PONTIFEX
CONSULTING GROUP, LLC

Evidence-Based Performance Management

By Robert J. Greene, PhD & Peter Ronza Pontifex Consulting Group

Evidence-Based Performance Management

Performance management is one of the most talked about and written about topics within talent management. Periodically the practitioner literature contains numerous articles about "new" strategies for doing performance management effectively. Despite that, it is one of the two elements of talent management that are viewed most negatively by both employees and managers. Rewards management is the other.

Performance management impacts whether an employee is retained, promoted and given pay increases in most private sector organizations, making ratings a critical determinant of an employees work life. If performance management is not done effectively it will impact the quality of rewards management. Given its significance every organization should ensure their performance management system is sound and that employees believe it is sound.

Research studies have been done on the topic since the 1920's. After reviewing the published empirical studies the Center For Evidence-Based Management association has concluded that the scientific evidence related to the topic is rich in both quantity and quality. But when actual practice is compared to what the evidence prescribes it is apparent that organizations either are not aware of the evidence or believe the intuition of their HR practitioners outweighs the science.

Scientifically sound research is not the only source of evidence that can be used to determine what strategies will work. There are three other sources of evidence that may be relevant to making a decision.[1] Organizational data focused on the effectiveness of strategies, stakeholder data that reflects opinions and professional expertise of practitioners responsible for performance management can all provide insights into how a strategy might work. Discounting these other sources can result in overlooking characteristics of the context within which performance management will occur that may facilitate or reduce the likelihood of decisions being a good fit to the context.

The unique value of scientific research is that can enable a practitioner to discover the factors that influence performance. If the model for predicting the impact on performance is to be useful it must be complete. Data analytics can identify correlations between practices and resultant outcomes. The fact that good performance correlates with specific independent variables does not mean it is caused by them. To establish causation there needs to be a strong relationship between performance and one or more variables, changes in the variables must precede changes to performance in time and all alternative causes of variations in

[1] *Evidence-Based Management*, D. Rousseau & E. Barends, Kogan Press, 2018

performance must be ruled out. It is important to not only identify all causal variables but to determine their relative weight. A well- designed research study can meet these criteria.

The primary objective of a performance management system is to motivate high levels of performance, however defined. It is reasonable to assume that if all members of a workforce perform well at an individual level and do so in a manner that contributes to overall workforce performance that there will be a high ROI associated with the right strategy, programs and processes.

The relationship between effective performance management and workforce performance is complex. When performance is defined, measured and rewarded in a manner that is accepted by employees as fair, competitive and appropriate it is likely that there will be a positive impact on satisfaction with the process. But in order for there to be a positive view of how employee contributions are measured and rewarded a number of things need to be done well.

Employees must believe the benefits associated with performing will outweigh the costs to them if they are to be motivated. Motivation theories define the pre-requisites for good performance. Expectancy theory, reinforcement theory and equity theory have been supported by research and provide the evidence that supports these pre-requisites. Employees must *be able* to do what is required and to believe they can do it. They must *know clearly what is expected* and receive feedback on the results. They must be *allowed* to do what is expected, which requires that they have an appropriate amount of autonomy and are provided with the necessary resources. Finally, they must believe that their *performance will be measured accurately and rewarded appropriately*. The absence of any of these pre-requisites can result in a lack of motivation.

<u>What Does Research Tell Us?</u>

An assessment of the research on performance appraisals was done by the Center for Evidence-Based Management.[2] This assessment searched numerous databases containing the results of studies conducted between 1980 and 2016. Selection criteria were used to ensure only high-quality studies were included and after eliminating those that did not meet the standards there were 37 primary and 23 secondary studies that were used to do the assessment. This research is the most comprehensive evaluation of what the effects of performance management systems are.

[2] Unpublished Rapid Evidence Assessment on Performance Management, by CEBMa done for CIPD

The conclusions were:

Employee self-ratings will tend to be higher than manager ratings. One of the cognitive biases that everyone is subject to is the belief one's performance is better than it is. Also, employees will tend to attribute success to their own efforts and failures due to uncontrollable external forces. Since we more easily accept information that agrees with our beliefs and discount conflicting information employees can protect their ego by assuming ratings are inaccurate.

Manager ratings will be lower when employees will see the ratings, when manager ratings are reviewed and when managers are held accountable for the quality of their ratings. It has also been found that when ratings are done by email, rather than in person, they tend to be lower. And ratings used for administrative purposes (pay actions; promotions) rather than strictly for developmental purposes will tend to be higher.

A number of factors tend to impact how raters appraise subordinates. The implicit person theory has a major impact on ratings, which can result in personal factors inappropriately impacting the ratings. Rater bias can be caused by how raters are themselves rated. If managers don't receive ratings that are meaningful it is unlikely that they will take their responsibility for rating others seriously. Whether the ratee is similar to the rater in introversion or extraversion, whether the rater likes the ratee and whether the two have similar personalities will have a small to medium impact on ratings. Gender bias tends to have a small to medium impact on ratings while racial bias tends to have a small impact. Ratee disability tends to result in a higher rating. Employees who have exhibited organization citizenship behavior (doing extra work that is not required; assisting others) will tend to receive higher ratings. Also, employee political skills can have a positive impact on ratings.

Many of the factors that influence performance ratings are as irrelevant and inappropriate. For this reason, organizations are well-advised to do performance management training. The research study just cited indicated that training has a medium to large impact on rating accuracy, which suggest it is a sound investment. Frame of reference training has been shown to be the most effective approach. FOR involves group exercises using case studies that have participants rate performance on their own using pre-written appraisals and then collaborating with other participants to achieve consensus. This helps to level the performance standards used by individuals and works to minimize individual bias.

Sound Performance Management Principles

Research suggests many steps must be taken for systems to be effective. Participants must be trained in their roles. The process used must result in procedural, distributional and interactional justice – and be perceived as doing so. Cognitive bias can distort ratings based upon personal, rather than job-related factors. Managers must be held accountable for their role in performance management. Employees must clearly understand what is expected of them at all times and receive relevant and helpful feedback on how they are doing. Employees should not be held accountable for things over which they have no control.

Managers must avoid biases that result in inequitable treatment of employees. Individual characteristics cannot enter into ratings. The importance of the role someone fills, their competence in that role and their performance are the only legitimate determinants of pay. People will have their self-identity and their ego threatened when they are rated on personal characteristics. Employees must accept the performance management system and how it impacts them as being equitable. No matter how sound the system is if it is not accepted by those it is intended to motivate it will not do what a performance management system is intended to do.

Actual Practice Is Based Often on Opinions and Claims

Despite all the claims in the literature that ratings should be abolished (research shows this tends to reduce motivation to perform) and that appraisals should be replaced by "check-ins" there is no research to support this. Even if an organization has made these changes and experienced increased satisfaction this does not establish the veracity of the claims about their effectiveness. Any change can have a temporary "Hawthorn effect" in the short-term. But attempting to prevail in court against pay discrimination charges with only the testimony of managers is not likely to be a good strategy. Making managers lives "easier" by removing administrative requirements often is taken to be evidence that the changes were successful.

Basing decisions on published accounts of successful "innovations" by respected organizations is a risky practice. The literature is biased because failures do not get documented or published. Even in the academic literature, which is supposed to be more scientific, there is an editorial bias against publishing studies when the hypothesis was not supported (which is a source of intelligence just as success is). And assuming what worked in another organization will work the same way in the organization emulating the practice is flawed if the contexts are not similar.

Basing decisions on relevant and sound evidence is good practice. But the process of selecting the evidence must be sound. Jumping on the latest fad bandwagon seldom works.