AAM
Business School

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37 A Performance Management and Competency Mapping

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Text book: Herman Aguinis: Performance management, Pearson, 2011.

Reference book:

1. HRM: Seema Sanghi, Mc Millan, 2011,

2. A.S KOHLI & T.DEB: Performance performance. Oxford

DEFINITION OF PERFORMANCE MANAGEMENT

Performance management is a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization. Let's consider each of the definition's two main components:

1. *Continuous process.* Performance management is ongoing. It involves a never-ending process of setting goals and objectives, observing performance, and giving and receiving ongoing coaching and feedback.

2. *Alignment with strategic goals.* Performance management requires that managers ensure that employees' activities and outputs are congruent with the organization's goals and, consequently, help the organization gain a competitive advantage. Performance management therefore creates a direct link between employee performance and organizational goals and makes the employees' contribution to the organization explicit.

Note that many organizations have what is labelled a "performance management" system. However, we must distinguish between performance management and performance appraisal. A system that involves employee evaluations once a year without an ongoing effort to provide feedback and coaching so that performance can be improved is not a true performance management system. Instead, this is only a performance appraisal system. Performance appraisal is the systematic description of an employee's strengths and weaknesses. Thus, performance appraisal is an important component of performance management, but it is just a part of a bigger whole because performance management is much more than just performance measurement.

As a second example, consider the performance management system for managers at Germany-based Siemens, which provides mobile phones, computer networks, and wireless technology and employs 475,000 people in 190 countries. At Siemens, the performance management system is based on three pillars: setting clear and measurable goals, implementing concrete actions, and imposing rigorous consequences. The performance management at Siemens has helped change people's mind-set, and the organization is now truly performance oriented. Every manager understands that performance is a critical aspect of working at

Siemens, and this guiding philosophy is communicated in many ways throughout the organization

PERFORMANCE MANAGEMENT CONTRIBUTION

There are many advantages associated with the implementation of a performance management system. A performance management system can make the following important contributions:

1. *Motivation to perform is increased.* Receiving feedback about one's performance increases the motivation for future performance. Knowledge about how one is doing and recognition about one's past successes provide the fuel for future accomplishments.

2. *Self-esteem is increased.* Receiving feedback about one's performance fulfils a basic human need to be recognized and valued at work. This, in turn, is likely to increase employees' self-esteem

3. *Managers gain insight about subordinates.* Direct supervisors and other managers in charge of the appraisal gain new insights into the person being appraised. Gaining new insights into a person's performance and personality will help the manager build a better relationship with that person. Also, supervisors gain a better understanding of each individual's contribution to the organization. This can be useful for direct supervisors as well as for supervisors once removed.

4. *The definitions of job and criteria are clarified.* The job of the person being appraised may be clarified and defined more clearly. In other words, employees gain a better understanding of the behaviours and results required of their specific position. Employees also gain a better understanding of what it takes to be a successful performer (i.e., what are the specific criteria that define job success).

5. *Self-insight and development are enhanced* the participants in the system are likely to develop a better understanding of themselves and of the kind of development activities that are of value to them as they progress through the organization. Participants in the system also gain a better understanding of their particular strengths and weaknesses that can help them better define future career paths.

6. *Administrative actions are fairer and more appropriate.* Performance management systems provide valid information about performance that can be used for administrative actions such as merit increases, promotions, and transfers as well as terminations. In general, a performance management system helps ensure that rewards are distributed on a fair and credible basis. In turn, such decisions based on a sound performance management system lead to improved interpersonal relationships and

enhanced supervisor–subordinate trust. For example, a good performance management system can help mitigate explicit or implicit emphasis on age as a basis for decisions. This is particularly important given the aging working population in the United States, Europe, and many other countries around the world.

7. ***Organizational goals are made clear.*** The goals of the unit and the organization are made clear, and the employee understands the link between what she does and organizational success. This is a contribution to the communication of what the unit and the organization are all about and how organizational goals cascade down to the unit and the individual employee. Performance management systems can help improve employee acceptance of these wider goals (i.e., organizational and unit levels).

8. ***Employees become more competent.*** An obvious contribution is that employee performance is improved. In addition, there is a solid foundation for helping employees become more successful by establishing developmental plans.

9. ***Employee misconduct is minimized*** Employee misconduct is an increasingly pervasive phenomenon that has received widespread media coverage. Such misconduct includes accounting irregularities, churning customer accounts, abusing overtime policies, giving inappropriate gifts to clients and potential clients hoping to secure their business, and using company resources for personal use. Although some individuals are more likely to engage in misconduct compared to others based on individual differences in personality and other attributes, having a good performance management in place provides the appropriate context so that misconduct is clearly defined and labelled as such and identified early on before it leads to sometimes irreversible negative consequences.

10. ***There is better and more timely differentiation between good and poor performers*** Performance management systems allow for a quicker identification of good and poor performers. Also, they force supervisors to face up to and address performance problems on a timely basis (i.e., before the problem becomes so entrenched that it cannot be easily remedied).

11. Supervisors' views of performance are communicated more clearly. Performance management systems allow managers to communicate to their subordinates their judgments regarding performance. Thus, there is greater accountability in how managers discuss performance expectations and provide feedback. Both assessing and monitoring the performance of others are listed as key competencies for managers by the Management Standards Centre (www.management-standards.org, Units B3, B4,

and B7). When managers possess these competencies, subordinates receive useful information about how their performance is seen by their supervisor.

12. *Organizational change is facilitated.* Performance management systems can be a useful tool to drive organizational change. For example, assume an organization decides to change its culture to give top priority to product quality and customer service. Once this new organizational direction is established, performance management is used to align the organizational culture with the goals and objectives of the organization to make change possible. Employees are provided training in the necessary skills and are rewarded for improved performance so that they have both the knowledge and motivation to improve product quality and customer service. This is precisely what IBM did in the 1980s when it wanted to switch focus to customer satisfaction: the performance evaluation of every member in the organization was based, to some extent, on customer satisfaction ratings regardless of function (i.e., accounting, programming, manufacturing, etc.). For IBM as well as numerous other organizations, performance management provides tools and motivation for individuals to change, which, in turn, helps drive organizational change. In short, performance management systems are likely to produce changes in the culture of the organization and, therefore, the consequences of such cultural changes should be considered carefully before implementing the system. An organization's culture cannot be installed. It can be guided and influenced by policies, practices, skills, and procedures that are implemented and reinforced. The only way to change the culture is to change the way individuals perform on a daily basis."

13. Motivation, commitment, and intentions to stay in the organization are enhanced. When employees are satisfied with their organization's performance management system, they are more likely to be motivated to perform well, to be committed to their organization, and not try to leave the organization. For example, satisfaction with the performance management system is likely to make employees feel that the organization has a great deal of personal meaning for them. In terms of turnover intentions, satisfaction with the performance management system leads employees to report that they will probably not look for a new job in the next year and that they don't often think about quitting

14. *Voice behavior is encouraged* A well-implemented performance management system allows employees to engage in voice behavior that can lead to improved organizational processes. Voice behavior involves making suggestions for changes and improvements that are innovative, challenge the status quo, are intended to be constructive, and are offered even when others disagree. For example, the performance review meeting can lead to a conversation during which the employee provides suggestions on how to reduce cost or speed up specific process.

15. Employee engagement is enhanced. A good performance management system leads to enhanced employee engagement. Employees who are engaged feel involved, committed, passionate, and empowered. Moreover, these attitudes and feelings result in behaviors that are innovative and, overall, demonstrate good organizational citizenship and take action in support of the organization. Employee engagement is an important predictor of organizational performance and success and, consequently, engagement is an important contribution of good performance management systems

CONTRIBUTIONS OF PERFORMANCE MANAGEMENT SYSTEMS
Motivation to perform is increased.
Self-esteem is increased.
Managers gain insight about subordinates.
The definitions of job and criteria are clarified.
Self-insight and development are enhanced.
Administrative actions are fairer and more appropriate.
Organizational goals are made clear.
Employees become more competent.
Employee misconduct is minimized.
There is better protection from lawsuits.
There is better and more timely differentiation between good and poor performers.
Supervisors' views of performance are communicated more clearly.
Organizational change is facilitated.
Motivation, commitment, and intentions to stay in the organization are enhanced.
Voice behavior is encouraged.
Employee engagement is enhanced

DISADVANTAGES/DANGERS OF POORLY IMPLEMENTED PM SYSTEMS

What are some of the negative consequences associated with low-quality and poorly implemented systems? Consider the following list:

1. *Increased turnover.* If the process is not seen as fair, employees may become upset and leave the organization. They can leave physically (i.e., quit) or withdraw psychologically (i.e., minimize their effort until they are able to find job elsewhere).

2. *Use of misleading information.* If a standardized system is not in place, there are multiple opportunities for fabricating information about an employee's performance.

3. *Lowered self-esteem.* Self-esteem may be lowered if feedback is provided in an inappropriate and inaccurate way. This, in turn, can create employee resentment.

4. *Wasted time and money.* Performance management systems cost money and quite a bit of time. These resources are wasted when systems are poorly designed and implemented.

5. *Damaged relationships.* As a consequence of a deficient system, the relationship among the individuals involved may be damaged, often permanently.

6. *Decreased motivation to perform.* Motivation may be lowered for many reasons, including the feeling that superior performance is not translated into meaningful tangible (e.g., pay increase) or intangible (e.g., personal recognition) rewards.

7. *Employee burnout and job dissatisfaction.* When the performance assessment instrument is not seen as valid and the system is not perceived as fair, employees are likely to feel increased levels of job burnout and job dissatisfaction. As a consequence, employees are likely to become increasingly irritated

8. *Increased risk of litigation.* Expensive lawsuits may be filed by individuals who feel they have been appraised unfairly.

9. *Unjustified demands on managers' and employees' resources.* Poorly implemented systems do not provide the benefits provided by well-implemented systems, yet they take up managers' and employees' time. Such systems will be resisted because of competing obligations and allocation of resources (e.g., time) What is sometimes worse, managers may simply choose to avoid the system altogether, and employees may feel increased levels of overload.

10. *Varying and unfair standards and ratings.* Both standards and individual ratings may vary across and within units and be unfair.

11. *Emerging biases.* Personal values, biases, and relationships are likely to replace organizational standards.

12. *Unclear ratings system.* Because of poor communication, employees may not know how their ratings are generated and how the ratings are translated into rewards.

AIMS AND ROLE OF PM SYSTEMS

The information collected by a performance management system is most frequently used for salary administration, performance feedback, and the identification of employee strengths and weaknesses. In general, however, performance management systems can serve the following six purposes: strategic, administrative, informational, developmental, organizational maintenance, and documentational purposes. Let's consider each of these purposes in turn.

Strategic Purpose

The first purpose of performance management systems is to help top management achieve strategic business objectives. By linking the organization's goals with individual goals, the performance management system reinforces behaviours consistent with the attainment of organizational goals. Moreover, even if for some reason individual goals are not achieved, linking individual goals with organizational goals serves as a way to communicate what are the most crucial business strategic initiatives.

A second strategic purpose of performance management systems is that they play an important role in the onboarding process.36 Onboarding refers to the processes that lead new employees to transition from being organizational outsiders to organizational insiders. Performance management serves as a catalyst for onboarding because it allows new employees to understand the types of behaviours and results that are valued and rewarded, which, in turn, lead to an understanding of the organization's culture and its values.

Administrative Purpose

A second function of performance management systems is to furnish valid and useful information for making administrative decisions about employees. Such administrative decisions include salary adjustments, promotions, employee retention or termination, recognition of superior individual performance, identification of poor performers, layoffs, and merit increases. Therefore, the implementation of reward systems based on information

provided by the performance management system falls within the administrative purpose. For example, the government in Turkey mandates performance management systems in all public organizations in that country with the aim to prevent favoritism, corruption, and bribery and to emphasize the importance of impartiality and merit in administrative decisions.

Informational Purpose

Performance management systems serve as an important communication device. First, they inform employees about how they are doing and provide them with information on specific areas that may need improvement. Second, related to the strategic purpose, they provide information regarding the organization's and the supervisor's expectations and what aspects of work the supervisor believes are most important.

Developmental Purpose

As noted earlier, feedback is an important component of a well-implemented performance management system. This feedback can be used in a developmental manner. Managers can use feedback to coach employees and improve performance on an ongoing basis. This feedback allows for the identification of strengths and weaknesses as well as the causes for performance deficiencies (which could be due to individual, group, or contextual factors). Of course, feedback is useful only to the extent that remedial action is taken and concrete steps are implemented to remedy any deficiencies. Feedback is useful only when employees are willing to receive it. Organizations should strive to create a "feedback culture" that reflects support for feedback, including feedback that is nonthreatening and is focused on behaviors and coaching to help interpret the feedback provided.

Organizational Maintenance Purpose

A fifth purpose of performance management systems is to provide information to be used in workforce planning. Workforce planning comprises a set of systems that allows organizations to anticipate and respond to needs emerging within and outside the organization, to determine priorities, and to allocate human resources where they can do the best. An important component of any workforce planning effort is the talent inventory, which is information on current resources (e.g., skills, abilities, promotional potential, and assignment histories of current

employees). Performance management systems are the primary means through which accurate talent inventories can be assembled.

Documentational Purpose

Finally, performance management systems allow organizations to collect useful information that can be used for several documentation purposes. First, performance data can be used to validate newly proposed selection instruments. For example, a newly developed test of computer literacy can be administered to all administrative personnel. Scores on the test can then be paired with scores collected through the performance management system. If scores on the test and on the performance measure are correlated, then the test can be used with future applicants for the administrative positions. Second, performance management systems allow for the documentation of important administrative decisions. This information can be especially useful in the case of litigation.

Although multiple purposes are possible, a survey of industrial and organizational psychologists working in HR departments in more than 100 different organizations reported that the two most frequent purposes are administrative (i.e., salary decisions) and developmental (i.e., to identify employees' weaknesses and strengths). Overall, in the organizations that participated in this study, performance management served at least two of the purposes mentioned earlier. these purposes place conflicting demands on the raters because they must be both judges (i.e., make salary decisions) and coaches (i.e., provide useful feedback for performance improvement) at the same time.

CHARACTERISTICS OF AN IDEAL PM SYSTEM

So far, we have defined performance management, described the advantages of implementing good performance management systems, discussed some of the dangers of not doing a good job with the design and implementation of the system, and described the various purposes achieved by a good system. But what does a good system look like? The following characteristics are likely to allow a performance management system to be successful. Practical constraints may not allow for the implementation of all these features. The reality is that performance management systems are seldom implemented in an ideal way. For example, there

may not be sufficient funds to deliver training to all people involved, supervisors may have biases in how they provide performance ratings, or people may be just too busy to pay attention to a new organizational initiative that requires their time and attention. Also, there may be organizational or even country-level constraints that prevent the implementation of a good performance management system.

Strategic congruence. The system should be congruent with the unit and organization's strategy. In other words, individual goals must be aligned with unit and organizational goals.

Context congruence. The system should be congruent with the organization's culture as well as the broader cultural context of the region or country. The importance of context in implementing highly effective performance management systems is emphasized throughout the book. However, for now, consider the example of an organization that has a culture in which communication is not fluid and hierarchies are rigid. In such organizations, a 360-degree feedback system in which individuals receive comments on their performance from their subordinates, peers, and superiors would be resisted and likely not very effective. Regarding broader cultural issues, consider that performance management research published in scholarly journals has been conducted in about 40 countries around the world. Taken together, this body of work suggests that culture plays an important role in the effectiveness of a performance management system. For example, in countries such as Japan, there is an emphasis on the measurement of both behaviors (i.e., how people do the work) and results (i.e., the results of people's work), whereas in the United States results are typically preferred over behaviors. Thus, implementing a results-only system in Japan is not likely to be effective.

Thoroughness. The system should be thorough regarding four dimensions. First, all employees should be evaluated (including managers). Second, all major job responsibilities should be evaluated. Third, the evaluation should include performance spanning the entire review period, not just the few weeks or months before the review. Finally, feedback should be given on positive performance aspects as well as those that are in need of improvement.

Practicality. Systems that are too expensive, time consuming, and convoluted will obviously not be effective. Good, easy-to-use systems (e.g., performance data are entered via user-friendly software) are available for managers to help them make decisions. Finally, the benefits of using the system (e.g., increased performance and job satisfaction) must be seen as outweighing the costs (e.g., time, effort, expense).

Meaningfulness. The system must be meaningful in several ways. First, the standards and evaluations conducted for each job function must be considered important and relevant. Second, performance assessment must emphasize only those functions that are under the control of the employee. For example, there is no point in letting an employee know she needs to increase the speed of service delivery when the supplier does not get the product to her on time. Third, evaluations must take place at regular intervals and at appropriate moments. Because one formal evaluation per year is usually not sufficient, informal quarterly reviews are recommended. Fourth, the system should provide for the continuing skill development of evaluators. Finally, the results should be used for important administrative decisions. People will not pay attention to a system that has no consequences in terms of outcomes that they value.

Specificity. A good system should be specific: it should provide detailed and concrete guidance to employees about what is expected of them and how they can meet these expectations.

Identification of effective and ineffective performance. The performance management system should provide information that allows for the identification of effective and ineffective performance. That is, the system should allow for distinguishing between effective and ineffective behaviors and results, thereby also allowing for the identification of employees displaying various levels of performance effectiveness. In terms of decision making, a system that classifies or ranks all levels of performance and all employees similarly is useless.

Reliability. A good system should include measures of performance that are consistent and free of error. For example, if two supervisors provided ratings of the same employee and performance dimensions, ratings should be similar.

Validity. The measures of performance should also be valid. In this context, validity refers to the fact that the measures include all relevant performance facets and do not include irrelevant performance facets. In other words, measures are relevant (i.e., include all critical performance facets), not deficient (i.e., do not leave any important aspects out), and are not contaminated (i.e., do not include factors outside of the control of the employee or factors unrelated to performance). In short, measures include what is important and do not assess what is not important and outside of the control of the employee.

Acceptability and fairness. A good system is acceptable and is perceived as fair by all participants. Perceptions of fairness are subjective and the only way to know if a system is seen as fair is to ask the participants about the system. Such perceptions include four distinct components. First, we can ask about distributive justice, which includes perceptions of the

performance evaluation received relative to the work performed, and perceptions of the rewards received relative to the evaluation received, particularly when the system is implemented across countries. For example, differences in perceptions may be found in comparing employees from more individualistic (e.g., United States) to more collectivistic (e.g., Korea) cultures.49 If a discrepancy is perceived between work and evaluation or between evaluation and rewards, then the system is likely to be seen as unfair. Second, we can ask about procedural justice, which includes perceptions of the procedures used to determine the ratings as well as the procedures used to link ratings with rewards. Third, we can assess perceptions regarding interpersonal justice, which refers to the quality of the design and implementation of the performance management system. For example, what are employees' perceptions regarding how they are treated by their supervisors during the performance review meeting? Do they feel that supervisors are empathic and helpful? Finally, informational justice refers to fairness perceptions about performance expectations and goals, feedback received, and the information given to justify administrative decisions. For example, are explanations perceived to be honest, sincere, and logical? Because a good system is inherently discriminatory, some employees will receive ratings that are lower than those received by other employees. However, we should strive to develop systems that are regarded as fair from the distributive, procedural, interpersonal, and informational perspectives because each type of justice perception leads to different outcomes. For example, a perception that the system is not fair from a distributive point of view is likely to lead to a poor relationship between employee and supervisor and lowered satisfaction of the employee with the supervisor. On the other hand, a perception that the system is unfair from a procedural point of view is likely to lead to decreased employee commitment toward the organization and increased intentions to leave. One way to improve all four justice dimensions is to set clear rules that are applied consistently by all supervisors

Inclusiveness. Good systems include input from multiple sources on an ongoing basis. First, the evaluation process must represent the concerns of all the people who will be affected by the outcome. Consequently, employees must participate in the process of creating the system by providing input regarding what behaviors or results will be measured and how. This is particularly important in today's diverse and global organizations including individuals from different cultural backgrounds, which may lead to different views regarding what is performance and how it should be measured. Second, input about employee performance should be gathered from the employees themselves before the appraisal meeting.54 In short, all participants must be given a voice in the process of designing and implementing the system.

Such inclusive systems are likely to lead to more successful systems including less employee resistance, improved performance, and fewer legal challenges.

Openness. Good systems have no secrets. First, performance is evaluated frequently and performance feedback is provided on an ongoing basis. Therefore, employees are continually informed of the quality of their performance. Second, the appraisal meeting consists of a two-way communication process during which information is exchanged, not delivered from the supervisor to the employee without his or her input. Third, standards should be clear and communicated on an ongoing basis. Finally, communications are factual, open, and honest.

Correctability. The process of assigning ratings should minimize subjective aspects; however, it is virtually impossible to create a system that is completely objective because human judgment is an important component of the evaluation process. When employees perceive an error has been made, there should be a mechanism through which this error can be corrected. Establishing an appeals process, through which employees can challenge what may be unjust decisions, is an important aspect of a good performance management system.

Standardization. As noted earlier, good systems are standardized. This means that performance is evaluated consistently across people and time. To achieve this goal, the ongoing training of the individuals in charge of appraisals, usually managers, is a must.

Ethicality. Good systems comply with ethical standards. This means that the supervisor suppresses her personal self-interest in providing evaluations. In addition, the supervisor evaluates only performance dimensions for which she has sufficient information, and the privacy of the employee is respected.

PERFORMANCE MANAGEMENT AROUND THE WORLD

Performance management is a global phenomenon and organizations all over the world are implementing various types of performance management systems. We will discuss examples of how systems are implemented in different countries. As a preview and to highlight the increasing importance of performance management globally, consider the following results from recent research relating to 10 specific countries

Performance management in Mexico. Performance management has become increasingly popular since the 1970s. For the most part, systems in Mexico are similar to those implemented in the United States. For example, the measurement of results (as discussed in Chapter 5) is

quite pervasive. However, more research is needed for us to gain a better understanding of what types of systems would work best in Mexico.

Performance management in the United Kingdom. Performance management in the United Kingdom has been affected by several factors, including an emphasis on cost effectiveness and the developmental purpose of performance management. Performance management is gaining increased stature and significance given the more recent emphasis on talent management and total rewards management. As noted earlier, performance management provides critical information regarding the identification of top performers, which helps talent management, and critical information to be used in administrative decisions, including the allocation of rewards. Performance management in the United Kingdom is an established organizational practice and is clearly influenced by broader societal issues such as socioeconomic, political, and legal trends.

Performance management in France. Performance management in France faces unique contextual issues such as legal requirements to invest in employee training and development and the need to emphasize individual accountability. Once again, performance management systems are not implemented in a vacuum, and it is important to consider the broader environment when designing and implementing a system.

Performance management in Germany. Performance management in Germany has been affected by the established practice of long-term employment relationships. Thus, performance management systems emphasize long-term goals and usually do not have a short-term focus. In spite of this unique feature, systems share some similarities with France given their membership in the European Union, which provides a common legal framework for many labor-related issues.

Performance management in Turkey. Performance management in Turkey is evolving rapidly given its official candidacy for European Union membership. Negotiations began in 2005, and it is likely that Turkey will become a European Union member by around 2015. Turkey's unique contextual issues involve being a democratic and secular state—yet ruled by a single-party government. Performance management is a fairly novel issue in Turkey, but almost 80% of firms in Turkey are using some type of system. Because personal relationships play an important role in Turkish culture, an important challenge is the implementation of systems that ensure valid, reliable, and fair performance measurement.

Performance management in India. The India economy has been on "overdrive" since the early 1990s and there is intense international business activity, including a significant increase

in foreign direct investment going into India as well as India firms going abroad. The intense international business activity is leading to a change in traditional values, at least in work environment, from more collectivistic to more individualistic and short-term. Nevertheless, the traditional paternalistic values do not seem to be changing, and they pose a challenge for the implementation of performance management systems in which the supervisor serves as a coach instead of as a "boss".

Performance management in China. From the founding of the socialist state in 1949 until the 1980s, performance management systems in China emphasized mostly attendance and skills. However, since the 1980s, the view of performance management has expanded to consider broader sets of behaviors as well as the relationship between performance management and other organizational systems (e.g., compensation). Important issues to consider for successful implementation of performance management systems in China include respect for age and seniority and the emphasis on social harmony.

Performance management in South Korea. Work relationships in South Korea are hierarchical in nature and emphasize the importance of groups over individuals. More recently, the establishment of a democratic government in 1987 and the Asian financial crisis of 1997 affected organizational practices substantially. Specifically, the financial crisis led many organizations to adopt what in Korean is called Yunbongje (i.e., merit-based) systems). The current challenge is how to reconcile a merit-based approach with more traditional cultural values.

Performance management in Japan. Although Japanese firms relied on lifetime employment and seniority as key organizational practices, more recently firms also consider the importance of new knowledge acquisition. In general performance management systems in Japan tend to emphasize behaviors to the detriment of results

Performance management in Australia. The Australian economy has made an important shift from manufacturing to service, and there are important demographic changes in the workforce including an increased presence of women and members of ethnic minority groups. The legal framework in Australia is similar to that in the United States and the United Kingdom So, much like the United States and the United Kingdom, performance management systems tend to include documentation of performance, considerations regarding equal opportunity, and due process issues.

This brief overview provides us with some information regarding performance management systems around the world. Although there is a common challenge to align individual and

organizational goals and enhance the performance of individuals and groups, the way these goals are achieved is influenced by both organizational and societal contextual issues. Thus, these issues should not be ignored when implementing performance management systems.

PERFORMANCE MANAGEMENT PROCESS

PREREQUISITES

There are two important prerequisites that are required before a performance management system is implemented: (1) knowledge of the organization's mission and strategic goals and (2) knowledge of the job in question. the strategic planning process may take place after the mission and vision statements are created; thus, there is a constant interplay between mission and vision and strategic planning). Strategic planning allows an organization to clearly define its purpose or reason for existing, where it wants to be in the future, the goals it wants to achieve, and the strategies it will use to attain these goals. Once the goals for the entire organization have been established, similar goals cascade downward, with departments setting objectives to support the organization's overall mission and objectives. The cascading continues downward until each employee has a set of goals compatible with those of the organization.

Unfortunately, it is often the case that many organizational units are not in tune with the organization's strategic direction. However, there seems to be a trend in the positive direction. For example, a study including public sector organizations in Queensland, Australia, showed a fairly high level of strategic integration of the human resources (HR) function. Specifically, approximately 80% of the organizations that participated in the study were categorized as having achieved the highest level of strategic integration. This level is characterized by a dynamic and multifaceted linkage based on an "integrative relationship between people management and strategic management process."[3] Recall that an important objective of any performance management system is to enhance each employee's contribution to the goals of the organization. If there is a lack of clarity regarding where the organization wants to go, or if the relationship between the organization's mission and strategies and the unit's mission and strategies is not clear, there will be a lack of clarity regarding what each employee needs to do and achieve to help the organization get there.

The second important prerequisite before a performance management system is implemented is to understand the job in question. This is done through job analysis. Job analysis is a process of determining the key components of a particular job, including activities, tasks, products, services, and processes. A job analysis is a fundamental prerequisite of any performance management system. Without a job analysis, it is difficult to understand what constitutes the required duties for a particular job. If we don't know what an employee is supposed to do on the job, we won't know what needs to be evaluated and how to do so.

As a result of a job analysis, we obtain information regarding the tasks carried out and the knowledge, skills, and abilities (KSAs) required of a particular job. Knowledge includes having the information needed to perform the work, but not necessarily having done it. Skills refer to required attributes that are usually acquired by having done the work in the past. Ability refers to having the physical, emotional, intellectual, and psychological aptitude to perform the work, but neither having done the job nor having been trained to do the work is required.

Job analysis can be conducted using observation, off-the-shelf questionnaires, or interviews. Data are collected from job incumbents (i.e., those doing the job at present) and their supervisors. Alternatively, if the job is yet to be created, data can be gathered from the individual(s) responsible for creating the new position and those who will supervise individuals in the new position. Observation methods include job analysts watching incumbents do the job, or even trying to do the work themselves, and then producing a description of what they have observed. This method can be subject to biases because job analysts may not be able to distinguish important from unimportant tasks. Such analysis may not be suitable for many jobs. For example, a job analyst could not do the work of a police officer for safety reasons or the work of a software programmer for the lack of knowledge and skills to do the work. Off-the shelf methods involve distributing questionnaires, including a common list of tasks or KSAs, and asking individuals to fill them out, indicating the extent to which each task or KSA is required for a particular job in question. These generic off-the-shelf tools can be practical, but they might not capture the nuances and idiosyncrasies of jobs out of the mainstream.

Interviews are a very popular job analysis method. During a job analysis interview, the job analyst asks the interviewee to describe what he or she does (or what individuals in the position do) during a typical day at the job from start to finish (i.e., in chronological order). Alternatively, the job analyst can ask the interviewee to describe the major duties involved in the job and then ask him or her to break down these duties into specific tasks. Once a list of

tasks has been compiled, all incumbents should have an opportunity to review the information and rate each task in terms of frequency and criticality.

In summary, there are two important prerequisites that must exist before the implementation of a successful performance management system. First, there is a need to have good knowledge of the organization's mission and strategic goals. This knowledge, combined with knowledge regarding the mission and strategic goals of their unit, allows employees to make contributions that will have a positive impact on the unit and on the organization as a whole. Second, there is a need to have good knowledge of the job in question: what tasks need to be done, how they should be done, and what KSAs are needed. Such knowledge is obtained through a job analysis. If we have good information regarding a job, then it is easier to establish criteria for job success.

PERFORMANCE PLANNING

Employees should have a thorough knowledge of the performance management system. In fact, at the beginning of each performance cycle, the supervisor and the employee meet to discuss and agree upon what needs to be done and how it should be done. This performance planning discussion includes a consideration of both results and behaviours as well as a development plan.

Results

Results refer to what needs to be done or the outcomes an employee must produce. A consideration of results needs to include the key accountabilities, or broad areas of a job for which the employee is responsible for producing results. This information is typically obtained from the job description. A discussion of results also includes specific objectives that the employee will achieve as part of each accountability. Objectives are statements of important and measurable outcomes. Finally, discussing results also means discussing performance standards. A performance standard is a yardstick used to evaluate how well employees have achieved each objective. Performance standards provide information about acceptable and unacceptable performance (e.g., quality, quantity, cost, and time)

Consider the job of university professors. Two key accountabilities are (1) teaching (preparation and delivery of instructional materials to students) and (2) research (creation and dissemination of new knowledge). An objective for teaching could be "to obtain a student evaluation of teaching performance of 3 on a 4-point scale." An objective for research could

be "to publish two articles in scholarly refereed journals per year." Performance standards could be "to obtain a student evaluation of teaching performance of at least 2 on a 4-point scale" and "to publish at least one article in scholarly referred journals per year." Thus, the objective is the desired level of performance, whereas the standard is usually a minimum

acceptable level of performance.

Behaviours

Although it is important to measure results, an exclusive emphasis on results can give a skewed or incomplete picture of employee performance. For example, for some jobs it may be difficult to establish precise objectives and standards. For other jobs, employees may have control over how they do their jobs but not over the results of their behaviours. For example, the sales figures of a salesperson could be affected more by the assigned sales territory than by the salesperson's ability and performance. behaviours, or how a job is done, thus constitute an important component of the planning phase. This is probably why results from a survey indicated that, in addition to sales figures, salespeople would like to be appraised on such behavioural criteria as communications skills and product knowledge.

A consideration of behaviours includes discussing competencies, which are measurable clusters of KSAs that are critical in determining how results will be achieved. Examples of competencies are customer service, written or oral communication, creative thinking, and dependability. Returning to the example of the professor, assume that teaching is done online and numerous technology-related problems exist, so that the resulting teaching evaluations are deficient (i.e., lower than the standard of 2). This is an example of a situation in which behaviours should be given more importance than results. In this situation, the evaluation could include competencies such as online communication skills (e.g., in the chat room).

Development Plan

An important step before the review cycle begins is for the supervisor and employee to agree on a development plan. At a minimum, this plan should include identifying areas that need improvement and setting goals to be achieved in each area. Development plans usually include both results and behaviours.

In summary, performance planning includes the consideration of results and behaviours and the development plan. A discussion of results needs to include key accountabilities (i.e., broad areas for which an employee is responsible), specific for each key accountability (i.e., goals to be reached), and performance standards (i.e., what constitutes acceptable and unacceptable levels of performance). A discussion of behaviours needs to include competencies (i.e., clusters of KSAs). Finally, the development plan includes a description of areas that need improving and goals to be achieved in each area.

Once the prerequisites are met and the planning phase has been completed, we are ready to begin the implementation of the performance management system. This includes performance execution, assessment, review, and renewal and recontracting.

PERFORMANCE EXECUTION

Once the review cycle begins, the employee strives to produce the results and display the behaviours agreed upon earlier as well as to work on developmental needs. The employee has primary responsibility and ownership of this process. Employee participation does not begin at the performance execution stage, however. As noted earlier, employees need to have active input in the development of job descriptions, performance standards, and the creation of the rating form. In addition, at later stages, employees are active participants in the evaluation process in that they provide a self-assessment and the performance review interview is a two-way communication process. At the performance execution stage, the following factors must be present:

1. Commitment to goal achievement. The employee must be committed to the goals that were set. One way to enhance commitment is to allow the employee to be an active participant in the process of setting the goals.

2. Ongoing performance feedback and coaching. The employee should not wait until the review cycle is over to solicit performance feedback. Also, the employee should not wait until a serious problem develops to ask for coaching. The employee needs to take a proactive role in soliciting performance feedback and coaching from her supervisor.

3. Communication with supervisor. Supervisors are busy with multiple obligations. The burden is on the employee to communicate openly and regularly with the supervisor.

4. Collecting and sharing performance data. The employee should provide the supervisor with regular updates on progress toward goal achievement, in terms of both behaviours and results.

5. Preparing for performance reviews. The employee should not wait until the end of the review cycle approaches to prepare for the review. On the contrary, the employee should engage in an ongoing and realistic self-appraisal so that immediate corrective action can be taken if necessary. The usefulness of the self-appraisal process can be enhanced by gathering informal performance information from peers and customers (both internal and external).

Although the employee has primary responsibilities for performance execution, the supervisor also needs to do his or her share of the work. In fact, monitoring the performance of colleagues has been identified as a key competency by the Management Standards Centre (www.management-standards.com, Unit B5). Supervisors have primary responsibility over the following issues

1. Observation and documentation. Supervisors must observe and document performance on a daily basis. It is important to keep track of examples of both good and poor performance.

2. Updates. As the organization's goals may change, it is important to update and revise initial objectives, standards, and key accountabilities (in the case of results) and competency areas (in the case of behaviours).

3. Feedback. Feedback on progression toward goals and coaching to improve performance should be provided on a regular basis certainly before the review cycle is over.

Resources. Supervisors should provide employees with resources and opportunities to participate in developmental activities. Thus, they should encourage (and sponsor) participation in training, classes, and special assignments. Overall, supervisors have a responsibility to ensure that the employee has the necessary supplies and funding to perform the job properly.

5. Reinforcement. Supervisors must let employees know that their outstanding performance is noticed by reinforcing effective behaviours and progress toward goals. Also, supervisors should provide feedback regarding negative performance and how to remedy the observed problem. Observation and communication are not sufficient. Performance problems must be diagnosed early, and appropriate steps must be taken as soon as the problem is discovered.

PERFORMANCE ASSESSMENT

In the assessment phase, both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have

been achieved. Although many sources can be used to collect performance information (e.g., peers, subordinates), in most cases the direct supervisor provides the information. This also includes an evaluation of the extent to which the goals stated in the development plan have been achieved.

It is important that both the employee and the manager take ownership of the assessment process. The manager fills out her appraisal form, and the employee should also fill out his form. The fact that both parties are involved in the assessment provides good information to be used in the review phase. When both the employee and the supervisor are active participants in the evaluation process, there is a greater likelihood that the information will be used productively in the future. Specifically, the inclusion of self-ratings helps emphasize possible discrepancies between self-views and the views that important others (i.e., supervisors) have of our behavior. It is the discrepancy between these two views that is most likely to trigger development efforts, particularly when feedback from the supervisor is more negative than are employee self-evaluations.

The inclusion of self-appraisals is also beneficial regarding important additional factors. Self-appraisals can reduce an employee's defensiveness during an appraisal meeting and increase the employee's satisfaction with the performance management system as well as enhance perceptions of accuracy and fairness and therefore acceptance of the system,

In sum, both the employee and the supervisor must evaluate employee performance. Employee involvement in the process increases employee ownership and commitment to the system. In addition, it provides important information to be discussed during the performance review, which is discussed next.

PERFORMANCE REVIEW

The performance review stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the appraisal meeting or discussion. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. In spite of its importance in performance management, the appraisal meeting is often regarded as the "Achilles' heel of the entire process." This is because many managers are uncomfortable providing performance feedback, particularly when performance is deficient. This high level of discomfort, which often translates into anxiety and the avoidance of the appraisal interview, can be mitigated through

training those responsible for providing feedback in an effective manner is extremely important because it leads not only to performance improvement but also to employee satisfaction with the system.

For example, Jack Welch, former CEO of GE, has addressed this issue in many of his public appearances since he retired.22 At an appearance in front of an audience of about 2,000 managers, he asked them if their organizations had integrity. As was expected, a vast majority of managers, about 95%, raised their hands. Then, he asked the same audience if their organization's leaders provide subordinates with honest and straightforward performance feedback. Only about 5% of the people raised their hands. Avoiding giving negative feedback is very dangerous because it conveys the message that mediocrity is acceptable and damages the morale of the top performers who are about four times as productive as the poor performers

In most cases, the appraisal meeting is regarded as a review of the past, that is, what was done (i.e., results) and how it was done (i.e., behaviors). The appraisal meeting should also include a discussion of the employee's developmental progress as well as plans for the future. The conversation should include a discussion of goals and development plans that the employee will be expected to achieve over the period before the next review session. In addition, a good appraisal meeting includes information on what new compensation, if any, the employee may be receiving as a result of his performance. In short, the appraisal discussion focuses on the past (what has been done and how), the present (what compensation is received or denied as a result), and the future (goals to be attained before the upcoming review session) As noted earlier, the discussion about past performance can be challenging, particularly when performance levels have not reached acceptable levels.

PERFORMANCE RENEWAL AND RECONTRACTING

The final stage in the performance process is renewal and recontracting. Essentially, this is identical to the performance planning component. The main difference is that the renewal and recontracting stage uses the insights and information gained from the other phases. For example, some of the goals may have been set unrealistically high given an unexpected economic downturn. This would lead to setting less ambitious goals for the upcoming review period.

The performance management process includes a cycle which starts with prerequisites and ends with performance renewal and recontracting. The cycle is not over after the renewal and

recontracting stage. In fact, the process starts all over again: there needs to be a discussion of prerequisites, including the organization's mission and strategic goals and the job's KSAs. Because markets change, customers' preferences and needs change, and products change, there is a need to continuously monitor the prerequisites so that performance planning and all the subsequent stages are consistent with the organization's strategic objectives. Recall that, in the end, one of the main goals of any performance management system is to promote the achievement of organization wide goals. Obviously, if managers and employees are not aware of these strategic goals, it is unlikely that the performance management system will be instrumental in accomplishing the strategic goals.

The final component involves performance renewal and recontracting. Although this component is identical to the performance planning stage, this component uses information gathered during the review period to make adjustments as needed. For example, some new key accountabilities and competencies may be included. Conversely, some goals may have to be adjusted either upward or downward.

DEFINITION AND PURPOSES OF STRATEGIC PLANNING

Strategic planning is a process that involves describing the organization's destination, assessing barriers that stand in the way of that destination, and selecting approaches for moving forward. The main goal of strategic planning is to allocate resources in a way that provides organizations with a competitive advantage. Overall, a strategic plan serves as a blueprint that defines how the organization will allocate its resources in pursuit of its goals.

Strategic planning serves the following purposes: First and foremost, strategic planning allows organizations to define their identities. In other words, it provides organizations with a clearer sense of who they are and what their purposes are. Second, strategic planning helps organizations prepare for the future because it clarifies the desired destination. Knowing where the organization wants to go is a key first step in planning how to get there. Third, strategic planning allows organizations to analyze their environment, and doing so enhances their ability to adapt to environmental changes and even anticipate future changes. Although knowledge of the environment does not guarantee that an organization will be more likely to change and adapt, knowledge is the first step toward possible adaptation. Fourth, strategic planning provides organizations with focus and allows them to allocate resources to what matters most.

Strategic Planning

The development of an organization's strategic plan requires a careful analysis of the organization's competitive situation, the organization's current position and destination, the development of the organization's strategic goals, the design of a plan of action and implementation, and the allocation of resources (human, organizational, physical) that will increase the likelihood of achieving the stated goals.

There are several steps that must be considered in the creation of a successful strategic plan. These include (1) the conduct of an environmental analysis (i.e., the identification of the internal and external parameters of the environment in which the organization operates); (2) the creation of an organizational mission (i.e., statement of what the organization is all about); (3) the creation of an organizational vision (i.e., statement of where the organization intends to be in the long term, say, about 10 years); (4) setting goals (i.e., what the organization intends to do in the short term, say, one to three years); and (5) the creation of strategies that will allow the organization to fulfil its mission and vision and achieve its goals (i.e., descriptions of game plans or how-to procedures to reach the stated objectives). After each of these issues has been defined, organizational strategies are created so that the mission and vision are fulfilled and the stated goals are met.

ENVIRONMENTAL ANALYSIS

The first step in conducting a strategic plan is to step back to take in the "big picture." This is accomplished through what is called an environmental analysis. An environmental analysis identifies external and internal parameters with the purpose of understanding broad issues related to the industry where the organization operates so that decisions can be made against the backdrop of a broader context

The following is a non-exhaustive list of external factors that should be considered in any environmental analysis:

• Economic. For example, is there an economic recession on the horizon? Or, is the current economic recession likely to end in the near future? How would these economic trends affect our business?

• Political/legal. For example, how will political changes in domestic or international markets we are planning on entering affect our entry strategy?

• Social. For example, what is the impact of an aging workforce on our organization?

• Technological. For example, what technological changes are anticipated in our industry and how will these changes affect how we do business?

• Competitors. For example, how do the strategies and products of our competitors affect our own strategies and products? Can we anticipate our competitors' next move?

• Customers. For example, what do our customers want now, and what will they want in the next five years or so? Can we anticipate such needs?

• Suppliers. For example, what is the relationship with our suppliers now and is it likely to change, and in what way, in the near future?

MISSION

After the environmental analysis has been completed and the gap analysis reveals an organization's leverage, constraints, vulnerabilities, and problems, the members of the organization must determine who they are and what they do. This information will then be incorporated into the organization's mission statement. The mission statement summarizes the organization's most important reason for its existence. Mission statements provide information on the purpose of the organization and its scope.

Good mission statements provide answers to the following questions

• Why does the organization exist?

• What is the scope of the organization's activities?

• Who are the customers served?

• What are the products or services offered?

Consider the mission statement for the Coca-Cola Company:

Everything we do is inspired by our enduring mission:

• To Refresh the World ... in body, mind, and spirit.

• To Inspire Moments of Optimism ... through our brands and our actions.

• To Create Value and Make a Difference ... everywhere we engage.

In general, thorough mission statements include the following components Basic product or service to be offered (does what?)

• Primary markets or customer groups to be served (to whom?)

• Unique benefits and advantages of products or services (with what benefits?)

• Technology to be used in production or delivery

• Fundamental concern for survival through growth and profitability

Mission statements also typically include information about the organization's values and beliefs, including:

• Managerial philosophy of the organization

• Public image sought by the organization

• Self-concept of business adopted by employees and stockholders

VISION

An organization's vision is a statement of future aspirations. In other words, the vision statement includes a description of what the organization would like to become in the future (about 10 years in the future). Vision statements are typically written after the mission statement is completed because the organization needs to know what it is and what its purpose is before they can figure out who they will be in the future. Note, however, that mission and vision statements are often combined and, therefore, in many cases it is difficult to differentiate one from the other. In such cases, the vision statement usually includes two components: a core ideology, which is referred to as the mission, and an envisioned future, which is what is referred to as the vision per se. The core ideology contains the core purpose and core values of an organization, and the envisioned future specifies long-term objectives and a picture of what the organization aspires to.

This statement includes components of a mission statement (i.e., "a rapidly growing, global, diversified, market-driven consumer products company") as well as components of a vision statement (e.g., "will strengthen our brands and generate growth through emphasis on brand strategy/marketing and innovative product technology, design and packaging"). This statement combines the present (i.e., who the company is, what it does) with the future (i.e., aspirations).

In sum, a vision statement includes a description of future aspirations. Whereas the mission statement emphasizes the present, the vision statement emphasizes the future.

GOALS

After an organization has analysed its external opportunities and threats as well as internal strengths and weaknesses and has defined its mission and vision, it can realistically establish goals that will further its mission. The purpose of setting such goals is to formalize statements about what the organization hopes to achieve in the medium- to long-range period (i.e., within the next three years or so). Goals provide more specific information regarding how the mission will be implemented. Goals can also be a source of motivation and provide employees with a more tangible target for which to strive. Goals also provide a good basis for making decisions by keeping desired outcomes in mind. And, finally, goals provide the basis for performance measurement because they allow for a comparison of what needs to be achieved versus what each unit, group, and individual is achieving.

Consider the case of Harley-Davidson, Inc., the motorcycle manufacturer. In January 2004, Jeffrey L. Bleustein, chairman and chief executive officer, said that the expectation was to continue to grow the business. Specifically, he said that the new goal was to satisfy a yearly demand of 400,000 Harley-Davidson motorcycles in 2007. Moreover, he also said that he was confident that Harley-Davidson, Inc., would be able to deliver an earnings growth rate in the mid-teens for the foreseeable future.

These goals provide a clear direction for Harley-Davidson. In fact, they provide useful information to guide unit-level goals as well as individual and team performance. The entire organization has a clear sense of focus because all members know that there is a goal to deliver 400,000 motorcycles in 2007.

Individual and Team Performance

Finally, the performance management system needs to motivate employees to display the behaviours and produce the results required to support the organization's and the unit's mission, vision, and goals. Developmental plans need to be aligned with unit and organizational priorities as well. Well-designed performance management systems define a clear path from organizational mission, vision, and goals to individual and team performance. This is critical because organizational success is a direct function of the alignment between collective and individual objectives.

DEFINING PERFORMANCE

Performance management systems usually include measures of both behaviours (what an employee does) and results (the outcomes of an employee's behavior). The definition of performance does not include the results of an employee's behaviours but only the behaviours themselves. Performance is about behavior or what employees do, not about what employees produce or the outcomes of their work.

Also, there are two additional characteristics of the behaviors we label "performance." 1 First, they are evaluative. This means that such behaviors can be judged as negative, neutral, or positive for individual and organizational effectiveness. In other words, the value of these behaviors can vary based on whether they make a contribution toward the accomplishment of individual, unit, and organizational goals. Second, performance is multidimensional.2 This means that there are many different kinds of behaviors that have the capacity to advance (or hinder) organizational goals.

As an example, consider a set of behaviors that can be grouped under the general label "contribution to effectiveness of others in the work unit." This set of behaviors can be defined as follows:

DETERMINANTS OF PERFORMANCE

What factors cause an employee to perform at a certain level? Why do certain individuals perform better than others? A combination of three factors allows some people to perform at higher levels than others: (1) declarative knowledge, (2) procedural knowledge, and (3) motivation.3 Declarative knowledge is information about facts and things, including information regarding a given task's requirements, labels, principles, and goals. Procedural knowledge is a combination of knowing what to do and how to do it and includes cognitive, physical, perceptual, motor, and interpersonal skills. Finally, motivation involves three types of choice behaviours:

1. Choice to expend effort (e.g., "I will go to work today")

2. Choice of level of effort (e.g., "I will put in my best effort at work" versus "I will not try very hard")

3. Choice to persist in the expenditure of that level of effort (e.g., "I will give up after a little while" versus "I will persist no matter what")

Factors Influencing Determinants of Performance

The factors that determine performance are affected by the employee (i.e., abilities and previous experience), human resources (HR) practices, and the work environment. For example, some companies offer more opportunities for training than do others. At the top of the list in terms of annual training investment are IBM ($1 billion), Accenture ($717 million), and Ford Motor ($500 million).5 In these companies, declarative knowledge is not likely to be a big problem because, when lack of knowledge is identified, employees have multiple opportunities to fill in the gap. However, performance problems may be related more to procedural knowledge and motivation. In terms of procedural knowledge, employees may actually have the knowledge to perform certain tasks but may not have the skill to do them because of lack of opportunity for practice. In terms of motivation, downsizing interventions may have caused a "survivor syndrome," which includes retained employees' feelings of frustration, resentment, and even anger. These feelings are likely to have strong negative effects on motivation, and employees may expend minimal energy on their jobs

Thus, there are three individual characteristics that determine performance: procedural knowledge, declarative knowledge, and motivation. In addition, HR practices and the work environment can affect performance. When addressing performance problems, managers first need to identify which of these factors is hampering performance and then help the employee improve his or her performance.

Determining Performance Standards

The next step is to define performance standards. These are yardsticks designed to help people understand to what extent the objective has been achieved. The standards provide raters with information about what to look for to determine the level of performance that has been achieved. Standards can refer to various aspects of a specific objective, including quality, quantity, and time. Each of these aspects can be considered a criterion to be used in judging the extent to which an objective has been achieved.

• Quality: how well the objective has been achieved? This can include usefulness, responsiveness, effect obtained (e.g., problem resolution), acceptance rate, error rate, and feedback from users or customers (e.g., customer complaints, returns).

• Quantity: how much has been produced, how many, how often, and at what cost?

• Time: due dates, adherence to schedule, cycle times, deadlines (how quickly?) (e.g., timetables, progress reports)?

In writing standards, consider the following characteristics that often determine whether one has a useful standard:

1. Related to the position. Good standards are based on the job's key elements and

tasks, not on individual traits or person-to-person comparisons.

2. Concrete, specific, and measurable. Good standards are observable and verifiable. They allow us to distinguish between different performance levels. A good standard allows supervisors to measure the employee's actual performance to determine if it is below expectations, fully satisfactory, or above expectations. Standards are specific and concrete so that there should be no dispute over whether and how well they were met.

3. Practical to measure. Good standards provide necessary information about performance in the most efficient way possible. Good standards are created by taking into account the cost, accuracy, and availability of the needed data.

4. Meaningful. Good standards are about what is important and relevant to the purpose of the job, to the achievement of the organization's mission and objectives, and to the user or recipient of the product or service.

5. Realistic and achievable. Standards are possible to accomplish, but they require a stretch. There should be no apparent barriers to achieving the standard. Employees should be able to reach the standards within the specified time frame.

6. Reviewed regularly. Information should be available on a regular basis to determine whether the employee has reached the standard, and if not, remedial action should be taken.

APPRAISAL METHODS

CRITICAL INCIDENTS

Every job includes some critical behaviors that make a crucial difference between doing a job effectively and doing it ineffectively. The critical incidents measurement approach involves gathering reports of situations in which employees exhibited behaviors that were especially effective or ineffective in accomplishing their jobs. The recorded critical incidents provide a starting point for assessing performance

This recorded incident is actually the synthesis of a series of incidents:

1. A problem was detected (a student with a special need was identified).

2. Corrective action was taken (the computer was ordered).

3. Corrective action was initially positive (the computer was delivered).

4. Corrective action was subsequently deficient (the computer was not used because of the lack of training).

When critical incidents are collected, this measurement method allows supervisors to focus on actual job behavior rather than on vaguely defined traits. On the other hand, collecting critical incidents is very time consuming. As is the case with essays, it is difficult to attach a score quantifying the impact of the incident (either positive or negative). A revised version of the critical incidents technique involves summarizing critical incidents and giving them to supervisors in the form of scales (e.g., behavior checklist).

A second variation of the critical incidents technique is the approach adopted in the performance management system implemented by the city of Irving, Texas. First, the city identified core competencies and classified them as core values, skill group competencies, or performance essentials. Then, the team in charge of implementing the system wrote dozens of examples of different levels of performance on each competency from ineffective to highly effective. In other words, this team was in charge of compiling critical incidents illustrating various performance levels for each competency. Then, managers used this list by simply circling the behavior that best described each of the employees in the work unit.

As an example, consider the competency Adaptability/Flexibility. For this competency, critical incidents were used to illustrate various performance levels:

Completely Ineffective	Somewhat Ineffective	Effective	Highly Effective	Exceptional
Able to focus on only one task at a time	Easily distracted from work assignments/ activities	Handles a variety of work assignments/ activities with few difficulties	Handles a variety of work assignments/ activities concurrently	Easily juggles a large number of assignments and activities
Avoids or attempts to undermine changes	Complains about necessary changes	Accepts reasons for change	Understands and responds to reasons for change	Encourages and instructs others about the benefits of change
Refuses to adopt changes policies	Makes only those changes with which they agree	Accepts reasons for change	Adapts to changes and develops job aids to assist others	Welcomes change and looks for new opportunities it provides
Considers only own opinion when seeking solution	Occasionally listens to others but supports own solutions	Listens to others and seeks solutions acceptable to all	Ensures that everyone's thoughts and opinions are considered in reaching a solution	Actively seeks input in addition to recognized sources and facilitates implementation of solution

B.A.R.S

A third variation of the critical incidents technique is the use of behaviorally anchored rating scales (BARS), which are described next as one of several types of graphic rating scales. The graphic rating scale is the most popular tool used to measure performance. The aim of graphic rating scales is to ensure that the response categories (ratings of behavior) are clearly defined, that interpretation of the rating by an outside party is clear, and that the supervisor and the employee understand the rating.

BARS use graphic rating scales that use critical incidents as anchors. BARS improve on the graphic rating scales by first having a group of employees identify all of the important dimensions of a job. Then, another group of employees generates critical incidents illustrating low, average, and high skills of performance for each dimension. A third group of employees and supervisors takes each dimension and the accompanying definitions and a randomized list of critical incidents. They must match the critical incidents with the correct dimensions. Finally, a group of judges assigns a scale value to each incident. Consider the following BARS for measuring job knowledge:

Job Knowledge: The amount of job-related knowledge and skills that an employee possesses.

Consider the following BARS which assess one of 10 performance dimensions identified as important for auditors:

5 Exceptional: Employee consistently displays high level of job knowledge in all areas of his or her job. Other employees go to this person for training.

4 Advanced: Shows high levels of job knowledge in most areas of his or her job. Consistently completes all normal tasks. Employee continues searching for more job knowledge, and may seek guidance in some areas.

3 Competent: Employee shows an average level of job knowledge in all areas of the job. May need assistance completing difficult tasks.

2 Improvement Needed: Does not consistently meet deadlines or complete tasks required for this job. Does not attempt to acquire new skills or knowledge to improve performance.

1 Major Improvement Needed: Typically performs tasks incorrectly or not at all. Employee has no appreciation for improving his or her performance.

APPRAISAL FORMS

At the core of any performance management system is the assessment of performance. Information on performance is collected by using forms, which can be filled out on paper or electronically. One advantage of filling out forms electronically is that the information is stored and can easily be shared, for example, between the manager filling out the form and the human resources (HR) department. Also, having the data available in electronic form can help in subsequent analyses, for example, in making comparisons of the relative average performance levels of various units within the organization. Finally, using electronic forms is beneficial because, as change take place in the organization or job in question, forms need to be revised and updated,1 and electronic forms are usually easier to modify than paper forms. Regardless of whether they are electronic or paper, appraisal forms usually include a combination of the following components

Basic employee information. This section of the form includes basic employee information such as job title, division, department and other work group information, employee number, and pay grade or salary classification. In addition, forms usually include the dates of the evaluation period, the number of months and years the rater has supervised or worked with the employee, an employee's starting date with the company and starting date in the current job, the reason for the appraisal, current salary and position in range, and the date of the next scheduled evaluation.

Accountabilities, objectives, and standards. If the organization adopts a results approach, this section of the form would include the name and description of each accountability, objectives agreed upon by manager and employee, and the extent to which the objectives have been achieved. In many instances, the objectives are weighted in terms of importance, which facilitates the calculation of an overall performance score. Finally, this section can also include a subsection describing conditions under which performance was achieved, which may help explain why the employee achieved the (high or low) performance level described. For example, a supervisor may have the opportunity to describe specific circumstances surrounding performance during the review period, including a tough economy, the introduction of a new line of products, and so forth.

Competencies and indicators. If the organization adopts a behavior approach, this section of the form includes a definition of the various competencies to be assessed, together with their behavioral indicators.

Major achievements and contributions. Some forms include a section in which a rater is asked to list the two or three major accomplishments of the individual being rated during the review period. These could refer to results, behaviors, or both.

Developmental achievements. This section of the form includes information about the extent to which the developmental goals set for the review period have been achieved. This can include a summary of activities, such as workshops attended and courses taken as well as results, such as new skills learned. Evidence of having learned new skills can be documented, for example, by obtaining a professional certification. Although some organizations include developmental achievements in the appraisal form, others choose to include them in a separate form. Sun Microsystems is an example of an organization that separates these forms. Some organizations do not include development content as part of the appraisal form because it is often difficult for employees to focus constructively on development if they have received a less-than-ideal performance review.

Developmental needs, plans, and goals. This section of the form is future oriented and includes information about specific goals and timetables in terms of employee development. As noted before, some organizations choose to create a separate development form and do not include this information as part of the performance appraisal form.

Stakeholder input. Some forms include sections to be filled out by other stakeholders, such as customers with whom the employee interacts. Overall, stakeholders are defined as people who have first hand knowledge of and are affected by the employee's performance. In most cases, input from other stakeholders is collected from them by using forms separate from the main appraisal because not all sources of performance information are in the position to rate the same performance dimensions. For example, an employee may be rated on the competency "teamwork" by peers and on the competency "reliability" by a customer. A more detailed discussion of the use of various sources of performance information

Employee comments. This section includes reactions and comments provided by the employee being rated. In addition to allowing formal employee input, which improves the perceived fairness of the system, the inclusion of this section helps with legal issues because it documents that the employee has had an opportunity to participate in the evaluation process.

Signatures. The final section of most forms includes a section in which the employee being rated, the rater, and the rater's supervisor provide their signatures to show they have seen and discussed the content of the form. The HR department may also provide approval of the content of the form.

DETERMINING OVERALL RATING

After the form has been completed, there is usually a need to compute an overall performance score. This is particularly necessary for making administrative decisions such as the allocation of rewards. Computing overall performance scores is also useful in determining whether employees, and groups of employees, are improving their performance over time. Two main strategies are used to obtain an overall performance score for each employee: judgmental and mechanical. The judgmental procedure consists of considering every aspect of performance and then arriving at a defensible summary. This basically holistic procedure relies on the ability of the rater to arrive at a fair and accurate overall score. The mechanical procedure consists of first considering the scores assigned to each section of the appraisal form and then adding them up to obtain an overall score. When adding scores from each section, weights are typically used based on the relative importance of each performance dimension measured.

APPRAISAL PERIOD AND NUMBER OF MEETINGS

When is the best time to complete the reviews? Most organizations adopt one of two possibilities. First, the appraisal form could be completed on or around the annual anniversary date. In the case of semi-annual reviews, the first review would be six months before the annual anniversary date and the second review would be on or around the anniversary date. The biggest advantage of this choice is that the supervisor does not have to fill out everyone's forms at one time. The disadvantage of this choice is that, because results are not tied to a common cycle for all employees, resulting rewards cannot be tied to the fiscal year

WHO SHOULD PROVIDE PERFORMANCE INFORMATION?

Supervisors

An advantage of using supervisors as a source of performance information is that they are usually in the best position to evaluate performance in relation to strategic organizational goals. Also, supervisors are often those making decisions about rewards associated with performance evaluation. In addition, supervisors are able to differentiate among various performance dimensions (e.g., adaptability, coaching, and development) regardless of the level of experience of the employee being rated. In short, supervisors are often the most important source of performance information because they are knowledgeable about strategic issues, understand performance, and are usually in charge of managing employee performance.

Peers

Many organizations use performance evaluations provided by peers. Take, for example, the system implemented at a large international financial services bank. Through acquisitions, the bank has been growing rapidly and has as its strategic goal the consolidation of its offices. Change management is extremely important to the successful implementation of this consolidation. The company is therefore revising how it assesses the competency "teamwork" at the senior and middle management levels, with the belief that successful teamwork is crucial to change management initiatives

Subordinates

Subordinates are a good source of information regarding the performance of their managers. For example, subordinates are in a good position to evaluate leadership competencies, including delegation, organization, and communication. In addition, subordinates may be asked to rate their manager's ability to (1) remove barriers that employees face, (2) shield employees from politics, and (3) raise employees' competence. With this type of system, subordinates may hesitate to provide upward feedback if put on the spot; however, if managers take the time to involve employees in the process by soliciting their input, employees are more likely to give honest feedback.

Self

As discussed earlier, self-appraisals are an important component of any performance management system. When employees are given the opportunity to participate in the performance management process, their acceptance of the resulting decision is likely to increase, and their defensiveness during the appraisal interview is likely to decrease. An additional advantage associated with self-appraisals is that the employee is in a good position to keep track of activities during the review period, whereas a supervisor may have to keep track of the performance of several employees. On the other hand, self appraisals should not be used as the sole source of information in making administrative decisions because they are more lenient and biased than are ratings provided by other sources such as a direct supervisor

Customers

Customers, and other key stakeholders in general, provide yet another source of performance information. Collecting information from customers can be a costly and time-consuming process; however, performance information provided by customers is particularly useful for jobs that require a high degree of interaction with the public or with particular job-related individuals (e.g., purchasing managers, suppliers, sales representatives). Also, performance information can be collected from internal customers. For example, line managers may provide information regarding the performance of their HR representative. Although the clients served may not have full knowledge of the organization's strategic direction, they can provide useful information

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