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CHAPTER 7

Implementing a Performance Management System

Training is everything.
—Mark Twain

Learning Objectives

By the end of this chapter, you will be able to do the following:

- Understand that there are crucial steps that must be taken before the performance management system is launched, including implementing a communication plan, an appeals process, training programs for raters, and pilot testing the system to fix any glitches.
- Design a communication plan that answers the key critical questions: What is performance management? How does performance management fit in the organization's strategy? How does everyone benefit from the system? How does the performance management system work? What are employees' and supervisors' key roles and responsibilities in implementing the system? How is performance management related to other key organizational initiatives?
- Design a communication plan that will include features aimed at reducing the effect of cognitive biases on how the performance management system is perceived and help minimize the impact of intentional rating errors.
- Be aware of cognitive biases that affect how people take in, use, and recall information, including selective exposure, selective perception, and selective retention.
- Understand that setting up an appeals process helps gain support for the performance management system.
- Design an appeals process including two levels: Level 1, which involves the HR department in the role of mediator, and Level 2, which involves a panel of managers and peers and, possibly, a senior-level manager in the role of arbitrator and final decision maker.
- Describe unintentional and intentional types of errors that raters are likely to make in evaluating performance.

- Implement training programs such as rater error, frame of reference, and behavior observation that will minimize the impact of unintentional rating errors.
- Implement a self-leadership training program that will allow supervisors to increase confidence in their skills to manage the performance management process and, consequently, allow them to minimize rating errors.
- Understand the importance of conducting a pilot test before the performance system is implemented organization-wide.
- Conduct a pilot test of the performance management system using a selected group of employees and managers from the organization.
- Once the performance management system is in place, collect various measurements that will provide information regarding the system's effectiveness and the extent to which it is working the way it should and whether it is producing the expected results.

Chapters 4 and 5 described operational details about how to measure performance. Chapter 6 described operational details about appraisal forms and the process of providing performance ratings. This chapter, the last one in Part II, continues to address operational issues in implementing a performance management system. Specifically, it addresses the steps needed before the system is put in place, such as setting good communication and appeals procedures that will gain system acceptance, implementing training programs to minimize rating errors, and pilot testing the system. Finally, the chapter describes how to monitor the system once it is in place to make sure it is working properly.

7.1 PREPARATION: COMMUNICATION, APPEALS PROCESS, TRAINING PROGRAMS, AND PILOT TESTING

As should be evident by now, the implementation of a performance management system requires the involvement of many players. Specifically, the successful implementation of the system requires a clear understanding of how the system works and a clear understanding of its benefits from the different perspectives of all involved. In other words, successful implementation requires wide organizational support and acceptance. Initially, it may be that each organizational layer and unit includes one or just a handful of individuals who are knowledgeable and supportive of the system. These "champions" are likely to serve as advocates and resources for the system. Eventually, however, the system cannot be implemented successfully if only a handful of organizational members are on board.

Before the system is launched, a successful communication plan must be implemented that will gain system acceptance. Part of the communication plan includes a description of the appeals process. Then, as part of the preparation phase before the system is actually launched, raters are trained to observe and evaluate performance as well as to give feedback. The system should then be tested and the results of a pilot test used to fix any glitches. Only after these presystem implementation steps are taken can the system be launched with confidence. Finally, once the system has been tested and is launched, there is a need to monitor and evaluate the system on an ongoing basis to understand if it is working properly and what adjustments may be needed to make it

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work. The ongoing monitoring of the system is crucial because the system may eventually lose support if no data are provided to show the system's benefits.

Next, let's discuss what needs to be done before the system is actually implemented, including a communication plan, an appeals process, training raters, and pilot testing the system.

7.2 COMMUNICATION PLAN

In general, having more and better knowledge of the performance management system leads to greater employee acceptance and satisfaction.[1] Organizations often design a communication plan to ensure that information regarding the performance management system is widely disseminated in the organization. A good communication plan answers the following questions:[2]

- *What is performance management?* Answering this question involves providing general information about performance management, how performance management systems are implemented in other organizations, and the general goals of performance management systems.
- *How does performance management fit in our strategy?* To answer this question, we should provide information on the relationship between performance management and strategic planning. Specifically, information is provided on how the performance management system will help accomplish strategic goals.
- *What's in it for me?* A good communication plan describes the benefits of implementing performance management for all those involved.
- *How does it work?* Answering this question entails giving a detailed description of the performance management process and time line, for example, when meetings will take place, what the purposes of each meeting are, when decisions about rewards will be made, and so forth.
- *What are my responsibilities?* The communication plan should include information on the role and responsibilities of each person involved at each stage of the process. For example, it includes a description of the employees' and supervisors' main responsibilities in the performance management process.
- *How is performance management related to other initiatives?* The communication plan should include information on the relationship between performance management and other initiatives and systems, such as training, promotion, succession planning, and so forth.

Consider the performance management system for the position of Senior Executive Service (SES) in the United States Department of Justice.[3] SES members serve in key leadership positions directly below the top presidential appointees. SES members link the appointees to the rest of the federal government and they are charged with overseeing various government activities in 75 federal agencies.

The communication plan that the Department of Justice implemented for this performance management system is described in a document divided into three chapters, Chapter 1, "General Information," Chapter 2, "Performance Appraisal for the Senior Executive Service," and Chapter 3, "Actions Based on Less Than Fully Successful Performance." This is how their plan answered each of the questions discussed in the previous list:[4]

- *What is performance management?* Chapter 1 states why the department is implementing a performance management system, and what it is expected to accomplish. For example, some of this information notes that performance management aims at promoting efficient and effective attainment of the department's mission, program objectives, and strategic planning initiatives, and also aims at motivating high levels of achievement and accountability. This chapter also includes definitions of several key terms, including *performance management system, performance, progress review, rating levels*, and *annual summary rating*.
- *How does performance management fit in our strategy?* Chapter 2 begins with a list of principles that guide the system, including, "The Department of Justice federal leaders and managers create a climate for excellence by communicating their vision, values and expectations clearly. . . ." It goes on to detail all of the ways that leaders in the agency do this. In addition, in a memorandum that was sent with the chapters, the director of the Office of Personnel Management (OPM) included this quote from President George W. Bush: "We are not here to mark time, but to make progress, to achieve results, and to leave a record of excellence." The director then described how the system would be used to implement the key principles of the president's administration.
- *What's in it for me?* Throughout the memo, there is clear information on how the performance management system will help the SES members be more effective leaders so that the president's mission can be achieved.
- *How does it work?* Chapter 2 outlines the steps in a performance management process, detailing the managers' responsibilities at each step. For example, it outlines the performance dimensions, the rating categories, and how to assign an overall rating.
- *What are my responsibilities?* The communication plan outlines the responsibilities of the SES members as well as their rating official, the person in charge of rating their performance. The plan emphasizes that leaders must create a culture performing at a high level by continually communicating expectations and rewarding high-achieving performers.
- *How is Performance Management Related to other initiatives?* The communication plan touches briefly on the importance of linking system outcomes to performance-based pay. The importance of training to maximizing performance is also touched on.

In summary, the communication plan implemented by the Department of Justice is extremely detailed and provides answers to most, if not all, of the key questions that should be addressed by a good plan. However, even if a communication plan answers all or most of the important questions, the fact that the information has been made available does not necessarily mean the communication plan will be successful in gaining acceptance. This is because people have cognitive biases that affect what information is taken in and how it is processed. Specifically, there are three types of biases that affect the effectiveness of a communication plan, regardless of how well it has been implemented. These are *selective exposure, selective perception*, and *selective retention*.

First, selection exposure is a tendency to expose our minds only to ideas with which we already agree. Those employees who already agree that performance management is a good idea may become involved in the communication plan activities, including reading about the system and attending meetings describing how the system works. On the other hand, those who do not see much value added in performance management may choose not to read information about it and not to attend meetings related to performance management. Second, selective perception is a tendency to perceive a piece of information as meaning what we would like it to mean even though the information, as intended by the communicator, may mean the exact opposite. Someone who believes performance management is about only rewards and punishments may incorrectly interpret that receiving formal performance feedback at the end of each quarter translates into receiving a pay or bonus. Third, selective retention is a tendency to remember only those pieces of information with which we already agree. If an employee perceives his employer as vindictive, that employee is not likely to remember information about how the appeals process works or about other fair and equitable aspects of the system.

Selective exposure, selective perception, and selective retention biases are pervasive and could easily render the communication plan ineffective. Fortunately, there are several ways to minimize the negative impact of these biases and, therefore, help gain support for the system. Consider the following:[5]

- *Involve employees.* Involve employees in the design of the system. People support what they help create. Thus, the higher the level of participation in designing the system, the greater the support for the system.[6]
- *Understand employee needs.* Understand the needs of the employees and identify ways in which these needs can be met through performance management. Basically, provide a personal, clear, and convincing answer to the "What's in it for me?" question.
- *Strike first.* Create a positive attitude toward the new performance system before any negative attitudes and rumors are created. Make communications realistic and don't set up expectations you can't deliver. Discuss some of the arguments that might be used against the system and provide evidence to counter them.
- *Provide facts and consequences.* Because of the employee biases, facts don't necessarily speak for themselves. Clearly explain facts about the system and also explain what they mean or what the consequences are. Don't let users draw their own conclusions because they may differ from yours.
- *Put it in writing.* In Western cultures, written communications are usually more powerful and credible than spoken communications because they can be carefully examined and challenged for accuracy. Create documentation, which can be made available online, describing the system.
- *Use multiple channels of communication.* Use multiple methods of communication, including meetings, e-mail, and paper communication. In other words, allow employees to be exposed repeatedly to the same message delivered using different communication channels. Of course, make sure all channels convey consistent information.
- *Use credible communicators.* Use credible sources to communicate the performance management system. In companies where the human resources (HR) department members are perceived as "HR cops" because they continually emphasize what cannot be done as opposed to how one's job can be done better, it may be better to use a different department or group. Instead, in such situations,

communication should be delivered by people who are trusted and admired within the organization. It also helps if those delivering the communication and endorsing the system are seen as key and powerful organizational players.

- *Say it, and then say it again.* Repeat the information frequently. People can absorb only a small amount of information at a time, so the information needs to be repeated frequently.

Table 7.1 summarizes what can be done to minimize cognitive biases including selective exposure, selective perception, and selective retention. Consider the Department of Justice communication process, described earlier in this chapter. The plan attempts to minimize negative biases and gain support for the performance management system. For example, while it is a government agency and the performance management system is a federal mandate, the OPM offered to help managers tailor the systems to their specific agencies. This is likely to help employees become more involved and is also helpful in addressing the specific needs of the employees in the various agencies. The memorandum from the director of the OPM, who is also a credible source of information on both the performance management system and the president's policies, sets an extremely positive tone and appeals to employees' patriotism by including a message from the president reminding them of the importance of serving the "American people." The communication plan also provides facts and conclusions about the system. For example, it explains the reasoning for realigning the performance management system with the fiscal year, how to carry out this time line, and the importance of doing so. The communication plan is also posted on the department's Web site. There are also links to other Web sites with information on performance management. It is not clear whether the Department of Justice distributed this memorandum and accompanying system information using other media. Finally, the information presented in the memorandum and in the chapter is repeated and clarified. The memorandum gives an overview of the importance of the performance management system; the first chapter in the document gives an overview of PM systems, and then the second chapter gives details of the system. All in all, the plan implemented by the Department of Justice is a good example of a communication plan that attempts to minimize the impact of the various communication barriers.

In addition to implementing a communication process, support for the performance management system can be gained by implementing an appeals process. This topic is discussed next.

TABLE 7.1 Considerations to Minimize the Effects of Communication Barriers
Involve employees
Understand employee needs
Strike first
Provide facts and consequences
Put it in writing
Use multiple channels of communication
Use credible communicators
Say it, and then say it again

7.3 APPEALS

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7.3 APPEALS PROCESS

The inclusion of an appeals process is important in gaining employee acceptance for the performance management system because it allows employees to understand that if there is a disagreement regarding performance ratings or any resulting decisions; then such disagreements can be resolved in an amicable and nonretaliatory way. In addition, the inclusion of an appeals process increases perceptions of the system's fairness.[7]

When an appeals process is in place, employees have the ability to question two types of issues: judgmental and administrative.[8] Judgmental issues center on the validity of the performance evaluation. For example, an employee may believe that a manager's performance ratings for that employee do not reflect his actual performance. Administrative issues involve whether the policies and procedures were followed. For example, an employee may argue that her supervisor did not meet with her as frequently as he has with other coworkers and that the feedback she is receiving about her performance is not as thorough as that received by her coworkers.

Typically, when an appeal is first filed, the HR department serves as a mediator between the employee and the supervisor. An appeal sent to the HR department is usually called a Level 1 or Level A appeal. The HR department is in a good position to judge whether policies and procedures have been implemented correctly and also has good information about the various jobs, levels of performance expected, and levels of performance of other employees within the unit and organization. The HR department gathers the necessary facts and brings them either to the attention of the rater to encourage reconsideration of the decision that caused the appeal or to the complainant to explain why there have been no biases or violations. In other words, the HR department either suggests corrective action to the supervisor or informs the employee that the decision or procedures were correct.

If the supervisor does not believe corrective action should be taken and the appeal continues, then an outside and unbiased arbitrator makes a final and binding resolution. This is usually called a Level 2 or Level B appeal. This arbitrator can consist of a panel of peers and managers. The panel reviews the case, asks questions, interviews witnesses, researches precedents, and reviews policy. Then, they simply take a vote to make the decision. In some cases, the vote represents the final decision. In other cases, the vote is forwarded to a high-level manager (vice president or higher level) who takes the panel's vote into consideration in making the final decision.

The box "Selected Excerpts from the University of North Carolina Performance Management Appeals Process" shows some of the key sections of the performance management appeals process for employees at the University of North Carolina.[9] The appeals process is intended to air concerns and to resolve disagreements. The purpose of this specific policy is to provide employees and management a means for resolving disagreements involving performance evaluations and performance pay issues.

The information shown in the box describing the appeals process at the University of North Carolina spells out the steps involved, the time line that should be followed, and the various outcomes that could be expected. Given that such a policy is in place, employees are given assurances that, if there is an appeal, the case will be treated fairly and as objectively as possible. Once again, this should help gain support for the performance management system.

BOX 7.1

Selected Excerpts from the University of North Carolina Performance Management Appeals Process

GENERAL PROVISIONS

Under State policy neither party in the Appeals Process may be represented by an attorney. State law and policy provide that the Chancellor's decision on an appeal is final and cannot be appealed further.

The Appeals Process has jurisdiction over the following issues only:

- the overall evaluation received as part of the Annual Review
- the rating on one or more principal functions
- the explanatory remarks included in the evaluation

Depending on the actions taken by the General Assembly regarding salary increases related to the performance evaluation process, the following issues also may be appealed:

- failure to receive a performance increase and/or performance bonus when eligible
- the amount of the increase or bonus received

An employee is limited to one appeal for any work cycle, regardless of the number of issues involved. The employee should describe the complete remedy desired should the appeal be decided in his/her favor. For example, an employee who appeals the overall evaluation should specify the overall evaluation requested. If such an overall evaluation would result in eligibility for a performance increase, an increase percentage should be stated as part of the remedy requested in the appeal.

By request (and with management approval) an employee may be granted a maximum of 12 hours off from regular duties for processing an appeal under this Appeals Process without any loss of pay and without charge to leave.

PERFORMANCE MANAGEMENT REVIEW BOARD

The Chancellor appoints the Chair of the Performance Management Review Board (Board Chair) and the other members of the Review Board. When a Level B appeal is received, the Board Chair selects a three-member Panel and appoints a Panel Leader. The Board Chair notifies the employee of the name, job title and department of each proposed Panel member. The employee has the right to disqualify up to two proposed members by notifying the Board Chair before the date stated in the letter of notification.

Each panel will have one member with supervisory responsibility and two members with no supervisory responsibility. No member of the Panel will be from the employee's own department. Any member may be designated as Panel Leader. The Panel determines what information is needed. The involved parties must provide the information requested by the Panel.

The Panel Leader notifies the employee and the department head in writing of the hearing date and location. Every effort must be made to arrange for a timely hearing. The Level B hearing is confidential. It is not open to the media or other persons whose attendance is not approved in advance by the Panel Leader. The employee, the department head, and supervisors involved in the performance review are allowed to appear in person at the hearing. However, any party may elect not to appear and to have the Panel's Level B recommendation based only on documentation presented to the Panel. The chair must receive advance notification if anyone other than the employee and department head are to provide information to the Review Board. The employee and management must request approval in advance for witnesses to address the Panel. Only witnesses approved in advance may appear at the hearing.

After the hearing, the Panel decides whether additional information is needed. Any information requested and received after the hearing is shared with the employee and the department head. After considering all of the information presented, the Panel makes its recommendation by majority vote and submits its written recommendation through the Board Chair to the Chancellor. The Chancellor either accepts, modifies, or rejects the Panel's recommendation and issues the University decision within 15 calendar days of receiving the Panel recommendation. If the Chancellor rejects the Panel recommendation, the written decision will state the reason(s) for rejection. The Chancellor sends the written decision to the employee.

Source: Performance management appeals process. Available online at http://hr.unc.edu/Data/SPA/perfmgt/perf-appeal. Retrieval date: August 15, 2005.

7.4 TRAINING PROGRAMS FOR THE ACQUISITION OF REQUIRED SKILLS

Training the raters is another step necessary in preparing for the launching of the performance management system. Training not only provides participants in the performance management system with needed skills and tools to do a good job implementing it, but training also helps increase satisfaction with the system.[10]

In Chapter 6 we discussed the general content of such training programs. Specifically, the content areas that can be included in rater training programs are listed in Table 7.2.

Consider the list of content areas included in Table 7.2. The first two content areas are not unique to rater training programs. In fact, these are usual components of the communication plan in which all organizational members participate, and not just the raters. However, given the suggestion that the same information should be presented many times and through different communication channels, it does not hurt to

TABLE 7.2 Content Areas That Can Be Included in Rater Training Programs

1. Reasons for implementing the performance management system
2. Information on the appraisal form and system mechanics
3. How to identify and rank job activities
4. How to observe, record, and measure performance
5. How to minimize rating errors
6. How to conduct an appraisal interview
7. How to train, counsel, and coach

include this content area as part of a rater training program. Content areas 3–5 involve the general issue of identifying, observing, recording, and evaluating performance. Content areas 6 and 7 involve the general issue of how to interact with the employee receiving performance information. Next, we address various choices in terms of implementing training programs specific to content areas 3–5. The development of skills related to content areas 6 and 7 is addressed in detail in Chapter 9.

7.4.1 Rater Error Training

The goal of rater error training (RET) is to make raters aware of what the rating errors are that they are likely to make and to help them develop strategies to minimize those errors. The goal of RET is to increase rating accuracy by making raters aware of the unintentional errors they are likely to make.

RET programs typically include definitions of the most typical errors and a description of possible causes for those errors. Such programs also allow trainees to view examples of common errors and to review suggestions on how to avoid making errors. This can be done by showing videotaped vignettes designed to elicit rating errors and asking trainees to fill out appraisal forms regarding the situations that they observed on the videotapes. Finally, a comparison is made between the ratings provided by the trainees and the correct ratings. The trainer then explains why the errors took place, which specific errors were made, and ways to overcome the errors in the future.

RET does not guarantee increased accuracy. Raters do become aware of the possible errors they can make but, because many of the errors are unintentional, simple awareness of the errors does not mean that errors will not be made. Nevertheless, it may be useful to expose raters to the range of possible errors. These errors include the following:

- *Similar to me error.* Similarity leads to attraction, so we tend to favor those who are similar to us. Consequently, in some cases supervisors are more likely to give higher performance ratings to those employees who are perceived to be more similar to them in terms of attitudes, preferences, personality, and demographic variables including race and gender.
- *Contrast error.* Contrast error occurs when, even when an absolute measurement system is in place, supervisors compare individuals with one another instead of against predetermined standards. For example, when a supervisor rates an individual of only average performance, the rating may actually be higher than deserved if the other individuals rated by the same supervisor display substandard performance levels: the average performer may seem to be better in comparison to others. This error is most likely to occur when supervisors complete multiple appraisal forms at the same time, because in such situations it is difficult to ignore the ratings given to other employees.
- *Leniency error.* Leniency error occurs when raters assign high (lenient) ratings to most or all employees. In other words, leniency involves artificial rating inflation. As discussed in Chapter 6, leniency is mostly an intentional error caused by a desire to maximize the merit raise/rewards, to encourage employees, to avoid creating a written record of poor performance, to avoid a confrontation with employees, to promote undesired employees out of unit,

or to make the manager look good to his supervisor. Also, recent research has uncovered that individuals with certain personality traits are more likely to be more lenient: those low on conscientiousness (i.e., individuals who do not always strive for excellence) and high on agreeableness (i.e., individuals who are more trustful, cooperative, and polite).[11]

- *Severity error.* Severity error occurs when raters assign low (severe) ratings to most or all employees. That is, severity involves artificial rating deflation. As discussed in Chapter 6, severity is mostly an intentional type of error caused by the supervisor's desire to shock employees, to teach employees a lesson, to send a message that the employee should consider leaving, or to build a record of poor performance.
- *Central tendency error.* Central tendency error occurs when raters use only the middle points on the rating scales and avoid using the extremes. The result is that most or all employees are rated as "average." This is also an intentional type of error and is mainly caused by a supervisor's desire to play it safe. One negative consequence of this error is that it is hard to make performance-based distinctions among employees rated by the same rater.
- *Halo error.* Halo error occurs when raters fail to distinguish among the different aspects of performance being rated. If an employee receives a high score on one dimension, she also receives a high score on all other dimensions, even though performance may not be even across all dimensions. For example, if an employee has a perfect attendance record, then the rater may give her a high mark on dedication and productivity. However, the perfect attendance record may be caused by the fact that the employee has large loan payments to make and cannot afford to miss work and not because the employee is actually an excellent overall performer. In other words, being present at work is not the same as being a productive employee. This error is typically caused by the supervisor's assigning performance ratings based on an overall impression about the employee instead of evaluating each performance dimension independently.
- *Primacy error.* Primacy error occurs when performance evaluation is influenced mainly by information collected during the initial phases of the review period. For example, in rating communication skills, the supervisor gives more weight to incidents involving communication that took place toward the beginning of the review period as opposed to incidents taking place at all other times.
- *Recency error.* Recency error occurs when performance evaluation is influenced mainly by information gathered during the last portion of the review period. This is the opposite of the primacy error: raters are more heavily influenced by behaviors taking place toward the end of the review period instead of giving equal importance and paying attention to incidents occurring throughout the entire review period.
- *Negativity error.* Negativity error occurs when raters place more weight on negative information than on positive or neutral information. For example, a rater may have observed one negative interaction between the employee and a customer and several positive interactions in which customers' expectations were surpassed. However, the rater may focus on the one negative incident in rating the "customer service" dimension. The negativity error explains why

most people have a tendency to remember negative as opposed to positive news that they read in the newspaper or watch on television.

- *First impression error.* First impression error occurs when raters make an initial favorable or unfavorable judgment about an employee and then ignore subsequent information that does not support the initial impression. This type of error can be confounded with the "similar to me error" because first impressions are likely to be based on the degree of similarity: the more similar the person is to the supervisor, the more positive the first impression will be.
- *Spillover error.* Spillover error occurs when scores from previous review periods unjustly influence current ratings. For example, a supervisor makes the assumption that an employee who was an excellent performer in the previous period ought also to be an excellent performer during the current period and provides performance ratings consistent with this belief.
- *Stereotype error.* Stereotype error occurs when a supervisor has an oversimplified view of individuals based on group membership. That is, a supervisor may have a belief that certain groups of employees (e.g., women) are unassertive in their communication style. Then, in rating women, he may automatically describe communication as being "unassertive" without actually having any behavioral evidence for the rating.[12] This type of error can also lead to biased evaluations of performance when an individual (e.g., woman) violates stereotypic norms by working in an occupation that does not fit the stereotype (e.g., assembly of airplane parts).[13]

Table 7.3 includes a summary list of possible errors that raters may make in assigning performance ratings. These errors can be classified as intentional or unintentional.

As described in Chapter 6, to minimize the intentional errors shown in Table 7.3, we must focus on the rater's motivation. In other words, we must demonstrate to the raters that the benefits of providing accurate ratings outweigh the benefits of intentionally distorting ratings either by inflation, deflation, or central tendency. Once again, this goes back to the "What's in it for me?" question. For example, the communication program should include a clear description of the benefits that supervisors can expect to receive if their performance ratings lack intentional distortion.

TABLE 7.3 Errors Likely to Be Made in Providing Performance Ratings

Unintentional	*Intentional*
Similar to me	Leniency
Contrast	Severity
Halo	Central tendency
Primacy	
Recency	
Negativity	
First impression	
Spillover	
Stereotype	

Regarding unintentional errors, RET exposes raters to the different errors and their causes. However, being aware of the unintentional errors does not mean that supervisors will no longer make these errors.[14] Awareness is certainly a good first step, but we need to go further if we want to minimize unintentional errors. One fruitful possibility is the implementation of frame of reference training.

7.4.2 Frame of Reference Training

Frame of reference (FOR) training helps improve rater accuracy by thoroughly familiarizing raters with the various performance dimensions to be assessed. The overall goal is to give raters skills so that they can provide accurate ratings of each employee on each dimension by developing a common frame of reference.

A typical FOR training program includes a discussion of the job description for the individuals being rated and the duties involved. Then, raters are familiarized with the performance dimensions to be rated by reviewing the definitions for each dimension and a discussion of examples of good, average, and poor performance. Then, raters are asked to use the appraisal forms to be used in the actual performance management system to rate fictitious employees usually shown in written or videotaped practice vignettes. The trainees are also asked to write a justification for the ratings. Finally, the trainer informs trainees of the correct ratings for each dimension and the reasons for such ratings and discusses differences between the correct ratings and those provided by the trainees. Typically, FOR training programs include the following formal steps:[15]

1. Raters are told that they will evaluate the performance of three employees on three separate performance dimensions.
2. Raters are given an appraisal form and instructed to read it as the trainer reads aloud the definition for each of the dimensions and the scale anchors.
3. The trainer discusses various employee behaviors that illustrate various performance levels for each rating scale included in the form. The goal is to create a common performance theory (frame of reference) among raters so that they will agree on the appropriate performance dimension and effectiveness level for different behaviors.
4. Participants are shown a videotape of a practice vignette, including behaviors related to the performance dimensions being rated, and are asked to evaluate the employee's performance using the scales provided.
5. Ratings provided by each participant are shared with the rest of the group and discussed. The trainer seeks to identify which behaviors participants used to decide on their assigned ratings, and to clarify any discrepancies among the ratings.
6. The trainer provides feedback to participants, explaining why the employee should receive a certain rating (target score) on each dimension and shows discrepancies between the target score and the score given by each trainee.

Consider how the Canadian military uses FOR training.[16] First, the training program includes a session regarding the importance of performance management systems in the military. In the next session, raters are told that they will be evaluating the performance of four subordinates. They are given the appraisal form to be used and information on each of the scales included in the form. As the trainer reads through each of the scales, participants are encouraged to ask questions. At the same time, the trainer gives examples of behaviors associated with each level of performance. The trainer thus makes sure the trainees come to a common frame of reference concerning what behaviors constitute the different levels of performance. Then, participants are shown a videotape of a soldier and they are asked to evaluate the performance using the appraisal form explained earlier. Next, the ratings are discussed as a group, focusing on the behaviors exhibited in the videotape and the ratings that would be most appropriate in each case. This process is repeated several times. Finally, the participants are given three more samples of behavior to rate, as displayed by three hypothetical soldiers, and they receive feedback on how well they evaluate each soldier.

It should be evident by now that FOR training can take quite a bit of time and effort to develop and administer, but it's worth it. Specifically, as a consequence of implementing this type of training, raters not only are more likely to provide consistent and more accurate ratings, but they are also more likely to help employees design effective development plans. This is because sharing a common view of what constitutes good performance allows supervisors to provide employees with better guidelines to employ to reach such performance levels.[17]

7.4.3 Behavioral Observation Training

Behavioral observation (BO) training is another type of program implemented to minimize unintentional rating errors. BO training focuses on how raters observe, store, recall, and use information about performance. Fundamentally, this type of training improves raters' skills at observing performance.

For example, one type of BO training involves showing raters how to use observational aids such as notes or diaries. These observational aids help raters record a preestablished number of behaviors on each performance dimension. Using these aids helps raters increase the sample of incidents observed and recorded during a specific time period. In addition, an aid such as a diary is an effective way to standardize the observation of behavior and record critical incidents throughout the review period. In addition, it also serves as a memory aid when filling out evaluation forms. Memory aids are beneficial because ratings based on memory alone, without notes or diaries, are likely to be distorted due to factors of social context (e.g., friendship bias) and time (i.e., duration of supervisor-subordinate relationship).[18]

Consider how BO training is implemented by the Canadian military. The Canadian military has found that a combination of FOR and BO training works best. Earlier, we described how the Canadian military uses FOR training. BO training is added to the FOR training program. In addition to FOR training, there are sessions on the importance of behavioral observation and common behavioral observation errors, including first impression, stereotypes, and halo effects. Finally, the participants are trained in the importance of keeping diaries and taking notes on their subordinates throughout the year. Furthermore, the trainer explains the criteria for each performance dimension and provides written descriptions of the different levels of performance. The participants are given a chance to practice keeping a diary while watching the vignettes used in the FOR training section of the training program. After watching each vignette, participants are given tips on note taking and recording behaviors as well as the resulting outcomes.

7.4.4 Self-Leadership Training

The goal of self-leadership (SL) training is to improve a rater's confidence in her ability to manage performance. SL training techniques include positive self-talk, mental imagery, and positive beliefs and thought patterns.[19] The assumption is that if there is increased self-direction, self-motivation, and confidence, there will be increased accuracy. Overall, SL emphasizes intrinsic (i.e., internal) sources of behavioral standards and emphasizes doing things for their intrinsic value.

SL training has become a popular tool in the context of performance management systems, and as a type of training program beneficial for supervisors even when they are not necessarily involved in a performance management system. Several studies have shown that SL training can be effective in enhancing mental processes and increasing self-efficacy (i.e., the belief that one can do something if one tries). Designing an SL training program involves the following steps:[20]

1. Observe and record existing beliefs and assumptions, self-talk, and mental imagery patterns. For example, what are the beliefs about the performance management system? How do managers visualize their role in the performance management system? Do they believe they have the capacity to observe and record performance accurately?
2. Analyze the functionality and constructiveness of the beliefs, self-talk, and imagery patterns uncovered in step 1. For example, are the beliefs about the system detrimental to the system's expected success?
3. Identify or develop more functional and constructive beliefs and assumptions, self-verbalizations, and mental images to substitute for dysfunctional ones, for example, develop images of employees being satisfied, as opposed to defensive and confrontational, after receiving performance feedback from their supervisors.
4. Substitute the more functional thinking for the dysfunctional thoughts experienced in actual situations. For example, more constructive assumptions, ways of talking to oneself, and mental images of the likely outcome of a performance discussion with an employee can be worked out and written down on paper.
5. Continue monitoring and maintaining beliefs, self-verbalizations, and mental images over time.

In summary, raters are likely to make both intentional and unintentional errors when providing performance information. Intentional errors are largely due to motivational issues: in some cases, raters see more benefit in distorting ratings than in providing accurate information. Unintentional errors are largely due to cognitive biases that are the product of the complex tasks of observing, encoding, storing, and retrieving performance information. Through the combined use of a good communication plan and various training programs, ratings errors can be substantially minimized. Regarding the communication plan, it is important that it include convincing reasons it is more advantageous to provide accurate than inaccurate performance information. Regarding training programs, these often focus on describing the errors that raters usually make (i.e., RET programs). However, in addition, they should allow raters to come up with a common frame of reference to be used to evaluate performance as well as offer raters tools to improve observation and memory skills. FOR training is particularly beneficial when performance measurement emphasizes behaviors. On the other hand, BO training is particularly beneficial when performance measurement emphasizes results because raters learn not only how to observe behaviors but also how these behaviors are linked to results.

Thus far, this chapter has described how to prepare for the implementation of a performance management system by designing a communication plan and an appeals process, and by delivering training programs. Next, we turn to the final set of activities required before the performance management system is put into practice: pilot testing.

7.5 PILOT TESTING

Before the performance management system is implemented formally, it is a good idea to test a version of the entire system so that adjustments and revisions can be made as needed.[21] In this pilot test of the system, evaluations are not recorded in employee files. However, the system is implemented in its entirety from beginning to end, including all the steps that would be included if the system were to be implemented for real. In other words, meetings take place between supervisor and employee, performance data are gathered, developmental plans are designed, and feedback is provided. The most important aspect of the pilot test is that all participants should maintain records noting any difficulties they encountered, ranging from problems with the appraisal form and how performance is measured to the feedback received. The pilot test allows for the identification and early correction of any flaws before the system is implemented organization-wide.

We should not assume that the performance management system will necessarily be executed and that it will produce the results that are anticipated. The pilot test allows us to gain information from the perspective of the system's users on how well the system works, to learn about any difficulties and unforeseen obstacles, to collect recommendations on how to improve all aspects of the system, and to understand personal reactions to it. In addition, conducting a pilot test is yet another way to achieve early acceptance from a small group who can then act as champions for the performance management system, rather than putting the burden on the HR department to sell the idea. Finally, another good reason to conduct a pilot test is that end users are likely to have a higher system acceptance rate knowing that stakeholders in the company had a say in its design, rather than feeling that the system was created by the HR department alone.

An important decision to be made is the selection of the group of employees with whom the system will be tested. In choosing this group, we need to understand that the managers who will be participating should be willing to invest the resources required to do the pilot test. In addition, this group should be made up of managers who are flexible and willing to try new things. Thus, managers should know what the system will look like and receive a realistic preview before they decide to participate in the pilot test.

In selecting the group, we must also consider that the group should be sufficiently large and representative of the entire organization so that reactions from the group will be generalizable to the rest of the organization. Thus, in selecting the group, we should select jobs that are similar to those throughout the company, and the group selected should not be seen as an exception in either a positive or a negative way. Specifically, the group should not be seen as particularly productive, loose, hard, lazy, and so forth.

Pilot tests provide crucial information to be used in improving the system before it is actually put in place. Pilot testing the system can provide huge savings and identify potential problems before they become irreversible and the credibility of the system is ruined permanently. For example, consider the case of the Washington State Patrol.[22] In 1997, it realized that there were several changes occurring in its department, as well as in patrol departments in other states, that prompted the revision of its performance management system. It established a committee to develop the new appraisals. Before implementing the system, the state patrol pilot tested it in two districts. First, the committee prepared a training chapter that included a preappraisal work group meeting. In this meeting, employees discussed their roles and expectations surrounding the performance management system and applied those discussions to a common goal. The training also focused on how new developments in the patrol led to the new elements in the performance management system. During the training, the trainers encouraged the participants to ask questions regarding the shift to the new approach. The trainers then used the feedback received in these sessions to fix specific operational issues before introducing the training to the entire agency. After the appraisal process was fine-tuned, it was submitted for the approval of the troopers' and sergeants' associations. Then a select number of individuals across the districts received "train the trainer" training. Finally, the system was instituted agency-wide. Each of these steps allowed for the identification of potential barriers that could have prevented the system from being successful.

7.6 ONGOING MONITORING AND EVALUATION

When the testing period is over and the performance management system is implemented organization-wide, it is important to use clear measurements to monitor and evaluate the system.[23] In a nutshell, a decision needs to be made about how to evaluate the system's effectiveness, how to evaluate the extent to which the system is being implemented as planned, and how to evaluate the extent to which it is producing the intended results.

Evaluation data should include reactions to the system and assessments of the system's operational and technical requirements. For example, a confidential survey could be administered to all employees asking about perceptions and attitudes about the system. This survey can be administered during the initial stages of implementation and then at the end of the first review cycle to see if there have been any changes. In addition, regarding the system's results, one can assess performance ratings over time to see what positive effects the implementation of the system is having.

There are additional measures that can be used on a regular basis to monitor and evaluate the system:

- *Number of individuals evaluated.* One of the most basic measures is to assess the number of employees who are actually participating in the system. If performance evaluations have not been completed for some employees, then we need to find out who they are and why a performance review has not been completed.
- *Distribution of performance ratings.* An indicator of quality of the performance assessments is whether all or most scores are too high, too low, or clumped around the center of the distribution. This may indicate intentional

errors such as leniency, severity, and central tendency. Distributions of performance ratings can be broken down by unit and supervisor to see if any trends exist regarding rating distortion and whether these distortions are localized in particular units. Note that there may be exceptional units in which most employees are outstanding performers and units in which most employees are poor performers. However, this is the exception to the rule and such distributions usually indicate intentional errors on the part of raters.

- *Quality of information.* Another indicator of quality of the performance assessments is the quality of the information provided in the open-ended sections of the forms. For example, how much did the rater write? What is the relevance of the examples provided?
- *Quality of performance discussion meeting.* A confidential survey can be distributed to all employees on a regular basis to gather information on how the supervisor is managing the performance discussion meetings. For example, is the feedback useful? Has the supervisor made resources available so the employee can accomplish the developmental plan objectives? How relevant was the performance review discussion to one's job? To what degree have developmental objectives and plans been discussed?[24]
- *System satisfaction.* A confidential survey could also be distributed to assess the perceptions of the system's users, both raters and ratees. This survey can include questions about satisfaction with equity, usefulness, and accuracy.
- *Overall cost/benefit ratio.* A fairly simple way to address the overall impact of the system is to ask participants to rate the overall cost versus benefit ratio for the performance management system. This is a type of bottom-line question that can provide convincing evidence for the overall worth of the system.
- *Unit-level and organization-level performance.* Another indicator that the system is working well is provided by the measurement of unit- and organization-level performance. Such performance indicators might be customer satisfaction with specific units and indicators of the financial performance of the various units or the organization as a whole. We need to be aware that it may take some time for changes in individual and group performance level to be translated into unit- and organization-level results. We should not expect immediate results as soon as the system is implemented. However, we should start to see some tangible results at the unit level a few months after the system is in place.

Returning to the performance management system at the Washington State Patrol, we can examine how it has evaluated effectiveness since the system was implemented.[25] The patrol has several measures in place for continual evaluation of the effectiveness of the program. First, before all employees were reviewed using the system, they were surveyed regarding their satisfaction with the new system. This input was then used to further improve the appraisal process. In addition, the patrol also uses the results of a biyearly citizen's survey conducted by Washington State University. The results of this survey are used to determine if the state patrol's customers are satisfied with its performance and the data are also used to adjust and reprioritize performance objectives. In addition, the data are used to measure division-level performance, one indicator of the success of the performance management process. The Washington State Patrol collects other types of data as well. For example, every six months division

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managers give presentations regarding performance management to their peers and to several executives. Initially, the meetings have been focused on efforts to implement the new performance management system and increasing quality, but this will change as new issues arise. The presentation is 30–40 minutes long, followed by 20–30 minutes of questions from peers and executives. The feedback from these presentations is used to measure how well the system is being implemented, and feedback on the success of the meetings will be used to make any necessary changes to the system.

The Washington State Patrol may also want to consider measuring how many people are participating in the system. The patrol would also benefit from assessing whether the new system is distinguishing high- from low-level performers, and the overall cost/benefit ratio of implementing the system.

Summary Points

- Some important steps need to be taken before the performance management system is implemented. These include implementing a communication plan and an appeals process, which will help gain system acceptance, training programs for raters, which will help minimize errors in performance ratings, and pilot testing the system, which will allow for revisions and changes before the system is actually implemented. Careful attention to these presystem implementation steps will help improve the success of the system.
- The main goal of the communication plan is to gain support for the system. A good communication plan addresses the following questions:
    - What is performance management? What are its general goals? How have performance management systems been implemented in other organizations?
    - How does performance management fit with the organizational strategy?
    - What are the tangible benefits of the performance management system for all parties involved?
    - How does the system work? what are the various steps in the process?
    - What are the roles and responsibilities of each organizational member?
    - How does performance management relate to other initiatives and programs such as training, promotion, compensation, and so forth?

  Including detailed, convincing, and clear answers for each of these questions is likely to help increase support for the system.
- People have biases in how they take in and process information. Thus, even though there may be a good communication plan in place, these biases may distort the information presented. Biases to take into account are selective exposure, selective perception, and selective retention. Selective exposure is a tendency to expose our minds only to ideas with which we already agree. Selective perception is a tendency to perceive a piece of information as meaning what we would like it to mean even though the information, as intended by the communicator, may mean the exact opposite. Finally, selective retention is a tendency to remember only those pieces of information with which we already agree.
- The negative effects of cognitive biases can be minimized by involving employees in system design, considering employees' needs in designing and implementing the system, delivering the communication plan before negative attitudes are established and rumors

start circulating, putting information concerning the system in writing, providing facts and consequences and not just facts, using multiple channels of communication to present information on the system, using credible and powerful communicators, and repeating the information frequently. A good communication plan includes as many of these features as possible.

- In addition to a communication plan, setting up an appeals process also helps gain system acceptance. An appeals process allows employees to understand that, if there is a disagreement regarding performance ratings or any resulting decisions, such disagreements can be resolved in an amicable and nonretaliatory way.
- The appeals process begins with an employee filing an appeal with the HR department, which serves as a mediator between the employee and her supervisor. This is a Level 1 appeal. If the appeal is not resolved, then an outside and unbiased arbitrator makes a final and binding resolution. This is a Level 2 appeal. The arbitrator for a Level 2 appeal is usually a panel that includes peers and managers.
- In rating performance, raters may make intentional or unintentional errors. Intentional errors take place when raters believe it will be more beneficial to them to provide distorted as opposed to accurate ratings. For example, a supervisor may not want to give a low rating to avoid a possible confrontation with an employee. Intentional errors include leniency (giving better scores than warranted), severity (giving worse scores than warranted), and central tendency (giving scores around the midpoint of the scales only). Motivation is the key to minimize intentional errors. In other words, we must demonstrate to the raters that the benefits of providing accurate ratings outweigh the benefits of intentionally distorting ratings either by inflation, deflation, or central tendency. The communication plan takes care of this; by addressing the "What's in it for me?" question, including the "What's in it if I provide accurate ratings?" question.
- Unintentional errors are caused by the fact that observing, encoding, storing, and retrieving performance information is a complex cognitive task. Unintentional errors include the following: (1) similar to me, (2) contrast, (3) halo, (4) primacy, (5) recency, (6) negativity, (7) first impression, (8) spillover, and (9) stereotype. Unintentional errors can be minimized by implementing rater training programs.
- Rater error training (RET) is a type of program that exposes raters to the different errors and their causes. RET does not guarantee rating accuracy, but becoming aware about what types of errors are likely to occur and the reasons for these errors is a very good first step in minimizing them.
- Frame of reference (FOR) training is a type of program that familiarizes raters with the various performance dimensions to be assessed. The goal is that raters will develop a common frame of reference in observing and evaluating performance. This type of training is most appropriate when performance measurement focuses on behaviors.
- Behavioral observation (BO) training is a type of program that focuses on how raters observe, store, recall, and use information about performance. For example, this type of program teaches raters how to use aids such as diaries to standardize performance observation. This type of training is most appropriate when performance measurement focuses on counting and recording how frequently certain behaviors and results take place.

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- Self-leadership (SL) training is a type of program that aims at improving raters' confidence in their ability to manage performance. SL training includes positive self-talk, mental imagery, and positive beliefs and thought patterns.
- Pilot testing the system before it is instituted fully is useful because it allows for the discovery of potential problems and glitches and then take corrective action, before the system is put in place. Pilot testing consists of implementing the entire system, including all of its components, but only with a select group of people, and results are not recorded in employees' records. Instead, the goal is that people participating in the pilot test provide feedback on any possible problems and on how to improve the system.
- The group participating in the pilot test needs to take into account that the test will take time and resources. A representative group should be selected so that conclusions drawn from the group can be generalized to the organization as a whole. The group should not be seen as an exception in either a positive or negative way.
- After the system is implemented, there should be a measurement system to evaluate the extent to which it is working the way it should and producing the results that were expected. Such measures include confidential employee surveys assessing perceptions and attitudes about the system and whether there is an upward trend in performance scores over time. In addition, other measures include number of individuals evaluated, distribution of performance ratings, quality of performance information gathered, quality of performance discussion meetings, user satisfaction with the system, overall cost/benefit ratio, and unit- and organization-level performance indicators. Taken together, these indicators are a powerful tool to demonstrate the value that is added by the performance management system.