

- Woehr, D. J., & Huffcutt, A. I. (1994). Rater training for performance appraisal: A quantitative review. *Journal of Occupational and Organizational Psychology*, 67, 189–205.
- Woehr, D. J., Sheehan, M. K., & Bennett, W., Jr. (2005). Assessing measurement equivalence across rating sources: A multitrait–multirater approach. *Journal of Applied Psychology*, 90(3), 592–600.

Beyond Performance Ratings: The Long Road to Effective Performance Management

Robert L. Cardy

University of Texas at San Antonio

Deeksha Munjal

University of Texas at San Antonio

Performance evaluation has long been a source of dissatisfaction for practitioners and a focus of research for scholars. The current call for the elimination of performance ratings is not new. This commentary considers the quality perspective as a historical context in which performance ratings were, at best, considered a misguided management tool. Although the current debate doesn't seem to be philosophically based, it may be useful to recognize that serious questions regarding performance ratings have come up before. Potential measurement problems with performance ratings are considered. It is concluded that performance ratings are not the major problem for performance management. Possible sources of problems with performance management are considered. Directions for improvement are discussed.

Giving and receiving performance ratings are probably seldom viewed as fun and relaxing activities by either party. Even top performers can be anxious about how they will be assessed, and the best managers can't be certain how their evaluations will be received. To put a number on it with a performance rating seems to amplify anxiety and concerns over equity. As reflected in the focal article (Adler et al., 2016), there are both pros and cons to performance ratings. Recently, attention has been given to organizations that are choosing to eliminate performance ratings, for example Adobe and General Electric (Garr, 2013; Pulakos, Mueller-Hanson, Arad, & Moye, 2015). Arguments about the downsides of performance ratings are

Robert L. Cardy, Department of Management, University of Texas at San Antonio; Deeksha Munjal, Department of Management, University of Texas at San Antonio.

Correspondence concerning this article should be addressed to Robert L. Cardy, Department of Management, University of Texas at San Antonio, One UTSA Circle, San Antonio, TX 78249-0634. E-mail: robert.cardy@utsa.edu

apparently convincing some organizations that the costs of ratings are greater than the benefits.

There are certainly problems with performance ratings, including limited effectiveness of rater training, interrater disagreement, inadequate criteria, and questionable validity, among others. All of these negatives regarding performance rating were reviewed in the focal article, and details will not be addressed here.

It may be important to note, however, that different interpretations of these issues are possible. For example, frame-of-reference training has been shown to be a promising approach, particularly for calibrating managers so that they share a common metric for evaluation (Bernardin & Buckley, 1981; Noonan & Sulsky, 2001; Schleicher & Day, 1998). In regard to low interrater agreement, raters from different vantage points would be expected to disagree. In a 360 degree system, customers, peers, and managers may have different experiences with an employee, and that worker may present himself/herself differently when interacting with those different audiences. From a measurement perspective, low reliability is characteristic of a poor measure. In the context of performance ratings, disagreement among evaluators would be expected rather than an indicator of a poor measure.

Overall, although there might be differences of opinion regarding the extent to which performance ratings can be problematic, it must be concluded that performance ratings are imperfect. Whether the extent of problems with the measure merits its elimination is a judgment call and one on which there is obvious disagreement. The call for the elimination of performance ratings is not new. In recent history, the appeal to eliminate ratings was based on assumptions in the quality philosophy not based on measurement characteristics of performance ratings.

The Quality Movement and Performance Ratings

Quality became a key issue in the early 1980s and was seen as a key issue for the competitiveness of U.S. companies. A major proponent of the quality philosophy included W. E. Deming, and he openly attacked performance ratings (Deming, 1986). The basis for the recommended elimination of ratings was that performance ratings, from the quality perspective, are a cruel lottery. A fundamental assumption of the quality perspective is that performance is largely due to system, rather than person, factors (Cardy, Dobbins, & Carson, 1995). To evaluate employees and distribute positive and negative outcomes based on that distribution is cruel from the quality perspective. It is cruel because the variance in performance is assumed to be due to system factors and because differences among workers are random and do not reflect meaningful differences among workers. The objection to performance ratings from

the quality perspective was based on the assumption that performance was due to system factors.

The quality movement brought with it many important questions and led to improvements in the workplace. However, the extent to which system factors account for performance was simply an assertion made by quality proponents. Empirical evidence indicates that there is an appreciable and meaningful impact of person factors on performance. Consider, for example, that validity values for well-developed selection procedures can have values ranging from .30 to .50 (McDaniel, Whetzel, Schmidt, & Maurer, 1994). If variance in performance is only due to system factors, selection validity would be nonexistent.

Given that individual differences in performance are sufficient to merit measurement, the question remains as to whether performance ratings provide adequate measurement. As mentioned previously, performance ratings are imperfect, as any subjective assessment would be. Certainly, error and bias affect performance ratings. However, there are situations where subjective performance ratings can provide a better indication of employee performance than objective indicators of performance (Cardy & Leonard, 2011). Objective indicators are typically deficient, but human judgments, despite error, can capture meaningful performance differences.

Ratings Aren't the Problem

Assumptions about person and system causes of performance and the degree of measurement problems with performance ratings can be argued on both sides of this debate. However, performance ratings are not, in our opinion, the critical source of difficulty with performance management. Performance ratings are easily identified and cast as the culprit in the performance management system. The message of eliminating ratings can also be popular with managers and workers. Both groups get let off the hook with the elimination of ratings. Elimination of performance ratings can be popular with managers who see the change as a reduction in bureaucracy and one less thing they need to do to satisfy the demands of the human resource management system. Elimination of ratings can be popular with workers because uncertainty associated with the evaluation is eliminated. The message of eliminating performance ratings can resonate with managers and employees. However, our contention is that the focus on performance ratings and their elimination is misplaced. There are other factors that we argue are primary causes of problems with performance management.

Sources of Performance Management Problems

One source of problems for performance management is the perception that performance management is a bureaucratic necessity. Rather than view

performance management as a central part of the job, supervisors and managers can take the position that the task is part of the bureaucracy that is forced on them. Taking this perspective can allow supervisors to distance themselves from the task and to not invest a great deal in doing it well. The goal can become to complete the task and satisfy the bureaucracy. If the task isn't done well, the importance of it can be minimized because it was in essence a box that had to be checked off to satisfy the human resource management department.

The reality, of course, is that evaluating performance and providing feedback should be a central part of a manager's job. Working with employees to improve performance would rationally be a core part of the role of supervisors and managers. However, the perception and actions often don't reflect that reality. The separation of performance management from the role of a supervisor can be an important problem for performance management.

Another important source of problems with performance management is the avoidance of confronting the task. That is, supervisors are often uncomfortable in confronting a performance problem and with providing meaningful feedback (Fisher, 1979; Larson, 1986; Robinson & Hardt, 1992). A supervisor may feel awkward with dealing with a performance problem and might choose to ignore or avoid dealing with the issue.

Directions for Improvement

Eliminating performance ratings shouldn't be expected to solve the difficulties that ail performance management. Evaluation, whether in terms of performance ratings or some other form, is needed for meaningful feedback. If performance ratings are eliminated, performance improvement will still require assessment to determine areas of weakness and their causes. In short, being an effective coach also requires being an effective judge. What holds promise for improving performance management includes positioning performance management as a central part of the job of managers and providing them help so that they can effectively deal with performance problems.

Make Performance Management Central to Management

The perception that performance management is a bureaucratic necessity needs to be changed. Organizations need to clarify that managing and improving performance is a core management responsibility. Performance management needs to be more than completing forms and providing documentation to the human resource management department. Performance management needs to be integrated into the management role as a central responsibility. The following are suggested directions for the integration of performance management with the everyday management role.

- *Include performance management in the evaluation of managers.* The importance of performance management would be clarified by making performance management part of the evaluation of managers. Measuring, evaluating, and tying rewards to a set of behaviors can clarify their importance and reinforce their occurrence.
- *Change how performance management occurs.* Feedback and evaluation don't have to occur only at set and formal intervals. There are a number of promising options to explore. For example, meetings that occur at meaningful points in a project can be used to review shortfalls, revise goals and plans, and provide support and recognition (Buckingham & Goodall, 2015). Integrating these activities into the work routine can provide more timely and meaningful feedback and allow opportunity for corrections and improved performance.
- *Focus on strengths and the future.* Rather than consisting of a retrospective assessment of weaknesses, performance management could take a strengths-based (Buckingham & Clifton, 2001) approach. As described by Aguinis, Gottfredson, and Joo (2012), a strengths-based approach to performance management can focus on a worker's strengths and emphasize positive feedback. They offer specific suggestions for implementing this approach that are grounded in research. The expectation is that the approach will make feedback much more effective. A future orientation can also lead to improvement. Rather than assessing the past, looking to the future and planning for improvement is an approach some companies are taking to make performance management more meaningful (Buckingham & Goodall, 2015).

Provide Needed Skills

Reluctance to deal with performance problems can often be caused by a lack of skills to confront and deal with performance problems. Managers need to have the interpersonal skills needed to effectively engage with employees and address performance issues. Managers may lack self-efficacy regarding the skills needed to deal with performance problems, and that lack can result in less effective performance management (Bernardin & Villanova, 2005). In addition, the ability to carefully diagnose causes of performance problems and the ability to effectively identify and implement solutions are needed skills. Some skill areas that are, arguably, key for effective performance management include

- *Diagnosis.* Diagnosis is clearly a central, possibly foremost, part of the job of a typical medical doctor. However, it appears that doctors misdiagnose patient symptoms 5% to 15% of the time (Olson, 2013). In the demanding environment in which multiple issues compete for a

manager's attention, it is likely that misdiagnosis occurs more frequently. Misdiagnosing the causes of performance problems, perhaps due to attribution biases or time pressures, can lead to more than the wrong corrective action. A diagnosis mistake can lead workers to conclude that managers are leaping to conclusions and that their performance judgments and feedback are suspect (Cardy & Leonard, 2011). Skill at diagnosing causes and effectively conveying these conclusions are foundational building blocks to effective performance management.

- *Ability to address performance issues.* Managers may have the analytical skills needed to diagnose causal factors, but they may not be well equipped to address a performance problem. This category of abilities can encompass a variety of related skills. For example, a situation may call for a manager to deal with an employee whose work is below acceptable standards or to deal with a team that is not working well together. A manager may feel he or she lacks the skills needed to effectively help the worker improve or to resolve the interpersonal problems occurring in the team. Further, a worker may be engaged in unacceptable behavior, and the manager may feel ill equipped to effectively confront the worker. These and other related skills are where the performance management rubber meets the road. That is, performance management is more a dynamic exchange than it is a once-a-year exercise in evaluation. Annual ratings can be important, but it is the everyday exchanges that are critical to performance management.

Overall, research has addressed performance management from the perspective that it is primarily an evaluation. As a consequence, a great deal of work has focused on formats and characteristics of ratings. However, performance management isn't just a test and a set of ratings. It is also a management function and one that we can help to improve.

References

- Adler, S., Campion, M., Colquitt, A., Grubb, A., Murphy, K., Ollander-Krane, R., & Pulakos, E. D. (2016). Getting rid of performance ratings: Genius or folly? A debate. *Industrial and Organizational Psychology: Perspectives on Science and Practice*, 9(2), 219–252.
- Aguinis, H., Gottfredson, R. K., & Joo, H. (2012). Using performance management to win the talent war. *Business Horizons*, 55, 609–616.
- Bernardin, H. J., & Buckley, M. R. (1981). Strategies in rater training. *Academy of Management Review*, 6, 205–212.
- Bernardin, H. J., & Villanova, P. (2005). Research streams in rater self-efficacy. *Group and Organization Management*, 30, 61–88.
- Buckingham, M., & Clifton, D. O. (2001). *Now, discover your strengths*. New York, NY: Free Press.

- Buckingham, M., & Goodall, A. (2015, April). Reinventing performance management. *Harvard Business Review*, 93, 40–50.
- Cardy, R. L., Dobbins, G. H., & Carson, K. P. (1995). TQM and HRM: Improving performance appraisal research, theory, and practice. *Canadian Journal of Administrative Sciences*, 12(1), 106–111.
- Cardy, R. L., & Leonard, B. (2011). *Performance management: Concepts, skills, and exercises* (2nd ed.). Armonk, NY: M. E. Sharp.
- Deming, W. E. (1986). *Out of crisis*. Cambridge, MA: Massachusetts Institute of Technology, Center for Advanced Study.
- Fisher, C. D. (1979). The transmission of positive and negative feedback to subordinates: A laboratory investigation. *Journal of Applied Psychology*, 64, 533–540.
- Garr, S. (2013). *Reengineering for agility: How Adobe eliminated performance appraisals*. Oakland, CA: Bersin by Deloitte.
- Larson, J. R. (1986). Supervisors' performance feedback to subordinates: The impact of subordinate performance valence and outcome dependence. *Organizational Behavior and Human Decision Processes*, 37, 391–408.
- McDaniel, M. A., Whetzel, D. L., Schmidt, F. L., & Maurer, S. D. (1994). The validity of employment interviews: A comprehensive review and meta-analysis. *Journal of Applied Psychology*, 79, 599–616.
- Noonan, L. E., & Sulsky, L. M. (2001). Impact of frame-of-reference and behavioral observation training on alternative training effectiveness criteria in a Canadian military sample. *Human Performance*, 14, 3–26.
- Olson, J. (2013, August 30). When doctors get it wrong: Misdiagnoses are getting a closer look. *Star Tribune*. Retrieved from <http://www.startribune.com/when-doctors-get-it-wrong-misdiagnoses-are-getting-a-closer-look/323328471/>
- Pulakos, E. D., Mueller-Hanson, R. A., Arad, S., & Moya, N. (2015). Performance management can be fixed: An on-the-job experiential learning approach for complex behavior change. *Industrial and Organizational Psychology: Perspectives on Science and Practice*, 8, 51–76.
- Robinson, F. F., & Hardt, D. A. (1992). Effects of cognitive and behavioral structure and discussion of corrective feedback outcomes on counseling group development. *Journal of Counseling Psychology*, 39, 473–481.
- Schleicher, D. J., & Day, D. V. (1998). A cognitive evaluation of frame-of-reference training: Content and process issues. *Organizational Behavior and Human Decision Processes*, 73, 76–101.