



PERFORMANCE MANAGEMENT

By: Teja Chalasani & Greg Hummel

PERFORMANCE MANAGEMENT, CH.1

Expanded view of traditional I/O Psychology

Treatment of performance management in 5 ways:

- Goes beyond measurement of performance and includes before and after observations of performance measurement
- Equally place performance management in industrial psychology and organizational psychology.
- Considers unit- & organizational-level strategic goals and team performance (more than individual-level)
- Considers explicit link b/w performance assessment and administrative decisions (beyond usual performance appraisal literature) (like rewards & promotions)
- Expanded view = based on research from other fields (communications, education, IT, international business, marketing, organizational behavior, public administration, social psychology, sociology, and business strategy)



SCIENCE-PRACTICE DIVIDE

Big gap between research conducted by HR management & I/O Psychology academics and practice of HR Management & I/O Psychology in organizations

- Academics research topics only somewhat relevant to practitioners
- Practitioners implement practices that don't appear to be based on research
- Researchers aren't concerned about how their theories, principles, and methods are practiced outside of academic studies



SCIENCE-PRACTICE DIVIDE

- Latham: "We, as applied scientists, exist largely for the purpose of communicating knowledge to one another" - science is meant to be practical information, like medicine
- Muchinsky: practitioners are highly concerned with implementation
 - Puzzling in I/O b/c field was created and fundamentally rests principles of scientist-practitioner model
- Gap seen in PM (performance management)
 - Practitioners interested in issues directly related to PM: talent management, leadership development, intensification of work for employees as employers increase productivity with fewer employees, managing change



SCIENCE-PRACTICE DIVIDE

- Study by Cascio & Aguinis of topics in Journal of Applied Psychology & Personnel Psychology has 3 conclusions:
 - Congruence between two lists of top 5 categories may suggest sound indicators of common, underlying trends in research produced in I/O Psychology field
 - Practitioners vs. academic interest only shows some overlap (academics don't broaden their topics enough to concern practitioners)
 - Sound research to turn into practice can be found in HR Management and I/O research (i.e. performance appraisal)... but the slight overlap may show there is a need to go into additional fields of study too



WHAT IS PERFORMANCE MANAGEMENT?

- PM systems are under-utilized and misused - poorly implements systems can do more harm than good
 - Can lead to litigation, employee burnout, job dissatisfaction, damaged relationships, and increase in turnover, waste of time, resources, and money
- Before designing system, need a clear definition of PM
 - "continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization" (Aguinis 2009)
 - Filling out a form once a year for requirements = not continuous
 - Filling out a form on an employee without knowing his/her contribution to unit and organization. performance and improvements for future is not the definition of PM



WHY IMPLEMENT A PM SYSTEM?

- **Strategic** = link organization's goals with individual goals, reinforcing behaviors consistent with organization. goals
 - Linking = way to communicate most crucial business strategic initiatives
 - Sears: leading home appliance retailer, use PM to change Sears' culture for key desired behaviors critical to company success
- **Administrative** = source of valid & useful info for making decisions about employees (salary, promotions, retention/termination, superior performance recognition, poor performance recognition, layoffs, merit increases)
 - Implementation of reward systems based on info provided by PM system falling w/in admin purpose
 - Lack of good PM = admin decisions based on personal preferences, politics, and other biases
 - Good system --> contingent pay plans (pay-for-performance) - used to be used only for upper level management, now in 70% of positions



WHY IMPLEMENT A PM SYSTEM?

- **Communication** = allow employees feedback on positive & needs-improvement areas, learn organization's and supervisor's expectations & most important aspects of work
- **Developmental** = includes feedback to let managers to coach employees and help improve performance on an ongoing basis
 - Serves to identify strengths, weaknesses, & causes for performance deficiencies (individual, group, or contextual)
 - Feedback is useful only if remedial action is taken & concrete steps are implemented to remedy deficiencies
 - Employees get info about themselves that helps individualize career paths
 - Serves short- and long-term aspects of development



WHY IMPLEMENT A PM SYSTEM?

- **Organizational Maintenance** = identification of skills, abilities, promotional potential, & assignment histories of employees to use in workforce planning & assessing future training needs, evaluate performance achievements at organization level, & evaluate effectiveness of HR interventions (training programs --> higher levels of employee performance?)
 - None of these can be conducted effectively without a good PM system
- **Documentation** = data that can be used to assess predictive accuracy of newly proposed selection instruments & admin decisions - esp. useful in litigation cases
 - Test validated through PM system with admin personnel --> if correlated, can be used for future applicants
 - Allow for documentation of important admin decisions
 - It has been shown that companies that use effective PM systems have stronger employee base



MAXIMIZE PURPOSES SERVED BY PM

- SELCO Credit Union: offers personal checking and savings accounts, loans, and credit cards
 - Scrapped old performance appraisal system and use new multipurpose and effective PM system
 - Aligned new system with business, give managers pool of money to award bonuses & raises, managers required to have continuous conversations with employees about performance and note problems



PERFORMANCE MANAGEMENT PROCESS

- PM is a continuous process, follow these stages when first implementing a PM system:
 - Prerequisites
 - Performance planning
 - Performance execution
 - Performance assessment
 - Performance review
 - Performance renewal and recontracting



PREREQUISITES

- Two prerequisites are needed before PMS: (1) knowledge of organization's mission and strategic goals, and (2) knowledge of job in question
- Lack of clarity in organization's direction or relationship b/w organization's mission and unit's mission --> lack of clarity in what employees need to do to help organization
- Top-down processing of organization mission and strategies
- Understanding employee job is done through job analysis (determining the key components of job [activities, tasks, products, services, & processes])



PERFORMANCE PLANNING

- Goal: employees get thorough knowledge of the PM system
- Results: what needs to be done or outcomes an employee must produce
 - Consider key accountabilities, discussion of results: specific objectives should achieve as part of accountability
 - Objectives: statements of important and measurable outcomes, discuss performance standards: yardsticks used to evaluate how well employees have achieved each objective, and un/acceptable performances (quality, quantity, cost, time)



PERFORMANCE PLANNING

- Behaviors: for some jobs it may be difficult to establish precise objectives and standards, and other jobs let employees have control over how they do their jobs but not results of their behaviors
 - Important component of planning phase
 - Sales - appraised on communications skills and product knowledge (behaviors) outside of just sales inventory
 - Competencies: measurable clusters of KSAs; ex. Customer service, written/oral communications, creative thinking, dependability



PERFORMANCE PLANNING

- Development plan: should include identifying areas that need improvement and setting goals in each area; include both results and behaviors
 - Allow employees to answer: how can I continually learn and grow in the next year?
 - How can I do better in the future?
 - How can I avoid performance problems faced in past?
 - Can be designed based on performance dimensions evaluated from appraisal form
 - Leads to higher job satisfaction
 - Supervisors have an active role in employee development plan
 - Help find mentor, developmental programs
 - Encourage and support employee
 - Provide motivation
 - Stay involved in process of development
 - Supervisors must also be motivated to help employees



PERFORMANCE PLANNING

- 360 degree feedback system
 - Info gathered from superiors, peers, customers, and subordinates anonymously, and self ratings
 - Gap analysis: large discrepancies between self- and others' perceptions
 - Must be a continuous system - data collected on an ongoing basis for a long period of time
- Once prerequisites are met, we move on to implementation of a PM system



PERFORMANCE EXECUTION

- Supervisors' primary responsibilities:
 - Observation and documentation (of good and bad performance)
 - Updates
 - Feedback
 - Resources
 - Reinforcement
- Declarative knowledge
- Procedural knowledge
- Motivation



PERFORMANCE ASSESSMENT

- Evaluate extent to which desired behaviors have been displayed & whether results have been achieved by employees and managers
- Both as active participants --> greater likelihood that info will be used productively in the future
 - Help emphasize possible discrepancy
 - Discrepancies lead to trigger of developmental efforts
- Increase employee satisfaction with PM and enhance perceptions of accuracy & fairness (acceptance of PM system)



PERFORMANCE REVIEW

- Appraisal meeting/discussion = employee and manager review assessments
 - Important because provides formal setting where employee gets feedback
 - Can be Achilles' heel because managers are uncomfortable giving performance feedback, especially in negative reviews
- Ways to conduct effective performance reviews:
 - Identify what employee has done well & poorly by giving specific positive/negative behaviors
 - Give feedback from employee about behaviors, listen for reactions & explanations
 - Discuss implications of changing or keeping behaviors
 - Explain how skills used in past achievements can help overcome current performance problems
 - Agree on action plan; encourage employee to invest by asking questions like "What ideas do you have for..." or "what suggestions do you have for..."
- Set up a follow up meeting and agree on behaviors, actions, and attitudes to evaluate in the meantime



PERFORMANCE RENEWAL AND RECONTRACTING

- Restart cycle - this is similar to stage 1 (which was the planning component)
- Uses insights and info gained from other phases (i.e. goals unrealistically high --> less ambitious goals for upcoming review period)
- Things change over process:
 - Markets, customer preferences & needs, products



ADDITIONAL ISSUES TO CONSIDER IN TEAM PERFORMANCE

- Team: 2+ people interact dynamically & interdependently and share common & valued goal, objective, or mission (ex. Group of top managers work together on ongoing basis to achieve corporate goals)
 - Do not have to be permanent and team members don't have to be in same geographic location
 - Must work together, need each other, and share common goals
- Organizations with team components in their PM system must have answers to:
 - How to assess individual contribution, comparatively
 - How to balance individual and team performance - motivate team members to support collective mission & goals - hold members accountable and individually responsible
- How to identify measures of performance that indicate individual vs. team performance and how to allocate rewards based on results



ADDITIONAL ISSUES TO CONSIDER IN TEAM PERFORMANCE

- Six basic team principles:
 - Make sure your team is really a team
 - Make the investment to measure
 - Define measurement goals clearly
 - Use multi-method approach to measurement
 - Focus on process and outcomes
 - Measure long-term changes



ADDITIONAL ISSUES TO CONSIDER IN TEAM PERFORMANCE

- 3 types of performance must be assessed:
 - Individual performance in regards to task performance (specific activities required by one's individual job)
 - Individual performance regarding contextual performance (specific activities that contribute to team performance)
 - Team performance as a whole



ADDITIONAL ISSUES TO CONSIDER IN TEAM PERFORMANCE

- At least 2 meetings are needed:
 - Supervisor meets all members together to discuss overall team performance & results achieved
 - Supervisor meets with team member individually to discuss behaviors contributed to team performance



PERFORMANCE MANAGEMENT BEST PRACTICES

- Characteristics that should be checked against the PM system:
 - Strategic congruence (system congruent with unit and organization's strategy)
 - Thoroughness (4 categories to evaluate: employees, major job responsibilities, performance spanning entire review period, and feedback on positive/negative performance)
 - Practicality (easy-to-use systems, and benefits of using system should be seen as outweighing the costs (increase in performance and job sat > time, effort, & expense)
 - Meaningfulness (standards & evaluations must be relevant, must be things that employee has control over, must take place at regular intervals, PMS has ability to provide continuing skill development of evaluators, and used for important admin decisions)



PERFORMANCE MANAGEMENT BEST PRACTICES

- Characteristics that should be checked against the PM system:
 - Specificity (provide detailed & concrete guidance to employees about what is expected of them)
 - Identification of effective & ineffective performance (PM system should distinguish effective & ineffective behaviors & results)
 - Reliability (measures of performance should be consistent and free of error)
 - Validity (measures should include all relevant performance facets)
 - Acceptability and fairness (perceptions of fairness can only come of asking participants)
 - Inclusiveness (input from multiple sources on ongoing basis; everyone should have a voice in designing & implementing the PM system)



PERFORMANCE MANAGEMENT BEST PRACTICES

- Characteristics that should be checked against the PM system:
 - Openness (continuous feedback on performance quality; appraisal meeting is 2-way communication)
 - Correctability (rating assignments should minimize subjective aspects; there has to be a mechanism through which employees can correct an error, like an appeals process against unjust decisions)
 - Standardization (performance is evaluated consistently across people and time)
 - Ethicality (supervisor only evaluates performance for which he/she has sufficient info and employee privacy is respected)



PERFORMANCE MANAGEMENT BEST PRACTICES

- Measures to use on a regular basis to monitor and evaluate the system:
 - # of individuals evaluated
 - Distribution of performance ratings (too high, too low, or clumped around the center?)
 - Quality of information (how much did rater write? Are the examples provided relevant?)
 - Quality of performance discussion meeting (is feedback useful? Is supervisor making resources available? How relevant was the performance review discussion to the job?)
 - System satisfaction (equity, usefulness, accuracy)
 - Overall cost/benefit ratio (bottom line: is the perceived cost/benefit ratio worth it?)
 - Unit- and organization-level performance (customer satisfaction with specific units, financial performance of various units, etc.)
- We should not expect results as soon as the system is implemented, but a few months after, we should see tangible results at the unit-level



CONCLUSION

- Many companies offer the same services (ex. banks) across the board, but it is customer service and efficiency that puts one or more ahead of the others
- A PM system is a key tool that can be used to transform people's talent and motivation into a strategic business advantage
- In the future, we should place PM in a broader organizational context, and integrate with other HR management functions (like staffing, training, compensation, and succession planning)
- We must also conduct research on concerns relevant to practitioners
- Future research has much potential in closing the gap in scientist-practitioner models

