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RESPONSE

# Managing Performance Through the Manager–Employee Relationship

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**Abstract**

In our recent focal article, we proposed that a fundamental change is needed in how performance management is implemented and viewed. Rather than attempting to improve the effectiveness of performance management by changing features of the formal system (e.g., steps, tools, and processes), we recommended increased focus on improving manager–employee communication and aspects of the manager–employee relationship that are foundational for effective performance management. Our article generated a number of thoughtful and engaging commentaries. In this commentary, we respond to several themes raised in the commentaries and relate them to the recommendations we made for improving performance management processes in organizations.

Despite extensive research and practice focused on understanding and improving performance management systems in organizations, the formula for effective performance management remains elusive. Performance management systems rarely work well, despite the time, effort, and resources that are devoted to it. In our focal article (Pulakos & O'Leary, 2011), we proposed that a significant part of the problem is that performance management has been reduced to prescribed steps within formal administrative systems that are disconnected from the day-to-day performance management activities that are essential to accomplish work through others (e.g., communicating clear expectations, setting objectives and deadlines, providing continual feedback and guidance, and addressing performance gaps). At its core, these ongoing performance management activities occur between people. As such, we argued that interventions to improve performance management systems should cease their almost exclusive focus on revising formal system features, as this approach has been shown to have relatively little impact on performance management effectiveness or attitudes. We argued instead for devoting more attention to improving manager–employee communication and aspects of the manager–employee relationship that are essential for effective, ongoing performance management behavior (e.g., expectation setting, feedback, and development). On the basis of applied research and our experience implementing numerous large-scale performance management systems over the last 15 years, we offered an approach centered on training managers and employees about the critical role of performance management in accomplishing work and how to engage in it effectively day to day.

Our focal article generated a number of thoughtful and engaging commentaries. We appreciate the diversity of ideas and perspectives provided, some of which agree

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with our thesis and others that suggest other ideas and theories for consideration. Like our focal article, the commentaries largely focused on antecedents, conditions, and organizational variables outside the formal system that enable effective performance management behavior. For example, Saks and Gruman (2011) argued that the role of the manager is to create the conditions that are necessary for employees to engage themselves in their work and roles, which in turn was hypothesized to have a positive impact on performance. Although aspects of engagement theory may be useful to include in the types of performance management training interventions we suggest, we believe that the effectiveness of using an engagement model as the basis for performance management needs to be evaluated more fully. An example of another idea raised in the commentaries is Brumback's (2011) assertion that performance will be optimized in flat rather than hierarchical organizations that responsibly empower employees to manage their own performance, thus suggesting an organizational structure rather than performance management system driver of effectiveness. Similarly, Jones and Culbertson (2011) suggest that communication needs to be two-way and nonauthoritarian. In the sections below, we discuss several themes raised in the commentaries and relate them to our suggestions for improving performance management in organizations.

## Need for a Formal System

We begin with one potential area of misunderstanding, namely the extent to which we were advocating for the elimination of formal performance management systems. Several commentaries highlighted the need for a formal performance management system, citing its important role in promoting fairness, organizational performance, and other important outcomes. For example, Frear and Paustian-Underdahl (2011) argued that the specific task-oriented behaviors that define success need to be articulated and appraisal processes need to systematically and consistently focus on these behaviors across employees in order to reduce potential bias. We acknowledged in our article that formal systems are important and will likely be necessary irrespective of the effectiveness with which managers and employees engage in more ongoing and informal processes. We discussed the fact that formal systems provide a safety valve that helps ensure consistency and procedural justice of the process and regular points of information exchange and communication for all employees. Formal systems thus provide processes and accountabilities that help protect against individual managers who may not engage in any performance management activities outside the formal requirements. As Frear and Paustian-Underdahl point out, these protections are important to mitigate concerns about unfair treatment and bias. We also made the point, although Brumback (2011) does not concur, that we have found ratings based on well-defined performance standards and manager calibration to be well received and useful across our performance management implementations. We feel that these particular aspects of the formal system are important because they enhance procedural justice and add further fairness controls. Although we believe formal systems are necessary, we also pointed out that the content, structure, and specificity of any formal system need to be driven by the organization's culture, strategy, and specific needs. We thus concur with Bhave and Brutus (2011), who similarly noted that whatever formal system is implemented it needs to align with the organization's strategy, goals, and other human capital systems. What this means, then, is that the best practices we have found to be largely ineffective (e.g., cascading goals, SMART goals) can add value in certain organizational contexts, as Mone, Price, and Eisinger (2011) discussed.

## Lack of Grounding in Theory

Hantula (2011) raised issue with our comments about finding value in behavioral performance standards and calibration,

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pointing out that these were formal system features like those for which we were advocating that practitioners move away. We should point out that we were not necessarily advocating for the use of behavioral performance standards and calibration as a central theme of our paper. Rather, we were simply reporting that our experience has repeatedly found these particular features of the formal system to be well-received and perceived to add value. What we are advocating is that rather than focusing on characteristics of the formal system exclusively, increased attention needs to be directed toward improving managers' and employees' ability to engage in effective, ongoing performance management behavior as part of their daily work.

Hantula (2011) argues that what we need is not yet another system but a theoretical basis for performance management. This is based on his contention that performance management systems to date have been devoid of theory and lack solid grounding in research and theory. Hantula suggests the use of organizational behavior management (OBM) as a theoretical basis, which is the application of reinforcement theory in organizations, and further contends that this theoretical framework anticipates and addresses the concerns we raised about performance management. Although OBM may offer a useful theoretical framework, we do not concur that performance management practices are devoid of theoretical underpinnings. In fact, many popular performance management practices, ranging from the design of rating instruments to procedures for delivering feedback, are drawn from extensive theory and research in the areas of cognitive, social, and industrial and organizational psychology. That said, to the extent that OBM offers strategies or ideas that would help reinforce the more informal aspects of ongoing performance management (e.g., regular performance conversations, feedback, and development), it may be useful to consider.

## Culture for Performance Feedback

Performance management, in general, and our recommendations for improving performance management, in particular, will be most effective if the organization is characterized by a culture for feedback. As we stated in our focal article, we frequently find that managers avoid performance management activities, especially providing developmental feedback, because they fear damaging relationships with the very individuals they count on to get work done. Employees frequently want guidance from their managers but avoid discussing their developmental needs because they don't want to jeopardize their pay or advancement. This lack of feedback and communication prevents performance management as an ongoing strategy for accomplishing work from working well and turns it into a largely administrative drill.

In their commentary, Dahling and O'Malley (2011) discuss the importance of supportive feedback environments. They provided an overview of research on the feedback environment and suggested that attempts to build effective performance management systems are unlikely to succeed in climates that are hostile to feedback exchanges. We fully concur with this point, and in fact, many of the strategies suggested by Dahling and O'Malley are identical to those we have used and recommend to improve communication and aspects of the manager–employee relationship that are foundational for effective performance management. As an initial step in implementing performance management interventions, it is useful to assess an organization's climate for feedback—that is, the extent to which feedback is valued and regularly exchanged (Pulakos, 2009). If a strong culture for feedback does not exist, we've found that strategies like those suggested by Dahling and O'Malley can establish the conditions needed to foster manager–employee communication, improve relationships, and increase the effectiveness of performance conversations.

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## Accountability

Marelli (2011) discussed the importance of accountability for effective performance management, taking the perspective that managers need to understand and be held accountable for providing each of their direct reports with the guidance, feedback, encouragement, resources, and other support that is required to perform their best. Marelli noted several studies from the federal government that show managers are often not held accountable for managing the performance of their employees, especially poor performers. Lewis (2011) similarly described the importance of accountability in performance management systems and further described the essential role of executive leaders in driving this. To the extent to which executives communicate their expectations regarding performance management, reinforce these through their behaviors, and hold others accountable for them, the stage will be set for good practices. Support for the importance of leadership support for any organizational change has been shown in both research studies and practice.

## Manager Selection

Effective implementation of any performance management system requires that managers and employees have the requisite skills to engage in the day-to-day performance management activities that are required to effectively accomplish work through others. However, as Marelli (2011) points out, employees are frequently advanced into supervisory ranks as a result of their technical skills. They often do not understand the role of a manager and what is expected of them, and they end up spending considerable time performing technical work themselves instead of working through their staff to accomplish that work through effective performance management. Marelli suggests that selection systems are needed that will help ensure that managers are selected based on the competencies that are required to be effective managers (Marrelli & Tsugawa, 2010; Thornton, Hollenbeck, & Johnson, 2010). However, even if individuals are selected who have the requisite skills to become effective managers, they will still need training to develop their skills in building trustable and supportive relationships, engaging in continuous performance conversations, diagnosing and productively addressing performance issues, and delivering feedback.

## Technology

Hunt (2011) made a case for the role of technology in improving performance management effectiveness and commented that our neglect to discuss this left a void akin to omitting online testing in a discussion of standardized selection assessments. It is true that technology has played a significant and important role in improving the efficiency of performance management processes. We have, in fact, been involved in the implementation of many automated performance management systems and also use them ourselves. Certainly, there are sophisticated and useful tools available in automated systems that cannot only expedite performance management but also enhance its effectiveness. For example, automated work flows help ensure accountability by making sure managers and employees complete their respective parts of the process on time. Similarly, cascading goals can be done more quickly with automated systems. For these reasons, automated systems are generally viewed positively by the users. They have the potential to reduce the administrative burden and workload, ensure widespread access, and provide a standardized format for collecting, storing, and reporting information (Pulakos, 2009; Pulakos, Mueller-Hanson, & O'Leary, 2008). A potential additional value of automation is that it should save supervisors time that can then be devoted to the communication and interpersonally oriented activities that we advocate as important.

Although automated systems do offer many advantages by making performance management more efficient and potentially

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more effective, we have not seen them have any marked impact on the specific issues that are the focus of our paper. In fact, all too often, we have seen that by making performance management easier, technology tempts managers to complete their performance management responsibilities as quickly as possible, focusing on the administrative online actives rather than engaging with employees. Technology can certainly prompt managers that it is time to do something and nag them until it's done, but it cannot convince managers and employees of, for example, the importance and value of regular performance conversations in accomplishing day-to-day work or how to deliver feedback well, so it has a motivating effect on employees. It is for these reasons that we do not view technology as a viable strategy for driving improvements in the interpersonal, trust, and communication issues that we believe offer the most potential for improving the performance management process in organizations.

## One Size Does Not Fit All

Using several international examples, Cascio (2011) cautioned against assuming any universal truths when it comes to performance management design and implementation, including those regarding the value of continuous individual feedback, efforts to improve manager–employee relationships, and enhanced performance-related communication. For example, cultural differences (e.g., individualistic vs. collectivistic) have a clear impact on the nature of the relationship between the manager and employee and the method by which feedback is provided (Varma, Budhwar, & DeNisi, 2008). Different organizational strategies and even different jobs may require differences in the type and specificity of communication between managers and employees. Finally, individual differences in feedback orientation and feedback seeking behaviors can impact the nature of manager–employee communications and relationships.

Cascio (2011) convincingly argues that no ''one size fits all'' when it comes to performance management implementation and that system features and general approaches need to consider not only the context, goals, strategy, work, and appetite of managers and employees but also the culture (organizational and country) into which the performance management process is being implemented. Hauenstein (2011) makes a related point in suggesting that the challenge for the next generation of performance-feedback-based organizational interventions is to avoid simplistic assumptions that have contributed to the 50 years of failure of performance management interventions. He argues that employees make sense of feedback in the context in which it is embedded and may engage in different actions and responses to feedback contingent on these situational factors. The uniqueness of each situation provides a plausible explanation why we have not yet been able to develop performance management approaches and models that have been shown to work well across situations and contexts. This may explain why there are so many performance management ''best practices'' that have proven to be ineffective across situations. One implication is that the design of an organization's performance management process may require such a high degree of customization to fit its circumstances that the most we may be able to do is offer a cafeteria of options that will need to be tried out and tested for effectiveness in a given situation. If correct, this obviously adds considerable complexity and necessitates much more in-depth analyses of the situations in which performance management is being implemented.

We agree that one size does not fit all and in fact pointed out the importance of considering cultural, organizational, and individual difference variables when implementing performance management interventions. Although there may not be simple, prescriptive strategies that can be easily adopted across situations, we believe that the existence of inherent complexities in performance management does not negate

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our fundamental premise that effective communication and healthy relationships between managers and employees should facilitate almost any process. Obviously, however, the specifics of what is communicated, how it is communicated, and the nature of the relationships may well have context and individual difference dependencies that will need to be taken into account in developing our training and change management interventions.

## Conclusion

In our focal article, we proposed that a significant reason for the failure of performance management systems to achieve their intended goals is that performance management has been reduced to prescribed often discrete steps within formal administrative systems, the results of which are highly scrutinized. Largely disconnected from the formal system are the day-to-day activities that determine performance management effectiveness (e.g., communicating clear work expectations, setting short-term objectives and deadlines, providing continual feedback). Given that many changes to performance management tools and systems over decades of practice have proven ineffective for addressing the issues that plague performance management, there is little reason to believe that further modifications of this type will be fruitful.

Rather than continuing to address system features, we believe that a fundamental change is needed in how performance management is implemented and viewed, from an administrative exercise to an essential process for accomplishing work though others. We argue for devoting more attention to improving manager–employee communication and aspects of the manager–employee relationship that are foundational for effective performance management, and we believe this approach holds promise for yielding sustainable performance management improvement. Although many interesting and potentially fruitful ideas were suggested in the commentaries, we feel that one point made by multiple authors is worthy of special mention. This concerns the complexity inherent in implementing effective performance management, due to individual differences and situational factors (e.g., context, culture, etc.), which may pose significant challenges in developing best practices and models that will be universally effective and successful. We paid lip service to this complexity and its implications in our focal paper, but the extent of challenge these factors will present in most implementations should not be underestimated.

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