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FOCAL ARTICLE

Why Is Performance Management Broken?

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Abstract

Although extensive research and practice have focused on understanding and improving performance management systems in organizations, the formula for effective performance management remains elusive. We propose 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 activities that determine performance management effectiveness (e.g., communicating clear work expectations, setting short-term objectives and deadlines, and providing continual guidance). We argue that interventions to improve performance management should cease their exclusive focus on reinventing formal system features. Although well-developed tools and systems can facilitate performance management, these alone do not yield effective performance management. In lieu of making further changes to formal performance management systems, we argue for devoting more attention to improving manager–employee communication and aspects of the manager–employee relationship and propose an approach we believe holds promise for improving performance management processes in organizations.

For over 30 years, extensive research and practice have focused on understanding and improving performance management systems in organizations. Some research has examined the effects of various factors on ratings, including format (Bernardin, 1977; Borman, 1979; Landy & Farr, 1980); rater and ratee characteristics, such as gender, race, liking, and so forth (Landy, 2010; Pulakos & Wexley, 1983); and rater cognitive processes (DeNisi, Cafferty, & Meglino, 1984; Feldman, 1986), among others. Yet, other work has examined what features lead to successful system implementation, such as automation to improve efficiency (Pulakos, 2009) and leadership support and employee buy-in (Rodgers, Hunter, & Rogers, 1993). Finally, several large-scale survey studies have examined what performance management features are most related to employee engagement and performance outcomes (Corporate Leadership Council, 2004; Creative Metrics, 2008; Harter, Schmidt, & Hayes, 2002; Office of Personnel Management, 2007).

Although the cumulative research and practice have yielded performance management methods, tools, and processes that should work well, operational implementations have proven disappointing. This is consistent with what we have experienced

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as we implemented many large-scale performance management systems over the past 15 years. For example, no solution has been found to ameliorate the seemingly intractable problem of leniency in ratings, which at the extreme renders performance evaluations of little value for decision making (e.g., pay, promotion, etc.) or validation research. Although implementation of a new performance management system is usually accompanied by decreased leniency during the initial rating cycle, rating levels creep up again over time. As another example, survey data consistently show poor attitudes toward performance management, with many employees reporting that their system fails to provide useful feedback and establish clear expectations. Thus, after extensive analysis and study, the formula for effective performance management remains elusive.

It is perhaps for this reason that performance management has been characterized by innumerable attempts to improve it, more so than it seems to be the case with other human capital systems. In the last 20 years, recommendations have been made to evaluate results, competencies, behaviors, and contributions; to rate performance using highly differentiated 5-, 7-, or 9-point scales, much simpler pass–fail scales, strictly developmental scales, or no scales and instead prepare written narratives; to collect ratings from supervisors, peers, customers, or the employees themselves; to cascade goals from the highest organizational level to individual employees, to establish individual's objectives that are rated directly, or not to include goals; and the list goes on. As long as a new approach holds promise for increasing performance management effectiveness, organizational members from top-level leaders to human resource professionals seem to flock to it. What happens so often, however, is that new performance management practices are enthusiastically and readily adopted, without sufficient consideration of what it takes to implement them effectively or how they will fit within an organization's culture (Pulakos, 2009). This has led to vicious cycles of organizations reinventing their performance management systems every few years only to suffer implementation failures that necessitate reinventing the system again, and the cycle continues.

The challenges inherent in performance management are well known. It has rightly earned its distinction as the ''Achilles Heel'' of human capital management, rarely working well irrespective of the time, effort, and resources that are devoted to it. Yet, communicating what employees are expected to do, providing feedback, and helping employees contribute the most they can are essential behaviors managers must engage in to accomplish work through others. Done effectively, performance management communicates what's important to the organization, drives employees to achieve results, and implements the organization's strategy. Done poorly, performance management not only fails to achieve these benefits but can also undermine employee confidence and damage relationships. The extremely large number of unsuccessful attempts to improve performance management speaks volumes about its inherent difficulties.

We believe that a significant part of the problem is that performance management has been reduced to prescribed, often discrete steps within formal administrative systems, the results of which are highly scrutinized. Although formal performance management systems are intended to drive and reinforce the day-to-day activities of communicating ongoing expectations, setting short-term objectives, and giving continual guidance as work is planned and executed, these behaviors seem to have become largely disconnected from the formal systems. For example, effective managers regularly provide informal feedback to employees on specific tasks, but the same managers are often reluctant to formally document less-than-stellar performance for fear of damaging relationships with the very individuals they count on to get the work done. Similarly, many employees want guidance from their managers about how to accomplish work, yet they do not want documented examples of them needing

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guidance for fear that these will undermine their pay or advancement. These concerns on the part of managers and employees prevent formal performance management systems from working well and have turned them into largely administrative drills that add little value. Contributing to this is the fact that performance management implementations tend to focus on rolling out formal administrative processes and tools (e.g., competency models, rating scales, and automated systems) rather than training managers and employees how to engage in effective performance management behavior (e.g., setting expectations, providing feedback, and helping staff solve problems). However, it is the informal process of engaging in these behaviors day-to-day that determines performance management effectiveness, not the tools and steps that comprise the formal system.

In this article, we argue for a shift in the focus of performance management interventions in two important ways. First, we believe unbridled implementation of performance management system changes should cease. This is because making changes to the formal performance management system has not been shown to improve performance management effectiveness. Further, implementing new practices that seem compelling but are difficult or impractical to sustain can cause negative consequences, such as eroded credibility and increasingly negative attitudes towards performance management. To illustrate these points, we provide examples of the difficulties involved in implementing four popular performance management practices below. The second shift we propose is to devote more attention to improving manager–employee communication and aspects of the manager–employee relationship that are foundational for effective performance management. Although well-developed tools and systems can facilitate performance management, these alone do not yield effective performance management, as this can only occur between people. We thus propose an approach for enhancing manager–employee communication and relationships that we believe holds promise for yielding sustainable performance management improvement.

What It Takes to Implement Four Popular Performance Management Practices

Popular Practice 1: Cascade Organizational Goals to Individual Employees

One of today's popular performance management practices is to cascade organizational goals from the top and refine them through each level until they reach individual employees. The idea of linking objectives across organizational levels dates back many decades to discussions of managing by objectives (Rodgers & Hunter, 1991). Proponents of cascading goals argue that they help everyone understand how work is related across organizational units and levels, and they also align the work of individuals and units with the organization's direction and priorities (Hillgren & Cheatham, 2000; Schneier, Shaw, & Beatty, 1991). Although understanding these relationships is important and helps to avoid confusion, redundancy, and turf battles, there are questions as to whether or not a formal process of cascading goals is the most effective way to achieve this.

Although the rationale underlying cascaded goals makes sense, creating the cascade itself is extremely challenging operationally. First, high-level organizational goals are often lofty and broad, which often causes confusion and frustration when managers attempt to cascade them. Second, the process of cascading goals through multiple levels necessitates many meetings that are contingent on the previous level completing their cascade. As a practical matter, although the organization and perhaps its largest divisions may have goals, it has been our experience that cascaded goals rarely reach past the highest few levels. Thus, it can take months of work well into the performance management cycle

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Table 1. *Popular Practice 1: Cascade Organizational Goals to Individual Employees*

Proponents advocate	Reality
• Cascade goals so that each level supports goals relevant to the prior higher level • Help employees gain an understanding of how their work relates to higher levels • Align the employee's activities with the organization's strategic direction and goals	• Organizational goals can be lofty and difficult to cascade down to individuals • It is time consuming and difficult to cascade goals, especially the first time • Considerable consultant or HR time is needed to facilitate the cascade • If employees do not attach a high value to cascaded goals, the burdensome process will be frustrating and yield negative attitudes • The advantages associated with cascading goals can be achieved through more informal and simpler communication processes

before individual objectives can be written, although the process becomes more efficient after it has been completed once.

Given that less than 10 hours per year, on average, is devoted to performance management activities per employee (Brentz, Milkovich, & Read, 1992), the decision to implement a formal cascade must be made with a corresponding commitment to devote significantly more time to performance management activities. Because the process of cascading goals is difficult and burdensome to execute well, it often collapses under its own weight. Although training managers how to cascade goals is helpful, facilitated sessions with trained professionals yield higher quality cascades with less frustration and wheel spinning than when organizational members attempt to cascade goals on their own. In lieu of a formal cascade, informal discussions among leaders, managers, and employees can be equally useful in gaining a common understanding of direction, roles, and boundaries so that work can proceed in an organized manner.

Bottom line recommendation regarding cascaded goals. In light of the complexity, practical implementation challenges, and potential risk for failure, we do not recommend that cascaded goals be implemented in the vast majority of organizations. If the practitioner or organizational decision makers believe that there is an organizational issue or problem that is best addressed by cascaded goals, they should be implemented only if commitment to the resources and time that are necessary to achieve quality results can be secured from all involved parties (Table 1).

Popular Practice 2: Set SMART Performance Goals

A popular practice today is to evaluate performance based on whether employees meet SMART (specific, measurable, attainable, relevant, time-bound) goals developed at the beginning of the rating cycle. The stated advantages of the goals are to (a) provide customized performance expectations and criteria based on the employee's specific job, (b) drive employees to achieve important results, and (c) remove unfair subjectivity from the evaluation process. Although it is certainly important for managers to communicate what they expect each employee to achieve, it is not clear that setting formal goals for each employee is the most effective way to accomplish this or that this is even viable for all jobs. Even when well-researched guidelines (Locke & Latham, 1990) for setting goals have been used, significant challenges have

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been reported (e.g., Government Accountability Office, 2008).

Jobs that lend themselves best to setting goals have relatively static performance requirements and defined productivity metrics, for example, many manufacturing jobs. However, setting goals for today's increasingly knowledge and service-based jobs is more challenging. The fluid and unpredictable nature of these jobs means that one's objectives can change frequently, necessitating continual revision and increasing the work associated with performance goals (Cascio, 1998; Pulakos, Mueller-Hanson, & O'Leary, 2008; Pulakos & O'Leary, 2010). Even when jobs are relatively predictable, goals set at the start of the performance cycle often cannot account for special assignments or other duties that may arise during the year. Goals also do not work well when goal attainment is dependent on factors outside the employee's control or that are team oriented (Lawler, 1994; Locke & Latham, 1990; Ployhart & Weekley 2009). Some jobs do not lend themselves to setting objectives at all, such as many R&D jobs in which it is impossible to predict when and what discoveries will occur.

Assuming that goals are practical in a given situation, evaluations have consistently found poor quality goals, even after training. They often read like generic task statements rather than goals with measurable outcomes, and the specificity, complexity, and difficulty of the objectives vary considerably for employees occupying identical jobs (e.g., Government Accountability Office, 2008). Especially during initial implementation, it helps to have coaches available to provide feedback on the relevance, clarity, and equivalence of the goals for similarly situated employees, as this both improves the quality of the goals and further trains managers and employees to write better ones. Other strategies to enhance the quality and fairness of goals include (a) implementing a process similar to frame-of-reference training (Bernardin & Buckley, 1981), in which managers review and discuss goals to ensure that they are sufficiently specified, consistent, and fair; (b) collecting and storing high-quality goals in a searchable database organized by job and level so they are accessible and can be used as a starting point to develop goals for others; and (c) evaluating employees not only on whether they achieved their goals, but also on the difficulty and complexity of what they contributed. Although evaluations of difficulty and complexity introduce subjective judgments and thus the need for subjective criteria against which to make such evaluations, we have found that incorporating these factors provides a much fairer and more accurate assessment of contributions.

One final issue with goal-based performance management systems is that the recommended number of objectives per employee is usually three to five per year. What this means is that the goals will necessarily represent major projects or pieces of work and thus be at a fairly high level. It is a mistake to assume that high-level goals, even with associated measurable criteria, will be sufficient to ensure the desired outcomes. This is because higher level goals need to be translated into more specific plans, activities, milestones, and interim deliverables that employees will accomplish day-to-day to meet their larger objectives over the course of a year. Managers have an important ongoing role in monitoring how goals are being translated into daily work activities and helping employees identify and remediate gaps that may cause short falls in their performance.

Although managers need to tell employees what they are expected to achieve, the issue is whether this is best accomplished through setting formal goals at the beginning of the rating period or engaging in more informal and ongoing manager–employee discussions in which expected results are communicated and adjusted as circumstances unfold. Even in relatively stable jobs with reasonably defined outcomes, developing effective and fair goals can be challenging and require considerable time from both managers and employees. However, even after extensive guidance and

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training, the quality of goals is often still poor, leading some to suggest that writing effective objectives is simply too hard and not worth the effort. It is certainly not realistic to expect goal-based systems to work well immediately following implementation because it takes experience to develop good goals, deliver on them, and put the infrastructure in place that is needed to support an effective system.

Bottom line recommendation regarding SMART goals. In the vast majority of work situations, especially those characterized by knowledge and service work, the complexity, practical implementation challenges, and potential risk for failure are too great to recommend formal goal setting and evaluation against those goals for individual employees. Formal individual goals should be considered only in those rare jobs and situations in which they can be easily established and aligned with the work (i.e., performance is not affected by factors outside the employee's control, goals and performance measurement are clear-cut and objective, etc.). However, team or unit goals can be practical to develop and evaluate in many of today's organizations. Although we recommend limited and prudent use of individual goals overall, clearly communicating expectations and providing on-going feedback as the work progresses is essential for effective performance management (Table 2).

Popular Practice 3: Rating Competencies

Although goals that are purported to drive results are popular today, an exclusive focus on results can yield deficient performance measurement because little or no consideration is given to *how* employees go about accomplishing work (Borman, 1991). Although one might achieve impressive results, overall performance is not effective if individuals are extremely difficult to work with or otherwise exhibit ineffective behavior. Performance that reflects how an employee accomplishes work is typically evaluated by rating their competencies (e.g., communication, critical thinking, managing resources, etc.). When competencies were first introduced, there was no

Table 2. *Popular Practice 2: Set SMART Performance Objectives*

Proponents advocate	Reality
• Managers and employees collaboratively identify performance objectives specific to the employee's job • Use of objectives communicates and clarifies what employees are accountable for delivering • SMART objectives drive employees to achieve important results	• Writing good performance objectives is very difficult; considerable training and facilitation are needed; examples help • Ensuring objectives are fair for similarly situated employees requires review and monitoring across employees • Some jobs are too volatile for objectives to be practical • Individual objectives do not work well when the work is team based or dependent on factors outside the employee's control • Objectives must be translated into specific work plans and deliverables in which managers have a significant ongoing role • The difficulties, complexities, and time associated with objectives-based systems yield high implementation risk • The advantages of setting formal goals can be achieved through more informal discussion

Note. SMART = specific, measurable, attainable, relevant, time-bound.

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agreed-upon definitions or procedures for developing them. As a result, there is a great deal of variability in the quality of the competencies that appear in different organizations' performance management systems.

An important step forward in developing competencies was to define them in terms of performance standards that describe different levels of effectiveness. In spite of the fact that no one rating format has been shown to be superior to others in terms of rating errors or accuracy (Landy & Farr, 1980), one advantage of performance standards is that they communicate what is expected of employees, thereby increasing the transparency of the evaluation process. Standards also provide uniform criteria against which managers evaluate performance, thus enhancing fairness. It is important to note that behavioral rating standards have been extensively researched and used operationally for decades. However, the widespread development of competency models defined by behavioral performance standards and their prominent use in performance management systems is a relatively recent popular practice.

Although managers and employees have generally reacted positively to performance standards overall, they also present implementation challenges that need to be addressed. The most critical and persistent problem is inconsistency in ratings across managers. Employees want to be treated consistently and fairly, and a key indicator of this is whether or not they receive the same ratings as others who are similarly situated and perform equivalently. The problem is that managers interpret any rating scale or set of rating standards from their own viewpoints (Jamieson, 1973; Strauss, 1972). For example, one manager may believe that a relatively simple information cataloging project is difficult and complex, whereas another manager may feel that the design and implementation of a customized information management system is only somewhat complex. One manager may think that technical expertise is most important, whereas another may feel that being a team player is what matters. If there is no mechanism in place for addressing these differences, employees will be held to inconsistent standards across different managers, in spite of the fact that all employees are supposedly rated against common standards. Managers' use of their own idiosyncratic rating standards not only undermines the accuracy of performance measurement but can also lead to perceptions of unfairness, with consequential negative impacts on employee attitudes and motivation (Dipboye & de Pontbraind, 1981; Greenberg, 1986).

Another issue is that there are strong outside factors that influence the ratings managers provide, which is why rating format has likely accounted for little variance in ratings. For example, leniency is a chronic problem that results from managers rating most of their employees at the high end of the scale. Because most employees do not want to hear that they are merely meeting expectations for the job, managers feel pressured to rate everyone above the midpoint of the scale. In addition, managers generally want to send encouraging messages to employees to protect their relationships with them and avoid unnecessary motivational problems. As a result of these influences, managers often shift their ratings to the higher end of the scale and compress them within a more limited range of ratings.

Rating calibration is a process in which managers within a unit discuss their ratings of employees to identify where they may have inadvertently applied different standards or rated too leniently. Discussing specific examples of performance helps managers align their views of how to interpret and apply standards, which increases rating consistency across employees (McIntyre, Smith, & Hassett, 1984; Pulakos, 1984, 1986). An interesting aspect of the calibration process is that it makes managers more accountable for the ratings they provide. This is because they have to justify their ratings to other managers, who can be as knowledgeable as the manager about how employees perform. Fellow managers do not usually let each

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Table 3. *Popular Practice 3: Use Rating Standards to Evaluate Employee Behavior*

Proponents advocate	Reality
• Use of predefined, job-relevant rating standards to rate employee behavior • Behavioral standards facilitate communicating expectations and transparency • Rating standards improve the consistency and accuracy of ratings across managers	• There are significant outside forces operating in organizations that yield inaccurate ratings • Even with defined rating standards, managers interpret them from their own viewpoints and apply them differently • Obtaining more accurate and consistent ratings from managers requires calibration and monitoring • Failure to calibrate ratings can result in use of idiosyncratic standards across managers, unfair treatment of employees, and consequential dissatisfaction with the system

other off easily if they believe an employee has been rated unfairly, creating peer pressure that provides a powerful incentive to make accurate ratings. Initially, calibration sessions take time, but once managers develop a shared frame-of-reference for evaluating performance, calibration discussions require much less time and effort. Investing in trained facilitators for the initial process helps managers illuminate areas of agreement and disagreement more quickly.

Bottom line recommendation regarding rating standards. In many if not most work situations, a formal evaluation will be needed for administrative purposes, and this is usually some form of defined numerical rating. Although implementation of rating standards is more complex than may be apparent and is often underestimated, assigning numerical ratings based on standards has been shown to have merit and is generally well received, although not entirely devoid of challenges. Calibration helps to ensure that rewards associated with the ratings are more fairly and uniformly distributed across similarly performing employees, and this is thus important to mitigate perceptions of unfairness and actual unfairness that can undermine confidence in the performance management system. Accordingly, implementation of numerical performance ratings based on performance standards that are assigned via a calibration process is recommended (Table 3).

Popular Practice 4: Gather Performance Information From Multiple Sources

As managers, peers, direct reports, and customers see different aspects of a person's performance, multisource assessments enable a more complete assessment of performance. Collecting performance information from multiple sources can be done informally or formally. If done informally, managers simply ask those with different relationships to the employee for feedback on the person's performance, and they incorporate this into their ratings. If done formally, a more complex process is required. First, with the exception of supervisors, multisource ratings are usually collected from at least three raters per source (e.g., peers, customers, etc.) to protect the anonymity of individual raters and increase the reliability and accuracy of the feedback obtained (Ghorpade, 2000; Waldman & Atwater, 1998). Because ratings are usually reported separately by rating source, automated tools to collect, analyze, and properly integrate them are also needed to efficiently manage the process.

Multisource ratings are usually used strictly for development. If ratings are to be used for decision making, it

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Table 4. *Popular Practice 4: Gather Performance Information From Multiple Sources*

Proponents advocate	Reality
• Multisource rating information provides a more complete picture of the employee's performance • Performance information from different rating sources should be collected	• Collecting multisource information formally requires automated tools to handle more complex data collection and reporting requirements • When ratings are tied to rewards, multisource rating quality decreases; managers should consider multisource information but must decide on the final ratings • Use of multisource ratings for decision making risks integrity, fairness, and confidence in the system

is recommended that managers serve as gate keepers, gathering and combining information from the different rating sources, judging its credibility and quality, and balancing it against other available information. The reason more control and proper integration of information is important for decision-making purposes is because direct reports, peers, and customers often do not have the qualifications, perspective, or motivation to make accurate and effective ratings. Evaluation studies of multisource ratings we have performed have revealed some instances of peers colluding to rate each other effectively when ratings are tied to outcomes. Research has also shown decrements in the quality of multisource ratings for decision making compared to development (Greguras, Robie, Schleicher, & Goff, 2003), raising further questions about the accuracy and integrity of multisource ratings that are tied to the outcomes.

Bottom-line recommendation regarding multisource ratings. Multisource ratings offer significant potential value, especially for developmental purposes. If they are implemented following the guidelines that have evolved based on research and practice, they can add important and useful information to the performance management process. However, whether or not their cost and complexity provide a sufficient return to justify their use needs to be evaluated on a case by case basis (Table 4).

Summary

Performance management strategies and practices run rampant, and there always seems to be a new twist that promises improved results. For example, it has recently been argued that SMART goals are ineffective and need to be replaced with HARD (heartfelt, animated, required, difficult) goals (Leadership IQ, 2005). New approaches like this are readily implemented, only to frequently result in disappointing outcomes, particularly in the early years of the change management process. This, in turn, leads to frustration and negative attitudes that increasingly alienate managers and employees from engaging in formal performance management activities. Given that many changes to performance management tools and systems over decades of practice have proven ineffective for addressing the problems that plague performance management, there is little reason to believe that further tool or system modifications will prove fruitful. Instead, we believe that fundamental change is needed in how performance management is implemented and viewed, from an administrative exercise to the most important tool managers have to help them accomplish work through others.

In our experience, this occurs only when managers and employees see value in the performance management system for themselves rather than something that is imposed from HR. Engaging these stakeholders in discussions about the philosophy and use of performance management as well as design,

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policy, and implementation decisions builds ownership in and value for the system. We believe that implementing a system that users value needs to be coupled with interventions that focus on improving manager–employee communication and those aspects of the manager–employee relationship that are essential for effective performance management. Although some might view these types of interventions as simply the next ''new approach,'' there is extensive research and numerous real-world evaluation studies (discussed below) that show the importance of effective communication and relationships for effective performance management. Yet, addressing these factors directly in performance management implementation has been relatively rare.

Interventions to Improve Manager–Employee Communication and Relationships

The effectiveness of the relationship between a manager and an employee has a profound effect on how they engage in the performance management process and the outcomes they experience (Daniels, 2000). In fact, it has been argued for many years that one of the most important determinants of whether or not performance management will achieve its maximum benefit is the quality of the manager–employee relationship (Beer, 1981; Pulakos & Wexley, 1983; Wexley & Pulakos, 1983). Peterson and Hicks (1996) have supported this notion in discussing trust as an essential prerequisite for effective development and coaching. These authors report that employees who have solid, trusting relationships with their managers are more willing to follow the manager's lead and more confident they will be treated fairly. Effective manager–employee relationships have also been associated with perceptions of performance management fairness and procedural justice (Beer, 1981; DeCotiis & Petit, 1978; Wexley & Klimoski, 1984). Trust, effective communication, and good manager–employee relationships were also recurring themes in the attitude survey studies discussed earlier in this article as well as important engagement levers (Corporate Leadership Council, 2004; Creative Metrics, 2008; Harter, Schmidt, & Hayes, 2002; Office of Personnel Management, 2007).

Developing interventions to impact communication and relationships requires understanding what these things mean in the context of performance management. This is a criterion definition problem like many others we confront in which models are needed that specify the critical behaviors that lead to desired outcomes. Toward this end, the Corporate Leadership Council (2002) conducted a large-scale, cross-organizational study to investigate factors that lead to higher levels of performance effectiveness and more favorable attitudes. The study examined many variables, such as features of the performance management system itself, the organization's culture, and the existence of formal and informal review processes, among others. The results revealed that specific manager behaviors are some of the most important drivers of performance. These include (a) helping employees understand what they are expected to do in sufficient detail to deliver it, (b) supporting and helping employees find solutions to problems, (c) playing to employees' strengths rather than their weaknesses by giving them assignments they can do well, (d) developing employees productively by finding a balance between acknowledging strengths and contributions and addressing development needs, and (e) engaging in regular, informal performance conversations in which managers provide feedback that is fair, accurate, and helps employees do a better job. Although formal performance management systems attempt to drive these manager behaviors through the use of formal tools and processes, this approach has not proven effective and has led to our contention that interventions should more directly target manager behaviors that lead to effective performance and employee attitudes.

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Although not specifically addressed in previous research, we also believe that there are key behaviors exhibited by employees that facilitate or impede effective relationships and communication with managers, as these are two-way processes rather than something the manager does to the employee. For example, employees cannot assume managers are mind readers, and they need to be accountable for initiating performance conversations when they encounter difficulties or want to learn more about the manager's views. Employees also need to react well to the feedback they receive, so managers will be motivated to continue providing it. Finally, for relationships to work best there needs to be mutual trust such that managers can count on their employees as much as employees need to count on their managers.

Although some managers naturally create high-trust relationships with their employees, a frequent finding in attitude surveys is that many employees report poor communication and low trust with their managers (Mercer Human Resource Consulting, 2005; Office of Personnel Management, 2005, n.d.). Whether these views result from poor relationships or contribute to them, effective performance management is inhibited. When managers do not have open relationships with employees, they are reluctant to provide candid feedback and have honest discussions for fear of reprisal or damaging relationships. Employees who do not trust their managers are reluctant to engage in open dialogue with them for fear that the managers will use this information to deny them rewards or otherwise retaliate against them. The dysfunctional behavior and attitudes that result from poor communication and lack of trust are so derailing that performance management cannot be effective until intentional action is taken to address these issues.

We believe that an important first step in maximizing performance is to help managers and employees understand the critical role that performance management plays in enabling work to be performed. An issue that needs to be addressed, especially in the first-line supervisor ranks where strong technical skills are prevalent, is that managers often do not understand the role of a manager and what is expected of them. For example, managers who complain that they are too busy to spend time on performance management are likely spending too much time performing technical work rather than using performance management to accomplish work through their staff. Thus, effective performance management begins by ensuring that managers and employees understand their respective roles and the benefits each receives when performance management is done well, thereby answering the question, ''What's in it for me?''

In addition to changing how performance management is viewed, we believe that training is needed to facilitate acquiring the skills and driving the behavioral changes that are foundational for effective performance management, such as learning how to (a) build trust through creating supportive and open relationships, (b) engage in continuous informal performance conversations, (c) diagnose and productively address performance issues, and (d) deliver and react to feedback conversations constructively. In addition to training, posttraining interventions are needed to solidify attitudinal and behavioral changes and to promote training transfer to the work context. We discuss each of these topics next.

Building Trust

Without a basic level of trust, it is unlikely that communication and engagement between a manager and employee will be productive or lead to positive outcomes. Alternatively, when there is a high level of trust between managers and employees, they are more comfortable with each other and more willing and able to engage in effective performance management. Peterson and Hicks (1996) provide a set of behaviors that help managers build trust with their employees, along with rationales for why these are important. Example behaviors include making realistic commitments and following

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through on what is promised, keeping employees informed, showing support and not blaming when something goes wrong, helping employees solve work problems, protecting people who are not present, sharing information even handedly and openly, and communicating consistent principles, among others. To develop a solid relationship, managers also need to get to know their employees and what is going on in their lives inside and outside of work. This is important so that they can better understand and effectively deal with circumstances that may be affecting the employee's work. We would expect training that increases awareness and helps managers engage in relationship-building behaviors to have direct effects on performance and attitudinal outcomes as well as indirect effects on these variables through facilitating more effective performance conversations.

Conducting Effective Performance Conversations

The importance of feedback to the performance management process has been consistently acknowledged for decades in the research literature (Bernardin & Beatty, 1984; Ilgen, Fisher, and Taylor, 1979; Lawler, 1994; Maier, 1958; Murphy & Cleveland, 1995). The effects of feedback have the potential to be profound, influencing both future performance (Ilgen et al., 1979; Kluger & DeNisi, 1996) and job and organizational attitudes (Ilgen, Peterson, Martin & Boeschen, 1981; Pearson, 1991). Given the criticality of feedback, numerous researchers have investigated how to most effectively conduct performance feedback review sessions (e.g., Burke, Weitzel, & Weir, 1978; Cederblom, 1982; Nathan, Mohrman, & Milliman, 1991; Nemeroff & Wexley, 1979; Pearce & Porter, 1986), the models and principles from which have been widely incorporated into standard performance management training for managers.

Although at least one or two formal feedback reviews are usually required in the formal performance management process, the reality is that informal, continuous feedback is the most important and powerful feedback that can be given. Both the research and practice literatures have advocated that feedback be provided immediately following effective or ineffective performance (e.g., Gregory, Levy, and Jeffers, 2008; Kirkland & Manoogian, 2007; Wexley, 1986). The Gregory et al. (2008) literature review specifically highlights the importance of continuous feedback to help employees make real-time alterations in their behavior, enabling them to perform their work more efficiently and effectively. In addition to the research literature, effective performance conversations and continuous feedbacks have also been shown to relate to higher levels of performance and engagement in the field survey research studies cited earlier (Corporate Leadership Council, 2002; Creative Metrics, 2008; Harter, Schmidt, & Hayes, 2002; Office of Personnel Management, 2007). Informal feedback discussions were also one of the top-five factors associated with high performing teams in the Corporate Leadership Council study (2002).

Informal feedback is different in nature than formal feedback. First, it typically deals with a specific matter rather than a broader evaluation over time and multiple competencies. It can include strategizing what to do, deciding next steps, analyzing what went right or wrong, and/or discussing what to do differently next time. Formal feedback tends to be initiated, led, and controlled by the manager, whereas informal feedback relies more heavily on two-way accountability and interaction. Both employees and managers initiate informal feedback discussions, and employees are usually fully engaged in these with their managers. Although the importance of two-way participative engagement is a common theme in discussions of formal feedback, it is more characteristic of informal than formal feedback.

Many managers and employees naturally engage in informal feedback conversations, but these are likely more intuitive than intentional. By understanding

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the value of informal feedback and recognizing opportunities for it, both managers and employees can take better advantage of these to enhance learning and performance outcomes. Compared to the prevalence of training on conducting formal feedback review sessions, training on how to conduct informal feedback conversations is rare. For managers, training should include learning about the concept of informal feedback, its contributions to effective performance management, and how to communicate with employees in a constructive, candid, and timely manner so employees are open to hearing their messages. One caveat and something that should be included in training is the difference between conducting performance conversations with inexperienced versus experienced employees: The former are generally open to and looking for feedback because they are in a learning mode, whereas the latter tend to be more confident in their capabilities and approaches.

Finally, manager training should also include the importance of providing positive feedback. Recognizing effective performance is easy, but many managers neglect to do this to the extent they should, perhaps because they expect effective performance. However, positive feedback for a job done well is desired by most people, and giving such feedback can improve both employee attitudes and subsequent performance outcomes. Feedback that acknowledges contributions also paves the way for more productive and credible discussions about areas for improvement because these are balanced by recognizing areas in which the employee does well.

Diagnosing the Cause of Performance Problems

Managers need to be able to diagnose why an employee is experiencing a performance problem. This is important because what the manager should do to address a performance problem varies based on its underlying causes. Peterson and Hicks (1996) cite several potential causes for performance problems. One frequent cause is simply that the employee lacks clear expectations, which are generally easy to clarify. In other cases, the employee may lack the skills to perform and need formal training or further job experience. Lack of motivation is another source of performance problems, which can be because of the circumstances at work or home. Environment or work process factors are yet other reasons for performance problems. For example, the employee may not have the tools that are needed to perform work or may be reliant on others who are not delivering, in which case additional resources or other interventions may be necessary to address the issue. The bottom line is that managers need to understand that performance problems exist for different reasons, and they need to be able to diagnose these accurately to address them effectively.

Delivering and Reacting to Feedback

Most employees want to do a good job and are appreciative of ideas for improving their work products or outcomes, when feedback is delivered in an appropriate and helpful manner. This does not happen to the extent that it should, however, because many managers do not always deliver feedback productively and in a way that mitigates defensive reactions from employees. However, even if managers deliver feedback effectively, employees do not always react to feedback effectively. Depending on employees' personalities, they will be more or less open to feedback and more or less willing to accept it, with numerous potential reactions varying from appreciation to depression and anger. Managers thus benefit from training to recognize and effectively manage different reactions to feedback, whereas employees benefit from training on how to effectively and constructively receive feedback.

Posttraining Interventions

One important caveat regarding the overall strategy and training suggested here

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is that it is important not to oversimplify what is required to achieve sustainable changes in perceptions, attitudes, and behavior that will enhance performance management effectiveness. Certainly training is a reasonable first step, but this will serve as an introduction, at most, that needs to be followed up with additional interventions to promote training transfer and ongoing evaluation to assess whether or not manager–employee relationships and communication and their hypothesized consequences—performance and attitudes—are improving. We acknowledge the possibility that the training and training transfer strategies proposed here may prove to be just as difficult, frustrating, and ineffective as those that have been aimed at making changes to the formal system itself, and they will certainly require resources and commitment to implement well. However, given the number of different system changes that have been tried and proven unsuccessful, we feel that there is merit in attempting a wholesale different approach to improving performance management. We certainly do not expect that training will address performance management ineffectiveness to a person, but even modest improvements may have meaningful positive impacts on employee attitudes, engagement, and performance overall. At least, organizations may avoid investing significant resources in changing their performance management systems yet again, which is virtually guaranteed to produce no results.

Regarding posttraining interventions, employee surveys are used to collect information on the extent to which managers are exhibiting effective performance management behaviors. Providing individualized feedback to managers based on responses of their direct reports pinpoints areas where the managers may need to adjust their behavior and reinforces the need to engage in effective performance management more generally. Another strategy to reinforce training is to provide simple job aids to managers to encourage them to engage in effective performance management behaviors on an ongoing basis. For example, managers can periodically be asked by their managers to jot down and communicate one or two particular strengths and areas to work on for each employee. Informing employees that managers are doing this practically ensures subsequent performance conversations. Another aid is to provide a list of trust-building behaviors taped to the manager's computer monitor, a constant reminder to engage in these. To the extent feasible, demonstrating the impact of interventions on important performance metrics at local levels is a powerful way to build the business case for and reinforce effective performance management. A further step is to implement more individualized programs or processes for situations in which standard training interventions do not produce the desired results. These could include but may not be limited to individual coaching or employee reassignment programs.

The posttraining interventions described above are largely behavioral in nature, implying the key issue is that managers and employees lack the knowledge and skills they need to engage in effective performance management. We believe that lack of knowledge and skills associated with effective performance management is in fact a significant problem that needs to be addressed. However, in addition to the strategies discussed above, additional interventions will likely be required to motivate and solidify behavioral change, such as rewarding effective managerial behavior, making managers accountable for effective behavior, and providing leadership and peer models of effective behavior. Although such ongoing interventions to facilitate training transfer are costly to implement and maintain, one of the key reasons employees' leave a job is because of ineffective managers (Harvey, Stoner, Hochwarter, & Kacmar, 2007). When the high costs that are associated with turnover (i.e., hiring, training, and productivity loss associated with onboarding new staff) are considered, training and related interventions that reduce unwanted turnover typically produce compelling ROI, and this is especially true if they

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are accompanied by improved performance outcomes and attitudes.

Summary and Conclusions

There is strong agreement that performance management is the most difficult human capital system to implement successfully and have work effectively over time. The inherent difficulties that plague performance management have commanded an enormous amount of attention from researchers and practitioners. Most of the many attempts to improve performance management have focused on operationalizing different approaches to it (e.g., ratings based on achieving goals vs. ratings based on job-relevant behavior) within formal systems that prescribe specific steps, tools, and processes. Unfortunately, this focus has yielded largely disappointing results and the formula for effective performance management is yet to be discovered. Nevertheless, declining to assess performance and provide feedback is neither a viable nor acceptable strategy to achieve effective management, meaning that we must continue attempting to improve how performance management is conducted in organizations. A golf analogy helps illustrate our view of performance management.[1] The game of golf is a particularly difficult skill to acquire. Most golfers fail to break a score of 100. Adding to the complexity of the sport is the fact that improvement is often elusive. Sometimes the answers to problems are counterintuitive. For example, at times the best way to improve your shot distance may be to slow down your swing. Only the very best golfers are able to consistently score par or better. However, we know that golfers who play frequently typically improve their game and that repetition and refinement lead to better results. The focus isn't on redefining the game of golf but improving one's skill in executing the various demands of the game.

We have argued here that interventions to improve performance management should cease their almost exclusive focus on reinventing formal systems. Using examples of four popular practices, we demonstrated how implementing approaches that make sense in theory can result in significant cost and resource requirements that are often not apparent initially. When these new approaches then fail to work well, the unintended consequences are that performance management loses credibility and is devalued by both managers and employees. In lieu of making further changes to formal performance management systems, we believe that attention needs to be devoted to training managers and employees about the benefits of effective performance management and how to engage in this as a day-to-day means of accomplishing work. Previous research has shown that important performance and attitudinal outcomes are at least partly a function of manager–employee communication and relationships. Specific behaviors on the part of both managers and employees were hypothesized as important contributors to these, and training and training transfer interventions were recommended as the primary strategies to teach, reinforce, and further motivate these critical behaviors.

Although the results of prior research indicate that effective manager–employee communication and relationships positively impact important outcomes, additional research that directly examines the causal effects of performance management behaviors on proximal (e.g., frequency and effectiveness of performance conversations, continuous feedback) and distal outcomes (e.g., performance effectiveness, turnover) is needed. Understanding such causal relationships will not only help build the case for investing in the types of interventions we are proposing, but it will also help in designing those interventions to be maximally effective. For example, knowing that certain behaviors have the strongest

1. The golf analogy was provided by our colleague, Thomas K. Coghlan, who has extensive experience and insight into what it takes to successfully implement performance management processes in organizations and with whom we have been fortunate to collaborate on a highly complex, large-scale performance management intervention.

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impact on important proximal and distal outcomes facilitates decisions about the relative amount of training that should be devoted to different topics and what behaviors should be the focus of posttraining accountability and reward systems. Thus, shifting the focus of our interventions to directly target and reward effective performance management behavior needs to be accompanied by more field research like the Corporate Leadership Council study that identifies what matters most in driving important outcomes.

Although we have argued that attention should be directed away from the formal system, this leaves open the question of whether a formal system is needed and if so, what that system should contain. Some have suggested eliminating performance management processes entirely (Culbert, 2010), and this may be viable when there are no ties between ratings and outcomes, such as pay. When pay or other outcomes are tied to performance, however, there is usually a perceived if not actual need for a formal system and administrative rating of record. Having a formal system also provides a safety net of sorts because it helps ensure at least some performance information is communicated to employees from managers who may otherwise grossly neglect their performance management responsibilities. For these reasons, decision makers usually opt to have a formal performance management system in place in most situations.

In designing the formal system, it is prudent to consider organizational members' appetite and tolerance for formal performance management requirements. For example, if informal feedback is regularly provided as a natural course of events, requiring managers to schedule feedback sessions at specific points in the year will likely be seen as burdensome and unnecessary. Similarly, if an organization is a pure sales organization and goals come down to revenue and profit targets, an elaborate and time-consuming process to cascade goals will not likely be credible or well received. It is important to realistically assess what performance management features organizational members will value and use in their particular context. Even if tools and processes are embraced initially, organizational members will not comply with burdensome requirements over time that do not add value.

In our own work, we have learned the value of implementing straightforward and simple formal appraisal systems rather than burdensome ones that often come with high costs and can collapse from their own weight. We recommend keeping complex processes, formal requirements, and administrative demands to a minimum so that managers and employees can spend their time focusing on the more important aspects of performance management—communicating where the group and each employee fit within the larger organizational context, setting behavioral and results expectations, and providing ongoing coaching and feedback. Although we argue for a simple approach to the formal system overall, we have found that numerical ratings that are based on well-defined performance standards and manager calibration are uniformly well received and useful in practice. Performance standards provide a structure and context that helps managers communicate expectations and organize their feedback. Importantly, standards can be written to incorporate results expectations, thus marrying evaluation of *what* was achieved with *how* it was achieved. This provides a more straightforward, integrated evaluation that represents the sum total of performance effectiveness and avoids many of the problems we discussed previously that plague goal-based systems. Performance standards have the final added benefit of helping employees understand the different aspects of performance on which they will be evaluated and what differentiates the different levels of performance effectiveness. Adding manager calibration to the use of numerical ratings based on performance standards helps standardize interpretation and application of the standards across employees, thereby

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increasing the likelihood that rewards will be distributed fairly.

In conclusion, we have argued here that the combination of documented performance standards to support ratings, formal manager calibration, and training and training transfer strategies to improve manager–employee relationships and communication will be optimal practices in many situations. This is because this combination provides managers and employees with straightforward tools that facilitate performance management, while training and reinforcing them to exhibit behaviors that are essential for effective performance management outcomes. Alternatively, the complexity involved in practices like cascaded goals or SMART goals limits their applicability and potential effectiveness. We acknowledge that the training and training transfer strategies suggested here are neither inconsequential nor easy to implement, but we feel based on our experience and the research evidence that they have sufficient potential to produce more significant and sustainable performance management improvements that they warrant further exploration and research.

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