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Building a High-Performance Culture: A Fresh Look at Performance Management

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Building a High-Performance Culture: A Fresh Look at Performance Management

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FOREWORD

Dear Colleague:

Decades of research and practice have been devoted to understanding and improving performance management in organizations. Yet the traditional performance review process continues to be painful and ineffective for both managers and employees. In many cases, the focus on improving formal systems has not achieved the desired results. In fact, research shows that what truly increases employee performance and engagement is not annual reviews, but the day-to-day process of managers communicating expectations, providing feedback and leveraging employee talents.

This new SHRM Foundation report, *Building a High-Performance Culture: A Fresh Look at Performance Management,* goes beyond the formal review process to explore how leaders can create a performance-based culture using strategies such as improved communication and better relationship skills. Summarizing the latest research and thinking on high-performing workplace cultures, the report identifies specific tools to develop more effective performance management behavior in organizations.

The SHRM Foundation created the Effective Practice Guidelines series in 2004 for busy HR professionals. It can be a challenge for practitioners with limited time to keep up with the latest research results. By integrating research findings on what works with expert opinion on how to conduct effective HR practice, this series provides the tools to successfully practice evidence-based management.

Other recent reports include *HRM's Role in Corporate Social and Environmental Sustainability, Promoting Employee Well-Being* and *Onboarding New Employees*. This report is the 16th in the series. To ensure the material is research-based, comprehensive and practical, the reports are written by subject-matter experts and then reviewed by both academics and practitioners. Each report also includes a "Suggested Readings" section as a convenient reference tool. All reports are available online for complimentary download at www.shrmfoundation.org.

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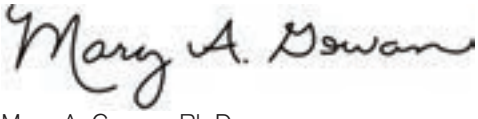

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Performance management is the “Achilles’ heel” of human capital management—often viewed as ineffective by employees and managers alike. Despite the time, effort and resources devoted to it, performance management rarely achieves its intended purpose—improving performance.

BUILDING A HIGH-PERFORMANCE CULTURE: A FRESH LOOK AT PERFORMANCE MANAGEMENT

Managing employee performance is a key part of effective leadership. Research has shown that managers who engage in effective performance management produce extraordinary business results compared with those who do not. One study demonstrated 50 percent less staff turnover, 10 to 30 percent higher customer satisfaction ratings, 40 percent higher employee commitment ratings and double the net profits.[1]

But many organizations struggle to realize these benefits. When asked what purpose performance management *should* serve in organizations, employees, managers and HR professionals alike cite important outcomes such as improving performance effectiveness and results, developing employees, and facilitating communication and information exchange between employees and managers.

However, when a slightly different question is asked—what purpose *does* performance management serve—the responses are quite different. Most people say that in reality, performance management serves primarily *administrative purposes*. These include helping managers make pay decisions, providing documentation for the organization to defend itself in court and enabling the organization to deal with poor performers.

When asked, "How well does performance management work to achieve its purpose?" managers and employees agree: It does not work very well. Overall, attitudes toward performance management are consistently poor. No more than 30 percent of those surveyed reported that their performance management system effectively establishes goals, provides feedback and actually improves performance. These perceptions have earned performance management the distinction of being the "Achilles' heel" of human capital management.[2]

After decades of research and practice devoted to improving performance management systems in organizations, the reality is that most of them neither drive effective performance and development nor serve administrative purposes. It is time to take a fresh look.

The Business Case

Effective performance management behavior leads to better:

Bottom line results

Employee engagement

Retention of key staff

Given the current negative perceptions, should organizations continue to invest in performance management? The answer to this question is *yes!*

When done right, performance management yields higher levels of engagement, retention and organizational performance. A strong business case exists for improving the effectiveness of performance management, but how is this task accomplished? The key is to change the focus. Concentrate on establishing effective *performance management behaviors* first, and then make sure that the *performance management system* reinforces and supports those behaviors. Performance management must be more than a formal appraisal system: It should be an everyday part of a high-performance culture.

This report will offer new ideas for using performance management tools and concepts more productively to achieve the desired results. It will first examine what has been tried unsuccessfully in the past and will then present different strategies that hold real promise for increasing performance management effectiveness. Finally, it will present a model to help organizations build a high-performance culture through effective performance management.

Common Strategies—and Why They Fail

Most performance management strategies focus on developing improved rating tools and processes—including various rating formats, different rating criteria, more elaborate process steps and using raters with disparate points of view. An implicit assumption is that specific tools and carefully prescribed steps in a formal system will lead to effective performance management.

In the end though, these attempts to improve performance management have ended up reducing it to an administrative drill that lacks real value.[3] Unfortunately, negative attitudes among managers and employees toward their performance management systems have spawned the vicious cycle of attempting improvements, followed by disappointing results, leading to continuous reinvention of these systems. The great amount of research that has been devoted to performance management without yielding success speaks volumes about how inherently difficult it is.

Figure 2 graphically demonstrates a common pitfall: Although performance management processes are designed to drive effective behavior, they more often end up motivating intermittent spurts of activity, spiking a few times a year.

This pattern is actually at odds with effective performance management (see Figure 3), which requires regular and ongoing activity:

Figure 1. Examples of Past Attempts to Improve Performance Management

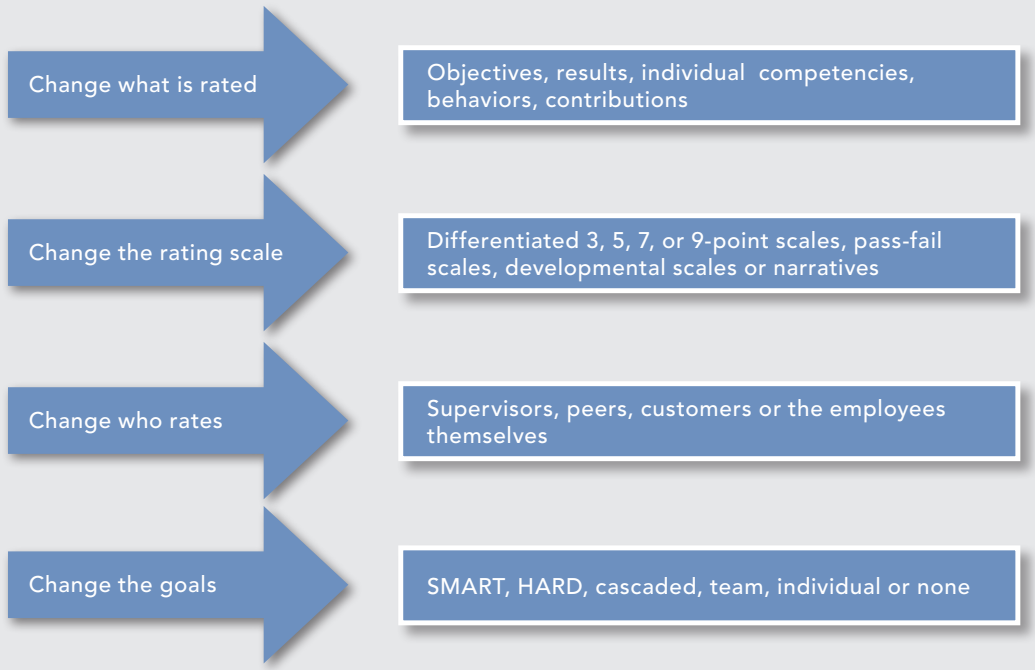
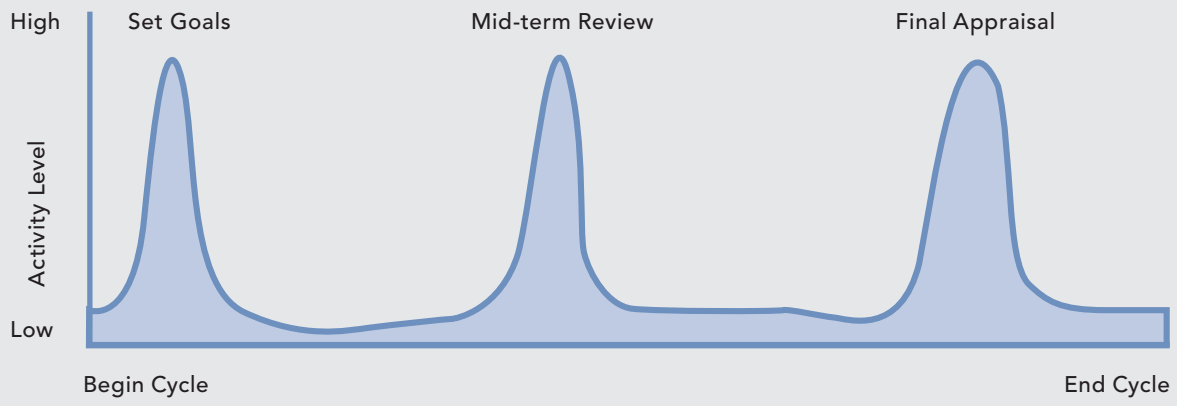


Figure 2. Poor Performance Management Behavior



- Communicating expectations on a regular basis.
- Providing feedback in real time whenever exceptional or poor performance is observed.
- Helping employees develop expertise that maximizes their potential.

If our systems are working, they will create a pattern, showing performance management as a regular part of daily work. The fact that this is rarely the case suggests there is plenty of room for improvement.

Even beyond failing to drive effective, ongoing behaviors, performance management for administrative purposes has become synonymous with burdensome requirements that detract from important goals.

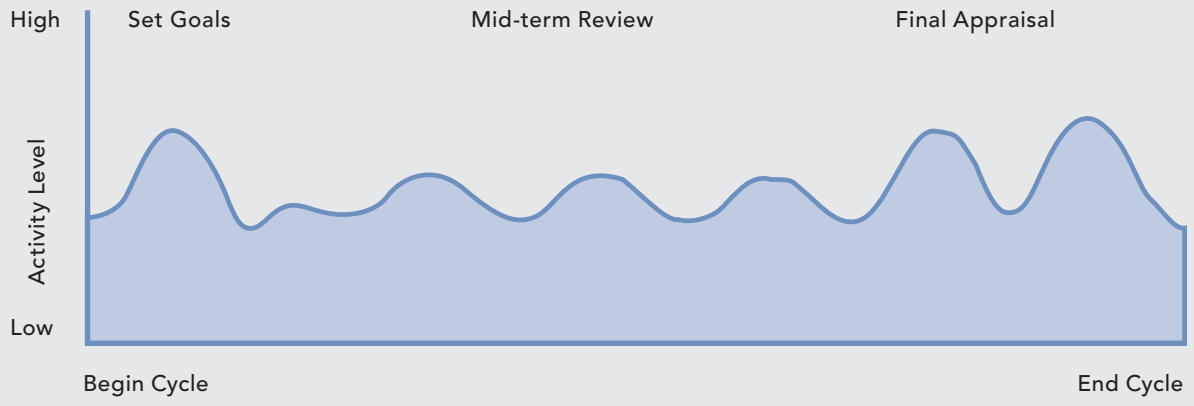
CHALLENGING ASSUMPTIONS

Assumption #1. Performance management helps managers make pay decisions.

Reality: Performance ratings usually do not sufficiently differentiate among employees to support gradations in pay, unless managers use forced distributions.[4] This failure to differentiate can leave organizations in a vulnerable situation if there is no clear connection between consistently high ratings given to most employees and the more variable pay increases awarded to them.

Many managers report that they do not arrive at pay decisions by following the detailed rating processes their performance management systems prescribe, but instead retrofit their ratings to fit the pay increases they want to give. Pay increases are affected by many factors beyond the employee's performance, including the competitiveness of the market, where employees sit within their pay bands and even whose *turn* it is to get a

Figure 3. Effective Performance Management Behavior



How to Drive Results

- Set clear expectations for employees—so they can deliver.
- Help employees find solutions to problems.
- Play to employees' strengths rather than their weaknesses in work assignments.
- Acknowledge employees' strengths while also addressing development needs.
- Provide regular, informal feedback.

larger increase this year—a factor that often comes into play when base pay increases are small overall.

Assumption #2. Performance management provides documentation that organizations need to defend themselves.

Reality: A common belief is that documentation is needed to defend administrative decisions, such as promotions, separations and pay raises in the face of legal challenges. However, in most cases, formal performance management systems do a poor job justifying ratings and aligning ratings and outcomes. What is documented in performance management systems often ends up being more helpful to employees *challenging* the organization than it is to the organization defending itself.

Assumption #3. Performance management provides a mechanism to deal with poor performers.

Because employees are hardly ever rated less than "meeting expectations," most systems have little information that can be used to address performance issues. Most organizations have an entirely separate system for dealing with unsatisfactory performers. Employees are often given formal notice when they do not meet expectations, and specific expectations are outlined in "performance improvement plans" or "opportunity periods." Once employees are placed on a performance improvement plan, managers maintain extensive documentation to justify any subsequent actions, such as separation or reduced compensation. These separate systems are used to deal with unsatisfactory performers because the main performance management system usually does not contain enough accurate rating information.

WHERE'S THE DISCONNECT?

Most employees and managers view their performance management systems as largely ineffective and incapable of delivering results. But research performed by the Corporate Leadership Council (CLC) has shown that over half of the most important drivers of employee engagement and performance are precisely the behaviors that *define* effective performance management: setting clear expectations, helping employees accomplish work, providing regular feedback, and finding new opportunities for employees to succeed and develop.[5] These behaviors are clearly valuable, yet our performance management systems are not seen as producing these. Why? What can firms do to improve results?

At Google the answer came in the form of Project Oxygen, an attempt to build better bosses. By analyzing performance reviews, feedback surveys and nominations for managerial awards, Google identified eight habits of highly effective managers and three pitfalls that hamper success. Google found that what its employees valued most were even-keeled bosses who made time for one-on-one meetings, helped them solve problems by asking questions rather than by dictating answers, and took an interest in their lives and careers. One surprising result was that the manager's ability to perform technical work ranked last among the top eight behaviors.[6]

Google discovered that bosses have a great impact on employees' performance and job attitudes. Simply put, better bosses translate into bottom-line results. This thinking reflects the old HR adage that "people don't quit their jobs, they quit their managers."[7] Google's best managers—those who embraced the habits and avoided the pitfalls—had teams that performed better, stayed longer and maintained positive attitudes.

Eight Habits of Highly Effective Google Managers

- Be a good coach.
- Empower your team, and do not micromanage.
- Express interest in team members' personal success and well-being.
- Don't be shy; be productive and results-oriented.
- Communicate and listen to your team.
- Help your employees with career development.
- Express a clear vision and strategy for the team.
- Demonstrate technical skills so you can help advise the team.

Google's Three Pitfalls of Managers

- Have trouble transitioning to the team.
- Lack a consistent approach to performance management and career development.
- Spend too little time managing and communicating.

The factor over which companies have the most control in terms of retaining employees is the quality of managers. Google began teaching managers the eight habits in a variety of settings. This practice paid off quickly. Seventy-five percent of the firm's least competent managers showed significant performance improvement as a result.[8]

Taken together, the implication of the CLC and Google studies is that effective leadership is synonymous with effective performance management. Although managers often do not recognize it, performance management is what good leaders do naturally, each and every day. These behaviors are essential tools that enable managers to accomplish work through others.

For employees, performance management is the primary way of understanding what they are supposed to do and developing and advancing their careers. Both managers and employees should view performance management not as a formal administrative system but as a broader tool that helps employees accomplish work and organizations retain key talent.

Communicating what employees are expected to do, providing feedback and helping employees contribute the most they can to organizational success are the essential behaviors managers must engage in to achieve the outcomes that drive a company's success.

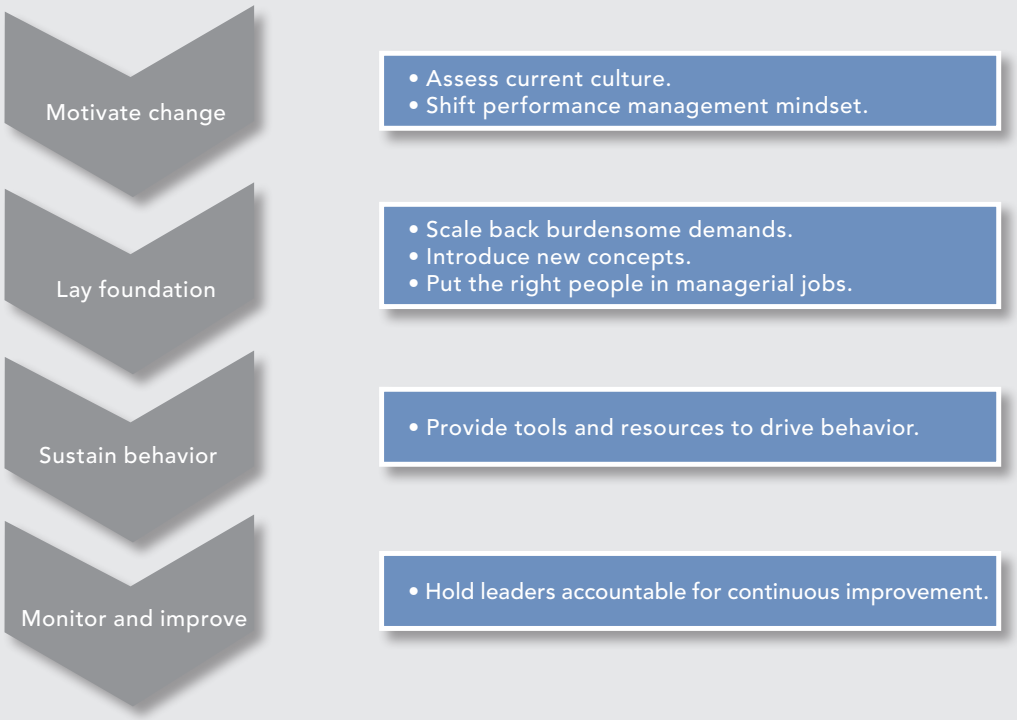
Building a High-Performance Culture

Several factors influence the likelihood that managers and employees will practice effective performance management behavior:

- The extent that they believe performance management is essential to getting work done.
- The quality and trust of the manager-employee relationship.
- How well the company reinforces successful performance management behavior as a key business strategy.

Figure 4 shows a four-step process to help organizations trying to build and sustain a high-performance culture. The steps focus on changing perceptions and training, reinforcing, and ensuring that effective behavior is integrated into the corporate culture.

Figure 4. Four Steps to Developing a High-Performance Culture



Rather than trying to improve performance management tools and processes, focus instead on creating a high-performance culture by improving the frequency and effectiveness of performance management behavior.

Changing perceptions and integrating new behaviors into the culture are the most important—and unique—aspects of the approach described here. Unfortunately, most organizations do very little to make a compelling business case for the value of performance management or to solidify effectual behavior on the job.

STEP 1: MOTIVATE CHANGE

Assess the Current Culture

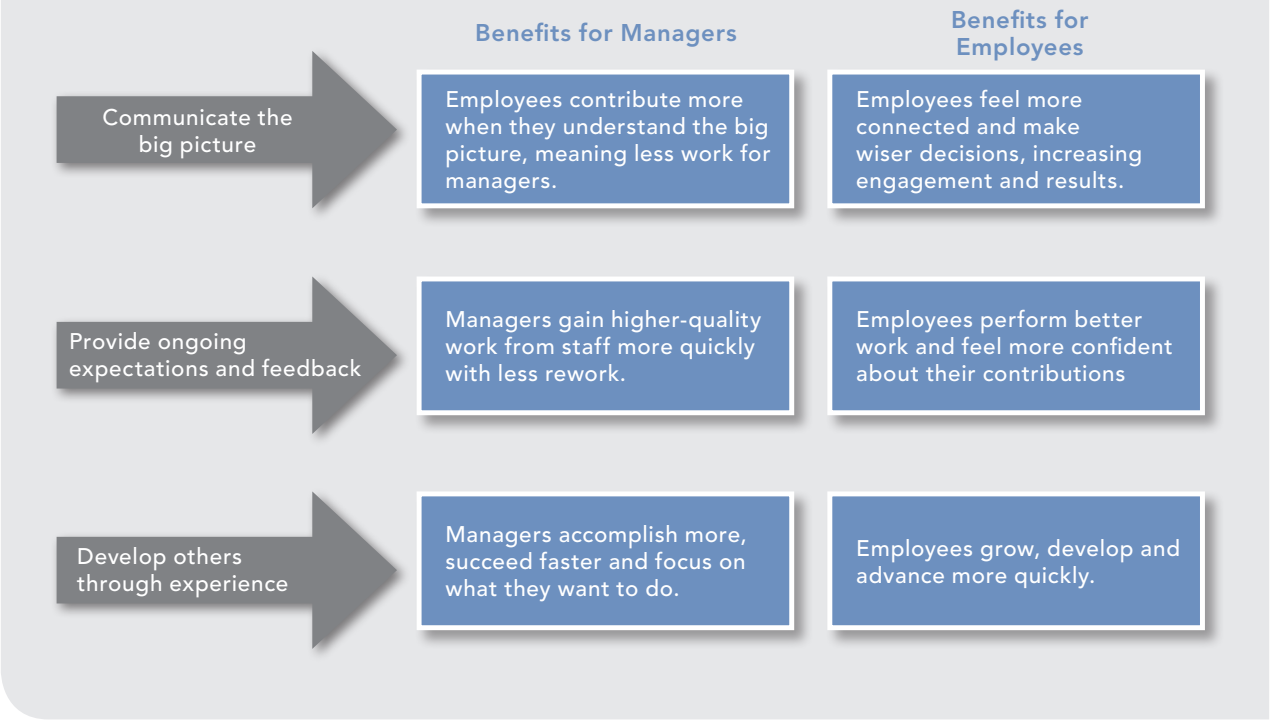
An important first step in building a high-performance culture is to assess where the organization currently stands. Does the company already have a culture that values excellence, strives for success, seeks feedback, and embraces continuous learning and development? The second step is to evaluate the extent to which both managers and employees currently engage in effective performance management behavior.

In organizations that already embrace a high-performance culture, employees will more readily understand these concepts, making changes in behavior easier to achieve. Organizations that do not have a performance mindset will require more time and effort before they are able to demonstrate significant improvements in behavior. Assessing a firm's culture provides a roadmap to the extent and type of change needed. Culture assessments also provide a benchmark for tracking progress during and after implementation, serving as a helpful tool for organizational feedback.

Shift Performance Management Mindset

Research and practice show that successful organizational change depends on management commitment—the stronger the commitment, the greater the potential for success.[9] Executives who believe in the value of

Figure 5. Examples of Strategies to Improve Performance Management



New Mindset

Both managers and employees must engage in performance management behavior to accomplish anything at work, so this mindset benefits everyone.

performance management and communicate this to lower-level managers and employees can help drive change. However, because success relies on both managers and employees engaging in effective performance management behavior, they must be convinced of its value for them personally. In other words, managers and employees must internalize a new mindset about performance management.

One way to begin to shift mindsets is to remind people that they engage in performance management behavior every day—with their children, spouses, co-workers, friends and vendors. Once people make this connection, they can better grasp the meaning of performance management in the workplace.

Three actions should be targeted in the workplace: 1) ensuring employees understand the "big picture" and their role and contribution to the mission, 2) setting clear expectations and providing feedback so employees can succeed, and 3) developing individual employees so they achieve their maximum potential. All three actions, reviewed in greater detail below, are clear positives for both managers and employees.

#1: Communicate the Big Picture

Leaders need to be able to describe how the work of each employee relates to the company's overall mission. Employees who understand the big picture and deliver work that meets expectations can operate more independently and effectively, freeing managers to grow the group, implement strategy or take on higher-level responsibilities. Once managers and employees understand these benefits, they will be motivated to pursue them, rather than seeing performance management as a burdensome administrative drill.

Employees who have a clear understanding of the big picture make more informed decisions and can more readily connect with what is happening in the larger environment, rather than needing continual step-by-step guidance from their managers.

One strategy to communicate the big picture is to *cascade goals* from the top of the organization through each level until they reach individual employees. Theoretically, this approach enables employees to see how their work fits into the organization's mission and priorities.[10] However, the process of cascading goals has proven challenging in practice. Organizational goals are frequently complex and can be difficult to propagate to all levels and jobs. In addition, cascading requires meetings at each level that depend on higher levels completing their cascades. As a practical matter, cascaded goals rarely make it down to individuals, and even partial cascades can take months to complete. Because this process is time-consuming and difficult to execute well, especially in large organizations with many levels, it is unsustainable in many firms.[11]

An alternative to cascading goals is for managers to provide a plain-language description of how the team and each employee contribute to the overall mission. Engagement, productivity and autonomous work are all facilitated by understanding how one's work fits into the unit, how the unit contributes to the whole and what organizational issues are influencing the work.

Recommendations

- Clearly articulate the organization's mission and priorities.
- Discuss how the work fits into the overall mission.
- Provide regular updates so employees understand context and outside factors affecting their work.

Recommendations

- Tailor the type of expectations to the particular job—behaviors, results or SMART goals.
- Set ongoing expectations in real time throughout the rating period.

#2: Provide Ongoing Expectations and Feedback

Most formal performance management processes begin with planning that entails communicating expectations to employees for the upcoming rating period. A popular practice is to set SMART (specific, measurable, attainable, relevant, time-bound) goals or to identify KPIs (key performance indicators) that provide customized, meaningful expectations and criteria based on what each employee is expected to achieve.

Establishing goals at the beginning of the rating period can work well for jobs with static performance requirements and defined metrics, such as sales jobs.[12] However, goal setting for knowledge and service-based jobs, which are fluid and

Behavioral Standards	Objective Results	Task or Project Goals
▪ Can be used in most jobs. ▪ Most relevant for knowledge work. ▪ Example: Treat others with professionalism and respect; communicate clearly.	▪ Best for jobs with clear, readily measured outcomes. ▪ Measure what matters, not just what can be measured. ▪ Examples: sales quotas, production rates, error rates.	▪ Best for jobs that are dynamic, but in which nearer-term activities and milestones can be defined. ▪ Closest thing to SMART. ▪ Example: Complete XYZ report by Tuesday.

unpredictable, is frequently more challenging.[13] Further, some jobs in fields such as R&D do not lend themselves to goal setting at all, because predicting when and what discoveries will occur is impossible.[14] So goal setting processes overall are fairly disappointing. Goals often read more like generic task statements rather than SMART goals, and their difficulty varies so greatly even within a given job or level that employees raise concerns about fairness.[15]

Most work situations evolve and change over time, some significantly. Therefore, effective performance management behavior requires setting ongoing expectations and near-term goals as situations change. This point raises questions about the utility of formal goal setting processes conducted at the beginning of the rating period, which are incorporated into most of today's performance management systems. Managers also have an important ongoing role in goal setting that is not captured well in most formal systems; they help employees translate higher-level objectives into more specific plans, activities, milestones and interim deliverables that they will accomplish day-to-day.

The table above shows different types of expectations a manager can establish with employees—behavioral standards, objective results and task or project goals—and the circumstances under which each tends to work best. The idea is that a combination and balance of different types of expectations will likely be needed at different times during the rating period, based on the specific demands of each employee's job.

Regarding feedback, most formal performance management systems mandate midyear and year-end reviews to provide feedback on what has occurred during the rating period. During these meetings, managers discuss their evaluations and the rationales for them with employees.[16]

A great deal of worry accompanies formal performance reviews for both managers and employees. In a recent survey, over 50 percent of respondents reported that they believe performance reviews do not provide accurate appraisals of their work, and nearly 25 percent said they dread performance reviews more than anything else.[17] These results are not surprising in light of a 2008 Mercer survey of 350 major U.S. companies, in which almost 25 percent of respondents revealed that their managers are only "marginally skilled" at doing performance evaluations, and only 12 percent indicated that their managers were "highly skilled."

Poor attitudes toward performance reviews have led to calls for improvements that will better motivate and develop employees, and some have argued that formal review sessions should simply be eliminated.[18] Sitting down only once or twice a year for a perfunctory feedback review is not enough, especially for today's younger career-minded workers. Both technology and the growing number of Millennials entering the workforce are driving demand for more meaningful feedback and development strategies. But it is not just young Millennials; high performers also tend to seek regular feedback, regardless of their age.[19]

To be effective, feedback needs to be provided regularly when it makes sense to do so, not only once or twice a year during formal reviews. Unfortunately, many managers are not skilled at providing feedback. They frequently avoid giving feedback because they do not know how to deliver it productively and in ways that will minimize defensive reactions. Even when managers do provide feedback, it is often superficial and of little value.

Research has consistently shown the importance of regular feedback for effective performance management,[20] future performance[21] and job attitudes.[22] Informal, continuous feedback is the most valuable type.[23] If feedback is provided immediately following good or poor performance, it helps employees make real-time alterations in their behavior and enables them to perform their work more efficiently.[24]

Figure 6. Comparison of Formal and Informal Feedback

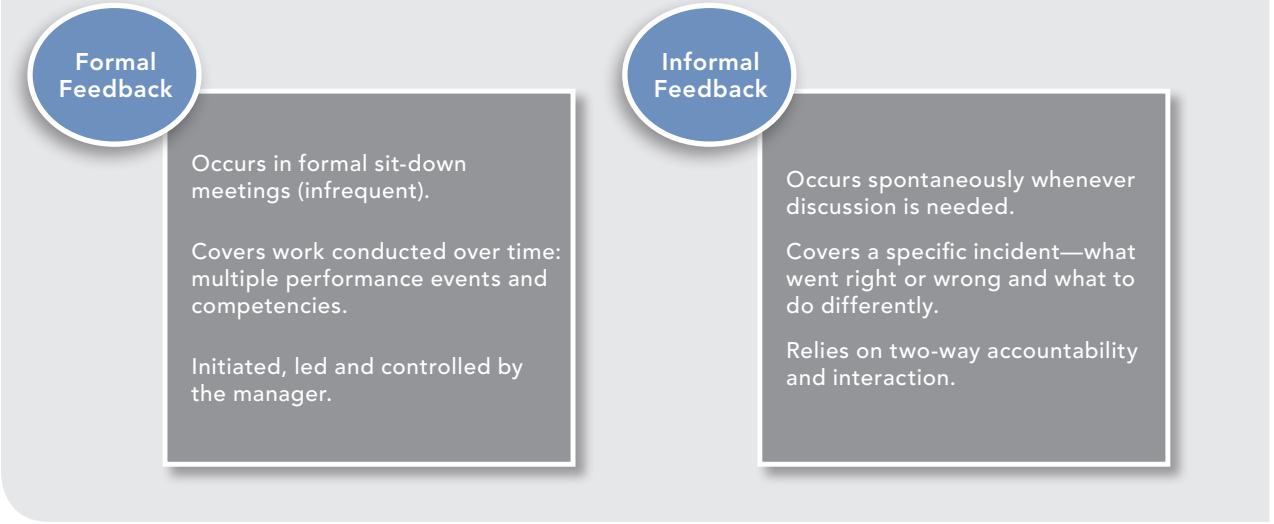
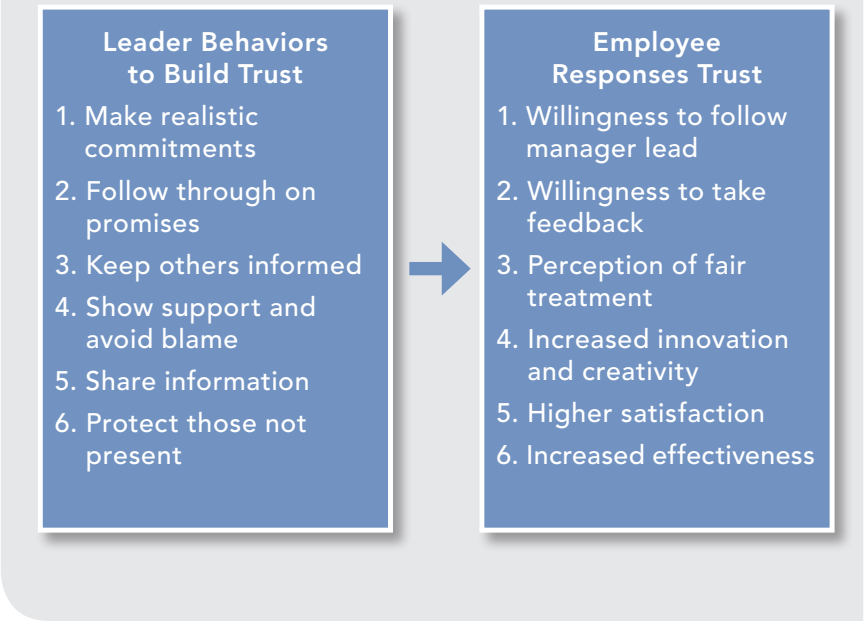


Figure 7. Leader Behaviors to Build Trust/Employee Responses to Trust



Many managers and employees naturally engage in informal feedback, such as discussing how a presentation went, but these discussions tend to be more intuitive than intentional, and they are often not recognized as feedback events. Understanding the value of informal feedback and recognizing opportunities for it helps managers and employees take advantage of "teachable moments." These moments are learning opportunities that occur as part of day-to-day work. Unfortunately, training for informal feedback is rare, but it is critical to successful performance management.

The effectiveness of the feedback process—informal or formal—is contingent on the manager-employee relationship.[25] In fact, the strength of the relationship between managers and employees influences employee job satisfaction, organizational citizenship, engagement and performance.[26] *Trust* is a key element of the quality of this relationship and an essential prerequisite for effective feedback and coaching.[27] While some managers naturally create trusting relationships with employees, attitude surveys reveal that many employees have very poor relationships with their managers and do not trust them.[28]

Without a basic level of trust, it is unlikely that communication and engagement between a manager and employee will be sufficiently productive to lead to positive outcomes. Trust can be developed between managers and employees by training managers to engage in trust-building behaviors, like those shown in Figure 7. As trust increases between managers and employees, they become more comfortable with each other and are more willing and able to participate in valuable communication and feedback.

#3: Develop Others Through Experience

In most formal performance management systems, the year-end review is used as an opportunity to plan the employee's development for the upcoming year. Development should be ongoing and in real time as learning opportunities arise, not restricted to one or two formal sit-down discussions yearly. In fact, if ongoing performance conversations, candid feedback and development occur day-to-day, formal review sessions will not really be needed, because there will be no new information to exchange.

Because identifying development areas is easier than knowing how to address them, "Development Guides" are often provided to help managers and employees select appropriate learning activities.[29] These guides typically suggest on-the-job experiences, formal training and other resources, such as books or websites, targeted to different competencies. They provide roadmaps for addressing development needs. At the year-end review, managers and employees usually select one or two competencies toward which the employee will direct development effort, typically taking some type of formal training.

What many managers and employees do not realize is that employees usually gain the most learning and development by engaging in readily available job experiences day-to-day.[30] In fact, 80 to 90 percent of learning occurs *on the job*. If, for example, an employee needs to improve her briefing skills or customer service skills, she should have many opportunities to practice and acquire these skills on the job. When making assignments, however, managers often neglect to think about which employees need particular experiences and instead assign work to employees who are already highly skilled. Assigning tasks to those who can clearly accomplish them presents less risk and potential for redoing work, but this strategy is shortsighted. Forgoing opportunities to develop employees' skills leaves managers with fewer staff members who can perform the full array of job tasks with a high degree of effectiveness.

The most beneficial approach to development is for managers and employees to continually look for opportunities that will help enhance skills, so employees can contribute more fully. Development as a continuous process helps employees acquire the experience they need and also encourages a development-oriented mindset, so that acquiring experience and enhancing skills become an integral part of day-to-day work. This strategy focuses both managers and employees on taking advantage of naturally occurring development opportunities, which accelerates learning.

STEP 2: LAY FOUNDATION

Scale Back Burdensome Demands

Regarding what system or process to implement, the key is to ensure that the associated tools and steps support the ultimate goals of the organization. By focusing on completing forms and steps within prescribed time frames, current performance management processes tend to detract from effective behavior. In fact, achieving a high-performance culture that reinforces day-to-day behavior means *de-emphasizing, streamlining and minimizing administrative requirements.* We offer several examples below of how current formal systems could be scaled back to better support effective performance management behavior.

Recommendations

- Use job experience as the primary means of developing employees.
- Continually seek job experience that builds performance.
  - Stretch outside comfort zone.
  - Provide opportunities to make mistakes.
  - Entail deliberate practice and feedback.
  - Make relevant to role.

Most formal performance management systems contain a number of steps and processes that have been shown to be difficult and time-consuming to implement well. These include things like cascading goals, SMART goals set at the beginning of the rating period, numerical ratings on a large number of competencies, and mandatory review meetings, among others. Although these activities can add value in certain situations, they generally tend to contribute to intermittent and cyclical behavior rather than to the ongoing, day-to-day behavior that is necessary for a high-performance culture. To combat this problem, *evaluate each step of an organization's formal process for the results it is producing,* with an eye toward eliminating steps, activities and requirements that fail to reinforce key leadership behaviors.

For example, many organizations base performance ratings on competencies, which are often defined by standards that reflect different levels of responsibility, complexity and difficulty at various job levels. Competencies are advantageous because they provide a job-relevant, fair and consistent basis for evaluating

employees. Some performance management systems contain a large number of competencies, which can take a long time to rate, especially for managers with many employees. But given that little differentiation in ratings exists among employees, there is no compelling practical reason to rate a large number of competencies.

In the spirit of streamlining formal system requirements to make way for increased daily performance management behavior, we recommend collecting ratings on *as few competencies as are necessary* to capture the job's critical requirements. This method can amount to as few as three or four—for example, technical performance, teamwork and initiative. Although five- and seven-point scales are commonly used in rating systems, simpler scales with three points are often sufficient because most employees are rated at the top end of whatever scale is used. See Figure 8 for an example.

Another strategy for streamlining is to *eliminate weighting of competencies.* An overall rating based on weighted competencies tends to result in the same rank order of employees as using unweighted competencies. So the added burden of weighting has no practical impact on results.

A final streamlining strategy is to *reduce or eliminate requirements for narratives.* If effective, ongoing feedback is occurring in real time, narratives typically add little value and in fact often undermine candid information exchange, due to reticence on the part of managers to put negative information in writing. Also, because narratives are often misaligned with ratings or rewards, they do not provide credible justification for either. The value of performance narratives in many situations is unclear.

The necessity of rating or "grading" employees is an unquestioned assumption in most organizations.

Recommendations

- Eliminate formal system steps that do not add value or undermine effective performance management behavior.
- Use the smallest number of rating factors possible to cover job requirements.
- Simplify rating scale and requirements.
- Identify tools that will be well received and that effectively drive desired behavior.

However, whether formal numerical ratings are actually *needed* in a given situation is useful to evaluate. As discussed earlier, ratings do not necessarily support the administrative purposes they are designed for.

The more performance management can be disentangled from these administrative purposes, the easier it

Figure 8. Example of a Simplified Rating Scale

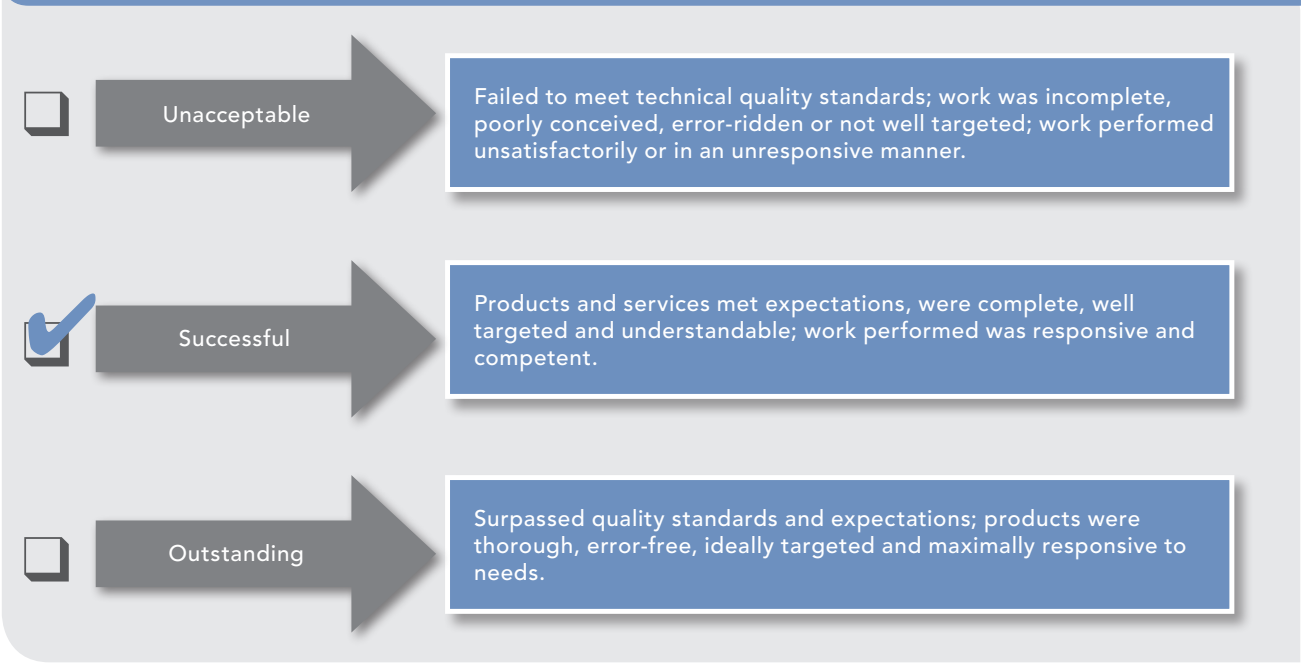


Figure 9. Traditional Training/Behavior Change

Traditional Training	Behavior Change
▪ Typically manager only ▪ Primarily on navigating the formal process ▪ Focuses on knowledge acquisition, not skill building ▪ Often disconnected from on-the-job realities ▪ No accountability for learning or application ▪ No reinforcement on the job	▪ Training provided for both managers and employees ▪ Deeper dive, focusing on the knowing/doing gap ▪ More individualized, using assessment results as baseline ▪ Uncovers underlying fears and attitudes that prevent change ▪ Accountability for learning and application ▪ Tools to facilitate change

will be to motivate effective behavior. Administrative purposes actually undermine effective performance management by inhibiting honest feedback and development discussions.[31] If organizational decision makers can abandon their numerical ratings altogether or possibly use summary strengths and development areas in lieu of them, a high-performance culture is likely to evolve more quickly. If policy dictates that a rating of record is needed, there are clear advantages to implementing the *least burdensome requirements* that will meet the organization's needs, as this will minimize the effort associated with making formal ratings that add little practical value.

Introduce New Concepts

Employees and managers need to be able and motivated to engage in effective performance management. Training can be helpful, but traditional training is more of an introduction to concepts and must then be followed by a solid strategy to ensure behavior change.

One difference between the training model proposed here and typical training is that the latter focuses primarily on formal system steps, while lip service—at most—is paid to engaging in effective behavior. Even when more extensive behavioral training is offered, supports are rarely in place to reinforce training on the job. Below we discuss the beginning of the training process, designed to *introduce concepts.*

For initial training, in-person sessions are recommended to better convey the advantages of this new approach. Although more expensive, the training can then include hands-on exercises and interactive discussions to facilitate understanding. If feasible, it is best to train intact manager and employee teams to carry out ongoing performance management activities to allow them to understand, practice and become comfortable with their roles in the feedback and development process.

Following initial training, web-based modules on selected topics (e.g., setting clear expectations) can be offered to support behavioral change. An advantage of web-based training is that participants can complete programs at their own pace. Advanced forms of online training can also provide high-fidelity simulated practice exercises. The biggest disadvantage of web-based training is that managers and employees can ignore it easily.

> To build a high-performance culture, training needs to be effectively delivered and transferred to the job through the use of environmental cues, tools and reinforcers that drive behavioral change.

Put the Right People in Managerial Jobs

A final important component of

creating the foundation for a high-performance culture is ensuring that managers with the potential or skills to perform effectively are in place. Many are promoted into managerial positions because of their technical competence, even though the job of a manager is not to perform technical work. One of the more interesting findings from the Google study is that in an organization that relies on technical innovation and competence, the ability to provide advice on technical issues was the least critical of the eight good boss habits.

These results further support what we already know—namely, that the essence of a manager's job is to direct and develop others successfully. Managers need particular aptitudes, skills and dispositions to be able to learn their leadership roles and effectively accomplish work through others. So selecting managers who are well suited for the job is the first step in driving effective performance management behavior.

Obviously, if attention has not been paid to selecting managers with strong leadership skills, more effort will need to be devoted to training and training transfer. Because many organizations will not displace managers once they are selected, there may be limits on how well some managers will be able to learn effective performance management behavior. Selecting managers with the potential to perform satisfactorily makes a long-term contribution to building a high-performance culture.

STEP 3: SUSTAIN BEHAVIOR

Provide Tools and Resources to Drive Behavior

After introducing the concepts underlying effective performance management through formal training, the next crucial step is to incorporate tools and features that build and reinforce productive behaviors.

On-the-job performance management aids are useful to strengthen skills learned in training. For example, an aid might be developed that lists a manager's primary responsibilities in the performance management process. Such aids tend to be succinct "at a glance" tools, and as such, they are usually most beneficial following formal training. The advantage of such aids is that they can be used at an employee's discretion.

Other tools that help keep performance management at the forefront of employees' and managers' minds on a daily basis include things like cartoons-of-the-day and messages from leadership, which can be sent to employees' desktops, laptops and mobile devices.

Over the past several years, many organizations have implemented *automated systems* to ease administrative demands. The typical automated performance management system is a stand-alone system that is separate from other automated systems that are used daily. As such, they require separate logins, and most get used only at peak required activity times: the beginning of the cycle, when most performance management processes require goals to be recorded in the system, toward the end of the cycle, when employees are often required to record their accomplishments or self-ratings, and at the very end, when managers are required to record ratings.

If performance management tools that facilitate feedback and development were incorporated seamlessly into the standard IT systems and workflows that employees use every day, they would help drive more regular behavior. Simply put, making tools easily accessible makes it more likely people will use them. One organization tagged e-mails to flag them as development or feedback events. Another organization provided an easily accessible tool to provide feedback to others with a click. Tools that incorporate social networking concepts to drive feedback are especially helpful for engaging younger employees in the performance management process.

Some organizations provide a performance management hotline to facilitate learning and to provide coaching support for managers and employees. Callers can ask questions about performance management issues they are experiencing. While such hotlines can add value in building a performance culture, organizations must be willing to staff them with capable people who can competently offer advice. This type of hotline requires a different skill set than do hotlines focused on procedural, administrative and automated system support.

Recommended Topics

For both managers and employees:

- Building trust.
- Learning strategies for communication.
- Ongoing expectations and feedback.
- Developing through experience.

For managers:

- Communicating the big picture.
- Diagnosing and addressing performance issues.
- Deep-diving on feedback and coaching skills.

For employees:

- Ensuring clear expectations.
- Seeking feedback.
- Reacting well to feedback.

Menu of Environmental Reinforcers

- "At a glance" aids.
- Automated tools that drive feedback and development embedded in enterprise systems.
- Attention-grabbing messaging pushed out via automated systems.
- Performance management hotlines and coaches.
- Social networking tools and supports to share experiences and lessons learned.

A final strategy to reinforce effective behavior is to create *communities of interest* or practice, in which members can exchange information, experiences and lessons learned to help each other. Performance management portals, blogs, forums or collaboration tools can easily be made available to facilitate this.

STEP 4: MONITOR AND IMPROVE

Hold Leaders Accountable for Continuous Improvement

To drive enculturation of performance management behavior, *short pulse surveys* are useful for collecting feedback about the extent to which employees believe that their managers are providing them with growth opportunities on the job, setting expectations that make performance requirements clear and providing effective feedback that helps them develop. Providing the results of these surveys to managers drives accountability and helps guide behavior adjustments.

Organizations serious about building high-performance cultures, like Google, not only evaluate manager effectiveness but also provide *coaches* for those who need additional support. In turn, managers should periodically check in with employees, assessing and discussing how well they are engaging in the process.

Building a performance management culture is not something that will happen overnight. Rather, it can take considerable time, even years, for enculturation of sustainable change.

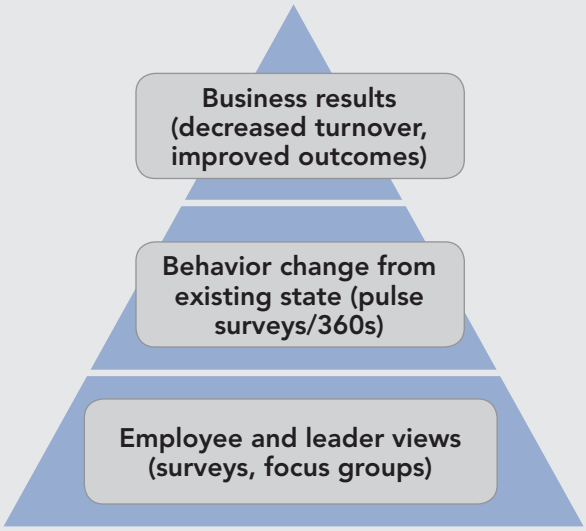
What will help drive a high-performance culture are ongoing evaluation, feedback and improvement of the system as a whole. Pulse surveys directed to individual managers can be aggregated so that metrics can be tracked at an enterprise level. Reporting these results should further motivate the frequency and effectiveness of the leadership behaviors we have been discussing. In addition, we recommend evaluating the extent to which the new performance management practices are affecting bottom-line business results as well as perceptions about the value of performance management.

Old Thinking Versus New Thinking

While some have suggested that performance management is so broken that formal processes should be eliminated entirely, this is not necessary. Rather, substantial changes should be made to redirect current performance management systems and approaches so they focus on reinforcing the critical behaviors—for both managers and employees—that ensure performance management success. Having formal processes in place also provides a valuable safety net to ensure that at least some performance information is communicated to those employees with poor managers who may otherwise neglect their performance management responsibilities.

The table on the next page summarizes key differences between the traditional "old" approach and the "new" approach discussed in

Figure 12. Sample Evaluation Metrics



	Performance Management "Old Thinking"	Performance Management "New Thinking"
Organizational Alignment	Cascading goals	Mission articulation and discussions of fit
Goals	SMART goals at the beginning of the cycle	Ongoing expectations as work evolves
Development	Reluctance to discuss; primarily formal training	Part of daily routine; acquiring experience, mentoring
Feedback	Once or twice a year; perfunctory and dreaded	Regular discussions embedded in work
Performance Ratings	Detailed to support decisions, often cumbersome and low value	Simplified; small number of factors defined by standards
Training	For managers on formal system requirements	For managers and employees on day-to-day behavior
Policies and Procedures	Extensive, with documentation requirements	Considerably streamlined
Evaluation, Monitoring	Whether steps are completed or not	Pulse surveys to gauge behavior, satisfaction, results and perceived value

this report, namely focusing on encouraging significant, *ongoing* performance management behavior. Driving this behavior is not simple. But it can be accomplished by implementing infrastructure, training, tools and environmental supports aimed at changing attitudes and developing effective behaviors, like those identified in the Google research.

An example of a company that has implemented a performance management process aligned with the "New Thinking" model is Zappos. By replacing its traditional performance management process in favor of one based on continual feedback and self-improvement, Zappos is reinforcing the development of more effective behavior. Rather than being rated and given feedback once yearly as part of a formal review process, employees are given regular feedback on the extent to which they demonstrate Zappos' 10 core values, such as delivering "Wow" service or showing humility.

To drive feedback, Zappos directs managers to provide employees with status reports on their performance for informational purposes only, such as the percentage of time spent on the telephone with customers. The frequency of the reports is decided by the manager. Managers no longer make ratings on a five-point unsatisfactory to outstanding scale, but instead indicate how many times they notice employees exhibiting specific behaviors that represent the 10 core values, with documented examples of what the employee actually did. These assessments are not used for promotion, pay or disciplinary purposes. Rather, their purpose is simply to provide feedback on how employees are perceived by others. If an employee scores low in an area, free on-site courses are offered to help the employee improve.

Performance Management at Zappos

- Managers provide regular feedback on and examples of behaviors exhibited by employees who embody core values.
- Purpose of tool is to help employees understand how they are perceived.
- Not used for reward or disciplinary purposes.
- Free classes offered to employees on improving behavior that reflects core values.

Beyond Zappos, several other companies—including Google and Apple—are experimenting with performance management practices that drive effective leadership behavior as their key strategy.[32]

Legal Considerations

Organizations must be knowledgeable about professional[33] and legal guidelines,[34] including relevant case law in any given country, pertinent to the design and implementation of performance management systems. Following these guidelines will enhance the defensibility of a system in the face of a legal challenge.[35] Although an in-depth discussion of legal issues and requirements is beyond the scope of what is covered here, guidelines relevant to performance management systems based on U.S. case law are presented in the sidebar below.

It is noteworthy that none of the recommendations made in this report will undermine the defensibility of the organization's performance management process. In fact, many of the ideas presented here should *enhance defensibility,* especially in the areas of setting expectations and providing feedback. Furthermore, as we discussed previously, when managers and employees have effective relationships characterized by trust, employees perceive higher levels of procedural justice and feel that they are more fairly treated. Employees who believe they have been treated equitably are the best defense against legal actions because they do not tend to initiate or become involved in legal challenges.[36]

Many of today's formal performance management systems would not fare well against the guidelines from case law cited here. As we have discussed, documentation often does not match ratings or rewards, managers often avoid providing feedback, and the expectation-setting process is often formalized at the beginning of the rating period but then inconsistently managed and largely forgotten during the year. For these reasons, organizations have implemented and will need to retain their formal performance opportunity programs, in which employees are put on notice about their performance when significant issues arise—because it is primarily through these systems that appropriate feedback is provided and documentation is created that complies with the guidelines outlined above.

Performance Management Guidelines Based on Case Law

- Evaluate employees on job-relevant factors.
- Inform employees of expectations and evaluation standards in advance.
- Have a documented process with specified roles for managers and employees.
- Train managers and employees on the performance management process and relevant skills.
- Document justifications for rewards/decisions by managers.
- Provide timely feedback on performance issues.
- Allow employees to formally comment on and appeal evaluations.
- Make sure evaluations used for decision-making are consistent with decisions.

SUMMARY AND CONCLUSIONS

There is strong consensus that performance management is the most difficult human capital system to implement successfully, with both employees and managers unconvinced about its value. Its inherent difficulties have commanded an enormous amount of attention from both researchers and practitioners, but the vast majority of interventions to improve performance management outcomes have focused on making changes to the formal system.

This report suggests that organizations should cease their almost exclusive focus on reinventing formal systems and instead focus on building trust between managers and employees creating a culture that fosters high performance. Research has shown that effective performance management behaviors positively affect employee engagement and bottom-line results. To the extent that changes are made to formal systems, the goal should be to reduce complexity and administrative demands. While the strategies outlined here may be more challenging to implement than a traditional formal system, they are also more likely to produce sustainable performance management improvements leading to a more successful and productive organization.

One way to begin to shift mindsets is to remind people that they engage in performance management behavior every day—with their children, spouses, co-workers, friends and vendors. Once people make this connection, they can better grasp the meaning of performance management in the workplace.

SOURCES AND SUGGESTED READINGS

Beer, M. (1981). Performance appraisal: Dilemmas and possibilities. *Organizational Dynamics, 9*(3), 24-36.

This article attempts to summarize what is known about the underlying causes of problems experienced with performance appraisal and to suggest some means for overcoming them. The central thrust has been to find means for dealing with the main barriers to effective appraisals—avoidance by the supervisor and defensiveness from the subordinate. The authors suggest a number of ways in which supervisors and employees might negotiate the difficult dilemma of discussing an evaluation of performance in a nonevaluative manner.

Bryant, A. (2011, March 13). Google's quest to build a better boss. *The New York Times*, p. BU 1.

In early 2009, statisticians inside the Googleplex embarked on a plan code-named Project Oxygen. Their mission was to build better bosses. Google began analyzing performance reviews, feedback surveys and nominations for top-manager awards. The statisticians correlated phrases, words, praise and complaints and found eight habits good managers have that all reflect performance management behavior. For much of its 13-year history, particularly in the early years, Google has taken a pretty simple approach to management: Leave people alone. Let the engineers do their stuff. If they get stuck, they'll ask their bosses, whose deep technical expertise propelled them into management in the first place. But what the study found was that technical expertise ranked dead last among Google's big eight habits. What employees valued most were even-keeled bosses who made time for one-on-one meetings, who helped people puzzle through problems by asking questions, not dictating answers, and who took an interest in employees' lives and careers.

Cardy, R. L. (2003). *Performance management: Concepts, skills, and exercises.* Armonk, NY: M. E. Sharpe, Inc.

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 performance definition and improvement, diagnosis,

evaluation, and feedback. 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.

Cawley, B. D., Keeping, L. M., & Levy, P. E. (1998). Participation in the performance appraisal process and employee reactions: A meta-analytic review of field investigations. *Journal of Applied Psychology, 83*(4), 615-633.

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

Cederblom, D. (1982). The performance appraisal interview: A review, implications, and suggestions. *Academy of Management Review, 7*(2), 219-227.

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

Center for Creative Leadership, Kirkland, K., & Manoogian, S. (2007). *Ongoing feedback: How to get it, how to use it.* San Francisco: Pfeiffer.

Formal feedback experiences and career transitions involve both acquiring new skills and honing current ones. Critical to this is measuring progress. This guidebook provides a proven technique on how to elicit feedback and use it to effect change. Tips on how to evaluate feedback and what to do if the decision is made not to use it are also provided.

Corporate Leadership Council. (2004). *Driving employee performance and retention through engagement: A quantitative analysis of the effectiveness of employee engagement strategies.* (Catalog No. CLC12PV0PD). Washington, DC: Corporate Executive Board.

This study examines two imperatives that place significant pressure on senior HR executives: achieving increasingly higher levels of employee performance while retaining the organization's top-tier and "core" performers. It was hypothesized that these outcomes are driven by employee engagement, and the study sought to address several questions: How engaged is my workforce today, and is it engaged in the way that matters for high performance and retention? What is the business case for (or against) allocating scarce resources to drive employee engagement? Of the many things that impact engagement, what are the handful of strategies I should prioritize to maximize returns on engagement investments? A study was conducted with 50,000 employees in 59 organizations and 27 countries. Using advanced modeling analyses, several strategies were identified as most effective for increasing employee engagement and, ultimately, performance and retention. Particular attention is paid to strategies that "scale" to reach hundreds or even thousands of employees at the same time, driving performance and retention through employee engagement.

Culbert, S. A., & Rout, L. (2010). *Get rid of the performance review!: How companies can stop intimidating, start managing—and focus on what really matters.* New York: Business Plus.

This book points out profound problems with typical performance reviews in organizations and the performance management process in general. Strategies are suggested that will enable managers and employees to gain more value from performance management processes.

Daniels, A. C. (2000). *Bringing out the best in people: How to apply the astonishing power of positive reinforcement.* New York: McGraw-Hill.

This book argues that the key to managing effectively has always remained the same—create positive consequences for workers when they exhibit behaviors you wish to increase, and undesirable consequences for behaviors you wish to decrease.

Focusing on the concept of positive reinforcement, the book describes how to define reinforcers that work and to tailor them to meet individual employees' needs; how to set fair performance expectations and implement and maintain them with minimal cost and effort; and how to provide constant feedback and reinforcement—so employees always know exactly how to improve performance when they have achieved it. Simply by discovering what reinforces each person, the author argues, any organization can attain the kind of individual performance that adds up to effective organizational performance. Performance management case studies from 3M, Xerox, ConAgra and other major firms are presented.

DeNisi, A. S., & Kluger, A. N. (2000). Feedback effectiveness: Can 360-degree appraisals be improved? *Academy of Management Executive, 14*(1), 129-139.

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 job performance will be improved. Despite the prevalence of feedback mechanisms in management interventions, however, feedback is not always as effective as assumed. In this article, specific conditions under which feedback might be less successful, or even harmful, are presented. The implications of the results and model for designing of interventions aimed at improving performance are discussed.

Fisher, S. G. (1997). *The manager's pocket guide to performance management.* Amherst, MA: HRD Press.

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 performance and determining what is causing those gaps, 3) developing practical strategies for maximizing performance, 4) getting the most from training dollars and ensuring that training is successful, 5) giving recognition for an employee's achievements, and 6) evaluating whether or not employees are using what they have learned.

Fitzwater, T. L. (1998). *The manager's pocket guide to documenting employee performance.* Amherst, MA: HRD Press.

This step-by-step guide provides help on documenting and changing unwanted work behaviors before they become issues leading to termination. It presents information on the legal framework surrounding discipline and on 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 versus 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.

Gebelein, S. H., Nelson-Neuhaus, K. J., Skube, C. J., Lee, D. G., Stevens, L. A., Hellervik, L. W., & Davis, B. L. (2010). *Successful manager's handbook.* Atlanta, GA: PreVisor, Inc.

The *Successful Manager's Handbook* is a trusted resource for organizations around the world, with more than 1,000,000 leaders having relied on the book since it was first published in 1984. It provides practical, easy-to-use tips, on-the-job activities, and suggestions for improving skills and effectiveness, no matter what the economic environment. This 700-page ready reference guide helps managers understand key performance expectations and coach others, find effective ideas for management challenges, develop skills to become more effective as leaders, and create realistic action steps for personal development plans.

Gilliland, S. W., & Langdon, J. C. (1998). Creating performance management systems that promote perceptions of fairness. In J. W. Smither (Ed.) *Performance appraisal: State of the art in practice.* San Francisco: Jossey-Bass.

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 intention to stay with the organization. The authors provide specific

recommendations and organizational examples that illustrate how to increase fairness in each of the 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 (communication of ratings and rewards).

Government Accountability Office. (2008). *Human Capital: DOD needs to improve implementation of and address employee concerns about its National Security Personnel System* (GAO-08-733). Washington, DC: Author.

The report summarizes the results of a GAO evaluation of the implementation of the Department of Defense's (DOD's) National Security Personnel System (NSPS), a human capital system for managing civilian personnel performance. Congress asked the GAO to determine 1) the extent to which the DOD had implemented internal safeguards to ensure the fairness, effectiveness and credibility of NSPS, and (2) how DOD civilian personnel perceived NSPS and what actions the DOD had taken to address these perceptions. Based on the GAO's work evaluating performance management in the public sector and on the DOD's challenges in implementing NSPS, as well as reviews of relevant documents, employee survey results, interviews with officials, and focus groups with employees and supervisors at 12 selected installations, a list of safeguards that NSPS should include to ensure its fairness, effectiveness and credibility was developed. The list included using a third party to analyze rating results for anomalies, publishing final rating distributions to improve transparency and developing action plans to improve negative employee perceptions.

Ilgen, D. R., Fisher, C. D., & Taylor, S. M. (1979). Consequences of individual feedback on behavior in organizations. *Journal of Applied Psychology, 64*(4), 349-371.

The literature on feedback to individuals has previously been reviewed with respect to its effect on the behavior of individuals in performance-oriented organizations. Although contemporary views of individual behavior in organizations stress that feedback is necessary for effective role performance, little attention is given to the psychological processes affected by it. This review focuses on the multidimensional nature of feedback as a stimulus and addresses the process by which feedback influences behavior. Emphasis is placed on those aspects of feedback that influence 1) the way it is perceived, 2) its acceptance by the recipient and 3) the willingness of the recipient to respond to the feedback.

Kahn, S. C., Brown, B. B., & Lanzarone, M. (1996). *Legal guide to human resources.* Boston: Warren, Gorham & Lamont, 6-2 to 6-58.

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.

McCauley, C. D. (2006). *Developmental assignments: Creating learning experiences without changing jobs.* Greensboro, NC: CCL Press.

This book is modeled after *Eighty-Eight Assignments for Development in Place,* one of CCL's most popular publications. In the years since that report was published, more has been learned about development in place—from research, from working with managers and organizations that make use of developmental assignments, and from colleagues in the field. This book consolidates this knowledge into one tool to help leaders add developmental assignments to their own jobs and to help others do the same by including tables in the book that are full of development assignments.

Lee, J., Havighurst, L. C., & Rassel, G. (2004). Factors related to court references to performance appraisal fairness and validity. *Public Personnel Management, 33* (1), 61-78.

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 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.

Lombardo, M. M., & Eichinger, R. W. (1989). *Eighty-eight assignments for development in place.* Greensboro, NC: CCL Press.

The Center for Creative Leadership's continuing studies of executives have found that learning on the job is the best way for a person to develop. Often people are given new

positions in order to provide them with developmental experiences. But what if such a transfer is not possible? This report contains 88 assignments that can be added to a current job, offering individual developmental opportunities.

Longenecker, C. O., Sims, H. P., Jr., & Gioia, D. A. (1987). Behind the mask: The politics of employee appraisal. *Academy of Management Executive, 1*(3), 183-193.

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 reveal that 1) executives in large corporations are political actors who try to avoid unnecessary conflict, and that 2) executives will try to make use of the existing bureaucratic procedures for their own benefit.

Martin, D. C., Bartol, K. M., & Kehoe, P. E. (2000). The legal ramifications of performance appraisal: The growing significance. *Public Personnel Management, 29*(3), 379-406.

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.

Mercer Human Resource Consulting. (2005). *What's working survey.* New York: Author.

The 2005 What's Working Survey, conducted by Mercer Human Resource Consulting, reflects the thinking of a representative sample of workers employed by more than 800 organizations across the U.S. The survey is part of Mercer's ongoing effort to capture contemporary perceptions of work and to develop scientific norms that employers can use as they design, implement and communicate their human resource strategies and programs. The first edition of the survey was conducted in 2002. Mercer's 2005 research revealed signs of enhanced employee commitment and confidence compared to 2002. For example, nearly two-thirds of the workers surveyed (64 percent) felt a strong sense of commitment to their organization, up from 58 percent in 2002. More than 7 in 10 (73 percent) workers said they are confident their organization "will be successful in the future," compared to 63 percent in 2002. Some 65 percent (up from 59 percent in 2002) agreed that "the level of job security offered by my organization is as good as or better than the security offered by other organizations in our geographic area." Although just half the workers (49 percent) said they believe their organization is well managed, that figure is significantly higher than the 40 percent reported three years ago.

Murphy, K. R., & Cleveland, J. N. (1995). *Understanding performance appraisal: Social, organizational, and goal-based perspectives.* Thousand Oaks, CA: Sage.

This book examines the performance appraisal process from a social-psychological perspective, emphasizing the goals pursued by raters, by employees being rated and by 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 summarized, and recommendations are offered for future research and applications.

Partnership for Public Service. (2007). *The best places to work in the federal government.* Retrieved July 29, 2010, from http://bestplacestowork.org/BPTW/about.

Designed to help a broad audience of job seekers, researchers, federal employees and government leaders, the *Best Places to Work in the Federal Government*® rankings draw on responses from more than 263,000 civil servants to produce detailed rankings of employee satisfaction and commitment across 290 federal agencies and subcomponents. Agencies and subcomponents are

ranked according to a *Best Places to Work* index score, which measures overall employee satisfaction, an important part of employee engagement and, ultimately, a driver of organizational performance. The *Best Places to Work* score is calculated for both the organization as a whole and specific demographic groups. In addition to this employee satisfaction rating, agencies and subcomponents are scored in 10 workplace categories, including effective leadership, employee skills/mission match, pay and work/life balance.

Peterson, D. B., & Hicks, M. D. (1996). *Leader as coach: Strategies for coaching and developing others.* Minneapolis, MN: PDI.

This is a straightforward, practical book intended to help lead people and organizations to greater success. The tips and practices are designed to sharpen coaching skills so that readers can attract and retain the talent needed for success, foster growth in others, provide effective feedback, orchestrate learning opportunities and groom high-potential performers.

Pulakos, E. D. (2004). *Performance management: A roadmap for developing, implementing and evaluating performance management systems.* Alexandria, VA: SHRM Foundation.

This report describes practice guidelines for developing formal performance management systems and is the precursor to the present report.

Pulakos, E. D. (2010). *Performance management: A new approach for driving business results.* Oxford, UK: Wiley-Blackwell.

Over the decades there have been many debates about the best format for rating scales and components for performance management systems. This book discusses the more salient arguments on these matters and provides practical implementation advice, tools and actions to avoid in implementing performance management systems. It describes a comprehensive performance management process that begins with specifying organizational objectives and then moves down through each level, rating employees on job-relevant factors and effectively developing staff. The primary audience is not psychologists but rather human resource staff and the managers who are responsible for developing, implementing and defending a performance management system. It also provides useful information for those who oversee training on its application.

Pulakos, E. D., Mueller-Hanson, R. A., & O'Leary, R. S. (2008). Performance management in the United States. In A. Varma, P. S. Budhwar, & A. DeNisi (Eds.), *Performance management systems around the globe* (pp. 97-114). London: Routledge.

Although there is enormous variety in the performance management systems used in the U.S., this chapter discusses key factors and challenges that impact the vast majority of these systems. Three key factors have had a particular impact: a focus on results, automation and the legal environment. While these factors are neither positive nor negative, they represent major trends with significant implications for performance management design and implementation. In contrast, the chapter also discusses key challenges that represent intractable problems that have plagued performance management systems almost from their inception. While no "quick fix" is offered, a thorough understanding of these issues and their implications is the first step toward mitigating them. The top challenges faced by U.S. organizations include viewing performance management as an administrative burden rather than a strategic business tool, the reluctance of managers and employees to engage in candid performance discussions, and judgment and time factors that impede effective appraisal. Implications of these challenges are discussed.

Pulakos, E. D., & O'Leary, R. S. (2010). Defining and measuring results of workplace behavior. In J. L. Farr & N. Tippins (Eds.), *The handbook of employee selection* (pp. 513-529). New York: Psychology Press.

This chapter discusses how to define and measure performance results in organizations. Some of the topics discussed include cascading goals, SMART goals, performance accomplishments, and defining performance objectives, among others. The circumstances under which these types of performance measures work best, as well as their limitations, are discussed.

Pulakos, E. D, & O'Leary, R. S. (2011). Why is performance management broken? *Industrial and Organizational Psychology, 4*(2), 146-164.

While extensive research and practice have focused on understanding and improving performance management systems in organizations, the formula for effective performance

management remains elusive. This article proposes that a significant part of the problem is that performance management has been reduced to prescribed steps within formal administrative systems that are disconnected from the day-to-day activities that determine performance management effectiveness. The authors further argue that interventions to improve performance management should cease their exclusive focus on reinventing formal system features. While well-developed tools and systems can facilitate performance management, these alone do not yield effective performance management. Rather than make further changes to formal performance management systems, more attention to improving manager-employee communication and aspects of the manager-employee relationship are likely to hold more promise for improving performance management processes in organizations.

Pyrillis, R. (2011). Is your performance review underperforming? *Workforce Management.* Retrieved from www.workforce.com/article/20110505/NEWS02/305059995.

This article discusses the ineffectiveness of the yearly performance review, providing survey results from a variety of sources that substantiate the author's assertion. The article further presents specific examples of companies that have implemented performance management practices that deviate from formal processes in lieu of more informal practices that reinforce ongoing feedback and employee development. The article argues that the heart of performance management lies in effective leadership behavior.

Rodgers, R., Hunter, J. E., & Rogers, D. L. (1993). Influence of top management commitment on management program success. *Journal of Applied Psychology, 78*(1), 151-155.

The literature on many different types of management programs reports that effective program installations depend on the level of top management 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.

Smither, J. W. (Ed.) (1998). *Performance appraisal: State of the art in practice.* San Francisco: Jossey-Bass.

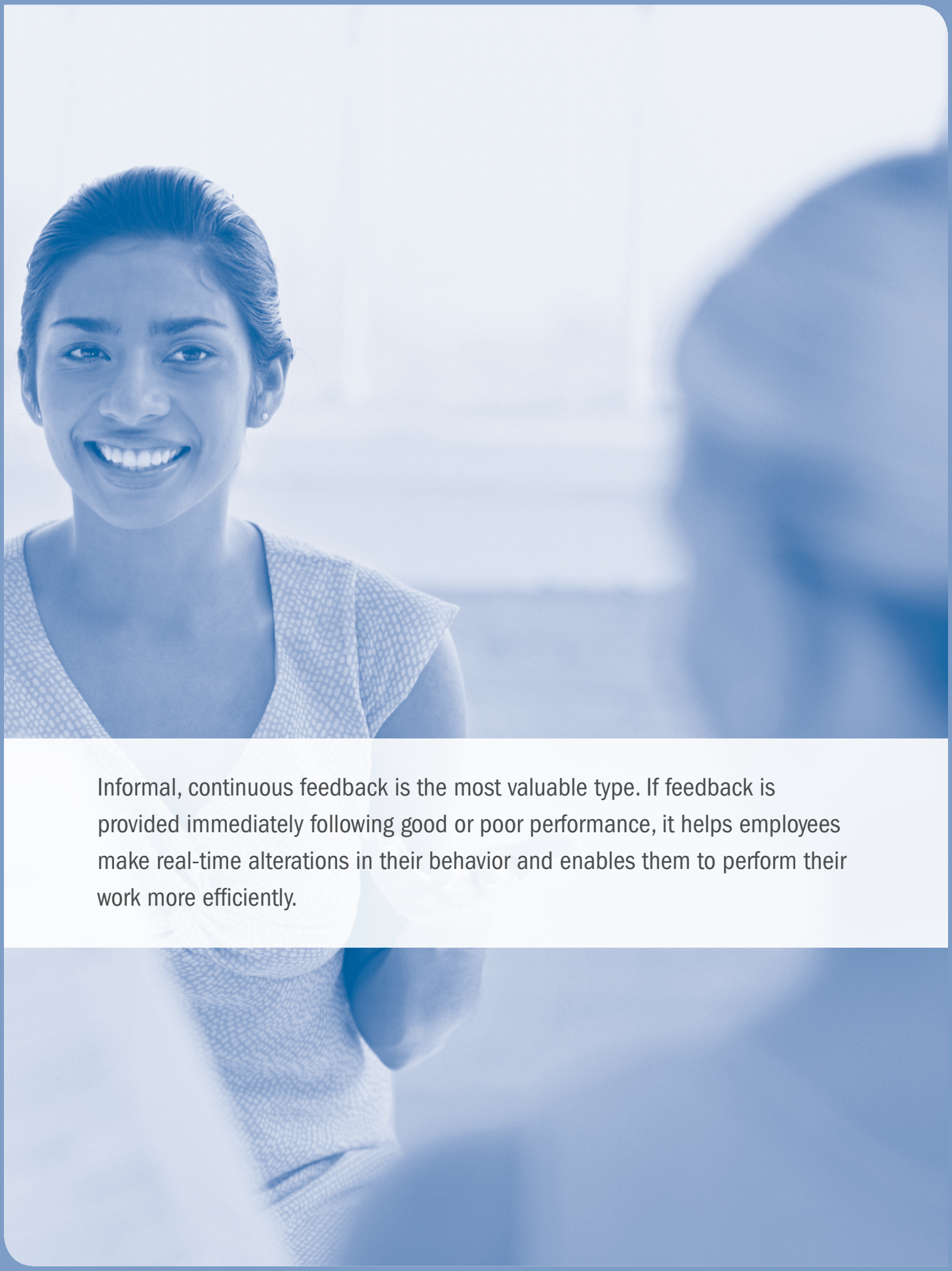
This edited book is part of the Society for Industrial and Organizational Psychology's Practice Series. It contains chapters that bridge the gap between research on performance appraisal and practice, offering a comprehensive, practitioner-oriented guide to "best practices" in performance appraisal. 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.

Weatherly, L. A. (2004). *Performance management: Getting it right from the start.* Alexandria, VA: Society for Human Resource Management.

This paper 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, this paper 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 versus behaviors or results) were unrelated to judicial decision. Of other factors examined (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 the circuit court approached having some impact. The authors conclude that issues relevant to fairness and due process were most salient to judicial decisions.



Informal, continuous feedback is the most valuable type. If feedback is provided immediately following good or poor performance, it helps employees make real-time alterations in their behavior and enables them to perform their work more efficiently.

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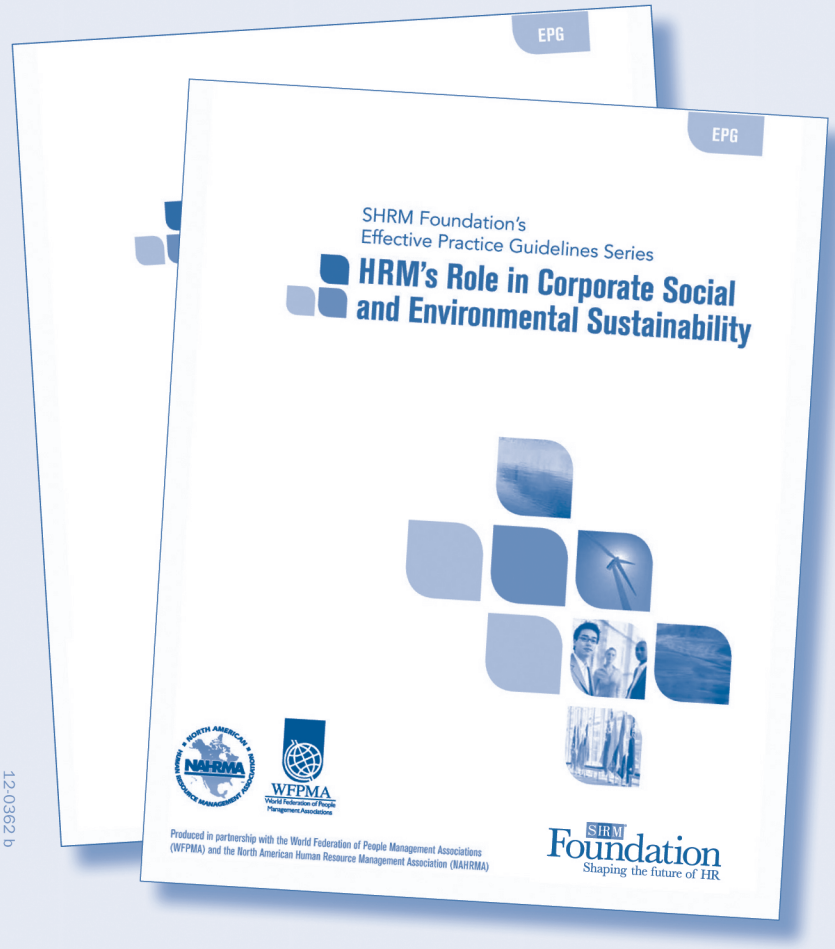

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