CHAPTER 7

Managing Employees' Performance

WHAT DO I NEED TO KNOW?

After reading this chapter, you should be able to:

LO1 Describe the relevance, purpose, and criteria associated with an effective performance management system.

LO2 Identify the activities involved in performance management.

LO3 Compare the major performance management methods and sources of information.

LO4 Explain how to minimize rating errors and effectively provide performance feedback.

LO5 Discuss some of the legal, ethical, and privacy issues that impact performance management.

Carlos Osorio/Toronto Star via Getty Images.

Rather than ratings, Deloitte uses "performance snapshots" to identify candidates who need particular kinds of responses, such as development opportunities or clarification of job responsibilities. Managers can review snapshots over time or for their team as a whole to interpret any patterns in the data.

Changing Performance Management at Deloitte

As a business consulting firm, Deloitte has been well aware of managers' complaints about performance management systems: they're too slow, they don't promote employee engagement, and the connection to business results is hard to find. Deloitte's HR leaders had to admit that those criticisms might apply to the firm's own performance management process. Objectives were set for each employee at the beginning of the year. Managers rated employee performance every time a project ended and then used the data to arrive at ratings for each employee at the end of the year. Finally, managers discussed the results in calibration meetings and then with employees. Employees liked the fairness of the approach, but the year-long timeline made the process hard to use for employee development. Furthermore, the managers were rating employees' skills, which are difficult to observe, so the ratings varied according to who was evaluating the employees.

The HR team set out to design an approach better suited to today's fast-paced business environment. They started by applying some of the firm's own research about the conditions most common on its highest-performing teams. Most notably, teams performed best when employees said they had a chance to use their strengths each day. Based on this, the HR team determined that it needed a system that would help its people use their strengths while also providing a source of reliable data about performance.

The HR team identified questions managers could answer reliably: four questions about their plans for the person—specifically, using a scale to rate how strongly they want to reward the employee; how much they want the person on their team in the future; whether the person is at risk for low performance; and whether the person is ready for promotion. Managers answer these questions at the end of each project or at least quarterly. The data yields a "performance snapshot" rather than a rating. Along with the process of creating performance snapshots each year, Deloitte's managers are expected to check in with each employee on their team frequently, say, every week or two. The check-ins are meant to be focused on the future—an opportunity to set goals and priorities, provide feedback about recent work, and address any needs for change.[1]

Introduction

Performance management is the process through which managers ensure that employees' activities and outputs contribute to the organization's goals. This process requires knowing what activities and outputs are desired, observing whether they occur, and providing feedback to help employees meet expectations. In the course of providing feedback, managers and employees may identify performance issues and establish ways to resolve those issues.

In this chapter we examine a variety of approaches to performance management. We begin by exploring the relevance and purpose of performance management, including the criteria for effective performance management, and how performance management is changing. Next, we describe the steps in the performance management process as well as the various sources of performance information, including the strengths and weaknesses of each. The next section explores the kinds of errors that commonly occur during the assessment of performance, as well as ways to reduce those errors. Then we describe ways of giving performance feedback effectively and intervening when performance must improve. Finally, we discuss legal, ethical, and privacy issues affecting performance management.

Relevance of Performance Management to Organizational Strategy and Performance

"Performance management practices have recently come under scrutiny regarding their relevance for organizational effectiveness and other outcomes."[2]

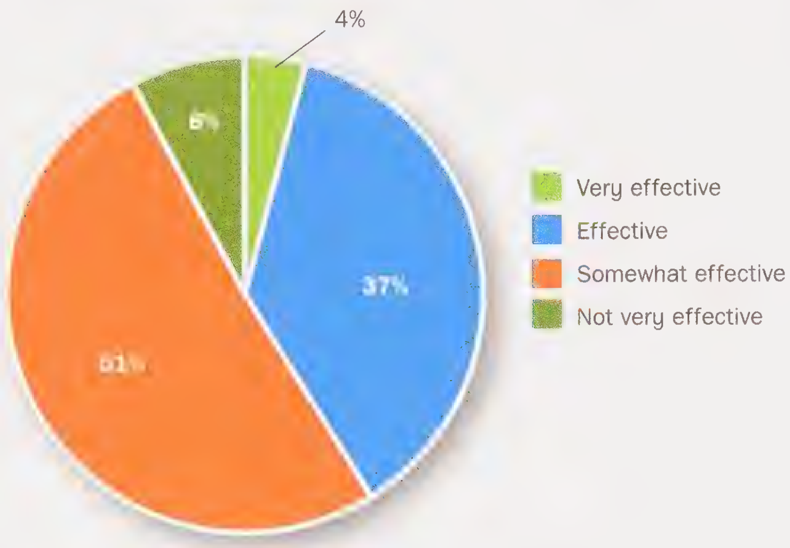
- 81 percent of Canadian organizations report their performance management system or process has been changed within the last three years or is under consideration for change.[3]
- The majority of Canadian organizations are "questioning the effectiveness of their performance management process."[4]
- Only 41 percent of Canadian organizations say their performance management system is "effective" or "very effective."[5] See Figure 7.1.
- In a survey of 164 chief financial officers (CFOs), performance management emerged as a top priority; 73 percent said that, within their first 100 days on the job, "they were expected to come up with a new plan for performance management."[6]

To contribute to high performance and be strategically relevant, performance management is necessarily a "dynamic business process that enables performance and drives organizational and individual success.[7] Deloitte's rationale for changing its approach to performance management was described in the chapter opener. Patagonia, the outdoor apparel and provisions company, also recently introduced "a more agile and adaptive performance approach," in support of its culture. Patagonia replaced its year-end evaluation-focused approach to a more continuous one that includes "quarterly stretch goals, quarterly check-in conversations, and continuous crowd-sourced feedback."[8]

A relevant and dynamic approach to performance management also requires integration with other human resource management practices including workforce and succession planning, hiring and promotion decisions, learning,

FIGURE 7.1

Effectiveness of Performance Management System



Source: Jane Cooper and Shannon Jackson, "Talent Management Benchmarking: Human Resources Trends and Metrics, Fourth Edition," Ottawa: The Conference Board of Canada, 2017, p. 57.

development planning, and rewards.[9] Performance management systems are more likely to be effective when they are perceived by employees to be fair, and when employees participate in the development and implementation of a performance management system, perceptions of fairness increase.[10]

IBM recently introduced a new performance management system that was co-created with employees. The co-creation process started when Diane Gherson, IBM's chief human resources officer, blogged to employees to ask for input on an initial design concept and received 18,000 responses overnight. Discussion groups were set up and prototypes continued to evolve, ultimately involving about 100,000 employees. Employees were also asked to name the new performance management system and tens of thousands of employees voted to narrow down to three names, from which "Checkpoint" was chosen. Gherson says the new performance management system "was cited as the top reason engagement improved."[11]

Purposes of Performance Management

Figure 7.2 explains the ways in which performance management has changed. The most frequent changes to performance management systems are adopting coaching, ongoing feedback, and developmental focus. Despite these changes, organizations continue to establish performance management systems to meet three broad purposes: strategic, administrative, and developmental.

Strategic Purpose

Strategic purpose means effective performance management helps the organization achieve its business objectives. It does this by helping to link employees' behaviour with the organization's goals. As discussed in the following section, performance management starts with defining what the organization expects from each employee. It measures each employee's performance to identify where those expectations are and are not being met. This enables the organization to take corrective action, such as training, incentives, or discipline. Performance management can achieve its strategic purpose only when measurements are truly aligned with the organization's goals and when the goals and feedback about performance are communicated to employees. For example, at Maple Leaf Foods employee performance is based on not only achieving specific outcomes but also demonstrating behaviours that are consistent with the corporate values. This focus on *how* results are achieved includes things like "Do What's Right" (act with integrity, behave responsibly, and treat people with respect) and "Dare to be Transparent" (have the courage to be candid and direct, and communicate openly).[12]

Administrative Purpose

The *administrative purpose* of a performance management system refers to how organizations use the system to provide information for day-to-day decisions about salary,

FIGURE 7.2

How Performance Management Has Changed

(percentage of organizations responding)

Note: Responses do not total to 100 as more than one option could be chosen.

Source: Jane Cooper and Shannon Jackson, "Talent Management Benchmarking: Human Resources Trends and Metrics, Fourth Edition," Ottawa: The Conference Board of Canada, 2017, p. 59.

benefits, and recognition programs. Performance management can also support decision making related to employee retention, termination for poor performance, and hiring or layoffs. Because performance management supports these administrative decisions, the information in a performance appraisal can have a great impact on the future of individual employees. Managers recognize this, which is the reason they may feel uncomfortable conducting performance appraisals when the appraisal information is negative and therefore, likely to lead to a layoff, disappointing pay increase, or other negative outcome.

Developmental Purpose

Finally, performance management has a *developmental purpose,* meaning that it serves as a basis for developing employees' knowledge and skills. Even employees who are meeting expectations can become more valuable and high performing when they receive and discuss performance feedback. Effective performance feedback and coaching make employees aware of their strengths and of the areas in which they can improve.

Criteria for Effective Performance Management

In Chapter 5, we saw that there are many ways to predict performance of a job candidate. Similarly, there are many ways to measure the performance of an employee. For performance management to achieve its goals, its methods for measuring performance must be effective. Selecting these measures is a critical part of planning a performance management system. Several criteria are associated with effectiveness:

- *Fit with strategy*—A performance management system should aim at achieving employee behaviour and mindset that support the organization's strategy, goals, and culture. If a company emphasizes customer service, then its performance management system should define the kinds of behaviour that contribute to excellent customer service. Performance appraisals should measure whether employees are engaging in those behaviours. Feedback should help employees enhance their performance in those areas. When an organization's strategy changes, human resources professionals should help managers assess how the performance management system should change to serve the new strategy.
- *Validity*—As we discussed in Chapter 5, *validity* is the extent to which a measurement tool actually measures what it is intended to measure. In the case of performance appraisal, validity refers to whether the appraisal measures all the relevant aspects of performance and omits irrelevant aspects of performance. Figure 7.3 shows two sets of information. The circle on the left represents all the information in a performance appraisal; the circle on the right represents all relevant measures of job performance. The overlap of the circles contains the valid information. Information that is gathered but irrelevant is *contamination.* Comparing salespeople on the basis of how many calls they make to customers could be a contaminated measure. Making a lot of calls does not necessarily improve sales or customer satisfaction, unless every salesperson makes only

FIGURE 7.3

Contamination and Deficiency of a Job Performance Measure

HR Oops!

Unclear Expectations

Common sense would suggest that for employees to *do* what is expected of them, they have to *know* what is expected. It's surprising, then, that when Gallup asked employees to rate their agreement with a statement that they understand what is expected of them on the job, only half said they strongly agree. Far smaller groups strongly agree that their managers help them set performance goals (13 percent) and work priorities (12 percent).

One place to start is to write and communicate clear job descriptions. Unfortunately, a consultant with law firms has found that written job descriptions are uncommon—and when they do exist, the leadership rarely updates or refers to them. Furthermore, this consultant finds that most of these descriptions outline areas of responsibility in generalities rather than saying what the person in the position is supposed to accomplish.

The lack of clarity goes beyond job descriptions. A full understanding of expectations also includes knowing how one's tasks contribute to the organization's success and engaging in dialogue with one's managers about how to contribute. In this last area, some research suggests that female employees operate at a disadvantage. A review of performance evaluations found that performance feedback for men and women differed. Praise for men more often mentioned specific accomplishments, whereas women were praised in general terms (e.g., "You had a great year"). Managers reviewing men's performance tended to identify specific technical areas for development, whereas women tended to be told simply that they needed to improve their communication style. Of course, all areas of development are important, but focusing on technical skills makes it easier to identify assignments and promotions for development; a focus on communication skills rarely suggests any such opportunities. To the extent that this is occurring in organizations, it is harder for female employees to apply feedback in a way that enables them to contribute more to the organization's performance.

Questions

1. What problems will an organization experience if its employees don't fully understand what is expected of them?
2. For the developmental purpose of performance management, a company might search through its database of performance feedback to find employees with accomplishments that make them good candidates for projects or promotions. How would specific (instead of general) feedback support this purpose?

Sources: Shelley Correll and Caroline Simard, "Research: Vague Feedback Is Holding Women Back," *Harvard Business Review,* April 29, 2016, https://hbr.org; "Job Expectations Are Unclear to Many Employees," *TD,* January 2016, https://www.td.org; Patrick J. McKenna, "When Job Descriptions Don't Do the Job," *Of Counsel,* May 2015, pp. 15–18.

well-planned calls. Information that is not gathered but is relevant represents a *deficiency* of the performance measure. For example, suppose a company measures whether employees have good attendance records but not whether they work efficiently. This limited performance appraisal is unlikely to provide a full picture of employees' contribution to the company. Performance measures should minimize both contamination and deficiency.

- *Reliability*—With regard to a performance measure, reliability describes the consistency of the results that the performance measure will deliver. *Interrater reliability* is consistency of results when more than one person assesses performance. Simply asking a supervisor to rate an employee's performance on a scale of 1 to 5 would likely have low interrater reliability; the rating will differ depending on who is assessing the employees. *Test–retest reliability* refers to consistency of results over time. If a performance measure lacks test–retest reliability, determining whether an employee's performance has truly changed over time will be impossible.
- *Acceptability*—Whether or not a measure is valid and reliable, it must meet the practical standard of being acceptable to the people who use it. For example, the people who use a performance measure must believe that it is not too time consuming. Likewise, if employees believe the measure is unfair, they will not use the feedback as a basis for improving their performance.
- *Specific feedback*—A performance measure should specifically tell employees *what* is expected of them and *how* they can meet those expectations. Being specific helps performance management meet the goals of supporting strategy and developing employees. Being specific may also mean the performance measure can be defined in quantitative terms. If a measure does not specify what an employee must do to help the organization achieve its goals, it does not support the strategy. If the measure fails to point out performance gaps, employees will not know how to improve. For more on this, see the HR Oops! feature.

The Process of Performance Management

How performance management is handled is a key part of the employee experience. As organizations make changes to their process, including moving away from annual ratings and formal performance evaluation (appraisals), there is also an emerging discussion that perhaps there is a middle ground to consider.[13] Facebook used focus groups and surveys to discover that 87 percent of its employees preferred to keep performance ratings to provide for fairness, transparency, and development. This discussion can be summarized as performance is always rated—"if you don't have formal evaluations, the ratings will be hidden in a black box."[14]

So despite costs and specific criticisms, effective performance management can deliver many benefits. Effective performance management can tell top performers that they are valued, encourage communication between managers and employees, establish uniform standards for evaluating employees, and help the organization identify its highest performers. Performance evaluations, properly done, meet an "ethical obligation of leadership" by providing information that all members of an organization want to know so they can succeed: "What do you expect of me? How am I doing to meet your expectations?"[15] And, according to a SHRM Globoforce Employee Recognition Survey, 83 percent of employees who are satisfied with their reviews are also satisfied with their jobs overall (versus only 55 percent for those dissatisfied).[16]

Figure 7.4 shows a performance management process that consists of six steps. As shown in the model, feedback and formal performance evaluation are important parts of the process; however, they are not the only critical components. An effective performance management process contributes to the company's overall competitive advantage and must be given visible support by the CEO and other senior managers. This support ensures that the process is consistently implemented across the company, evaluations are timely, and giving and receiving ongoing performance feedback are recognized as an important aspect of the company's culture.

Step 1 and Step 2 involve identifying what the company is trying to accomplish (its goals or objectives) and developing employee goals and actions to achieve these outcomes. Typically, the outcomes benefit customers, the employee's colleagues or team members, and the organization itself. The goals, behaviours, and activities should be measurable and become part of the employee's job description.

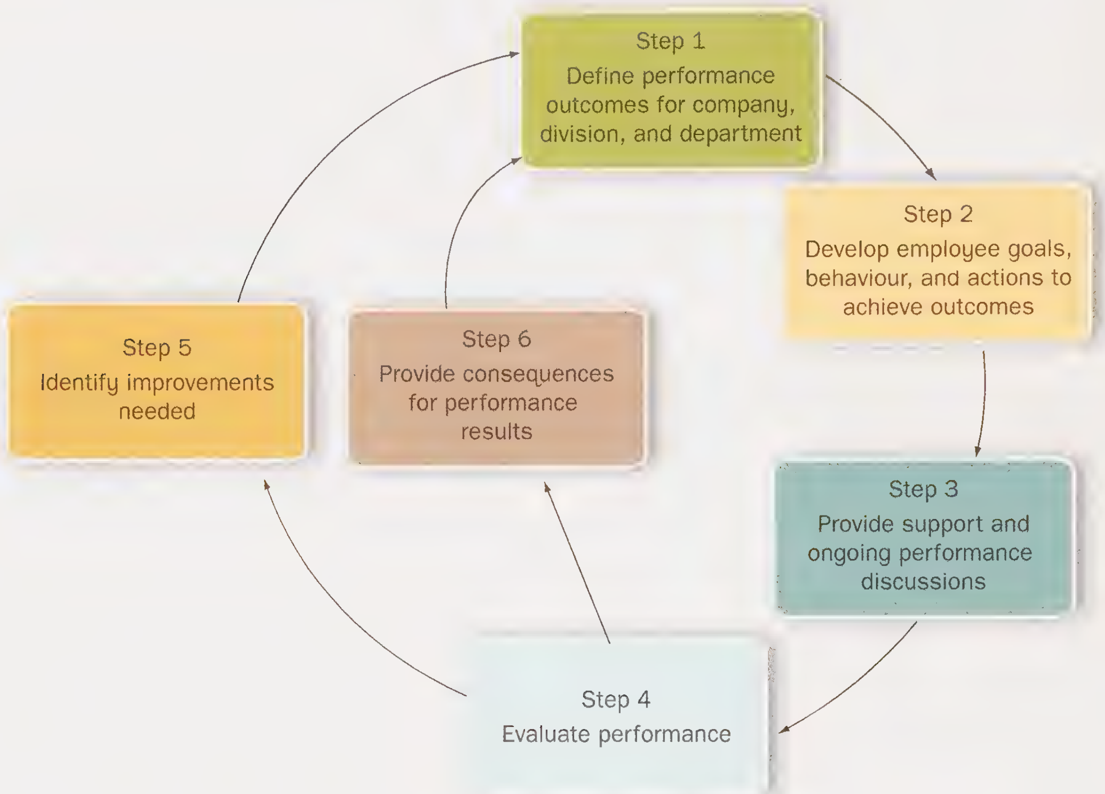
Step 3 in the process—organizational support—involves providing employees with training, necessary resources and tools, and ongoing feedback between the employee and manager that focuses on accomplishments as well as issues and challenges that influence performance. For effective performance management, both the manager and the employee have to value feedback and exchange it on a regular basis, not just once or twice a year. Also, the manager needs to make time to provide ongoing feedback to the employee and learn how to give and receive it.

Step 4 involves evaluating performance; that is, when the manager and employee discuss and compare targeted goals and supporting behaviour with actual results. This step includes formal performance evaluation or appraisal.

The final steps involve both the employee and manager identifying what the employee can do to capitalize on performance strengths and gaps, if any (**Step 5**) and providing consequences for achieving (or failing to achieve) performance outcomes; for example, pay increases, bonuses,

FIGURE 7.4

Steps in the Performance Management Process



Sources: Based on E. Pulakos, R. Hanson, S. Arad, and N. Moye, "Performance Management Can Be Fixed: An On-the-Job Experiential Learning Approach for Complex Behavior Change," Industrial and Organizational Psychology, March 2015, pp. 51–76; E. Pulakos, R. Mueller-Hanson, R. O'Leary, and M. Meyrowitz, Building a High-Performance Culture: A Fresh Look at Performance Management (Alexandria, VA: SHRM Foundation, 2012); H. Aguinis, "An Expanded View of Performance Management," in J. W. Smith and M. London (eds.), Performance Management (San Francisco: Jossey-Bass, 2009), pp. 1–43; J. Russell and L. Russell, "Talk Me through It: The Next Level of Performance Management," T + D, April 2010, pp. 42–48.

or action plans (**Step 6**). This includes identifying training needs; adjusting the type or frequency of feedback the manager provides to the employee; clarifying, adjusting, or modifying performance outcomes; and discussing behaviours or activities that need improvement.

Methods for Measuring Performance

Organizations have developed a wide variety of methods for measuring performance. Some methods rank each employee to compare employees' performance. Other methods break down the evaluation into ratings of individual attributes, behaviours, or results. Many organizations use a measurement system that includes a variety of these measures. Table 7.1 compares these methods in terms of four criteria for effective performance management.

Making Comparisons

The performance appraisal method may require the rater to compare one individual's performance with that of others. This method involves some form of ranking, in which some employees are the highest performers, some are fully meeting expectations, and others are not. The usual techniques for making comparisons are simple ranking, forced distribution, and paired comparison.

Simple ranking requires managers to rank employees in their group from the highest performer to the lowest performer. In a variation on this approach, *alternation ranking*, the manager works from a list of employees. First, the manager decides which employee is the highest performer and crosses that

simple ranking
Method of performance measurement that requires managers to rank employees in their group from the highest to the lowest performer.

TABLE 7.1

Basic Approaches to Performance Management

	Criteria				
Approach	**Fit with Strategy**	**Validity**	**Reliability**	**Acceptability**	**Specificity**
Comparative	Poor, unless manager takes time to make link	Can be high if ratings are done carefully	Depends on rater, but usually no measure of agreement used	Moderate; easy to develop and use but resistant to normative standard	Very low
Attribute	Usually low; requires manager to make link	Usually low; can be fine if developed carefully	Usually low; can be improved by specific definitions of attributes	High; easy to develop and use	Very low
Behavioural	Can be quite high	Usually high; minimizes contamination and deficiency	Usually high	Moderate; difficult to develop, but accepted well for use	Very high
Results	Very high	Usually high; can be both contaminated and deficient	High; main problem can be test–retest—depends on timing of measure	High; usually developed with input from those to be evaluated	High regarding results, but low regarding behaviours necessary to achieve them

person's name off the list. From the remaining names, the manager selects the lowest-performing employee and crosses off that name. The process continues with the manager selecting the second-highest, second-lowest, third-highest, and so on until all the employees have been ranked. The major downside of ranking involves validity. To state a performance measure as broadly as "highest" or "lowest" doesn't define what exactly is effective or ineffective about the person's contribution to the organization. Ranking therefore raises questions about fairness.

Another way to compare employees' performance is with the **forced-distribution method**. This type of performance measurement assigns a certain percentage of employees to each category in a set of categories. For example, the organization might establish the following percentages and categories:

forced-istribution method Method of performance measurement that assigns a certain percentage of employees to each category in a set of categories.

- Outstanding—5 percent
- Exceeds expectations—20 percent
- Meets expectations—55 percent
- Developmental—15 percent
- Below expectations—5 percent

The manager completing the performance evaluation would rate 5 percent of employees as outstanding, 20 percent as exceeding expectations, and so on. A forced-distribution approach works best if the members of a group really do vary this much in terms of their performance. It overcomes the temptation to rate everyone high in order to avoid conflict. Research simulating some features of forced rankings found that they improved performance when combined with goals and rewards, especially in the first few years, when the system eliminated the lowest performers.[17] However, a manager who does very well at selecting, creating a motivating work environment, and training employees will be more likely to have a group of high performers. This manager would have difficulty assigning employees to the lower categories. In that situation, saying that some employees are "below expectations" or "developmental" may not only be inaccurate but also will hurt morale.

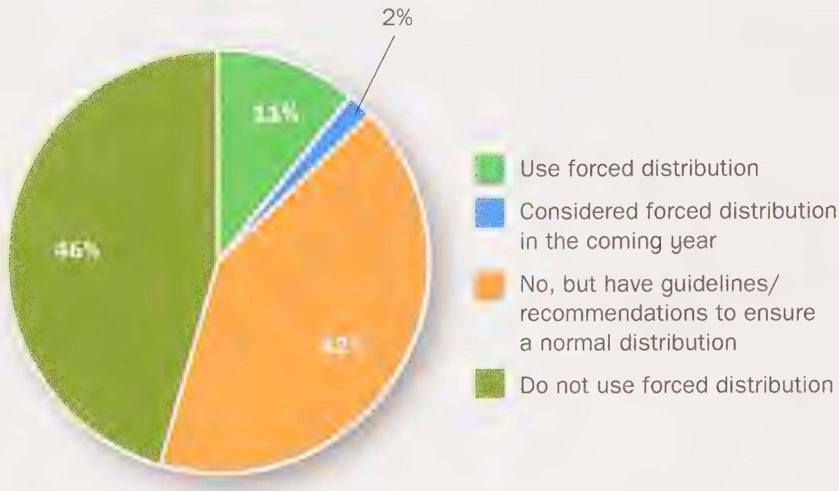
The Conference Board of Canada reports that although only 11 percent of surveyed organizations use a forced-distribution performance management system, an additional 42 percent of surveyed organizations have guidelines or recommendations to ensure a normal distribution of performance ratings.[18] Figure 7.5 illustrates these findings.

Another variation on rankings is the **paired-comparison method**. This approach involves comparing each employee with each other employee to establish rankings.

paired-comparison method Method of performance measurement that compares each employee with each other employee to establish rankings.

FIGURE 7.5

Forced Performance Distribution and Guidelines



Note: Total does not add to 100 due to rounding

Source: Heather McAteer, "Compensation Planning Outlook 2018," (Ottawa: Conference Board of Canada, October 2017), p. 33.

Suppose a manager has five employees, Jaida, Ramat, Skylar, Ming, and Mohammed. The manager compares Jaida's performance to Ramat's and assigns one point to whichever employer is the higher performer. Then the manager compares Jaida's performance to Skylar's, then to Ming's, and finally to Mohammed's. The manager repeats this process with Ramat, comparing his performance to Skylar's, Ming's, and Mohammed's. When the manager has compared every pair of employees, the manager counts the number of points for each employee. The employee with the most points is considered the top-ranked employee. Clearly, this method is time consuming if a group has more than a few employees. For a group of 15, the manager must make 105 comparisons.

In spite of the drawbacks, ranking employees offers some benefits. It counteracts the tendency to avoid controversy by rating everyone favourably or near the centre of the scale. Also, if some managers tend to evaluate behaviour more strictly (or more leniently) than others, a ranking system can erase that tendency from performance scores. Therefore, ranking systems can be useful for supporting decisions about how to distribute pay raises or layoffs. Some ranking systems are easy to use, which makes them acceptable to the managers who use them. A major drawback of rankings is that often they are not linked to the organization's goals. Also, a simple ranking system leaves the basis for ranking open to interpretation. In that case, the rankings are not helpful for employee development and may hurt morale or result in legal challenges.

Rating Individuals

Instead of focusing on arranging a group of employees from highest to lowest performance, performance measurement can look at each employee's performance relative to a uniform set of standards. The measurement may evaluate employees in terms of attributes (characteristics, traits, or competencies) believed necessary for success in the job or in the organization. Or the measurements may identify whether employees have *behaved* in desirable ways, such as helping co-workers or working safely. The performance management system must identify the desired attributes or behaviours, then provide a form on which the manager can rate the employee in terms of those attributes or behaviours. Typically, the form includes a rating scale, such as a scale from 1 to 5, where 1 is the lowest level of performance and 5 is the highest.

Rating Attributes

The most widely used method for rating attributes is the **graphic rating scale**. This method lists attributes and provides a rating scale for each. The employer uses the scale to indicate the extent to which the employee being rated displays the attributes. The rating scale may provide points to circle (as on a scale going from 1 for "below expectations" to 5 for

graphic rating scale Method of performance measurement that lists attributes and provides a rating scale for each attribute; the employer uses the scale to indicate the extent to which an employee displays each attribute.

FIGURE 7.6

Example of a Graphic Rating Scale

The following areas of performance are significant to most positions. Indicate your assessment of performance on each dimension by circling the appropriate rating.

PERFORMANCE DIMENSIONS	RATING				
	OUTSTANDING	EXCEEDS EXPECTATIONS	MEETS EXPECTATIONS	DEVELOPMENTAL	BELOW EXPECTATIONS
Client service	5	4	3	2	1
Communication	5	4	3	2	1
Leadership	5	4	3	2	1
Professionalism	5	4	3	2	1
Teamwork	5	4	3	2	1
Interpersonal skills	5	4	3	2	1
Initiative	5	4	3	2	1
Creativity	5	4	3	2	1
Problem solving	5	4	3	2	1

"outstanding") or it may provide a line representing a range of scores, with the manager marking a place along the line. Figure 7.6 shows an example of a graphic rating scale that uses a set of ratings from 5 to 1. A drawback of this approach is that it leaves to the particular manager the decisions about what is "outstanding teamwork" or "exceeds expectations" in problem solving. The result is low reliability, because managers are likely to arrive at different assessments.

Rating attributes is the most popular way to measure performance in organizations. In general, attribute-based performance methods are easy to develop and can be applied to a wide variety of jobs and organizations. If the organization is careful to identify which attributes are associated with high performance, and to define them carefully on the appraisal form, these methods can be reliable and valid. However, appraisal forms often fail to meet this standard. In addition, measurement of attributes may not be clearly linked to the organization's strategy. Furthermore, employees tend, perhaps rightly, to be defensive about receiving a mere numerical rating on some attribute. How would you feel if you were told you scored 2 on a 5-point scale of initiative or communication skill? The number might seem arbitrary, and it doesn't tell you how to improve.

Rating Behaviours

One way to overcome the drawbacks of rating attributes is to assess employees' behaviour. To rate behaviours, the organization begins by defining which behaviours are associated with success on the job. Which kinds of employee behaviour help the organization achieve its goals? The appraisal requires the manager to rate an employee in terms of each of the identified behaviours.

One way to rate behaviours is with the **critical-incident method**. This approach requires managers to keep a record of specific examples of the employee behaving in ways that are either effective or ineffective. Here's an example of a critical incident in the performance evaluation of an appliance repair person:

critical-incident method Method of performance measurement based on managers' records of specific examples of the employee behaving in ways that are either effective or ineffective.

> A customer called in about a refrigerator that had stopped dispensing water. The technician prediagnosed the cause of the problem based on known issues with the particular make and model of refrigerator, and checked her truck for the necessary parts. When she found she did not have them, she checked the parts out from inventory so that the customer's refrigerator would be repaired on her first visit and the customer would be satisfied promptly.

This incident provides evidence of the employee's knowledge of refrigerator repair and concern for efficiency and customer satisfaction. Evaluating performance in this specific way gives employees feedback about what they do well and what requires improvement. The manager can also relate the incidents to how the employee is helping the company achieve its goals. Keeping a daily or weekly log of critical incidents requires significant effort, however, and managers may resist this requirement. Also, critical incidents may be unique, so they may not support comparisons among employees.

A **behaviourally anchored rating scale (BARS)** builds on the critical incident approach. The BARS method is intended to define performance dimensions specifically, using statements of behaviour that describe different levels of performance.[19] (The statements are "anchors" of the performance levels.) The scale in Figure 7.7 shows various performance levels for "listening, understanding, and responding." The statement at the top (rating 5) describes the highest level of listening, understanding, and responding. The statement at the bottom describes behaviour associated with ineffective or counterproductive performance. These statements are based on data about past performance. The organization gathers many critical incidents representing effective and ineffective performance, then classifies them from most to least effective. When experts about the job agree the statements clearly represent levels of performance, they are used as anchors to guide the rater. Although BARS can improve interrater reliability, this method can bias the manager's memory. The statements used as anchors can help managers remember similar behaviours, but at the expense of other critical incidents.[20]

behaviourally anchored rating scale (BARS) Method of performance measurement that rates behaviour in terms of a scale showing specific statements of behaviour that describe different levels of performance.

FIGURE 7.7

BARS Rating Dimension: Customer Service Representative

Competency: Listening, Understanding, and Responding to Customers	
5	Understands the underlying reasons for the customer's behaviour; anticipates and plans for future interactions.
4	Understands and responds to the customer's underlying issues; responds using knowledge of the customer's perspectives and concerns.
3	Listens and responds to customer's unexpressed emotions; solicits input, paraphrases the customer's words, mirrors body language and tone of voice.
2	Listens and responds to customer's expressed emotions; asks questions and responds to customer's feelings or concerns.
1	Provides inappropriate information or service; demonstrates ineffective or counterproductive behaviours in working with the customer, e.g., displayed boredom or interrupted the client.

Source: Adapted from "Manager's HR Toolkit," BC Public Service Agency.

A **behavioural observation scale (BOS)** is a variation of a BARS. Like a BARS, a BOS is developed from critical incidents.[21] However, while a BARS discards many examples in creating the rating scale, a BOS uses many of them to define all behaviours necessary for effective performance (or behaviours that signal ineffective performance). As a result, a BOS may use 15 behaviours to define levels of performance. Also, a BOS asks the manager to rate the frequency with which the employee has exhibited the behaviour during the rating period. These ratings are averaged to compute an overall performance rating. Figure 7.8 provides a simplified example of a BOS for assessing a supervisor's behaviour "overcoming resistance to change."

behavioural observation scale (BOS) A variation of BARS, which uses all behaviours necessary for effective performance to rate performance at a task.

A major drawback of this method is the amount of information required. A BOS can have 80 or more behaviours, and the manager must recall how often the employee exhibited each behaviour in a 6-to-12-month rating period. This is taxing enough for one employee, but managers often must assess ten or more employees. Even so, compared to BARS and graphic rating scales, managers and employees have said they prefer BOS for ease of use, providing feedback, maintaining objectivity, and suggesting training needs.[22]

Another approach to assessment builds directly on a branch of psychology called *behaviourism*, which holds that individuals' future behaviour is determined by their past experiences—specifically, the ways in which past behaviours have been reinforced. People tend to repeat behaviours that have been rewarded in the past. Providing feedback and reinforcement can therefore modify individuals' future behaviour. Applied to behaviour in organizations, **organizational behaviour modification (OBM)** is a plan for

organizational behaviour modification (OBM) A plan for managing the behaviour of employees through a formal system of feedback and reinforcement.

FIGURE 7.8

Example of a Behavioural Observation Scale

Overcoming Resistance to Change

Directions: Rate the frequency of each behaviour from 1 (Almost Never) to 5 (Almost Always).

1. Describes the details of the change to employees.
   Almost Never 1 2 3 4 5 Almost Always
2. Explains why the change is necessary.
   Almost Never 1 2 3 4 5 Almost Always
3. Discusses how the change will affect the employee.
   Almost Never 1 2 3 4 5 Almost Always
4. Listens to the employee's concerns.
   Almost Never 1 2 3 4 5 Almost Always
5. Asks the employee for help in making the change work.
   Almost Never 1 2 3 4 5 Almost Always
6. If necessary, specifies the date for a follow-up meeting to respond to the employee's concerns.
   Almost Never 1 2 3 4 5 Almost Always

Score: Total number of points = ______________________

Performance

Points	*Performance Rating*
6–10	Below expectations
11–15	Developmental
16–20	Meets expectations
21–25	Exceeds expectations
26–30	Outstanding

Scores are set by management.

managing the behaviour of employees through a formal system of feedback and reinforcement. Specific OBM techniques vary, but most have four components:[23]

1. Define a set of key behaviours necessary for job performance.
2. Use a measurement system to assess whether the employee exhibits the key behaviours.
3. Inform employees of the key behaviours, perhaps in terms of goals for how often to exhibit the behaviours.
4. Provide feedback and reinforcement based on employees' behaviour.

OBM techniques have been used in a variety of settings. For example, a community health agency used OBM to increase the rates and timeliness of critical job behaviours by showing employees the connection between job behaviours and the agency's accomplishments.[24] This process identified job behaviours related to administration, record keeping, and service provided to clients. Feedback and reinforcement improved staff performance. OBM also increased the frequency of safety behaviours in a processing plant.[25]

Behavioural approaches such as organizational behaviour modification and rating scales can be very effective. These methods can link the company's goals to the specific behaviour required to achieve those goals. Behavioural methods also can generate specific feedback, along with guidance in areas requiring improvements. As a result, these methods tend to be valid. The people to be measured often help develop the measures, so acceptance tends to be high as well. When raters are well trained, reliability also tends to be high. However, behavioural methods do not work as well for complex jobs in which it is difficult to see a link between behaviour and results or there is more than one good way to achieve success.[26]

For example, women studied in high-tech and professional-services firms tended to get feedback emphasizing how they communicate. This could be relevant in light of research where peers (male and female) judged women harshly when they spoke forcefully.[27] But focusing on communication style overlooks the value of the communicator's messages. Does the problem behaviour in communication breakdowns lie with the speaker, the hearers, or both?

Measuring Results

Performance measurement can focus on managing the objective, measurable results of a job or work group. Results might include sales, costs, or productivity (output per worker or per dollar spent on production), among many possible measures. Two of the most popular methods for measuring results are measurement of productivity and management by objectives.

Productivity is an important measure of success, because getting more done with a smaller amount of resources (money or people) increases the company's profits. Productivity usually refers to the output of production workers, but it can be used more generally as a performance measure. To do this, the organization identifies the outcomes it expects a group or individual to accomplish. At a repair shop, for instance, the desired outcome might be something like "quality of repair." The next step is to define how to measure quality of repair. The repair shop could track the percentage of items returned because they still do not work after a repair and the percentage of quality-control inspections passed. For each measure, the organization decides what level of performance is desired. Finally, the organization sets up a system for tracking these measures and giving employees feedback about their performance in terms of these measures. This type of performance measurement can be time consuming to set up, but research suggests it can improve productivity.[28]

Management by objectives (MBO) is a system in which people at each level of the organization set goals in a process that flows from top to bottom, so employees at all levels are contributing to the organization's overall goals. These goals become the standards for evaluating each employee's performance. An MBO system has three components:[29]

management by objectives (MBO) A system in which people at each level of the organization set goals in a process that flows from top to bottom, so employees at all levels are contributing to the organization's overall goals; these goals become the standards for evaluating each employee's performance.

1. Goals are specific, difficult, and objective. The goals listed in the second column of Table 7.2 provide two examples for a financial institution.

TABLE 7.2

Management by Objectives: Two Objectives for a Financial Institution

Key Result Area	Objective	% Complete	Actual Performance
Loan portfolio management	Increase portfolio value by 5% over the next 6 months	90	Increased portfolio value by 4.5% over the past 6 months
Sales	Generate fee income of $15,000 over the next 6 months	150	Generated fee income of $22,500 over the past 6 months

2. Managers and their employees work together to set the goals.
3. The manager gives objective feedback through the rating period to monitor progress toward the goals. The two right-hand columns in Table 7.2 are examples of feedback given after six months.

MBO can have a very positive effect on an organization's performance. In 70 studies of MBO's performance, 68 showed that productivity improved.[30] The productivity gains tended to be greatest when top management was highly committed to MBO. Also, because staff members are involved in setting goals, it is likely that MBO systems effectively link individual employees' performance with the organization's overall goals.

In general, evaluation of results can be less subjective than other kinds of performance measurement. This makes measuring results highly acceptable to employees and managers alike. Results-oriented performance measurement is also relatively easy to link to the organization's goals. However, measuring results has problems with validity, because results may be affected by circumstances beyond each employee's performance. Also, if the organization measures only final results, it may fail to measure significant aspects of performance that are not directly related to those results. If individuals focus only on aspects of performance that are measured, they may neglect significant skills or behaviours. For example, if the organization measures only productivity, employees may not be concerned enough with customer service. The outcome may be high efficiency (costs are low) but low effectiveness (sales are low, too).[31] Finally, focusing strictly on results does not provide guidance on how to improve.

To increase the accuracy and amount of data and to obtain more frequent employee evaluations, mobile technology offers a promising application, referred to as *event capturing,* which would enable managers to make short descriptive entries (e.g., limit the number of characters) to capture behaviours, outcomes, or performance on an ongoing basis throughout the year. Alternatively, a less sophisticated variation would require managers to send themselves emails with employee observations they save for later retrieval. These frequent, technology-enabled observations not only increase the accuracy and amount of data but also reduce the effect of the recency emphasis error that will be discussed later in the chapter.[32]

Balanced Scorecard

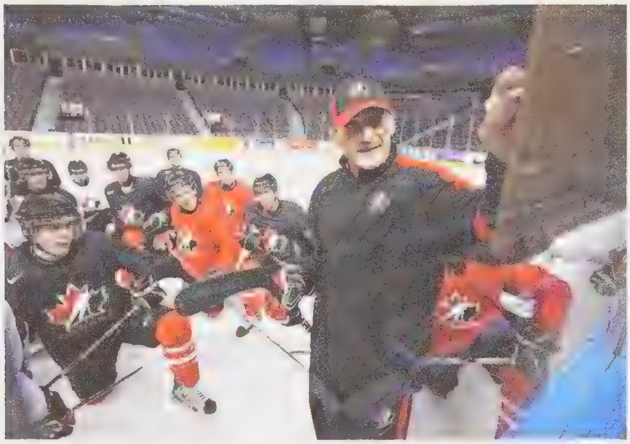
The **balanced scorecard** is an organizational approach to performance management that integrates strategic perspectives including financial, customer, internal business processes, and learning and growth. Robert S. Kaplan and David P. Norton developed this widely adopted approach, illustrated in Figure 7.9. The basic idea is that managers are encouraged to go beyond meeting just traditional financial targets, and recognize and simultaneously monitor the progress of other important goals such as customer

balanced scorecard An organizational approach to performance management that integrates strategic perspectives including financial, customer, internal business processes, and learning and growth.

FIGURE 7.9

The Balanced Scorecard

Source: © Kheng Guan Toh | Dreamstime.com



THE CANADIAN PRESS/Jason Franson

A coach provides feedback to their team just as a manager provides feedback to employees. Feedback is important so that individuals know what they are doing well and what areas they may need to work on.

and employee satisfaction.[33] Use of a balanced scorecard provides the means to align strategy at all levels of the organization and serves as "an excellent guide to measure and manage the performance of all employees."[34] Balanced scorecards are widely used in both the public and private sector. A sampling of the organizations that use balanced scorecards as part of their strategic management and performance management systems includes J. D. Irving Ltd., Canadian Cancer Society, Carleton University, Nova Scotia Power Inc., Cooperators, and Great-West Life Assurance Company.

Sources of Performance Information

All the methods of performance measurement require decisions about who will collect and analyze the performance information. To qualify for this task, a person should have an understanding of the job requirements and the opportunity to see the employee doing the job. The traditional approach is for managers to gather information about their employees' performance and arrive at performance ratings. However, many sources are possible. Possibilities of information sources include managers, peers, direct reports, self, and customers.

Using just one person as a source of information poses certain problems. People tend to like some people more than others, and those feelings can bias how an employee's efforts are perceived. Also, one person is likely to see an employee in a limited number of situations. A supervisor, for example, cannot see how an employee behaves when the supervisor is not there—for example, when a service technician is at the customer's facility. To get as complete an assessment as possible, some organizations combine information from most or all of the possible sources, in what is called a *multi-rater* or **360-degree performance appraisal**.

360-degree performance appraisal
Performance measurement that combines information from the employee's managers, peers, direct reports, self, and customers.

The John Molson School of Business at Montreal's Concordia University conducted a study to learn about the experiences of 101 large Canadian organizations with 360-degree programs. The study found that 43 percent of the organizations surveyed used 360-degree, that is, multi-rater approaches. Companies are using 360-degree performance reviews because of advantages including increased measurement accuracy and perceived fairness. Respondents also identified challenges such as resistance from individuals because of concerns about the process being time, cost, and energy consuming; trust issues including anonymity of feedback; and the need to ensure a clear purpose and link to organizational strategy are in place before implementing 360-degree performance appraisal.[35] Netflix instituted informal 360-degree performance reviews when they stopped doing formal performance reviews. The 360-degree reviews were kept simple, people were asked to "identify things that colleagues should stop, start, or continue." Initially, an anonymous software system was used, but later that shifted to the use of signed feedback, and now many teams hold their 360-degree reviews face-to-face.[36]

Managers and Supervisors

The most-used source of performance information is the employee's manager or supervisor. It is usually safe for organizations to assume that managers have extensive knowledge of the job requirements and that they have enough opportunity to observe their employees. In other words, managers possess the basic qualifications for this responsibility. Another advantage of using supervisors and managers to evaluate performance is that they have an incentive to provide accurate and helpful feedback, because their own success depends so much on their employees' performance.[37] Finally, when supervisors and managers try to observe employee behaviour or discuss performance issues in the feedback session, their feedback can improve performance, and employees tend to perceive the appraisal as accurate.[38]

Still, in some situations, problems can occur with using managers and supervisors as the source of performance information. For employees in some jobs, the manager or supervisor does not have enough opportunity to observe the employee performing job duties. A sales manager with many offsite sales associates cannot be with the sales associates on many visits to customers. Even if the sales manager does make a point of travelling with sales associates for a few days, they are likely to be on their best behaviour while the manager is there. The manager cannot observe how they perform at other times.

Peers

Another source of performance information is the employee's peers or co-workers. Peers are an excellent source of information about performance in a job where the supervisor does not often observe the employee. Examples include law enforcement and sales. For these and other jobs, peers may have the most opportunity to observe the employee in day-to-day activities. Peers have expert knowledge of job requirements. They also bring a different perspective to the evaluation and can provide extremely valid assessments of performance.[39]

Peer evaluations obviously have some potential disadvantages. Friendships (or rivalries) have the potential to bias ratings. Research, however, has provided little evidence that this is a problem.[40] Another disadvantage is that when the evaluations are done to support administrative decisions, peers are uncomfortable with rating employees for decisions that may affect themselves. Generally, peers are more willing to participate in reviews to be used for employee development.[41]

Direct Reports

For evaluating the performance of managers, direct reports are an especially valuable source of information. Direct reports—the people reporting to the manager—often have the best chance to see how well a manager treats employees. At HCL Technologies, for example, managers not only receive reviews from their employees but also are expected to publish the reports on the company's internal website to create a climate that values open communication and personal development. Sanjeev Nikore, a vice-president who did this, learned that his employees found him resistant to delegating. He acknowledged he needed to improve his people skills, made some changes, and earned a key promotion.[42]

Direct-report evaluations have some potential problems because of the power relationships involved. Direct reports are reluctant to say negative things about the person to whom they report; they prefer to provide feedback anonymously. Managers, however, have a more positive reaction to this type of feedback when the employees are identified. When feedback requires that the direct reports identify themselves, they tend to give the manager higher ratings.[43] Another problem is that when managers receive ratings from direct reports, the employees have more power, so managers tend to emphasize employee satisfaction, even at the expense of productivity. This issue arises primarily when the evaluations are used for administrative decisions. Therefore, as with peer evaluations, direct report evaluations are most appropriate for developmental purposes. To protect employees, the process should be anonymous and use at least three employees to rate each manager.

Despite these challenges, direct report ratings of managers could become even more widespread for the simple reason that individuals are growing used to the experience of using social media to publish online ratings of everything from movies and restaurants to professors and doctors.

Self

No one has a greater chance to observe the employee's behaviour on the job than does the employee themself. Self-ratings are rarely used alone, but they can contribute valuable information. A common approach is to have employees evaluate their own performance before the feedback session. This activity gets employees thinking about their accomplishments and performance. Areas of disagreement between the self-appraisal and other evaluations can be fruitful topics for the feedback session. At an Australia-based software company called Atlassian, self-appraisals are part of weekly performance feedback. Employees use an online app that displays performance-related questions such as, "How often have you stretched yourself?" and lets employees move a dot along a scale with a range of possible answers. The responses then serve as a catalyst for discussion in meetings between each employee and their supervisor.[44]

The obvious problem with self-ratings is that individuals have a tendency to inflate assessments of their performance. Especially if the ratings will be used for administrative decisions, exaggerating one's contributions has practical benefits. Also, social psychologists have found that, in general, people tend to blame outside circumstances for their failures while taking a large part of the credit for their successes. Supervisors can reduce this tendency by providing frequent feedback, but, because people tend to perceive situations this way, self-appraisals are not appropriate as the basis for administrative decisions.[45]

Customers and Clients

Services are often produced and consumed on the spot, so the customer or client is often the only person who directly observes the service performance and may be the best source of performance information. Many companies in service industries have introduced customer evaluations of employee performance. Marriott provides a customer satisfaction survey to a random sample of its hotel customers. Whirlpool's Consumer Services Division conducts surveys of customers after factory technicians have serviced their appliances. These surveys allow the company to evaluate an individual technician's customer-service behaviours while in the customer's home.

Using customer evaluations of employee performance is appropriate in two situations.[46] The first is when an employee's job requires direct service to the customer or linking the customer to other services within the organization. Second, customer evaluations are appropriate when the organization is interested in gathering information to determine what products and services the customer wants. That is, customer evaluations contribute to the organization's goals by enabling HRM to support the organization's marketing activities. In this regard, customer evaluations are useful both for evaluating an employee's performance and for helping to determine whether the organization can improve customer service by making changes in HRM activities such as training or compensation.

The weakness of using customer feedback for performance measurement is the expense. The expenses of a traditional survey can add up to hundreds of dollars to evaluate one individual. Many organizations therefore limit the information gathering to short periods once a year.

Crowdsourcing Performance Appraisal

The collaborative tools of social media can allow individuals to work together by contributing small pieces to a bigger project. Especially when this is done on a large scale, it is known as *crowdsourcing*. With regard to performance management, crowdsourcing can apply to gathering and using data from all of an employee's co-workers or all of a manager's employees to develop an appraisal—a variation of 360-degree performance appraisal, discussed previously in this chapter. Similarly, one attraction of this approach is that the information will be more complete so employees may consider the resulting appraisal to be more accurate and fair.

Gathering performance data through an online app could further improve the timeliness, accuracy, and completeness of information by inviting employees to post performance information whenever they observe it. The company might even open up the submission of feedback to the whole organization. Suppose a salesperson is trying to solve a customer problem and gets valuable help from one of the engineers; the salesperson could visit the appraisal site and post an appreciative comment describing the situation. Assuming that employees can read the feedback about themselves as it is posted, this type of information gathering also provides positive recognition—or in the case of negative comments, early warning of problems to correct.

A growing number of companies are attracted to the potential and are beginning to use some form of crowdsourced appraisals. However, the approach does raise some concerns. One is that employees may not be motivated to provide careful feedback about their co-workers. They might, for example, find it easier to rate employees based on likability. Another is that bringing everyone into the appraisal process can conflict with legal requirements. As described later in this chapter, performance appraisals are used as evidence to show that employment decisions have not been discriminatory. If courts see appraisals as too subjective, employers defending a discrimination claim could run into trouble. Still, the idea that more voices add more information, and that more information will increase accuracy, continues to attract favourable attention. Employers are motivated to overcome the concerns about fairness and legal requirements, so crowdsourcing may indeed be part of the future of appraisals.

LO4 Errors in Performance Measurement

Research consistently reveals that humans have tremendous limitations in processing information. Because we are so limited, we often use "heuristics," or simplifying mechanisms, to make judgments, whether about investments or about people.[47] These heuristics, which appear often in subjective measures of performance, cause unconscious bias, which can lead to rater errors and incorrect attributions or reasons we use to explain an employee's performance. **Unconscious bias** is a judgment outside our consciousness that affects decisions based on background, culture, and personal experience. We are all subject to unconscious bias. For example, research has found that, compared to men, women receive two and one-half times more feedback about having an aggressive communication style.[48] Also, men tend to receive more feedback linked to a business outcome than do women. It doesn't matter whether the manager conducting the performance evaluation was a man or a woman. Biases may result in gender-based double standards—women need to outperform men to be evaluated the same or that a situation is viewed positively or negatively based on gender. For example, in a pair of performance evaluations the manager noted the female's *analysis paralysis* but a similar behaviour demonstrated by a male was considered *appropriately careful:*

unconscious bias A judgment outside our consciousness that affects decisions based on background, culture, and personal experience.

- "Simone seems paralyzed and confused when facing tight deadlines to make decisions."
- "Cameron seems hesitant in making decisions, yet he is able to work out multiple alternative solutions and determine the most suitable one."[49]

Types of Rating Errors

Table 7.3 shows the different types of rating errors. The "similar to me" error is based on stereotypes the rater has about how individuals with certain characteristics are expected to perform.[50] Leniency, strictness, and central tendency are known as distributional errors because the rater tends to use only one part of the rating scale.

Appraisal politics refer to evaluators purposefully distorting a rating to achieve personal or company goals. Research suggests that several factors promote appraisal politics. These factors are inherent in the appraisal system and the company culture. Appraisal politics are most likely to occur when raters are accountable to the employee being rated, there are competing rating goals, and a direct link exists between performance appraisal and highly desirable rewards. Also, appraisal politics are likely to occur if top executives tolerate distortion or are complacent toward it.

appraisal politics Evaluators purposefully distorting a rating to achieve personal or company goals.

What Can Be Done to Reduce Errors?

Approaches to reducing performance measurement errors include rater error training, rater accuracy training, unconscious bias training, and calibration meetings.

Rater Error Training

Rater error training attempts to make managers aware of rating errors and helps them develop strategies for minimizing those errors.[51] These programs may consist of having the participants view video-recorded vignettes designed to elicit rating errors such as "contrast." They then make their ratings and discuss how the error influenced the ratings. Finally, they get tips to avoid committing those errors. This approach has been shown to be effective for reducing errors, but there is evidence that reducing rating errors can also reduce accuracy.[52]

Rater Accuracy Training

Rater accuracy training, also called *performance dimension training* or *frame-of-reference training,* attempts to emphasize the multidimensional nature of performance and to get raters to understand and use the same idea of high, medium, and low performance when making evaluations. This involves providing examples of performance for each dimension and then discussing the actual or "correct" level of performance that the example represents.[53] Accuracy training seems to increase accuracy, provided that the raters are held accountable for ratings, job-related rating scales are used, and raters keep records of the behaviours they observe.[54]

Unconscious Bias Training

In addition to these approaches many companies, such as Microsoft, Google, Facebook, and Dow Chemical, are

TABLE 7.3

Types of Rating Errors

Rating Error	Description
"Similar to me" error	Individuals who are similar to us in race, gender, background, interest, beliefs, and the like receive higher ratings than those who are not.
Contrast error	Ratings are influenced by comparison between individuals instead of an objective standard (e.g., employee receives lower-than-deserved ratings because they are compared to outstanding peers).
Strictness	Rater gives low ratings to all employees regardless of their performance.
Leniency	Rater gives high ratings to all employees regardless of their performance.
Central tendency	Rater gives middle or average ratings to all employees despite their performance.
Halo	Rater gives employee high ratings on all aspects of performance because of an overall positive impression of the employee.
Horns	Rater gives employee low ratings on all aspects of performance because of an overall negative impression of the employee.
Recency emphasis	Rater bases an annual or longer-term rating only on the employee's most recent work.

requiring employees to participate in training programs to reduce the potential influence of unconscious bias in performance evaluations and other work-related decisions (e.g., promotions).[55] These training programs focus on helping employees become aware of unconscious bias and reducing its impact by slowing down decision making and carefully considering reasons behind and language used in decisions about people.

Calibration Meetings

calibration meetings Meeting at which managers discuss employee performance ratings and provide evidence supporting their ratings with the goal of eliminating the influence of rating errors.

An important way to help ensure that performance is evaluated consistently across managers and to reduce the influence of unconscious bias and rating errors is to hold calibration meetings.[56] **Calibration meetings** provide a way to discuss employees' performance with the goal of ensuring that similar standards are applied to their evaluations. These meetings include managers responsible for conducting performance appraisals and their managers; they are facilitated by an internal HR representative or an external consultant. In the meetings, each employee's performance rating and the manager's reasons for the ratings are discussed. Managers have the opportunity to discuss the definition of each performance rating and ask questions. The calibration meetings help managers identify if their ratings are too positive or negative or tend to be based on employees' most recent performance. Managers are more likely to provide accurate evaluations that are well documented when they know they may have to justify them in a calibration meeting. Calibration meetings can also help eliminate politics by discussing how performance ratings relate to business results.

Using Data Analytics, Analysts, and Ratee training

Besides training raters, a growing number of organizations are bringing *data analytics* into the rating process. When mobile apps and wearable devices can track employees' activities, analytic software can find patterns in what employees do, as well in the messages they post within the organization's computer network and beyond. Some organizations, including Facebook, use *analysts* to look for evidence of bias in performance evaluations. For example, are words like "abrasive" being used more frequently to describe women than men? And what effect might this have on their evaluations, opportunities for advancement, and/or pay?[57]

Performance management experts also tend to advocate for *ratee training* in addition to rater training to improve both rating accuracy and acceptance of the performance management system.[58]

Performance Feedback

Once the manager (and others) have assessed an employee's performance, this information needs to be shared with the employee. Although the feedback stage of performance management is essential, it may be uncomfortable to managers and employees and may even undermine employee engagement and commitment if not handled effectively. In a productive and meaningful performance feedback session both parties need to feel heard, understood, and respected even if they don't necessarily agree on all of the points discussed.[59] And many employees apparently appreciate the importance of performance reviews. Results of a Ceridian Canada and Harris Decima survey stated that 71 percent of employees said their performance review made them feel valued and 91 percent said their performance reviews either met (79 percent) or exceeded (12 percent) their expectations.[60]

Effective Performance Feedback

Feedback Should Be Given Frequently, Not Once a Year

Performance feedback should be a regular, expected management activity. The practice or policy at many organizations is to give formal performance feedback once or twice a year. But annual or even semi-annual feedback is not enough to support employees to maintain high levels of performance or deal with any performance gaps. Another reason for frequent performance feedback is that feedback is most effective when the information does not surprise the employee. If employees have to wait for up to a year to learn what the manager thinks of their work, employees will wonder whether they are valued and fully meeting

TABLE 7.4

Examples of Questions that Start a Collaborative Ongoing Performance Conversation

- What's working?
- Where did you get stuck?
- How can I help?
- What have you learned?
- What would you do differently next time?
- What skills would you like to develop?
- What would you like to discuss today?
- What do you see as the next steps?
- When can I check in with you next?

Source: Based on M. Buckingham, "Out With the Old In With. . .," *TD*, August 2016, pp. 44–48; "Goodyear Performance Management Optimization Case Study," presented on September 6, 2016, to MHR 4328 Performance Management class, The Ohio State University.

expectations. Employees should instead receive feedback so often that they know what the manager will say during formal annual/semi-annual performance evaluations.

Generational differences in the workplace may contribute to different perspectives about what is *timely* feedback. Millennials may expect immediate feedback because their reference points are often built around short time frames and accomplishments.[61] Ernst and Young created an online "Feedback Zone," where employees can request or submit performance feedback at any time beyond the formal evaluations required twice a year. The Conference Board of Canada found that almost half of both Generation X employees and Millennials indicated they preferred feedback "as needed," in contrast to less than 10 percent stating a preference for annual feedback. These results support existing research indicating that "Millennials expect leaders to be freely available to give frequent feedback."[62]

Social media tools similar to Facebook and Twitter are increasingly being used to deliver timely feedback. **Social performance management** refers to systems similar to Facebook, LinkedIn, and Yammer, and apps that allow employees to quickly exchange information, talk to each other, provide coaching, and receive recognition. Social performance management is especially valued by Millennials and Generation Z employees, who have grown up connecting to others through social networking via smartphones and computers.[63]

social performance management Social media and microblogs similar to Facebook, LinkedIn, and Yammer that allow employees to quickly exchange information, talk to each other, provide coaching, and receive feedback and recognition.

Create the Right Context for the Discussion

The manager should create the appropriate context for the discussion. Being well prepared and choosing a distraction-free neutral location for the feedback session are important. Managers should describe the meeting as an opportunity to discuss the role of the employee, the role of the manager, and the relationship between them. Managers should also authentically approach feedback sessions with a mindset of curiosity, appreciation, and openness to creating dialogue.

Ask the Employee to Rate Their Performance Before the Session

Managers should also enable the employee to be well prepared for a formal feedback session. For example, the manager could ask the employee to complete a self-assessment in advance. The self-assessment requires employees to think about their performance over the past rating period and to be aware of their strengths and areas for improvement, so they can participate more fully in the discussion. Also, differences between the manager's and the employee's rating may be fruitful areas for discussion.

© Ryan McVay/Getty Images

When giving performance feedback, do it in an appropriate meeting place. Meet in a setting that is neutral and free of distractions. What other factors are important for a feedback session?

Have Ongoing, Collaborative Performance Conversations

Managers should use a "problem-solving" or collaborative approach to work with employees to address performance gaps in an atmosphere of respect and encouragement. Table 7.4 provides examples of questions that managers can use to start a collaborative ongoing performance conversation with their employees.When employees participate in the feedback session, they are consistently satisfied with the process. (Recall the discussion of fairness earlier in this chapter.) Participation includes allowing employees to voice their opinions of the evaluation, as well as to discuss performance goals and development needs.

Moving to an ongoing collaborative performance conversation is necessary to reduce the anxiety, uncertainty, and feelings of lack of fairness and control that employees typically experience in a manager-driven "tell-and-sell" or "tell-and-listen" approach.[64] This approach to performance feedback is consistent with creating a coaching culture to manage, assess, and develop employees and requires managers to have well-developed coaching skills.[65]

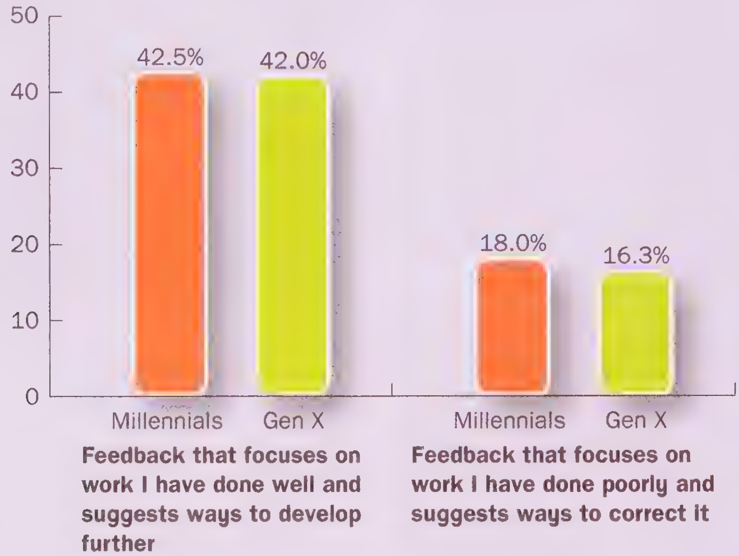
Provide Balanced, Accurate Feedback That Emphasizes Behaviour and Goal Setting

Feedback should include a balanced and accurate assessment of how the employee is doing. The discussion should include a specific discussion of areas in which the employee's performance met, exceeded, and fell short of expectations. As shown in the Did You Know?, Millennial and Generation X employees tend to prefer positive feedback.

Did You KNOW?

Millennials and Generation X Employees Prefer Praise to Corrective Feedback

Given the choice, both Millennials and Generation X employees are more than twice as likely to prefer feedback that focuses on work done well rather than work done poorly.



Source: Naoko Hawkins, Jane Vellone, and Ruth Wright, "Workplace Preferences of Millennials and Gen X: Attracting and Retaining the 2020 Workforce," Table 5: Type of Feedback on Job Performance Preferred by Millennials and Gen X, June 2014, *The Conference Board of Canada*, p. 25.

Any areas of required improvement should lead to problem solving. The content of the feedback should emphasize behaviour, not personalities. For example, "Why was the deadline missed?" can open a conversation about what needs to be done differently, but "You're not motivated" is likely to result in the employee feeling defensive and angry. The feedback session should end with goal setting and a decision about when to follow up. The HR How-To box provides additional guidance on providing performance feedback.

Performance Improvement

When performance evaluation indicates that an employee's performance is below expectations, the feedback process should launch an effort to address the performance gap. Even when the employee is meeting current standards, the feedback session may identify areas in which the employee can improve in order to contribute more to the organization in a current or future job. The final feedback stage of performance management involves identifying areas for improvement and ways to improve performance in those areas.

The most effective way to improve performance varies according to the employee's ability and motivation. In general, when employees have high levels of ability and motivation, they perform at or above expectations. But when an employee lacks ability, motivation, or both, corrective action is needed. The type of action called for depends on what is missing:

- **Lack of ability**—When a motivated employee lacks knowledge, skills, or abilities in some area, the manager may offer training and more detailed feedback. Sometimes it is appropriate to restructure the job so the employee can meet the job demands.
- **Lack of motivation**—Managers with an unmotivated employee can explore ways to demonstrate that the employee is valued. The solution may be as simple as delivering more positive feedback. Employees may also benefit from a referral for counselling or help with stress management.

HR How-To

Discussing Employee Performance

Employees and managers often dread feedback sessions, because they expect some level of criticism, and criticism feels uncomfortable. However, there are ways to structure communication about employee performance so that it is constructive. Here are some ideas for talking about employee performance in a way that is clear, honest, and fair:

- **Use specific, concrete examples.** Statements about "attitude" or "commitment" require some mind reading, and employees may feel misunderstood. In contrast, references to specific accomplishments and examples of behaviour are more objective. Even if the supervisor is concerned about attitude, talking about behaviours can open a discussion of the real changes that might be needed: "Several customers commented that you seemed angry when you spoke to them. Let's talk about what's happening in those conversations so you can come across to customers as supportive."
- **Listen as well as talk.** Especially when the reviewer is nervous, the instinct is to fill up the meeting time with comments. However, the feedback session is a valuable opportunity for the supervisor to learn about the employee's expectations and hopes for learning and advancement. Also, ahead of the meeting, invite the employee to reflect on their accomplishments. Open the meeting by inviting the employee to talk about these accomplishments.
- **Be candid.** If performance is not acceptable, don't pretend that it is. Pretending is disrespectful of the employee and could get the organization in legal trouble if the employee is later let go and believes the company discriminated. If the employee asks a question and the supervisor is unsure of the answer, candour and honesty are the wisest course. Guessing at an answer related to an employee's future is another way to create problems for the organization, as well as for the supervisor's relationship with the employee.
- **Be positive.** Be positive within the parameters of honesty and authenticity. Instead of negative expressions like "You shouldn't," use positive language such as "What if we tried." Demonstrate appreciation by thanking employees for their contributions.
- **Prepare for success.** Look forward to the future as well as backward at past performance. For areas where you expect a change in performance, help the employee arrive at a plan for how to make that change. Furthermore, either take time to discuss goals for career development or plan a time to do so.

Sources: Eric Kilponen, "How to Talk Your Way to Better Employee Performance," Insperity blog, http://www.insperity.com, accessed May 9, 2016; Kristi Hedges, "How to Give Concise Positive Feedback," *Forbes,* October 7, 2015, http://www.forbes.com; Scott Halford, "Five Steps for Giving Productive Feedback," *Entrepreneur,* http://www.entrepreneur.com, accessed June 20, 2016; Bureau of National Affairs, "For Better Reviews, Discuss Money First, Avoid 'Compliment Sandwiches'" *HR Focus,* June 2013, pp. 8–9; Andrea Murad, "How to Deliver Feedback to Employees Without Squashing Morale," *Fox Business,* May 24, 2013, http:www.foxbusiness.com.

- **Lack of both**—Employees whose performance is below expectations because they have neither the motivation nor the ability to perform the job may not be a good fit for the position or even the organization.

A documented performance improvement plan may be introduced by the manager as a means to discuss and reach agreement on next steps. A **performance improvement plan** is a summary of the performance gap(s) and includes an action plan mutually agreed to by the employee and manager with specific dates to review progress. If the employee does not authentically respond by changing mindset, behaviour, and performance results, the organization may have to demote or terminate the employee.

performance improvement plan Summary of performance gaps and includes an action plan mutually agreed to by the employee and supervisor with specific dates to review progress.

Legal, Ethical, and Privacy Issues

In developing and using performance management systems, human resources professionals and managers need to ensure that these systems meet legal requirements and thoughtfully address ethical considerations and privacy requirements.

Legal Requirements for Performance Management

Because performance measures play a central role in decisions about pay, promotions, and discipline, employment-related legal challenges may be directed at an organization's performance management system. Legal challenges related to performance management usually involve charges of illegal discrimination, and unjust or constructive dismissal.

Claims often allege that the performance management system discriminated against employees on the basis of one of the protected grounds identified in human rights legislation such as age or sex (gender), or ethnicity. Many performance measures are subjective, and measurement errors, such as those described earlier in the chapter, can easily occur.

With regard to lawsuits filed on the grounds of unjust or constructive dismissal, the usual claim is that the person was dismissed for reasons besides the ones that the employer states. In this type of situation, courts generally focus on the employer's performance management system, looking to see whether the dismissal could have been based on poor performance. The employer needs a performance management system that provides evidence to support its employment decisions.

To protect against these legal challenges, it is important to have a performance management system based on valid job analysis, as described in Chapter 3, with the requirements for job success clearly communicated to employees. Performance measurement should evaluate behaviours or results on the basis of objective criteria. The organization should use multiple raters (including self-appraisals) and train raters (and ratees) in how to use the system. The organization should provide for a review of all performance ratings by upper-level managers and set up a system for employees to appeal when they believe they were evaluated unfairly. Along with feedback, the system should include a process for coaching or training employees to help them improve, rather than simply dismissing poor performers.

Supervisors and managers must also be careful to ensure performance feedback does not go beyond

Thinking ETHICALLY

What Are the Ethical Boundaries of Tracking Employee Activities?

Mobile and wearable devices are making it easier than ever to track what employees do at work. True, measuring physical motions of workers goes back to the Industrial Age. But motion-sensing devices (think Fitbit or Xbox Kinect for the workplace) make data collection precise and affordable. Add to this the ease of data entry via smartphones and tablets, as well as computers positioned on workstations, and there are almost no limits to what employers can know about employees' activities.

Examples of how employers are using the technology include the measurement of computer keystrokes, employee traffic patterns as they walk, and driving patterns of employees who travel or make deliveries in company vehicles. An ad agency has employees sign in each day by posting selfies on a designated social-media service; it says the advantage is that it can easily keep attendance when employees are working off-site.

Along with the ability to gather data come questions about whether some kinds of data are or should be off-limits. Although employers have some legal latitude to observe employees on the job, monitoring has to be in working areas during work hours. Also, employers should be careful to use monitoring consistently. Employers also need to consider ethical boundaries such as fairness, consent, and mutual respect.

One relevant consideration is that data can empower employees as well as management. In one situation, an employee juggling home and work responsibilities asked to start work at 10 a.m. The company was reluctant, but when it measured her performance, it found that this employee was significantly more productive on the days she started later. Armed with the data, the employee made the case for a flexible work arrangement.

Questions

1. What is your perspective on the use of tech-enabled collection of performance data?
2. Imagine you work for a hospital that wants to track the travel patterns of its nurses to ensure they work efficiently and that each patient is visited a certain number of times each day. What measures would you recommend to promote fairness in the way the system is implemented?

Sources: "The Future of Wearables in the Workplace," *Management Today*, December 2015/January 2016, pp. 52–55; Chitra Narayanan, "Roll Call on Twitter," *Business Today*, July 19, 2015, pp. 34–35; Lee Michael Katz, "Big Employer Is Watching," *HR Magazine*, June 2015, pp. 67–74.

"reasonable criticism." The Ontario Court of Appeal provided guidance to what a supervisor can and cannot do in the context of performance appraisal and performance improvement in the case of Viren Shah, a 12-year employee at Xerox Canada. The court determined that Shah's manager passed beyond the "bounds of reasonableness" when Shah received critical performance reviews that were not based on any substantiated concerns and the manager's behaviour was described as "authoritarian, impatient, and intolerant."[66] As discussed in Chapter 2, provinces including Ontario, Saskatchewan, and Quebec have legislation that expands the definition of harassment, but employees in other provinces also have protection from employers who go too far in their criticism of employees.[67]

Ethical and Privacy Issues

Companies increasingly rely on electronic tracking and monitoring systems to ensure that employees are working when and how they should be and to block access to certain websites (such as those containing inappropriate images). These systems include handprint and fingerprint recognition systems; global positioning systems (GPS), software that can track employees using smartphones and notebook computers; and wearables.

For example, in the trucking industry, drivers are monitored continually.[68] An onboard computer records whether the driver is on or off duty, documents the driver's gas mileage, and tells them where to get fuel. If the truck stops while the driver is on duty, they are asked to provide an explanation. The electronic monitoring system built in to the computer tells the driver which route to follow and records even slight deviations from the route due to traffic or accidents. UPS uses a computer analysis program to monitor its delivery drivers. This helps them avoid wasting time and fuel on left-hand turns on their routes. It also helps promote driver safety by documenting seat belt usage and how many feet a driver backs up, which is a dangerous manoeuvre. Uber uses an app that includes sensors in a driver's smartphone to detect when the driver moves or touches their phone, such as during texting. The app also tracks when drivers speed, cut corners, or brake severely. The purpose of the app is to help drivers improve by providing them with more detailed data than the ratings they receive from customers. The data also provide a record that can protect them from groundless customer complaints.[69]

Companies are also using software that analyzes employees' computers and creates a profile.[70] Over time, the software is able to create a baseline of normal behaviour, including where they log in, what programs and databases they use, and which external websites they browse. It also provides a score for users (a risk score) based on what dangers they may pose to the company, such as stealing data or new product designs or viewing pornography. Software applications can be used to evaluate the content of employees' email and other communications. The software scans for variations in language usage in the emails such as an increase in the use of a phrase such as "missed payment," which may mean the employee is at an increased risk for stealing.

Wearables allow us to track our sleep, steps, and exercise levels. Companies offer health-tracking wearables to employees as part of wellness programs designed to reduce health care costs. For example, IBM distributes Fitbits to employees to encourage them to exercise and maintain a healthy lifestyle.[71] Despite the potential increased productivity and efficiency benefits that can result from these systems, they still present privacy concerns.[72] Critics argue that these systems threaten to reduce the workplace to an electronic sweatshop in which employees are treated as robots that are monitored to maximize productivity for every second they are at work. Also, electronic monitoring systems threaten employees' perceived rights and dignity to work without being monitored.

Some critics argue that electronic tracking systems are needlessly surveilling and tracking employees when there is no reason to believe that anything is wrong. Good managers know what their employees are doing, and electronic systems should not be a substitute for good management. Critics also argue that such systems result in less productivity and motivation, demoralize employees, and create unnecessary stress. A mentality is created that employees always have to be at their desks to be productive. Wearable devices have the potential to gather a much broader range of information than other types of monitoring technology. But most employees don't know what data are being collected, and health and personal data collected by a wearable are not necessarily private or secure. Even when participation in company wellness programs is voluntary and the adoption of wearables is optional, employees may feel pressure to participate and resent the need to do so.

However, electronic monitoring can ensure that time is not abused, it can improve scheduling, and it can help motivate workers and improve performance.[73] To avoid the potential negative effects of electronic monitoring, managers must communicate to employees why they are being monitored. Monitoring may be used more positively to gather information for coaching employees and helping them develop their skills.

Although electronic monitoring can improve productivity, it also generates privacy concerns. Critics point out that an employer should not monitor employees when it has no reason to believe that anything is wrong. Critics complain that monitoring systems threaten to make the workplace an electronic sweatshop in which employees are treated as robots, robbing them of dignity. Some note that employees' performance should be measured by accomplishments, not just time spent at a desk or workbench. Electronic systems should not be a substitute for careful management.

As discussed in Chapter 2, privacy legislation (e.g., the federal Personal Information Protection and Electronic Documents Act [PIPEDA]) has additional implications for performance management. Organizations are required to ensure that personal information including an employee's performance review is securely protected, retained only for a specified time, and accessible to the employee.

SUMMARY

LO1 Describe the relevance, purpose, and criteria associated with an effective performance management system.

Many organizations are questioning and scrutinizing the effectiveness of their performance management systems. As a result, organizations are transforming their approaches to performance management. The most frequent change to performance management systems is adopting a feedback, coaching, and developmental focus. Performance management systems are intended to meet three broad purposes: strategic, administrative, and developmental.

LO2 Identify the activities involved in performance management.

How performance management is handled is a key part of the employee experience. Performance management is the process through which managers ensure that employees' activities and outputs contribute to the organization's goals. The organization begins by specifying which aspects of performance are relevant; the relevant aspects of performance are measured through performance appraisal; and in performance feedback sessions, employees receive information about their performance.

LO3 Compare the major performance management methods and sources of information.

The methods for measuring performance include approaches that compare employees' performance or look at each employee's performance individually by rating attributes or behaviours, or by measuring results. Performance information may come from an employee's self-appraisal or from others including the employee's manager, peers, direct reports, and/or customers and clients. Each option has associated strengths and weaknesses. Performance management systems may integrate several of these sources in the form of 360-degree performance appraisal or crowdsourcing.

LO4 Explain how to minimize rating errors and effectively provide performance feedback.

Performance measurement can be distorted by unconscious bias, rating errors, and appraisal politics. Performance measurement errors can be reduced by providing rater error training, rater accuracy training, unconscious bias training, and calibration meetings, as well as using data analytics and analysts, and providing training to employees (ratees). Performance feedback should be a regular, scheduled management activity, carried out in a way that both parties feel heard, understood, and respected.

LO5 Discuss some of the legal, ethical, and privacy issues that impact performance management.

Legal issues related to performance management usually involve claims of discrimination, psychological harassment, and constructive or unjust dismissal. Managers must make sure that performance management systems and decisions treat employees fairly, without regard to their age, sex (gender), ethnicity, or other prohibited grounds. An ethical issue of performance management is the use of electronic tracking and monitoring systems.

CRITICAL THINKING QUESTIONS

1. Why are companies changing their performance management systems? Is this a good idea? Explain your answer.
2. Give two examples of an administrative decision that would be based on performance management information. Give two examples of developmental decisions based on this type of information.
3. Consider how you might rate the performance of three instructors from whom you are currently taking a course. (If you are currently taking fewer than three courses, consider this one and two you recently completed.)
    - **a.** Would it be more difficult to *rate* the instructors' performance or to *rank* their performance? Why?
    - **b.** Prepare two items to use in rating the instructors—one each to rate them in terms of a behaviour and an outcome.
    - **c.** Which measure in (b) do you think is most valid? Most reliable? Why?
    - **d.** Many universities and colleges use surveys or questionnaires to gather data from students about their instructors' performance. Would it be appropriate to use the data for administrative decisions? Developmental decisions? Other decisions? Why or why not?
4. What do you think is the most important step shown in the performance management process? Explain your answer.
5. Do you think performance ratings are necessary? Why or why not?
6. Explain what fairness has to do with performance management.
7. Why might a manager unintentionally distort performance ratings or the reasons used to explain

an employee's performance? What would you recommend to minimize this problem?

8. Describe a time when you received performance feedback that resulted in you feeling valued. What aspects of effective performance feedback discussed in this chapter contributed to this positive feedback experience?

9. How can the use of technology enhance the performance management process? What concerns or issues could arise?

10. Can electronic monitoring and tracking of performance ever be acceptable to employees? Explain.

EXPERIENCING HR—IS IT AGEISM OR A PERFORMANCE ISSUE?

You are an HR Business Partner (HR Generalist). One of your clients is Gretchen, a first-time manager who was recently promoted to the position of Supervisor–Technical Writing. She has called you seeking your advice. Note: The Supervisor—Technical Writing position is accountable for several writers who write, revise, and maintain technical policy and procedure documents for a telecommunications company.

Gretchen: "I am enjoying the new job and would value your advice about one of the writers. I get frustrated with her periodically, and she happens to be the oldest person on my team. it's Rachel—she's in her 60s, I guess. There's a lot of things that seem to come easily to all the other writers but with Rachel, I have to keep asking her for her content updates and ideas. Everyone else on the team comes up with a monthly set of plans and priorities but Rachel says she needs me to give her ideas. I've been letting this slide with her because of some personal problems she's been struggling with but also because I'm worried that perhaps at least some of my frustration comes from ageism. Rachel is not quick to respond to emails, she struggles with using digital tools on the new authoring platform, and gets defensive when I give her feedback. Rachel is a very kind person and sometimes she turns in really good work but I'm concerned that she's not happy to have a supervisor who is so much younger: Rachel's younger sister went to high school with my mother! I'm considering lightening her work load in the coming weeks to take off some strain and see if that makes a difference. I value your perspective. Is this a valid performance issue or is this a reality check for me—that I could be guilty of being too hard on Rachel because of her age?

What evidence would you look for to help you understand whether Gretchen is "guilty" of ageism? What behaviours (e.g., words or action) would be associated with a supervisor demonstrating ageism? What behaviours (e.g., words or actions) would be associated with a supervisor demonstrating an appropriate approach to dealing with an employee's performance gap? Write a one-page summary of your findings that you will use to guide your follow-up conversation with Gretchen. What credible and current sources did you access to inform your findings?

Based on: Alison Green, "Am I Guilty of Age Discrimination at Work?" *The Cut,* April 17, 2018, https://www.thecut.com; Kate Rockwood, "Hiring in the Age of Ageism," *HR Today,* February 2018, https://www.shrm.org; Sarah Dobson, "Older Tech Workers Face Ageism in Hiring," *Canadian HR Reporter,* October 30, 2017, pp. 3, 16.

CASE STUDY: EVIDENCE-BASED HRM

Encouraging Frequent and Productive Performance Conversations

Adobe Systems Inc. provides multimedia and creativity software products including Photoshop, Adobe Acrobat, and Adobe Acrobat Reader. Adobe was experiencing an increase in turnover, which it discovered was related to employees' dissatisfaction with the performance review process, a lack of recognition, and the lack of regular feedback about their performance. Like other companies, Adobe used a performance review system in which managers provided an overall rating of each employee on a scale from 1 to 4, based on how the employee's performance compared to that of other employees. This created a competitive work environment, rather than the collaborative one that Adobe values. Each year after employees received their reviews, HR saw a spike in voluntary turnover, which was especially concerning because Adobe was losing good employees.

To improve performance management, Adobe decided to abandon annual ratings and introduced a new system called Check-In. Check-In emphasizes ongoing feedback. Instead of managers discussing performance with employees only during the formal performance review, as tended to occur in the old system, Check-In encourages managers and employees to have informal performance discussions at least every other month. Managers are asked to focus performance discussions around employees' performance objectives or goals and what resources they need to succeed. Also, employees' career development needs are part of the conversations. Managers are given complete freedom to decide how often and in what ways they want to set goals and provide feedback. The discussion is future focused. That is, both the employee and the manager consider what to change to increase the likelihood that performance will be effective. Employees are evaluated on the basis of how they have performed against their goals rather than how they compare to other employees. More frequent performance feedback is especially important to Millennial employees, who are used to real-time communications through texting and postings.

Managers no longer have to complete lengthy performance evaluation forms and submit them to HR. HR's role is to provide managers with consulting and tools to help with performance discussions rather than policing to see if reviews are completed or discussions have occurred. Both managers and employees can access a resource centre that provides materials about coaching, giving feedback, and personal and professional development. For example, managers might use the resource centre to help them with tough performance conversations such as those involving giving employees difficult feedback. HR relies on what is known as a skip-level process to ensure that performance discussions are occurring throughout the year. This means that the manager's own boss holds the manager accountable for having performance discussions. The boss asks employees if discussions are occurring and if they have a development plan.

There are several indications that Check-In is effective. HR includes questions about performance management in its annual employee survey. Survey results show that 80 percent of employees responded that they had regular performance meetings with their managers and felt supported by them. Since Check-In was introduced, voluntary turnover has decreased by 25 percent. Also, it is estimated that Check-In saves Adobe managers 80,000 hours each year that were previously spent completing employee performance evaluation forms.

Questions

1. What steps should managers take to ensure that performance discussions are effective?
2. What are the benefits and potential disadvantages of more frequent performance discussions between managers and employees?
3. Which purpose of performance management will be more difficult to achieve for companies like Adobe that decide to eliminate ranking or rating employee performance?

Sources: Based on R. Feintzeig, "The Trouble with Grading Employees," *Wall Street Journal,* April 22, 2015, pp. B1, B7; D. Meinert, "Reinventing Reviews," *HR Magazine,* April 2015, pp. 36–40; J. Ramirez, "Rethinking the Review," *Human Resource Executive,* July/August 2013, pp. 16–19.

CASE STUDY: HRM SOCIAL

Apps Make Giving and Receiving Feedback Quick and Easy

IBM's Checkpoint performance management app allows employees to set short-term performance goals and managers to provide feedback on their progress. Employees and managers at Mozilla can use an app to send each other colourful "badges" to recognize good performance. The badges include slogans such as "you rock" or "kicking butt." Also, employees can receive feedback and coaching from peers and managers by posting short questions about their performance, such as "What did you think about my speech?"

The availability of apps used to ask for and give feedback may not always be positive. Amazon's Anytime Feedback Tool can be used secretly by office workers to praise or critique their colleagues. The peer evaluations can be submitted to members of the management team at any time, using the company's internal directory. Many workers used the app in a dysfunctional way. They described making agreements with colleagues to comment negatively on the same co-worker or to heap high praise on each other. Some employees felt sabotaged by the negative comments from unidentified colleagues. In some cases, the negative comments were copied directly into employees' performance reviews (known as "the full paste.").

Questions

1. Does the use of apps for feedback help or hinder performance management? Explain.
2. Can a performance management app replace the need for a regularly scheduled performance evaluation? Why or why not?

Sources: Based on H. Clancy, "How Am I Doing?" *Fortune,* March 1, 2017, p. 34; D. MacMillan, "Uber to Monitor Actions by Drivers in Safety Push," *Wall Street Journal,* June 30, 2016; M. Weinstein, "Annual Review under Review," *Training,* July/August 2016, pp. 22–29; C. Zillman, "IBM Is Blowing Up Its Annual Performance Review," *Fortune,* February 1, 2016; B. Hassell, "IBM's New Checkpoint Reflects Employee Preferences," *Workforce,* April 2016, p. 12; J. Kantor and D. Streitfeld, "Inside Amazon: Wrestling Big Ideas in a Bruising Workplace," *New York Times,* August 16, 2015, p. A1; E. Goldberg, "Performance Management Gets Social," *HR* Magazine, August 2014, pp. 35–38.

PART 4

Compensating and *Rewarding Human Resources*

CHAPTER 8

Total Rewards

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