performance management. The selection of the references on which this booklet is based was a collaborative effort between the author and members of the SHRM editorial board who guided and reviewed this paper. The citations are not included in the text, but rather appear in the section on “Sources and Suggested Readings” at the end of the paper.

**Overview of the Performance Management Process**

While research and experienced practitioners have identified several characteristics that are prerequisites for effective performance management systems, there are also many decisions that need to be made to design a system ideally suited for a given organization’s needs. One such decision is what purpose(s) the system will serve. For instance, performance management systems can support pay decisions, promotion decisions, employee development and reductions in force. A performance management system that attempts to achieve too many objectives is likely to die of its own lack of focus and weight. There is no one type of system or set of objectives that is best suited for all
organizations. The purposes for a given performance management system should be determined by considering business needs, organizational culture and the system’s integration with other human resource management systems.

One important caveat to consider is that while performance management for purposes of decision-making and employee development are certainly related, these two objectives are rarely supported equally well by a single system. When a performance management system is used for decision-making, the appraisal information is used as a basis for pay increases, promotions, transfers, assignments, reductions in force or other administrative HR actions. When a performance management system is used for development, the appraisal information is used to guide the training, job experiences, mentoring and other developmental activities that employees will engage in to develop their capabilities. Although it is theoretically possible to have a performance management system that serves both decision-making and development purposes well, this can be difficult to achieve in practice. In addition, research has shown that the purpose of the rating (decision-making versus development) affects the ratings that are observed.¹ Ratings used for decision-making tend to be lenient, with most employees receiving ratings on the high end of the scale. Ratings for developmental purposes tend to be more variable, reflecting both employee strengths and development needs.

An example will illustrate why it can be difficult to emphasize equally decision-making and development within the same system. Managers in this organization evaluate their employees and then meet to calibrate their ratings and make reward decisions. Managers then conduct review sessions with every employee to discuss the employee’s performance, pay increase and stock option grant. Developmental feedback is supposed to be included in the meeting. However, the range of percentage increases and stock options is large, thereby allowing managers to link performance with rewards effectively. With so much at stake, the majority of the meeting typically focuses on justification by both parties, rather than on how the employee can develop. The climate of the meeting is not conducive to giving and receiving feedback, and employees are reticent to discuss their development needs for fear this will negatively impact their rewards. Even in the strong performance-based culture of this organization, the decision-making aspect of performance is, by default, given more emphasis.

Effective performance management systems have a well-articulated process for accomplishing evaluation activities, with defined roles and timelines for both managers and employees. Especially in organizations that use performance management as a basis for pay and other HR decisions, it is important to ensure that all employ-

ees are treated in a fair and equitable manner. Based on examination of performance management processes in several organizations, most contain some variation of the process shown below:

![Typical Performance Management Process](image)

The following sections describe each phase of this process in more detail.

**Performance Planning**
At the beginning of the performance management cycle, it is important to review with employees their performance expectations, including both the behaviors employees are expected to exhibit and the results they are expected to achieve during the upcoming rating cycle. Behaviors are important because they reflect how an employee goes about getting the job done—how the individual supports the team, communicates, mentors others and so forth. We are all familiar with employees who may achieve exceptional results but are extremely difficult to work with, unhelpful or exhibit maladaptive behaviors at work. Because such behaviors can be extremely disruptive, behavior is important to consider in most work situations. On the other hand, an employee can be extremely helpful, considerate and interpersonally effective, yet never achieve any important results.
Behavioral and results expectations should be tied to the organization's strategic direction and corporate objectives.2 In fact, if developed and implemented properly, performance management systems drive employees to engage in behaviors and achieve results that facilitate meeting organizational objectives. For example, if improving customer service is determined to be critical to an organization's future success, including customer service related expectations and rewards in the performance management system will not only communicate its importance but also promote increases in behaviors and results related to this area. Similarly, if effective teaming with strategic partners is a key organizational value, the performance management system should hold employees accountable for effective collaboration.

**Behavioral Expectations**

As we will discuss below, effective performance management systems provide behavioral standards (see page 10 for an example) that describe what is expected of employees in key competency areas. During the performance planning process, managers should review and discuss these behavioral standards with employees. It is important for managers to make sure employees understand how the behavioral standards relate to their specific jobs.

**Results Expectations**

The results or goals to be achieved by employees should be tied to the organization’s strategy and goals. The employee’s development needs should also be taken into account in the goal setting process. Development goals can be targeted either to improving current job performance or preparing for career advancement. Example goals for an employee might be:

- Complete project “X” by time “Y.”
- Increase sales by 10 percent.
- Successfully mentor employee “X” to develop skill “Y.”

In some situations, it is difficult to see direct relationships between high-level and sometimes lofty organizational goals and what a particular individual can achieve in his or her job. To remedy this, organizational goals need to be translated and cascaded into more refined goals and expectations at the unit, team and individual levels. This typically requires a series of meetings where, for example, the highest-level executives first develop division goals that align with the organizational goals. Then, the mid-level managers develop unit goals that align with the division goals, followed by managers developing group goals that align with unit goals and so on until the organizational goals are cascaded down to individuals. This exercise can be a somewhat

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time-consuming and difficult process. Depending on the nature of the organization’s goals, it may be difficult to cascade them down clearly to some jobs, for example, general maintenance and support jobs. Nonetheless, to the extent possible, the most effective practice is to establish a hierarchy of goals where each level supports goals directly relevant to the next level, ultimately working toward the organization’s strategic direction and critical priorities. The value of developing and linking goals at different levels has been extensively written about in the Management by Objectives (MBO) literature.3

While goals and expected results can be established for the entire rating cycle, many employees are in jobs that are characterized by continual change. Under these circumstances, it may be necessary to set nearer-term goals in order to ensure that they are sufficiently specific and achievable to have positive motivating effects. In addition, feedback should be given and appraisals can be performed as employees reach key milestones or achieve goals during the rating period.

Shown below is a list of guidelines that the research literature has shown to be important for establishing effective goals.4 It is interesting to note that very difficult (but attainable) goals lead to more effective performance outcomes than moderately difficult goals. Research has also shown that employee commitment to goals is critically important for goal attainment and that employees must feel that they are able to achieve their goals. It is thus important to ensure that employees participate in the goal setting process, accept their goals and are motivated to work towards those goals. It is also important for managers to communicate their willingness to assist employees in achieving their goals by providing guidance and resources, and removing obstacles to goal attainment.

Guidelines for Establishing Effective Performance Goals

- Goals must clearly define the end results to be accomplished.
- To the extent possible, goals should have a direct and obvious link to organizational success factors or goals.
- Goals should be difficult, but achievable, to motivate performance.
- Goals should be set in no more than three areas—attempting to achieve too many different goals at once will impede success.

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Ongoing Feedback

During the performance planning process, both behavioral and results expectations should have been set. Performance in both of these areas should be discussed and feedback provided on an ongoing basis throughout the rating period. In addition to providing feedback whenever exceptional or ineffective performance is observed, providing periodic feedback about day-to-day accomplishments and contributions is also very valuable. Unfortunately, this does not happen to the extent that it should in organizations because many managers are not skilled in providing feedback. In fact, managers frequently avoid providing feedback because they do not know how to deliver it productively in ways that will minimize employee defensiveness.

For the feedback process to work well, experienced practitioners have advocated that it must be a two-way communication process and a joint responsibility of managers and employees, not just the managers.5 6 This requires training both managers and employees about their roles and responsibilities in the performance feedback process. Managers’ responsibilities include providing feedback in a constructive, candid and timely manner. Employees’ responsibilities include seeking feedback to ensure they understand how they are performing and reacting well to the feedback they receive. Having effective, ongoing performance conversations between managers and employees is probably the single most important determinant of whether or not a performance management system will achieve its maximum benefits from a coaching and development perspective.

Research has shown that for feedback to have the most value, it needs to be given in close proximity to the event.7 It does not help employees to receive feedback nine

Guidelines for Providing Feedback Effectively

- Provide immediate positive and developmental feedback in a private location.
- Ask for the employee’s view about what could have been done differently.
- Be specific about what behaviors were effective or ineffective.
- Focus on what the person did or did not do, not personal characteristics.
- Collaboratively plan steps to address development needs.
- Offer help in addressing development needs and providing resources.

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months after something has happened. And, their performance will likely not improve on its own while the supervisor is waiting for the end-of-year review session to occur. Ongoing feedback can be informal and should occur as part of the daily work routine. In fact, research has shown that in organizations where employees report higher levels of ongoing, informal feedback, performance levels are higher. The table on page 7 presents guidelines that research has found to be important for providing feedback effectively.8,9,10

**Employee Input**

Employee input has been used effectively in many organizations. It sometimes takes the form of asking employees to provide self-ratings on performance standards, which are then compared with the manager’s ratings and discussed. However, experienced practitioners have found that this type of process and discussion can lead to increased defensiveness, disagreements and bad feelings between employees and managers, if managers ultimately rate employees less effectively than they have rated themselves. An alternative way of collecting employee input is to ask employees to prepare statements of their key results or most meritorious accomplishments at the end of the rating period.

**Guidelines for Writing Employee Accomplishments**

- Include the situation or circumstances faced by the employee.
- Describe what specific actions the employee took to achieve results.
- Describe the impact of the accomplishment on the work unit or organization.

Employee input has a number of positive results. First, it involves employees in the process, enhancing ownership and acceptance. Second, it reminds managers about the results employees have delivered and how they were achieved. Third, employee-generated accomplishments can be included in the formal appraisal, decreasing managers’ writing requirements. Fourth, employee input increases communication and understanding. Managers and employees usually review and discuss the accomplishments before they become part of the appraisal, resulting in fewer disconnects between the manager’s and the employee’s views of the employee’s contributions. Finally, employee accomplishments can be retained and used as input for pay or promotion decisions.

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Research has shown that employee accomplishments are effective predictors of how successfully employees will perform at higher job levels, and they thus provide useful input for promotion decisions.¹¹

Performance Evaluation

Evaluating Behaviors

Today, many organizations are using competency models as a basis for their performance management systems.¹² Competency models articulate the knowledge, skills, abilities and other characteristics that are deemed to be most instrumental for achieving positive organizational outcomes. Job analysis techniques, such as job observations, interviews, focus groups and surveys, are used to identify key competencies and associated critical work behaviors. An effective process for identifying and defining competencies is discussed in Jeffery Schippmann’s (1999) book on strategic job modeling.¹³

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An advantage of competency models is that they typically include the full array of factors associated with success—technical, leadership and interpersonal. Competency models are especially useful because they not only communicate what is important to an organization but also provide a common foundation for developing integrated human resource systems, such as staffing, training, promotion, succession planning and performance management.

Organizations usually identify between five and 10 key competencies that are linked to their strategic objectives and critical success factors. An important practical question is how many competencies need to be separately evaluated? Novice developers of performance management systems are sometimes tempted to include numerous competencies, which can take quite a long time to rate and may not be palatable to busy managers who need to complete a large number of appraisals. A reasonable number of

### Sample Performance Standards for Communication Competency

#### Entry-Level Employee Performance Standards

<table>
<thead>
<tr>
<th>Below Expectations</th>
<th>Meets Expectations</th>
<th>Role Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Even with guidance, fails to prepare straightforward communications, including forms, paperwork and records, in a timely and accurate manner; products require moderate to extensive revisions.</td>
<td>With guidance, prepares straightforward communications, including forms, paperwork and records, in a timely and accurate manner; products require minimal corrections.</td>
<td>Independently prepares communications, such as forms, paperwork and records, in a timely, clear and accurate manner; products require few, if any, corrections.</td>
</tr>
<tr>
<td>Even with guidance, fails to adapt style and materials to communicate straightforward information.</td>
<td>With guidance, adapts style and materials to communicate straightforward information.</td>
<td>Independently adapts style and materials to communicate communication.</td>
</tr>
</tbody>
</table>

#### Experienced Employee Performance Standards

<table>
<thead>
<tr>
<th>Below Expectations</th>
<th>Meets Expectations</th>
<th>Role Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fails to prepare timely, clear, organized and concise communications on complex topics; communications require moderate to extensive revisions.</td>
<td>Effectively prepares timely, clear, organized and concise communications on complex topics; communications require some revisions.</td>
<td>Effectively prepares timely, clear, organized and concise communications on highly complex, sensitive or controversial topics; communications require minimal revisions.</td>
</tr>
<tr>
<td>Fails to effectively adapt communication style and materials to communicate complex information.</td>
<td>Effectively adapts communication style and materials to communicate complex information.</td>
<td>Effectively tailors communication style and customizes materials to communicate highly complex, sensitive or controversial information.</td>
</tr>
</tbody>
</table>

#### First-Level Manager Performance Standards

<table>
<thead>
<tr>
<th>Below Expectations</th>
<th>Meets Expectations</th>
<th>Role Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fails to prepare communications that are clear, organized and concise on complex, sensitive or controversial topics; products require moderate to extensive revisions.</td>
<td>Prepares high-visibility communications that are clear, organized and concise on complex, sensitive or controversial topics; products require few revisions.</td>
<td>Prepares high-visibility communications that are clear, organized and concise on the most complex, sensitive or controversial topics; products require no revisions.</td>
</tr>
<tr>
<td>Fails to tailor highly complex communications for internal and external audiences that are effectively targeted.</td>
<td>Skillfully tailors highly complex communications for internal and external audiences that are effectively targeted, even in sensitive or highly visible situations.</td>
<td>Expertly tailors the most complex communications for internal and external audiences that are optimally targeted; is called upon to handle the most sensitive and visible situations.</td>
</tr>
</tbody>
</table>
competencies should be selected to capture the most important aspects of performance. Related competencies can be combined into larger competency factors.

For performance management purposes, experienced practitioners agree that competencies should be defined in terms of important job behaviors and expectations that are associated with them. Defining competencies behaviorally provides a solid basis for differentiating between employees who are performing more or less effectively than others. The competencies should also be defined to reflect different levels of responsibility, complexity and difficulty that characterize employees’ jobs at different levels in an organization. Employees at different job levels are certainly paid differently, based on their experience, responsibility and contributions. For performance evaluation purposes, it is important to articulate clearly how expectations change at different job levels (for example, entry-level employee, experienced employee and manager) as well as what reflects more or less effective job performance at each level. The primary advantages of defining competencies in terms of behavioral performance standards are (1) to help employees understand what is expected of them and (2) to provide uniform standards that managers can apply in evaluating employees, thereby increasing consistency, transparency and fairness. Research has shown that it is important for employees to perceive that the performance management system is fair. Further, perceived fairness can mitigate negative outcomes, such as unfavorable ratings.14

Some competency models and performance standards are developed at the organizational level to apply to all jobs. The unique technical aspects of different jobs can be represented in a more generally defined technical competency, where the behavioral standards may reflect keeping current in technical field, applying technical knowledge and skill effectively, and so forth. Alternatively, some competency models contain a set of core competencies that apply to all organizational members and additional specialized competencies that are customized to reflect the specific technical or managerial responsibilities that apply to particular jobs. Several examples are listed below.

- In one large organization, a common competency model was developed at the organizational level but three sets of performance standards were developed reflecting these competencies: one for professional jobs, one for administrative jobs and one for managerial jobs.
- In another large organization, 26 job families were identified, such as Information Technology, Acquisitions, Finance, Human Resources, Analysts and Management. Customized competencies and performance standards were then developed for each job family and level.

In yet another organization, a common set of performance standards was used to define a set of core competencies (interpersonal effectiveness, teamwork, communication) that were used across all jobs. In addition, specialized technical competencies were also defined for each individual job group.

Decisions need to be made about how many sets of competencies and performance standards should be developed and how customized they should be. There is no one best approach, as there are advantages and disadvantages to different options. Use of a common set of performance standards across jobs means that the standards will be written at a more general level and that managers will need to translate them into more specific expectations and goals that are relevant to a given employee’s job, particularly in competency areas that relate to technical aspects of the job. However, practical advantages to using common standards across jobs or job groups are that (1) the development time and developmental resources are significantly less than developing separate standards for each job and (2) there is more consistency in the expectations communicated to organizational members. To the extent that an organization wishes to drive particular behaviors, a consistent message regarding expectations can facilitate this.

Experienced practitioners advocate the use of performance standards because without them it is difficult to calibrate evaluations from different managers. If a scale is used, for example, that measures whether an employee “meets expectations” without articulating exactly what those expectations are, some managers will inevitably expect more than others. The result is that employees holding the same job at the same level may be held to different standards, which is unfair. Similarly, a scale that asks managers to rate employees from “ineffective” to “highly effective” suffers the same problem. Thus, the inclusion of performance standards to guide ratings is considered best practice in developing an effective performance management system.15

### Advantages of Performance Standards

- Communicate key performance factors and expectations.
- Show distinctions in effectiveness levels that help supervisors explain why an employee was evaluated in a particular way.
- Provide a job-relevant basis for evaluating employees, increasing fairness.

### Evaluating Results

Although more and more organizations are using competency models and accompanying behavioral standards as a basis for performance management, there is also increas-
ing focus on and importance of evaluating employees’ results as part of the performance management process. Key results to be achieved will vary for different employees, depending on the nature of the individual’s job and assignments. For example, some employees may have production or sales results, others may be responsible for successfully developing and implementing new programs or systems, others may have specific levels of customer satisfaction outcomes they are expected to reach, and yet others may have employee development or team leadership results.

A critical issue faced by organizations is how to measure and evaluate results. Some results can be evaluated by tracking various *objective* indicators of performance, such as dollar volume of sales, profitability and amount of product produced. While objective indicators of performance can be useful, there are two potential problems with them.\(^\text{16}\) The first is that such measures can be affected by differences in opportunities that are available to different employees. For example, one employee may have more modern equipment than another and thus be able to produce a higher volume of product, irrespective of how hard either individual works. A similar example is that one employee may have sales territory in Wyoming and another in New York City. Certainly, based on the volume and proximity of potential customers, the individual in New York will have more opportunities to make sales than the one in Wyoming. Another issue with objective measures of performance is ensuring the accuracy of the metrics collected and putting systems in place to track those of interest for performance evaluation. Developing and collecting meaningful metrics in organizations can have significant resource implications and thus the number and type of metrics to be collected must be carefully considered.

Due to the inherent difficulties in collecting good objective performance measures, many organizations have moved the evaluation of results to collecting information on employees’ most meritorious accomplishments and the impact of these contributions. Discussed above was a component of the performance management process where employees are asked to articulate their major accomplishments or results for the rating period. The use of employee accomplishments to measure results does not have the same limitations as using objective performance measures and also allows for results to be considered that may not have objective performance measures associated with them, such as team leadership skills.

**What Type of Evaluation Will Be Made?**

If performance information is to be used for decision-making, a numerical rating on which employees can be rank-ordered or identified as top, middle and bottom performers is often required. A five- to seven-point scale is typically used because it pro-

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vides a sufficient number of rating points to help differentiate between employees. If a rating scale is to be used, the rating points should be defined sufficiently so that raters can apply them in a uniform and fair manner. Ratings made with numerical scales can easily be averaged or summed across rating categories to derive a summary score for decision-making.

Below is an example five-point scale that could be used with the competency-based communication performance standards shown previously. These performance standards contain expectations for three different job levels (entry-level employee, experienced employee, and first-level manager). Within each job level, performance standards are provided describing three different effectiveness levels (“Below Expectations,” “Meets Expectations” and “Role Model”). The following scale would be used to evaluate an employee against the performance standards for his or her specific job level (e.g., entry-level employee).

Managers and employees frequently jump to the conclusion that competencies should be weighted in deriving an overall evaluation. This is not the case since it would rarely be possible to develop an easy-to-use weighting algorithm that would apply across multiple positions. In addition, contrary to what managers typically think, weighted and unweighted ratings tend to result in the same rank order of employees. Weighting competencies adds significant administrative burden with no obvious changes in overall results of the appraisal process.

If a system is developmentally focused and not used for decision-making, there may be less need for a numerical rating scale and, in fact, the use of one may detract from development. This is because employees will tend to be more concerned about their “score” than understanding and planning to improve their development needs. Rather than provide numerical ratings, some performance management systems involve simply identifying which competencies should be the focus of developmental effort and

<table>
<thead>
<tr>
<th>Example: Five-Point Scale With Defined Rating Points</th>
</tr>
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<tbody>
<tr>
<td>5 = Almost always performs as described by the “Role Model” standards.</td>
</tr>
<tr>
<td>4 = Sometimes performs as described by the “Role Model” standards and sometimes performs as described by the “Meets Expectations” standards.</td>
</tr>
<tr>
<td>3 = Almost always performs as described by the “Meets Expectations” standards.</td>
</tr>
<tr>
<td>2 = Sometimes performs as described by the “Meets Expectations” standards and sometimes performs as described by the “Below Expectations” standards.</td>
</tr>
<tr>
<td>1 = Almost always performs as described by the “Below Expectations” standards.</td>
</tr>
</tbody>
</table>
goal setting for the upcoming rating period. A simple judgment of “is a development area” or “is not a development area” can be made for each competency and developmental goals can be set accordingly.

From an employee development perspective, rating narratives tend to provide more useful information than numerical ratings. Even when performance is rated against behavioral rating standards, the ratings themselves typically do not convey what the employee did or did not do in sufficient detail to be meaningful. Rating narratives, on the other hand, can be extremely rich, customized and useful sources of feedback because they tend to provide specific behavioral examples that can aid employees in understanding why they were evaluated in a particular way. Behavioral examples used in narrative descriptions also help managers calibrate their ratings by allowing them to discuss and compare more specific examples of performance that relate to the standards.

Irrespective of what type of information is collected, experienced practitioners generally advocate that narrative documentation be provided to substantiate ratings if they will be used for decision-making. This is especially important in cases where an employee may have received particularly high or low ratings. Narrative descriptions, however, should not be used alone as a basis for linking performance to rewards. Without accompanying performance standards and ratings, narrative descriptions tend to be unstructured, not standardized, and can reflect the motivation and writing skills of the manager more than the performance of the individual being rated.

A sample performance rating form is shown on the following pages. This form is a generic example of what an appraisal form might look like, but it contains the various sections that would likely be included on most appraisal forms: key work responsibilities, results/goals to be achieved, behavioral assessment, results assessment, narrative, areas to be developed and development actions, and signature blocks for managers and employees. On an actual rating form, more space may need to be devoted to some areas, such as the accomplishments to be evaluated, narrative section or the areas to be developed and development actions.

Who Will Provide Evaluations?
Performance evaluation information can be obtained from managers, peers, direct reports or customers. This type of rating process is often referred to as 360-degree feedback. Important questions that need to be considered are which rating sources should provide input and how that input will be collected, managed and controlled. If performance information is to be used primarily for development, control over information sources is less unimportant than if the system is used for decision-making. If feedback from different rating sources is collected, the ratings of at least three raters
# Sample Performance Rating Form

**Employee's Name** __________________________________________  **Level:** Entry-Level Employee

**Manager's Name** __________________________________________

<table>
<thead>
<tr>
<th>Key Work Responsibilities</th>
<th>Results/Goals to be Achieved</th>
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<tbody>
<tr>
<td>1.</td>
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<td>2.</td>
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<td>3.</td>
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## Behavioral Assessment of Competencies

### Communication

<table>
<thead>
<tr>
<th>Points</th>
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<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td><strong>Below Expectations</strong></td>
<td>Even with guidance, fails to prepare straightforward communications, including forms, paperwork and records, in a timely and accurate manner; products require minimal corrections. Even with guidance, fails to adapt style and materials to communicate straightforward information.</td>
<td>With guidance, prepares straightforward communications, including forms, paperwork and records, in a timely and accurate manner; products require minimal corrections. With guidance, adapts style and materials to communicate straightforward information.</td>
<td>Independently prepares communications, such as forms, paperwork and records, in a timely, clear and accurate manner; products require few, if any, corrections. Independently adapts style and materials to communicate information.</td>
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### Organizational Know-How

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<tbody>
<tr>
<td><strong>Below Expectations</strong></td>
<td>&lt;performance standards appear here&gt;</td>
<td>&lt;performance standards appear here&gt;</td>
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<tr>
<td><strong>Meets Expectations</strong></td>
<td>&lt;performance standards appear here&gt;</td>
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### Personal Effectiveness

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<tbody>
<tr>
<td><strong>Below Expectations</strong></td>
<td>&lt;performance standards appear here&gt;</td>
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<tr>
<td><strong>Meets Expectations</strong></td>
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### Teamwork

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<tr>
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### Achieving Business Results

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<tr>
<td><strong>Role Model</strong></td>
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# Results Assessment

**Accomplishment 1:**

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<tbody>
<tr>
<td><strong>Low Impact</strong></td>
<td>The efficiency or effectiveness of operations remained the same or improved only minimally.</td>
<td>The efficiency or effectiveness of operations improved quite a lot.</td>
<td>The quality of products improved quite a lot.</td>
<td>The efficiency or effectiveness of operations improved tremendously.</td>
</tr>
<tr>
<td><strong>Moderate Impact</strong></td>
<td>The efficiency or effectiveness of operations remained the same or improved only minimally.</td>
<td>The efficiency or effectiveness of operations improved quite a lot.</td>
<td>The quality of products improved quite a lot.</td>
<td>The efficiency or effectiveness of operations improved tremendously.</td>
</tr>
<tr>
<td><strong>High Impact</strong></td>
<td>The efficiency or effectiveness of operations remained the same or improved only minimally.</td>
<td>The efficiency or effectiveness of operations improved quite a lot.</td>
<td>The quality of products improved quite a lot.</td>
<td>The efficiency or effectiveness of operations improved tremendously.</td>
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**Accomplishment 2:**

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</tr>
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<td>The efficiency or effectiveness of operations improved tremendously.</td>
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## Narrative

__________________________________________________________________________________________________________________________ ...

__________________________________________________________________________________________________________________________ ...

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__________________________________________________________________________________________________________________________ ...

__________________________________________________________________________________________________________________________ ...

# Areas to be Developed

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<th>Areas to be Developed</th>
<th>Actions</th>
<th>Completion Date</th>
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</table>

Manager’s Signature: ________________________________ Date: ________________

Employee’s Signature: ________________________________ Date: ________________

*The above employee signature indicates receipt of, but not necessarily concurrence with, the evaluation herein.*
from each rating source should be averaged and reported to the employee. This helps ensure more accurate feedback and also protects the anonymity of individual raters, which research has found to be important for obtaining accurate evaluations in multi-source rating programs.\textsuperscript{17,18}

An advantage of using different rating sources is that they often have different views of an employee’s performance and thus provide a more complete picture of effectiveness. For example, peers and customers typically would not have information to evaluate how effectively an employee develops or leads her subordinates, whereas direct reports would be an excellent source for this type of information. Beyond gaining a more comprehensive assessment of performance, experienced practitioners have found that multi-source assessments can be more convincing and tend to be viewed as more credible for communicating development needs. With multiple raters, the manager is taken out of the role of “sole judge and evaluator” and can assume a greater role as a performance coach and helper.

Although there are several advantages to collecting performance information from multiple sources, doing so adds complexity and administrative burden. Automated processes for collecting ratings from multiple sources are highly desirable to make multi-rater processes more manageable. In addition, research has shown that to obtain the maximum benefit and highest degree of performance improvement from multi-source rating processes, they must be coupled with targeted development programs that specifically address identified development needs.

If performance information is to be used for decision-making, managers are typically the best source of performance information. While managers should be encouraged to collect performance information from other credible sources, they should serve as gatekeepers for integrating this information, judging its credibility and quality, and balancing it against other available information. The reason why control and proper integration of information is especially important when decisions are made is because direct reports, peers and customers often do not have the qualifications, experience, complete perspective or motivation to make accurate and effective evaluative ratings. In fact, research has shown decrements in the quality in multi-source ratings when they are used for decision-making versus development purposes.\textsuperscript{19} Supporting this research finding, evaluations of multi-source rating programs in organizations have shown that the accuracy of ratings from different sources can be compromised when they are intended for decision-

\textsuperscript{17} Ghorpade, J. (2000). Managing the five paradoxes of 360-degree feedback. Academy of Management Executive, 14(1), 140-150.


making. Specifically, employees are more likely to “cut deals” (exchange one good appraisal for another) with peers when the purpose of appraisal is decision-making.

**Performance Evaluation in Special Situations**

The focus of the preceding discussion has been on evaluating individual performance in typical situations where managers have regular opportunities to observe performance on the job. Increasingly, organizations are faced with specialized situations that require variations to the standard performance management model. For example, increasing numbers of employees are working in remote locations, virtually or telecommuting. The challenge here is ensuring that accurate performance information is collected when supervisors may have limited access to employees’ day-to-day activities. Addressing this situation may involve a combination of fine-tuning what is evaluated, such as (1) focusing on performance areas where observations can be made or performance information is available; (2) focusing more on results than on less visible behaviors; or (3) collecting information from others who have opportunities to observe performance.

Other special situations may include the evaluation of team or unit-level performance in addition to, or instead of, individual performance. Evaluating performance at different levels requires the same process of defining performance standards, expectations and goals. A thorough treatment of performance evaluation at the team or unit level is outside the scope of what can be covered here, but it is important to be aware that it is often desirable to evaluate performance at the team or unit levels.

**Performance Review**

Assuming that feedback has been provided on an ongoing basis, the formal performance review session should simply be a recap of what has occurred throughout the rating period. In other words, there should be no surprises in the performance review. During this meeting, managers should discuss with employees their ratings, narratives and rationale for the evaluation given.

The performance review session is also a good time to plan developmental activities with employees. Experienced practitioners have found that competency models and performance standards like those described above help managers and employees identify and address development needs. Obviously, any performance standards that are not currently being met should be identified as development areas. If all current job standards are being met, employees and managers can look to the next level’s performance standards to identify requirements and developmental areas to pursue in preparation for advancement.

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Sample Excerpt from Developmental Handbook for the Teamwork Competency

Teamwork: Collaborates with others to facilitate the achievement of goals and promotes commitment to a team approach to work.

What does it involve?
- Facilitating cooperation, pride, trust and team spirit.
- Promoting open exchange of ideas and information among team members.
- Creating commitment to team goals.
- Collaboratively defining boundaries and outcomes of work responsibilities.
- Recognizing and rewarding team accomplishments.

Key Questions: To strengthen your teamwork skills, ask yourself the following questions every day:
- Can we reach a consensus on this issue?
- Which of my team’s norms impede teamwork?
- What organizational processes or structures hinder teamwork?
- Do I let team members know that I appreciate and recognize their contributions?
- Do team members have the authority they need to accomplish their goals?
- Do I provide positive feedback to individuals who behave in the best interest of the team?

Self-Study to Enhance Teamwork Skills

Recommended Readings

Training Programs
- Advanced Team Building. NTL Institute. 1240 North Pitt Street, Suite 100, Alexandria, VA 22314. (800) 777-5227.

On-the-Job Learning Activities
- Observe professional facilitators. Take note of their techniques, styles and interactions with group members.
- Interview members of successful teams and identify effective processes used and lessons learned.
- Co-lead a team meeting. Take steps to ensure that all team members’ opinions are listened to, considered and respected. Ask a peer or the team leader for feedback on your effectiveness in this role.
- Identify another employee to recognize with the Peer Accomplishment Award.
- Take steps to communicate with other teams about work activities and accomplishments (e.g., make a presentation to another team).
While identifying developmental needs can be easy with the right performance management tools, knowing exactly what to do to address these needs effectively is not always so obvious. Many managers are quick to suggest formal classroom training or distance learning to enhance employees’ skills, without realizing that the vast majority of learning occurs on the job. Even if formal training is the best option for addressing a development need, how does a manager know which training to prescribe for an employee’s particular needs? To address these questions and help managers and employees more easily identify effective learning options, “Developmental Handbooks” can be included in performance management systems. Developmental handbooks contain on-the-job learning experiences, formal training and other developmental resources (e.g., books, Web sites) targeted to each competency. These handbooks provide a roadmap for helping address development areas. See the sample excerpt on the previous page.

In some organizations, pay, promotion decisions and other administrative actions are also discussed during the performance review session. In others, separate meetings are held to discuss administrative actions. The rationale for not discussing rewards or other outcomes during this session is to enable a more open discussion about employee development needs. As a practical matter, however, it can be difficult to schedule multiple performance management meetings between managers and employees to discuss different aspects of the process (e.g., evaluations, development, rewards).

**Implementation**

Attention has thus far been directed to performance management tools and processes. However, experienced practitioners uniformly agree that having effective tools and processes is a necessary but certainly not sufficient condition for having an effective performance system. This is because what really matters in any performance management system is how effectively it is used and how seriously managers and employees take it. This is why both the most challenging and the most important part of developing an effective performance management system is successful implementation.

There are several aspects to implementation, but at its core is providing a user-friendly, value-added system that both managers and employees can and will use effectively. The following sections discuss best practices based on the change management literature and the views of experienced practitioners about successful implementation of performance management systems.

**Cornerstones of Successful Implementation**

- Ensure alignment with other HR systems.
- Get organizational members on board.
- Communicate.
- Automate.
- Pilot test.
- Train employees and managers.
- Evaluate and improve.
Ensure Alignment with Other HR Systems

In developing a performance management system, it is important to ensure that it is aligned with other HR systems in the organization. For example, competencies used as the basis for performance management should be the same as those used for recruitment, staffing and training. This not only ensures that employees are being hired, trained and appraised on a consistent set of critical job requirements, but it also sends a strong message, internally and externally, about what is valued by the organization.

Get Organizational Members on Board

In order for any performance management system to be effective, organizational members must be motivated to use it properly. The literature on many different types of management programs shows that effective program implementation depends on the level of top management commitment—the stronger the commitment, the greater the potential for program success.\(^\text{21}\) In the case of performance management, an organization with a committed CEO, who models effective performance management with the executive team and establishes clear expectations around performance management for all staff, will have a much higher probability of success than one that does not have high-level support. Without management support the system will fail. Management support means that the highest level managers follow all parameters of the system themselves and establish expectations for their direct reports to do so as well by including performance management as a critical aspect of their evaluations.

Starting at the top and getting the commitment of upper management to make performance management a priority is a prerequisite for success. Some organizations already have a strong performance management culture. In others, it may be necessary to educate the executive team about the critical role that performance management can play in an organization’s effectiveness and convince them about the criticality of their role in leading the effort. Piloting a new system with the executive or higher level management teams can be a useful strategy for gaining the support of these critical individuals. In situations where there is not a strong performance culture to begin with, it can be established over time with management support.

Because a performance management system’s success relies so much on the effectiveness with which managers and employees use the system, it is also essential to get organizational members committed to the new system. A strategy for accomplishing this is to involve key individuals in the design and implementation process.\(^\text{22}\) The design


team should consist of individuals who represent key constituencies in the organization, major business lines or functions and different geographic locations. The design team is typically led by HR representatives, or possibly consultants, who are experienced in performance management and can thus guide the organization in developing and implementing the system successfully. Design team participants should be team players, effective communicators, good problem solvers and sufficiently knowledgeable about organizational functioning to offer practical advice about what will work and be well received. The design team performs four major duties:

- **Provide input that represents their constituency.** The design team leader works through various performance management options with the design team. Design team members may need to meet with managers and employees in their areas to assess unique local requirements or preferences. The design team members provide input and make recommendations or decisions about the features and structure of the system based on their specific needs.

- **Disseminate information about the system.** Another role of design team members is to ensure that their constituents are kept informed about progress in the development process. As decisions are made, team members need to engage in an iterative process of disseminating information to and gathering feedback from constituents. This iterative process is important to ensure that the final system is sensitive to business needs and supports the culture in the organization and its different units.

- **Serve as a champion to get others on board.** Employees will be concerned about changes to the performance management system and how these changes will affect them. Thus, champions are needed to communicate the value of the system to others, its benefits, and how obstacles and concerns are being addressed. This essentially involves marketing the system to constituents and may involve recruiting other opinion leaders to assist with the process.

- **Involve others in contributing to and trying-out the system.** A final role of design team members is to serve as a liaison between the performance management team and their units in the development process. Typically, performance management system design involves various focus groups, review groups and pilot testing prior to organization-wide implementation. It is useful to involve other employees in these various activities to communicate further about the system, ensure that it meets organizational needs and encourage others to take their fair share of responsibility in implementing the process properly.

**Communicate**

Communication should begin at the launch of the design process. Design team members should inform their constituents that revisions to the performance management system are planned, and gather input and feedback on desired system features. If implementation of a new system involves major changes that are potentially threatening
employees, a change-management strategy will be required. For example, if there was never an obvious link between performance and pay, and the new system will explicitly link these, employees may feel threatened and resist or sabotage the process. The communications and change-management process must clearly and simply explain to employees the advantages and rationale for the new system. Organizational members should also be provided with ample opportunities to comment on the new system, and their comments should be responded to, if not actually addressed. Some organizations have been known to undertake full-blown advertising campaigns, with slogans, marketing materials and massive communication campaigns, to “sell” a new performance management system to employees. While outlining a comprehensive change-management strategy to support performance management is beyond what can reasonably be covered in this paper, it is important to understand that extensive change-management work may be required to implement performance management successfully.

Automate
Performance management systems involve a considerable amount of paperwork, writing and exchange of documents. When the administrative demands are great, both employees and managers end up spending their performance management time pushing paper rather than discussing performance issues and development.

Automation can greatly facilitate the performance management workflow and substantially reduce the paperwork associated with this process. In fact, evaluations of automated performance management systems show that they are viewed positively by managers and employees, decrease workload, ensure widespread access to performance management tools and provide a standardized, structured approach to collecting and storing performance data.

In making decisions about the extent of performance management system automation, it is important to balance time, resource, development and maintenance costs. For example, database development and maintenance can represent extensive costs beyond applications development. Additionally, features such as information security, archiving and records management represent additional areas for consideration.

Basic, automated performance management applications typically contain:

- The functionality to conduct and capture performance ratings, including user interfaces for displaying relevant competency, performance standard and rating process information.
- Supporting Web pages that contain help and information files.

More advanced automated features might include:

- Capturing employee input and documentation of accomplishments online.
- Managing workflow to include prompting managers and employees about critical performance management events, routing documents between managers and employees, and providing access to forms and documents as the appraisal process is completed.
- Providing real-time training and feedback to help managers mitigate rating inflation and other rating errors. For example, if managers seem consistently to be rating employees at the highest rating levels, they can be reminded to make sure their ratings reflect both strengths and development needs.
- Producing automated reports that evaluate ratings for protected demographic groups (e.g., employees over 40, minority groups) versus nonprotected groups and analyze relationships between performance appraisal information and outcomes such as pay and promotion.
- Providing managers with sample behavioral statements to use when developing narratives, where the manager is able to select statements that match the employee’s behavior and then customize them to describe the employee’s behavior more accurately. While a concern with this feature might be that managers will produce “cookie cutter” reviews, evaluations at two large organizations showed that managers did customize the statements.
- Providing automated development suggestions for identified development needs, such as on-the-job experiences, training, books, Web sites, etc. Some software allows employees to request formal training, register in programs, and track their developmental activities and progress.
- Facilitating HR decision-making. A government agency that was implementing a pay for performance process developed software to facilitate pay decisions. Once managers agreed on employees’ ratings, they were automatically plotted on a graph that showed where each employee stood within their pay band. Taking into account the employee’s performance ratings, this tool helped managers diagnose which employees might be under- or overpaid for their level of contribution. The software also allowed managers to input alternative compensation amounts for different employees while tracking the overall impact on payroll. Other types of software are available that will import performance evaluations and use these along with other information to facilitate succession planning, staffing and other HR functions.

There are many ways that automation can facilitate performance management, saving valuable time and considerable administrative burden. However, as mentioned, these applications can be very costly to implement and maintain, so a careful analysis must be made of technology requirements and associated costs in making decisions regarding automation. In addition, one caution with respect to automation is that while it has many efficiency-related benefits, a potential downside is that automation can make
performance management a more perfunctory activity. For example, if managers are able to choose from a menu of prepared statements to provide feedback to an employee, they may not customize their feedback based on the employee’s actual performance, thereby decreasing its meaningfulness.

**Pilot Test**

Another important factor in ensuring a successful implementation is to pilot test the new process in a couple of units prior to large-scale implementation. Pilot testing will show if the system functions smoothly and efficiently. It will also show if managers and employees understand and support the process, or if further change-management efforts are needed. Importantly, a pilot test provides an opportunity to gauge reactions to the system and make adjustments that will facilitate organization-wide implementation.

**Train Employees and Managers**

Employees and managers need to be able and motivated to use the performance management system effectively. Training helps accomplish both of these objectives. There are a number of training formats that can be used for performance management. Classroom training, job aides or Web-based training can be used, each of which has advantages and disadvantages. The training format that should be used depends on how experienced raters are in conducting performance management and what resources the organization is willing to devote to training.

When employees and managers are required to attend a structured performance management briefing or classroom training session, this sends a message that performance management is important. Classroom training is preferable when the training content requires hands-on practice or interactive discussions that are not easily achieved with other training formats. Experienced practitioners have found that one very good use of the classroom format is to train managers and employees on how to provide and receive feedback effectively, because it allows managers and employees to understand, practice and grow comfortable with their roles in the feedback and development process. Because classroom training is costly and requires attendance at scheduled times, it should only be used when the value added is great, such as for feedback training.

Performance management aids can be used to support training. The advantage of such aids is that they can be reviewed at an employee’s own pace. For example, an aide might be developed that lists a manager’s key responsibilities in the performance management process and when these activities must be completed. Performance management aids tend to be useful for managers who are experienced in conducting performance management, but tend to be less effective for new managers, who may
need hands-on practice and more information than is typically provided in a succinct aide.

Many organizations provide a performance management “hotline,” where managers and employees can call in to ask questions about the performance management process. These are very useful, particularly around the time period when evaluations occur. However, the organization needs to be willing to staff the hotline so that employees can have their questions readily addressed.

A final option is to develop Web-based training. An advantage of this training is that it allows participants to complete programs at their own pace. Advanced forms of Web-based training can also provide practice exercises. The biggest disadvantage of Web-based training is that it can be easily ignored by both managers and employees, and significant policing is often required to ensure participation.

### Performance Management Training Topics

- Philosophy and uses of the system.
- Description of the rating process.
- Roles and responsibilities of employees and managers.
- How to plan performance, set expectations and set goals.
- How to provide accurate evaluations, minimizing rating errors and rating inflation.
- The importance of ongoing, constructive, specific behavioral feedback.
- How to seek feedback effectively from others.
- How to react to and act on feedback in a constructive manner.
- How to give feedback in a manner that minimizes defensiveness and maintains self-esteem.
- How to identify and address development needs.
- How to use the automated system and related software.

### Evaluate and Improve

Performance management systems need to be evaluated and continually improved over time. There are several metrics that should be tracked to assess how effectively the system is operating.

- **Track completion of training.** This involves verifying that all users of the performance management system have been trained prior to implementation.
- **Track completion of performance management activities.** In most organizations, copies of completed performance management forms are submitted to Human
Resources following formal performance evaluations. If the system is automated, the forms can be signed electronically and automatically stored, alleviating the need to generate and retain paper copies. Either of these strategies enables the organization to ensure that performance management activities are being conducted for each employee.

**Management review.** Management review helps ensure that narrative descriptions match ratings, that ratings are not positively or negatively biased, that especially high or low ratings have been properly justified, that evaluation criteria are being applied systematically across supervisors and employees, and that proper distinctions are made between employees. Often, supervisors in a given unit will meet with their manager to discuss the ratings for all employees and decide on final rank-orderings or groupings of employees for decision-making. A distinct advantage of this type of process is that it tends to ensure distinctions between exceptional, fully successful and less effective performers, and it also tends to result in more systematic, consistent and fair decisions. Factors that would make this process less viable include geographical dispersion and work situations where supervisors and managers may not be familiar with the work of a majority of the employees.

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**Guidelines for Addressing Legal Requirements**

- Employees must be evaluated on factors that are relevant to their jobs.
- Employees must be informed about what is expected of them and the standards against which they will be evaluated at the beginning of the rating cycle.
- There must be a standard, well-documented procedure for how the performance management process will be conducted, with defined roles and responsibilities for employees and managers.
- Managers and employees should be trained on the performance management process and relevant skills required to implement the process effectively (e.g., training for managers on how to provide feedback to employees).
- Managers should keep records to document examples of effective and, especially, ineffective employee performance to substantiate their evaluations.
- Managers should be held accountable for discussing performance issues with employees and providing them with feedback in a timely manner during the rating cycle.
- Performance evaluations should be reviewed by a higher-level manager or panel.
- The organization should provide a process whereby employees can formally comment on and appeal their performance evaluations.
- If performance evaluations are used for decision-making, the evaluation should be consistent with the decision. For example, individuals who receive higher pay raises/bonuses should have higher performance ratings than those who receive lower raises/bonuses.
- **Track alignment with other HR decisions.** If a performance management system links evaluation to rewards, the system should monitor the internal consistency of the evaluations and rewards. People who received good evaluations should be receiving higher levels of compensation, more frequent promotions and other desirable outcomes more readily than those who perform less effectively on the job. Tracking alignment of evaluation information and decisions is made easier by having automated processes in place.

- **Gather feedback from users.** Survey or focus group information should be collected periodically to assess user reactions to the performance management process and to modify the system in ways that will be more acceptable to users. One effective strategy that not only gathers useful information but also promotes feedback is to survey managers and employees on the extent to which they are seeking, giving and receiving quality feedback. Experienced practitioners have found that reporting these results back to individual managers and employees can increase the frequency and quality of the performance feedback over time.

**Legal Considerations**

It is important to be knowledgeable about professional and legal guidelines, including relevant case law in any given country, pertinent to the design and implementation of performance management systems, as following these guidelines will enhance the defensibility of a system in the face of a legal challenge.\(^{24,25,26,27}\) Although an in-depth discussion of legal issues and requirements is beyond the scope of what will be covered here, the general legal requirements relevant to performance management systems based on U. S. case law are presented in the table on page 28.

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Summary and Conclusions

Many factors will impact the effectiveness of an organization’s performance management system, but three are most important. First, the system needs to be aligned with and support the organization’s direction and critical success factors. Second, well-developed, efficiently administered tools and processes are needed to make the system user-friendly and well received by organizational members. Third, and most important, is that both managers and employees must use the system in a manner that brings visible, value-added benefits in the areas of performance planning, performance development, feedback and achieving results.

Practical Tips for Legal Considerations

Make Sure the System...

- Aligns with the culture and business needs of the organization.
- Matches the level of support for performance management that exists in the organization.
- Is considered an important tool for achieving business results by managers and employees.
- Is as user-friendly, straightforward and easy to use as possible.
Sources and Suggested Readings

  This annual review chapter covers the historical treatment and context of performance evaluation, the definition of job performance and measurement of job performance. The authors conclude that contemporary research in performance evaluation is characterized by several themes. These include that (1) general models of job performance are being developed; (2) the job performance domain is being expanded; (3) research continues to explore the statistical characteristics of performance ratings; (4) research is developing on potential bias in ratings; (5) rater training continues to be examined; and (6) research continues in terms of efforts to attach utility values to rated performance. Researchers are recognizing that job performance is more than just the execution of specific tasks and involves a wider array of important organizational activities. There is also increased optimism regarding the use of supervisory ratings and recognition that such “subjective” appraisal instruments do not automatically translate into rater error or bias.

  This sourcebook provides complete, up-to-date coverage of all aspects of performance management—communication, coaching, measuring, rating, reviewing and developing. It is a valuable resource for those who are designing, managing and evaluating performance management systems. Also included are ready-to-use fully reproducible handouts for use in presentations and training.

  This chapter reviews research and methods related to measuring individual job performance in organizations. It provides a comprehensive review of methodological advances, research results and personnel research applications relevant to performance ratings, including the evaluation of different rating forms, results of training directed toward reducing rating errors and research results related to rating accuracy. Also discussed are the development and use of objective performance measures such as turnover, sales volume, error rates and work samples.

This article suggests that self-appraisal may be used to help employees improve their job performance, in addition to its use in the performance evaluation process. A conceptual model of the self-appraisal process is presented. Although there can be a lack of convergence between self and supervisor ratings, this article argues that self-appraisal may be useful in identifying areas of performance that need improvement and in uncovering areas of disagreement between employees and supervisors. Future-oriented self-evaluation is also discussed in terms of management-by-objective and goal-setting approaches to evaluation.


This book examines the entire process of performance management, providing both theoretical concepts and practical how-to skills. It is organized around a straightforward model of performance management that includes defining performance, diagnosis, evaluation, feedback and improving performance. The author also addresses important issues in performance management that are often overlooked, such as incorporating strategy and values into performance criteria and dealing with emotions that can accompany performance feedback. Each chapter begins with a discussion of a specific concept, followed by a variety of skill-building exercises that provide a rich resource for HR professionals, students, faculty, workshop instructors and trainers.


The relationship between participation in the performance appraisal process and various employee reactions was explored through examining 27 research studies. There was a strong relationship between participation in performance appraisal and employee reactions. Various ways of conceptualizing participation and employee reactions were discussed and analyzed. Overall, appraisal participation was most strongly related to satisfaction. Value-expressive participation (i.e., participation for the sake of having one’s “voice” heard) had a stronger relationship with most of the reaction measures than did instrumental participation (i.e., participation for the purpose of influencing the end result). The results are discussed as they relate to organizational justice issues.

Research on the performance appraisal interview was reviewed. Three factors were shown to be consistently useful for producing effective interviews: supervisor’s knowledge of the subordinate’s job performance, supervisor’s support of the subordinate and welcoming the subordinate’s participation. The effects of the functioning, frequency and format of the interview, as well as the presence of goal setting and subordinate participation, were shown to depend on the characteristics of the employee and job.


This article discusses performance feedback, an important part of many organizational interventions. The authors note that managers typically assume that providing employees with feedback about their performance makes it more likely that performance on the job will be improved. Despite the prevalence of feedback mechanisms in management interventions, however, feedback is not always as effective as typically assumed. In this article, specific conditions under which feedback might be less effective, or even harmful, are presented. The implications of the results and model for designing of interventions aimed at improving performance are discussed.


This paper discusses five key steps involved in developing effective performance systems in organizations. These include (1) creating and working with a design team; (2) linking the system to key organizational objectives, characteristics and strategy; (3) determining the performance management cycle; (4) linking performance management and pay delivery; and (5) implementing the system. The paper presents best practice-based, easy to understand, nuts-and-bolts approaches for developing and implementing performance management systems in organizations.


This book serves as a useful tool for any manager who wishes to improve performance throughout an organization. It presents a systems approach to performance enhancement and includes tools for determining current performance levels and establishing desired performance levels. Specific guidance is provided on (1) analyzing the performance of individual employees; (2) pinpointing gaps in per-
formance and determining the cause of those gaps; (3) developing practical strategies for maximizing performance; (4) getting the most from training dollars and ensuring that training is successful; (5) recognizing employee’s achievements; and (6) evaluating whether or not employees are using what they’ve learned.

  This step-by-step guide provides guidance on documenting and changing unwanted work behaviors before they become issues leading to termination. It presents information on the legal framework surrounding discipline and specific measures for accurate performance documentation that will help protect against discharge litigation. The book includes a four-step progressive discipline process and how to apply it, including how to (1) clarify gaps in execution vs. gaps in knowledge; (2) promote self-discipline through PEPs (Performance Enhancement Plans); (3) clarify position expectations to meet expected deliverables; (4) employ behavior modification through corrective rather than punitive action; (5) develop a coaching leadership style; (6) isolate factors for improvement; and (7) document performance issues.

  The performance feedback method known as 360-degree feedback has gained wide popularity in the corporate world and is widely used in Fortune 500 companies. A 360-degree feedback program enables organizational members to receive feedback on their performance, usually anonymously, from the different constituencies they serve. Unlike traditional approaches to performance counseling, the 360-degree feedback concept enlists supervisors, peers, subordinates, suppliers and customers in providing individuals feedback on aspects of their performance. Although 360-degree feedback is widely used, its application is filled with paradoxes. While it delivers valuable feedback, the concept has problems relating to privacy, validity and effectiveness. This article identifies five issues associated with 360-degree feedback programs and offers suggestions for managing them.

  Managers in quality-driven firms face the challenge of creating a performance appraisal system that is congruent with quality precepts. This article discussed the following several prescriptions for achieving this: (1) within a quality environment, the primary purpose of performance appraisal should be to help the employees improve their performance; (2) modification of the existing perform-
ance appraisal system should be brought about with the active involvement of all of those who are affected by the activity; (3) evaluation of the existing performance appraisal system should be approached like any other quality improvement effort; (4) within a quality-driven environment, the focus of appraisal should be on behavior, with output and input used for diagnostic and developmental purposes; (5) for each dimension of performance considered, employees should be asked to provide examples of task performance and quality improvement; and (6) workers should be judged by absolute rather than relative standards of performance. An executive commentary is included.


The authors of this chapter describe three aspects of fairness: procedural fairness (the fairness of procedures used to arrive at outcomes), interpersonal fairness (the fairness of interpersonal treatment and communication) and outcome fairness (the fairness of the decision and of outcomes such as pay associated with the decision). They review research showing that employees’ perceptions of appraisal fairness are related to acceptance of evaluations, satisfaction with the process, (modest) changes in performance, trust in the supervisor, organizational commitment and intentions to stay with the organization. They provide specific recommendations and organizational examples that illustrate how to increase fairness in each of three aspects of the performance appraisal process: system development (creating appraisal instruments, communicating objectives), appraisal (observing and evaluating performance, making reward decisions) and providing feedback (communicating ratings and rewards).


Using a field sample of peers and subordinates, this study examined developmental and administrative ratings. A large sample of managers (454) in a large telecommunications company participated as ratees in this study. Ratings given by peers and subordinates were analyzed. The results showed that subordinate ratings are of significantly better quality when made for developmental than for administrative purposes, but no differences in peer ratings were observed as a function of rating purpose.

This book supplies readers with quick, sure and up-to-date methods for developing and implementing effective performance management systems. The book covers how to (1) set objectives that measure important aspects of performance; (2) prepare managers for the rigor of performance appraisal review sessions, with scripts and interview techniques; (3) create forms and procedures that satisfy different appraisal and organizational needs; (4) gain support for the system throughout the organization; (5) set up training programs for both managers and employees; (6) increase employees’ skills and capabilities through effective development; (7) explore the relationships between performance and compensation; and (8) understand new and emerging trends such as 360-degree feedback, team appraisals and computer-generated appraisals. The book includes dozens of ready-to-use worksheets, scripts and checklists.


This paper discusses seven key steps involved in effectively linking rewards to the achievement of organizational objectives. These include (1) deciding on the purpose of measurement; (2) deciding on types of measures—quantitative versus qualitative; (3) linking measurement to objectives; (4) linking measurement to feedback; (5) linking measurement to rewards; (6) a checklist for getting started; and (7) aiming for organizational achievement. The paper presents straightforward, best practices guidance for linking rewards to organizational achievement.


Three alternative selection inventories were designed to reflect the content domain of positions held by attorneys employed within a large federal agency. The usefulness of these inventories for predicting performance at higher job levels was evaluated. The three inventories included two traditional selection measures (a background inventory, and an interest and opinion inventory) and one alternative inventory (an accomplishment record inventory). Both the traditional and the alternative inventories were found to be statistically and practically useful in predicting performance. The special features and advantages of the accomplishment record inventory as an alternative selection procedure are discussed.

Written by practicing experts, this guide reports on the continually changing laws that affect human resources. Broad in scope, this comprehensive volume provides guidance on current issues, such as sexual harassment, discrimination, employment-at-will, privacy, employer and union unfair labor practices, collective bargaining, compensation and benefits, retirement and other benefits laws. An appendix is provided that includes state employment laws and a table of cases.


In this study, the authors test whether appellate court judges’ concern for performance appraisal validity or fairness depends on their ideology (liberal or conservative) and type of charge (gender or age discrimination). They examined 39 cases between 1992 and 2000 and found some impact of both ideology and type of charge. Appendix A contains a listing of all of the cases, appendix B contains a glossary of validity terms to classify cases and appendix C contains a glossary of fairness terms to classify cases. The paper also includes an extensive list of references.


This book presents a summary and integration of 25 years of research on a theory of goal setting and task performance that is both valued and useful. Beginning with the premise that goals affect action, the authors investigate all avenues of goal-setting theory and its implications for driving behavior, productivity and effectiveness in work organizations.


While management books and manuals claim employee appraisal is an objective, rational and accurate process, there is extensive evidence to indicate that executives deliberately distort and manipulate the appraisal process for political purposes. In-depth interviews with 60 upper management executives revealed that their first concern is not the accuracy of the appraisal, but how to make use of the review process to reward and motivate their employees. The executives generally felt that this focus was appropriate. Factors affecting the appraisal process include the economic health and growth potential of the organization, the executive’s personal belief system, the degree of communication and trust between executives and subordinates, and the appraiser’s level in the organizational...
hierarchy. Other results include that (1) executives in large corporations are political actors who try to avoid unnecessary conflict; and (2) executives will try to make use of the existing bureaucratic procedures for their own benefit.


  The article provides information concerning outcomes of performance appraisal (e.g., layoffs, promotions, discharges, merit pay) that attract a significant amount of legal attention. A sample of cases was used to demonstrate prudent, and not so prudent, use of the results of performance appraisal as they relate to discrimination issues under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Equal Pay Act and other closely allied statutes. The authors conclude that evaluations of performance should be based on the results of performance appraisal processes that incorporate organizational justice and fairness.


  This book advocates taking the design of performance appraisal systems out of the “back room” and treating performance management as a major organizational change effort in order to correct past problems and insufficiencies. The authors argue that implementation of effective performance management processes requires the involvement of all management levels within an organization, from top to bottom. It also requires a design process that furthers the fundamental strategic direction of the organization and incorporates the needs of employees. It is argued that this approach is necessary if appraisal systems are to be relevant, central to the management of the business and useful to employees. The book presents a balanced discussion of the technical aspects of appraisal, the contextual realities affecting appraisal and the process of system design. The book is geared to internal HR professionals and external consultants who are working to enhance the strategic value of performance management in organizations.


  This book examines the performance appraisal process from a socio-psychological perspective, emphasizing the goals pursued by raters, ratees and the various users of performance appraisal. The authors apply this goal-oriented perspective to developing, implementing and evaluating performance appraisal systems. This perspective also emphasizes the context in which appraisal occurs and
shows that the shortcomings of performance appraisal are sensible adaptations
to its various requirements, pressures and demands. Relevant research is sum-
marized, and recommendations are offered for future research and applications.

- Rodgers, R., & Hunter, J. E. (1991). Impact of management by objectives on organ-
  Goal-setting, participation in decision-making and objective feedback have each been shown to increase productivity. As a combination of these three processes, management by objectives (MBO) also showed increases in productivity. A meta-analysis of studies supported this prediction: 68 out of 70 studies showed productivity gains, and only two studies showed losses. The literature on MBO indicates that various problems have been encountered with implementing MBO programs. One factor was predicted to be essential to success: the level of top management’s commitment to MBO. Proper implementation starts from the top and requires both support and participation from top management. Results of the meta-analysis showed that when top management’s commitment was high, the average gain in productivity was 56 percent. When commitment was low, the average gain in productivity was only 6 percent.

  The literature on many different types of management programs reports that effective program installations depend on the level of top management’s commitment: the stronger the commitment, the greater the potential for program success. A meta-analysis of 18 studies that evaluated the impact of management by objectives was presented to test this hypothesis. Results showed a significant gain in job satisfaction when top management had high commitment to program implementation. Little improvement was found in studies that had moderate or low commitment from top management.

  This book presents an upgraded approach to job analysis, strategic job modeling, that provides a process for understanding the ultimate objectives of an organization and translating this information into work requirements. Whereas conventional job analysis procedures frequently provide a past-tense description of something static, strategic job modeling creates a future-tense description of something changing. This book will be useful to HR professionals and managers who want to learn more about how to conduct job and competency modeling
work to maximize the impact of the human capital systems being developed or implemented in their organizations.


This edited book is part of the Society for Industrial and Organizational Psychology's Practice Series. It contains a series of chapters that bridge the gap between research on performance appraisal and practice, offering a comprehensive, practitioner-oriented guide to best practices in performance appraisal. Addressing an issue vital to all organizations, it introduces readers to cutting-edge thought and theories in the area of performance management. In addition, it provides nuts-and-bolts guidance to a broad spectrum of issues such as legality, fairness, team settings and incentive programs.


This document outlines principles adopted by the Society for Industrial and Organizational Psychology (SIOP) of the American Psychological Association for the validation and use of personnel selection and assessment procedures, including performance appraisal. The principles specify SIOP policy on conducting validation research using principles of good practice in the choice, development and evaluation of personnel selection procedures.


This book provides analysis of 650 jobs, based on 20 years of research using the McClelland/McBer job competence assessment (JCA) methodology, a criterion-referenced approach to competency assessment. The book provides a competency dictionary, organized around competency clusters that are well-defined and behaviorally anchored. The reader is provided with a guide that details all of the steps involved in conducting competency study. The book also includes generic job models that can be tailored for a given organization or application for entrepreneurs, technical professionals, salespeople, service workers and corporate managers. Also discussed are various applications that competency study data may serve.


These guidelines incorporate a single set of principles that are designed to assist employers, labor organizations, employment agencies, and licensing and certification boards to comply with requirements of federal law prohibiting employment
practices that discriminate on grounds of race, color, religion, sex and national origin. The guidelines are designed to provide a framework for determining the proper use of tests and other assessment procedures, including performance appraisal, and to inform employers how the Equal Employment Opportunity Commission would evaluate personnel practices to ensure adherence to federal law.

- Waldman, D., & Atwater, L. E. (1998). *The power of 360-degree feedback: How to leverage performance evaluations for top productivity*. Houston, TX: Gulf Publishing. This book, written by two seasoned consultants, describes how to implement 360-degree feedback process effectively in organizations. Filled with case studies and the authors’ consulting experiences, this book examines the successes and problems of 360-degree and upward feedback implementation efforts in more than 15 organizations, including Motorola, AT&T, Federal Express, Raychem, Colgate-Palmolive and UPS. The book considers such crucial components of 360-degree feedback as organizational culture and performance, pros and cons, the impact on the individual employee and whether the feedback should be used for evaluative or developmental purposes. Sample surveys and feedback reports, including the authors’ own TEAM-Q survey and report set, show what types of questions to ask and how to present feedback effectively.

- Weatherly, L. A. (2004, March). Performance management: Getting it right from the start. *SHRM Research Quarterly*, 2, 1-10. This publication recognizes that establishing a performance management system in an organization is a significant undertaking. HR practice leaders have grappled with this issue for decades, and academic and professional journals contain a plethora of ideas and approaches on this subject too numerous to count. While no one-size-fits-all solution exists for all organizations and each must find its own niche in the marketplace, the author argues that there are certain fundamental criteria in developing performance management systems that apply equally across organizations. These critical success factors are presented and discussed.

- Werner, J. M., & Bolino, M. C. (1997). Explaining U.S. Courts of Appeals decisions involving performance appraisal: Accuracy, fairness, and validation. *Personnel Psychology, 50* (1), 1-24. This paper examines Circuit Court decisions relevant to performance appraisal between 1980 and 1995 and shows that these decisions were explained by use of job analysis, provision of written instructions, employee review of results and agreement among raters. However, appraisal frequency and type (traits vs. behaviors or results) were unrelated to judicial decision. Of other factors exam-
ined (e.g., type of discrimination claim, statutory basis, class action status, year of decision, Circuit Court, type of organization, purpose of appraisal, evaluator race and sex), only Circuit Court approached having some impact. The authors concluded that issues relevant to fairness and due process were most salient to judicial decisions.


This chapter provides alternative approaches to conducting performance appraisal interviews, a critical evaluation of the advantages and disadvantages of each of these approaches, and a discussion of the circumstances under which different approaches would be appropriate. The chapter also contains several suggestions for conducting effective feedback interviews with employees, focusing on development rather than the administrative purposes of the performance feedback session.