

Rethinking the Goals of Your Performance-Management System

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Most traditional performance-appraisal systems are fundamentally flawed because they are counterproductive by design. The stated purpose of these systems is to measure and rate past performance when, in reality, the goal of any performance-management system should be performance enhancement. Understanding and employing this subtle but undeniable difference in perspective is essential for the designers and users of performance-management systems.

Traditional appraisals are unnecessarily focused on documenting the past when past efforts can neither be changed nor change future efforts. The false belief that giving someone a poor rating will motivate him or her into performing better hearkens back to the outdated myth that negative reinforcement and punishment are the most effective motivational tools. Improved performance will occur only through proper coaching, guidance, training, and support for the incumbent. Unless the performance-management system used gives the incumbent enough information about what is wrong and why it is wrong, and enough support to change it, the performance-management system may not reach its true, intended end: performance improvement.

Regardless of how well or poorly an employee has performed in the past, the goal of performance management is to affect the

future. An enlightened organization will audit its performance-management system to see if its processes are aligned with its proper goals or if they are misdirected.

Most experts agree that timely and accurate feedback is the key to sustained, successful performance. Employee involvement is another universally accepted human resource method; however, many appraisal processes do not allow employee involvement or interaction with the supervisor in the very process that professes to manage their efforts. Therefore, all performance-management systems should have elements within them to achieve these ends. Moving from appraisal (measuring, documenting, rating) to performance management (tracking, monitoring, adjusting, and regulating) requires a shift in ideas, and the process used should reflect these ideas.

APPRAISALS LOOK BACKWARD— PERFORMANCE IS PROSPECTIVE

No one has the power to alter the past, so it is far wiser to direct attention and efforts toward improving the future. The goals of performance-management systems should be to correct poor performance, replicate good performance, and improve all performance. Therefore, the implicit aim of performance appraisals is always future-oriented, not past-oriented. Nonetheless, most appraisal sys-

tems mistakenly focus their attention on the past by emphasizing the rating of past performance during the annual performance-review ritual. These ratings become an end unto themselves, rather than part of a journey toward creating and sustaining performance over time.

RATING, MEASUREMENT, AND DESCRIPTION

The rating process is actually a by-product of the attempt to measure performance outcomes. An excessive emphasis on measurement can be misguided. The desired end that is lost in measuring performance is not measurement at all but, rather, description. In reality, managers want to describe or paint a picture of what is good, better, or best, or what is off the mark. When we accurately describe what we prefer or expect, our hope is that we can replicate it. We can highlight bad examples of performance, then study,

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analyze, and avoid them. Accurate description or diagnosis leads to better prescriptions for future success. Therefore, all performance-management systems should be designed to generate information and data exchange so that the individuals involved can properly dissect performance, discuss it, understand it, agree on its character and quality, and then prevent problems and improve performance.

LABELING PERFORMANCE

Many performance appraisals assign a letter or number grade as a descriptor of the qual-

ity of the performance. This assumes that rating past performance will motivate or cause individuals to improve their future performance. One unintended consequence of this labeling is that employees often respond to it emotionally. Poor ratings can stigmatize performance and cause unnecessary resistance to the acceptance of feedback. Like good feedback, a good rating is reinforcing, but the rating is not necessary, as it implies stopping points along the way of continuous improvement. The goal is to have the employee assist us in describing, interpreting, and redirecting performance feedback, not reacting to the rating. Feedback can accomplish the same positive goal as a rating without the negative side effects.

The type of rating—whether a number or words—carries with it particular connotations: “needs improvement,” “below expectations,” “above average,” or “exceeds expectations.” Each of these phrases has certain meanings, and their meanings will vary depending on who is receiving them. “Above average” means something entirely different to a new employee than it does to a veteran employee. Further, these predetermined phrases may not exactly reflect what a supervisor thinks. As an example, an employee may be a good performer, but the supervisor may be evaluating him or her using an instrument with vague and seemingly arbitrary choices. What mark does the supervisor give when the actual performance more accurately meets most expectations and exceeds very few?

Similarly, using numbers begs the question of whether there is a gradient between a rating of 4 and a rating of 5. Supervisors may start to give ratings of 4.75 and 3.68 to indicate perceived and observable differences in performance. But two questions arise. Is

there indeed a real difference between a rating of 4.24 and 4.34? And how valuable is it to try to determine the difference and to attempt to explain it to an employee? All rating scales will eventually become problematic for most organizations, especially if reward and improvement are goals of ratings. Rather than misspend time and effort on labeling and rating, employers should instead accurately describe the performance elements on which the rating should be built and communicate this information to the employee.

If the goal is performance improvement, then feedback—not labeling past efforts—is the preferred tool. A huge problem with any and all rating systems is that no one has ever designed one that can track and measure performance across departments or professions. Even if someone could design a foolproof system, supervisors are known to manipulate ratings for a variety of political purposes. The most common reasons for changing ratings are to achieve certain financial outcomes, to avoid confronting difficult employees with the sobering truth about their efforts, to encourage a new employee to keep trying, or to make it appear that the manager does not have a problem employee in his or her area. The emphasis on labeling performance is similar to a focus on the past—it is not as effective as good and timely feedback that directs attention toward future efforts.

Emotional and professional baggage normally accompanies ratings and, once documented, it becomes a permanent part of an employee's record, a constant negative reminder of something that did not go well. Ratings from past performance appraisals are similar in nature to high school or college report cards or criminal records for employees who dramatically improve their performance. Labels are often lightning rods for

negative interactions between the employee and the supervisor, instead of information that can direct and redirect future efforts.

FEEDBACK IS THE ONLY TOOL

Ordinarily, the employee receives feedback in the form of the supervisor's assessment (attempt at description) in hopes that the employee will acknowledge, understand, and act on this information and then correct, sustain, or improve performance. An accurate rating may be nice but it does nothing to correct performance or improve on it; only feedback does.

Performance conversations should involve a two-way exchange to ensure that the employee fully understands what is good, what is bad, and *why* the good performance is

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good and the bad is bad. With accurate descriptions of the nuances of performance, the employee can better understand how his or her past actions or activities affected performance outcomes and how future efforts are likely to contribute to future performance. Accurate descriptions or diagnoses of performance are crucial, for understanding and improvement are possible only through timely feedback.

Although grading past performance may have some potential for motivating future performance, it is not automatic. There is no direct link between them. Furthermore, it would be more effective and timely to give definitive feedback when substandard performance occurs or to give immediate reinforcing feedback when performance is good. If

this happens, the individual will have 11 months, 10 months, or 9 months, or some other period of time to work on, change, improve, or replicate performance. It is often reported that employees simply ask, "Why tell me that I have provided B+ performance now, when I wanted to give you A+ service all along?"

RATINGS ARE CONCLUSIONS

Although ratings can be positive, they can also be punitive and focus attention on the negative rather than the possible. The only message the employee gets from a poor rating is "Stop doing what you have been punished for doing." This kind of rating may not even be an adequate description, since many ratings are summaries of a number of activities collected over time. It does not focus attention on what to do to get better and can even be a distraction. It would have been far bet-

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ter for the supervisor to have said to the employee, long before a poor rating, "Here, try this," or "Let's change what you are doing so that we can have better outcomes." This type of approach is a far cry from "Don't do that again!" This subtle shift in paradigm is profoundly important; we should concentrate on what needs to be done or improved, not concentrate on what happened last month.

Ratings are feedback, but feedback of the worst kind. They are conclusions that become attached to performance over a period of time. The problem with conclusions is we can perceive them as labels or tags that define the issue at hand. Ratings also imply

that the conclusion drawn has some permanency. Rating a movie is different from rating a play. A movie cannot change, yet the actors in a play can improve their performance. Ratings are bad feedback because they can stigmatize and limit performance by creating a bad reputation for the performer. We will believe that rating past performance will motivate future performance only if we believe that negative reinforcement or punishment works.

If we must give employees grades, we should give this sort of information verbally and at the time of the performance. If you tell an employee many times over the year that he or she is performing at a B+ level, the employee has the opportunity to improve and to ask, "What else must I do, or how else must I work to get to A+ service?" The timeliness of feedback gives the employee many opportunities for trial and error. The dialogue created also helps the supervisor and employee to focus on ideal performance. Verbal grades are closer to feedback than evaluation and likely will have less negative fallout than written grades that become a part of the permanent personnel record.

We have already described the potential negative or emotional reaction to a rating that is poor or lower than expected. We have also offered arguments that a poor rating might also reduce an employee's willingness, readiness, and, in some cases, ability to perform well. It is far better to avoid ratings altogether and replace them with the appropriate amount and kind of feedback.

FEEDBACK INSTEAD OF APPRAISAL

Although many people confuse the two, feedback and appraisal are fundamentally different things. Feedback is information-based,

whereas the basis of appraisal is judgment or evaluation. Furthermore, feedback is an ongoing activity, and appraisal is periodic and event-based (annual). Also, emotional and humanistic elements are inherent to the idea of judgment or appraisal. The proposition that one person determines the fundamental _____ (fill in the blank—try to choose a word that will not have a negative connotation associated with it: value, worth, quality, importance, goodness, usefulness, or merit) of another person's contributions causes a visceral response for many. Finally, feedback and appraisal have quantitative components. Feedback should occur as often as possible, whereas we expect appraisal to happen once or twice a year. The two activities have other differences, but the point being made here is that feedback and appraisal are not one activity. The difference between them is not merely a matter of semantics.

Some experts argue that informal, frequent feedback and good supervision may indeed replace entirely the need for a formal performance-appraisal process, because the employee gets all of the information, correction, and support necessary at the right time to create and maintain good performance. Feedback is information; appraisal is evaluation.

FIVE STEPS TO PERFORMANCE IMPROVEMENT

Most traditional performance-appraisal systems are not designed to do what they ideally aim to do—improve future performance. Instead, the instruments used are formulated to capture, document, and summarize the past. The supervisor and the incumbent spend the days and hours prior to the HR appraisal deadline trying to remember all of

the noteworthy performance events from the previous six to 12 months. The instrument and the performance-review conversation are a poor substitute for good performance management, which should have occurred over the entire reporting period.

Organizations should take a critical look at their performance-management process to ensure that it is directed toward its true purpose—performance improvement. The five-step process detailed in the sections that follow will aid this analysis and give some hints about how to build better systems.

First, organizations should audit their systems to uncover what they actually do (e.g., documentation, rating, reward, discipline, and so on). Next, the instrument and process used should focus on the future. Third, employees should have input into the process

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to ensure they understand and agree to what they must do. Fourth, supervisors must give employees frequent, timely feedback when appropriate, and periodically step back to give more formal, macro-level feedback. Finally, a number of contemporary approaches to performance management contain more progressive elements; employers should use those instead of standard appraisals.

1. Audit and Improve Current Systems

Some traditional performance-appraisal systems should not be improved on—they should be abandoned. Coens and Jenkins, in their landmark publication, *Abolishing Performance Appraisals: Why They Backfire and*

What to Do Instead (San Francisco: Berrett-Koehler Publishers, Inc., 2002), argue that many traditional systems are simply wrong-headed. So if you find that your performance-management system does not do what is intended, scrap it. It is far better to create a new system that has all the right elements than to try to fix a system that is not only broken, but also ill designed. The litmus test for any system is one simple question—does it help improve future performance? The audit will uncover any mismatch between the instrument used and the goals of the system.

2. Focus on the Future

Documenting performance is undoubtedly valuable. But the richness of any performance-management system should be whether it helps to regulate future efforts. The instrument or process between employee and supervisor should be future-oriented. They should

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be able to recalibrate standards, set goals, and agree on who will accomplish what and when. It should also include an agreement on how the supervisor and the employee will work together to achieve these ends. A forward-looking process reinforces good performers, redirects marginal performers, and plans for performance improvement instead of dissecting and documenting things from yesteryear.

3. Involve Employees in Self-Appraisal

Good performance-management systems require employees to prepare a self-assessment and reflect on their efforts over the

reporting period. If the goal is to get employees engaged in the recognition, description, analysis, and interpretation of their efforts, self-assessments are somewhat magical in their ability to affect performance. However, if the exercise of looking at one's performance becomes a part of the permanent record, then it is a bad idea. Asking employees to rate their performance at anything less than what will give them a good rating, a raise, or other positive outcome is more closely akin to an IQ test than to a performance evaluation. Self-preservation comes into play. If employees do not feel threatened by the use of the information, or feel that their reflection will not be used against them and that it will help them get better, the information they share will likely be more forthcoming and honest.

In good systems, self-assessment information is a part of the dialogue for interpreting performance and redirecting efforts. These systems empower employees and treat them as partners in their own performance. Their assessment should be given substantial weight and be put on par with the manager's assessment. Employee participation balances the performance conversation and helps to mitigate the accusatory or blaming tendency of many evaluations. Employee involvement moves the employee from being the subject of the appraisal to a participant in the process of performance improvement.

Self-assessments are effective exercises, not effective instruments, for they nurture employee involvement. The employee is, after all, the person who will actually have to carry out the performance in question. The employee must first fully understand what has to be done. He or she must be involved in the performance assessment and the first step in the quality-control process. Any enlightened performance-management approach will

require employee involvement. But the value of such a process is undermined if the results are used to rate the employee.

4. Implement Good Supervision and Frequent Feedback

Feedback should be given as often as possible. However, any administrative system that requires a manager to give written feedback to employees daily or weekly would likely be so burdensome that it would be difficult, if not impossible, to complete. Fortunately, there is a place for both informal and formal feedback. Complement ongoing feedback as performance events occur by periodically stepping back from the details and looking at performance trends, macro-level views of the work, and deeper interpretations of work activities. Informal, frequent feedback is as essential as semiannual or periodic formal feedback. Neither is sufficient alone.

The longer the gap between performance events and performance feedback, the greater the challenge of remembering with clarity the character and quality of the performance events. This challenge is more formidable with a large volume of performance events or a large number of subordinates. However, the fact of the matter is that there is no good alternative to frequent sharing of performance information between the persons doing the work and the manager working in concert with them. Therefore, every performance-management system must create opportunities for feedback. Performance-review conversations will not be so effective without good feedback in previous months.

Two semiannual or one annual performance conversation cannot manage performance alone. They might be effective in documenting some performance parameters but

they are not likely to be effective in *managing*, regulating, and improving performance. Good supervision with ample feedback is good performance management.

5. Try Alternative Approaches

You can avail yourself of many alternatives to traditional appraisal systems that help organizations manage their employees better than outdated, past-oriented processes. The common ingredient in all such approaches is employees' involvement in the design, delivery, and assessment of their own efforts. Many of these systems also avoid a rating schema and its many negative repercussions.

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The coaching model of performance management redefines the relationship between the supervisor and the subordinate. The two work together to help the subordinate perform at his or her very best. This is far different from the paternalistic approach, in which the supervisor is solely responsible for outcomes and micro-manages employees by checking periodically to see whether they are doing what they are supposed to do. Employees just put in an eight-hour day and are not concerned with tracking their efforts. Results are the supervisor's concerns in this outdated approach to appraisal.

Two contemporary performance-management systems evaluate skill building as opposed to documenting outcomes. They are individual development plans and competency management models. The individual development plan targets professional growth by creating individually designed training plans to help employees build on their strengths and

shore up their weaknesses. Competency models are similar, but they evaluate whether or not an individual has demonstrated a certain set of identified skills. Competency models are based on the premise that if the individual has the right skills, he or she will perform well. Thus, an employee is judged by the standard of having or not having certain competencies and the degree to which he or she demonstrates mastery of them.

The best approach to performance management, bar none, is good supervision. Some advocates argue that there is no need for a formal performance-appraisal system if the employee is given regular, ongoing feedback from his or her supervisor. Such feedback makes appropriate corrections and adjustments in a timely manner to keep performance on track and going as expected. If the employee fails to live up to the standard, then training, encouragement, or discipline is dispensed as appropriate. Performance feedback on an ongoing basis, with or without a formal system to manage performance, is good supervision. A good performance-appraisal process with poor supervision will not yield good performance.

CONCLUSION

Regardless of the system used to manage performance, several elements must be in place to create the context for good performance. The system must be focused on the future, which is where the desired performance will

occur. Employees must be involved in regulating their own performance. This involvement manifests itself in a process that ensures employees and supervisors work together to discuss performance challenges and that both understand what must be done to overcome them. Finally, supervisors must give employees feedback on an ongoing basis, coaching them to success. No single instrument is a silver bullet that will solve all performance problems, nor will any instrument alone be able to manage performance.

The real goals of any performance-management system are threefold—to correct poor performance, to sustain good performance, and to improve performance. Human resource professionals must audit and rethink their performance-management systems. Many antiquated systems are themselves historical artifacts that attempt to verify and document the past. Twenty-first-century systems should create the opportunity to plan for, forecast, and set the stage for future performance.

All performance-management systems should be judged by one standard—how well they create the climate necessary for performance conversations to occur so that the employee and supervisor can diagnose problems and work together to overcome them. One-dimensional and one-directional instruments aimed at the past miss their intended target—future performance. Their design should be aligned with the real goals of any performance-management system—performance improvement.

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