

7

Rolling Out the Performance Management System

*Good governance with good intentions is the hallmark of our government.
Implementation with integrity is our core passion.*

—Narendra Modi

Learning Objectives

By the end of this chapter, you will be able to do the following:

1. Prepare the rollout and implementation of a new or updated and revised performance management system by setting up a communication plan, appeals process, rater training program, and pilot test.
2. Create a communication plan that answers the following key questions: What is performance management? How does performance management fit in the organization's strategy? How does everyone benefit from the system? How does the performance management system work? What are everyone's responsibilities? How is performance management related to other key organizational initiatives?
3. Prepare interventions aimed at dealing with cognitive biases (i.e., selective exposure, selective perception, selective retention) and resistance to change, involve all employees and understand their needs, provide facts and consequences of the system, and use multiple channels of communication and credible communicators.
4. Devise an appeals process to enhance the integrity of the performance management system that involves the human resources (HR) department, a panel of managers and peers, and possibly, a senior-level manager in the role of arbitrator and final decision maker.
5. Anticipate unintentional rating errors such as similar to me, contrast, halo, primacy, recency, negativity, first impression, stereotype, and attribution.
6. Design and implement rater errors, frame of reference, and behavioral observation training programs to minimize the impact of unintentional rating errors.
7. Devise a pilot test of the performance management system using a selected group of employees and managers from the organization.
8. As soon as the performance management system is in place, collect various measurements, such as number of individuals evaluated, quality of performance information gathered, quality of performance discussion meetings, user satisfaction with the system, overall cost/benefit ratio, and unit- and organization-level performance indicators—all of these will provide information regarding the system's effectiveness and the extent to which it is working the way it should and whether it is producing the expected results.

Chapters 4 and 5 described operational details about how to define and measure performance. Chapter 6 described operational details about performance analytics—the process of collecting and compiling performance data. This chapter, the last one in Part II, continues to address operational issues in implementing a performance management system. Specifically, it addresses the steps needed to roll out the system, such as setting up good communication and appeals procedures that will gain system acceptance, implement training programs to minimize unintentional rating errors, and pilot test the system. Finally, the chapter describes how to monitor the system as soon as it is in place to make sure it is working properly. Taken together, these steps are necessary to make sure that performance management is implemented with integrity.

Before we begin, here is an important clarification: The term “implementation” of the performance management system does not refer only to launching an entirely new system. In most cases, an organization will already have some type of performance management system, although it may be closer to a once-a-year performance appraisal system and not very effective. So, by using the term “implementation” we are referring not only to launching a new system from scratch, but also to revising and improving an existing one. For example, it may be the case that the organization is under new leadership, and this new leadership wants to implement a better system.

7-1 COMMUNICATION PLAN

In general, having more and better knowledge of the performance management system leads to greater employee acceptance and satisfaction.¹ Organizations often design a communication plan to ensure that information regarding the performance management system is disseminated widely in the organization. A good communication plan answers the following questions²:

- *What is performance management?* Answering this question involves providing general information about performance management, how performance management systems are implemented in other organizations, and the general goals of performance management systems.
- *How does performance management fit into our strategy?* To answer this question, we should provide information on the relation between performance management and strategic planning. Specifically, information is provided on how the performance management system will help accomplish strategic goals. Recall that Chapter 3 addressed this issue in detail.
- *What is in it for me?* A good communication plan describes the benefits of implementing performance management for all those involved.
- *How does it work?* Answering this question entails giving a detailed description of the performance management process and time line: for example, when meetings will take place, what the purposes of each meeting are, and when decisions about rewards will be made.
- *What are my responsibilities?* The communication plan should include information on the role and responsibilities of each person involved at

each stage of the process. For example, it includes a description of the employees' and supervisors' main responsibilities in the performance management process.

- *How is performance management related to other initiatives?* The communication plan should include information on the relationship between performance management and other initiatives and systems, such as training, promotion, and succession planning.

Figure 7-1 summarizes the questions that should be answered in a state-of-the-science performance management communication plan. As an example, consider the performance management system for the position of Senior Executive Service (SES), which is a position in U.S. federal agencies such as the Department of Justice, Department of Interior, Department of Energy, and Department of Commerce.³ SES members serve in key leadership positions directly below the top presidential

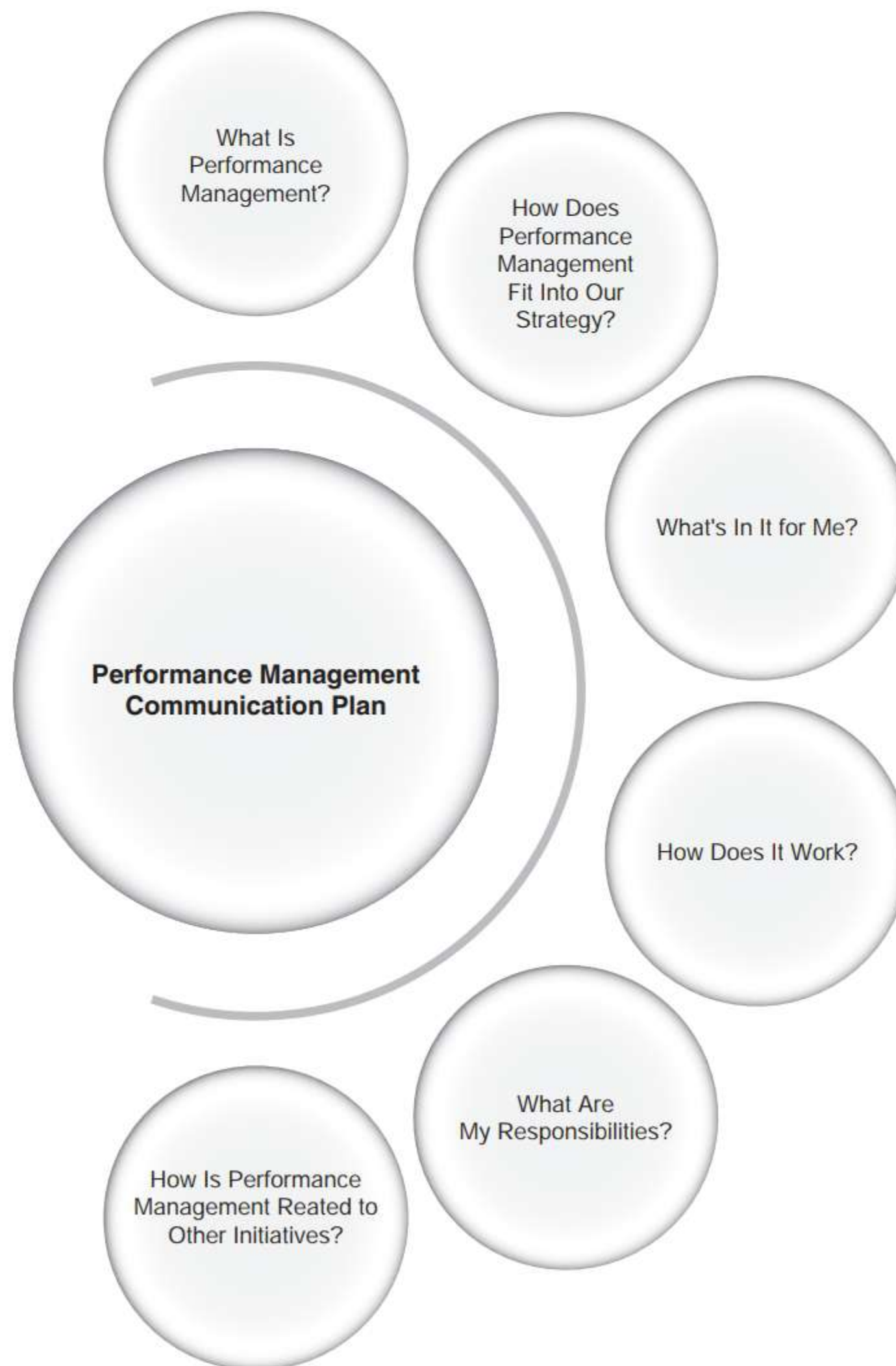


FIGURE 7-1

Performance Management Communication Plan: Basic Components

appointees. SES members link the appointees to the rest of the federal government, and they are charged with overseeing various governmental functions in U.S. federal agencies.

The communication plan that the Department of Justice implemented for this performance management system answers each of the questions described earlier and included in Figure 7-1:

- *What is performance management?* The plan states the reasons for the department's implementing a performance management system and discusses what it is expected to accomplish. For example, it explains that performance management aims at promoting efficient and effective attainment of the department's mission, program objectives, and strategic planning initiatives, and it also aims at motivating high levels of achievement and accountability. It also includes definitions of several key terms, including *performance management system*, *performance*, *progress review*, *rating levels*, and *annual summary rating*.
- *How does performance management fit into our strategy?* The plan includes a list of principles that guide the system, including, "The Department of Justice federal leaders and managers create a climate for excellence by communicating their vision, values and expectations clearly." It goes on to detail all of the ways in which leaders in the agency do this. In addition, the director of the Office of Personnel Management (OPM) describes how the system would be used to implement key principles, including excellence.
- *What is in it for me?* There is clear information on how the performance management system will help the SES members be more effective leaders so that the department's mission can be achieved.
- *How does it work?* The plan outlines the steps in a performance management process, detailing the managers' responsibilities at each step. For example, it outlines the performance dimensions, the rating categories, and how to assign an overall rating.
- *What are my responsibilities?* The communication plan outlines the responsibilities of the SES members as well as their rating official, the person in charge of rating their performance. The plan emphasizes that leaders must create a high-performing culture by continually communicating expectations and rewarding high-achieving performers.
- *How is performance management related to other initiatives?* The communication plan touches briefly on the importance of linking system outcomes to performance-based pay. The importance of training to maximize performance is also considered.

In summary, the communication plan implemented by the Department of Justice is quite detailed and provides answers to most, if not all, of the key questions that should be addressed by a good plan. However, even if a communication plan answers all or most of the important questions, the fact that the information has been made available does not necessarily mean the communication plan will be successful in gaining acceptance of the system. This is because people have cognitive biases that affect what information is taken in and how it is processed. Also, in the case of an organization that already has a system in place, and a better

one is being rolled out, it is likely that many people will not be comfortable with the change, and might engage in what is called *resistance to change*.⁴ We discuss these issues next.

7-1-1 Dealing with Cognitive Biases and Resistance to Change

There are three types of biases that affect the effectiveness of a communication plan, regardless of whether it includes the six components shown in Figure 7-1. Also, these biases are accentuated when people are not willing or interested in change. The biases are *selective exposure*, *selective perception*, and *selective retention*.⁵ First, selective exposure is a tendency to expose our minds only to ideas with which we already agree. Those employees who already agree that performance management is a good idea may become involved in the communication plan activities, including reading about the system and attending meetings describing how the system works. On the contrary, those who do not see much value in a performance management system may choose not to read information about it and to not attend meetings about it. Second, selective perception is a tendency to perceive a piece of information as meaning what we would like it to mean even though the information, as intended by the communicator, may mean the exact opposite. Someone who believes performance management is about only rewards and punishments may incorrectly interpret that receiving formal performance feedback at the end of each quarter translates exclusively into receiving a pay increase or a bonus. Third, selective retention is a tendency to remember only those pieces of information with which we already agree. If an employee perceives his employer as vindictive, that employee is not likely to remember information about how the appeals process works or about other fair and equitable aspects of the system.

Selective exposure, selective perception, and selective retention biases are pervasive and could easily render the communication plan ineffective. Fortunately, there are several ways to minimize the negative impact of these biases, and therefore, help gain support for the system. Consider the following⁶:

- *Involve employees.* Involve employees in the design of the system. People support what they help create. The higher the level of participation is in designing the system, the greater the support for the system will be.
- *Understand employee needs.* Understand the needs of the employees and identify ways in which these needs can be met through performance management. For example, do they want more feedback? Are they interested in development activities that would eventually lead to a promotion or a different job within the organization?
- *Strike first.* Create a positive attitude toward the performance system before any negative attitudes and rumors are created. Make communications realistic and do not set up expectations you cannot deliver. Discuss some of the arguments that might be used against the system and provide evidence to counter them.
- *Provide facts and consequences.* Because of the presence of cognitive biases, facts do not necessarily speak for themselves. Clearly explain facts about the system and also explain what they mean or what the consequences are. Do not let employees draw their own conclusions because they may differ from yours.

- *Put it in writing.* In Western cultures, written communications are usually more powerful and credible than spoken communications because they can be carefully examined and challenged for accuracy. Create documentation, which is often posted online for everyone to download, describing the system.
- *Use multiple channels of communication.* Use multiple methods of communication, including face-to-face (especially in the case of small and medium-size organizations) and virtual meetings, email, TED talks, and short video clips. In other words, allow employees to be exposed repeatedly to the same message delivered using different communication channels. Of course, make sure that all channels convey consistent information.
- *Use credible communicators.* Use credible sources to communicate the performance management system. In companies where HR department members are perceived as “HR cops” because they continually emphasize what cannot be done as opposed to how one’s job can be done better, it may be better to use a different department or group. In such situations, communication should be delivered by people who are trusted and admired within the organization. It also helps if those delivering the communication and endorsing the system are regarded as key and powerful organizational players.
- *Say it, and then, say it again.* Repeat the information frequently. Because people can absorb only a small amount of information at a time, and may be resistant to change, the information must be repeated frequently.

Table 7-1 summarizes what can be done to minimize cognitive biases, including selective exposure, selective perception, and selective retention. Consider the Department of Justice communication process, described earlier in this chapter. That plan attempts to minimize negative biases and gain support for the performance management system. For example, although it is a government agency and the performance management system is a federal mandate, the Office of Personnel Management (OPM) offered to help managers tailor the systems to their specific agencies. This is likely to help employees become more involved and is also helpful in addressing the specific needs of the employees in the various agencies.

The director of the OPM, who is a credible source of information on the performance management system, set a positive tone and even appealed to employees’ patriotism by including a message from the United States President, reminding them of the importance of serving the “American people.” The communication plan also provides facts and conclusions about the system. For example, it explains the reasoning for realigning the performance management system with the fiscal year, how to carry out this time line, and the importance of

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TABLE 7-1
Interventions to Minimize the Effects of Cognitive Biases and Resistance to Change
Involve employees
Understand employee needs
Strike first
Provide facts and consequences
Put it in writing
Use multiple channels of communication
Use credible communicators
Say it, and then, say it again

doing so. The communication plan is also posted on the department's website. There are also links to other websites with information about performance management. It is not clear whether the Department of Justice disseminated the information using other media, such as short video clips. But all in all, the plan implemented by the Department of Justice is a good example of a communication plan that attempts to minimize the detrimental impact of cognitive biases and resistance to change.

In addition to implementing a communication plan, support for the performance management system can be gained by implementing an appeals process. This topic is discussed next.

7-2 APPEALS PROCESS

The inclusion of an appeals process is important in gaining employee acceptance for the performance management system. The reason is that it allows employees to understand that if there is a disagreement regarding performance ratings or any resulting decisions, then such disagreements can be resolved in an amicable and nonretaliatory way. In addition, the inclusion of an appeals process increases the system's fairness.⁷

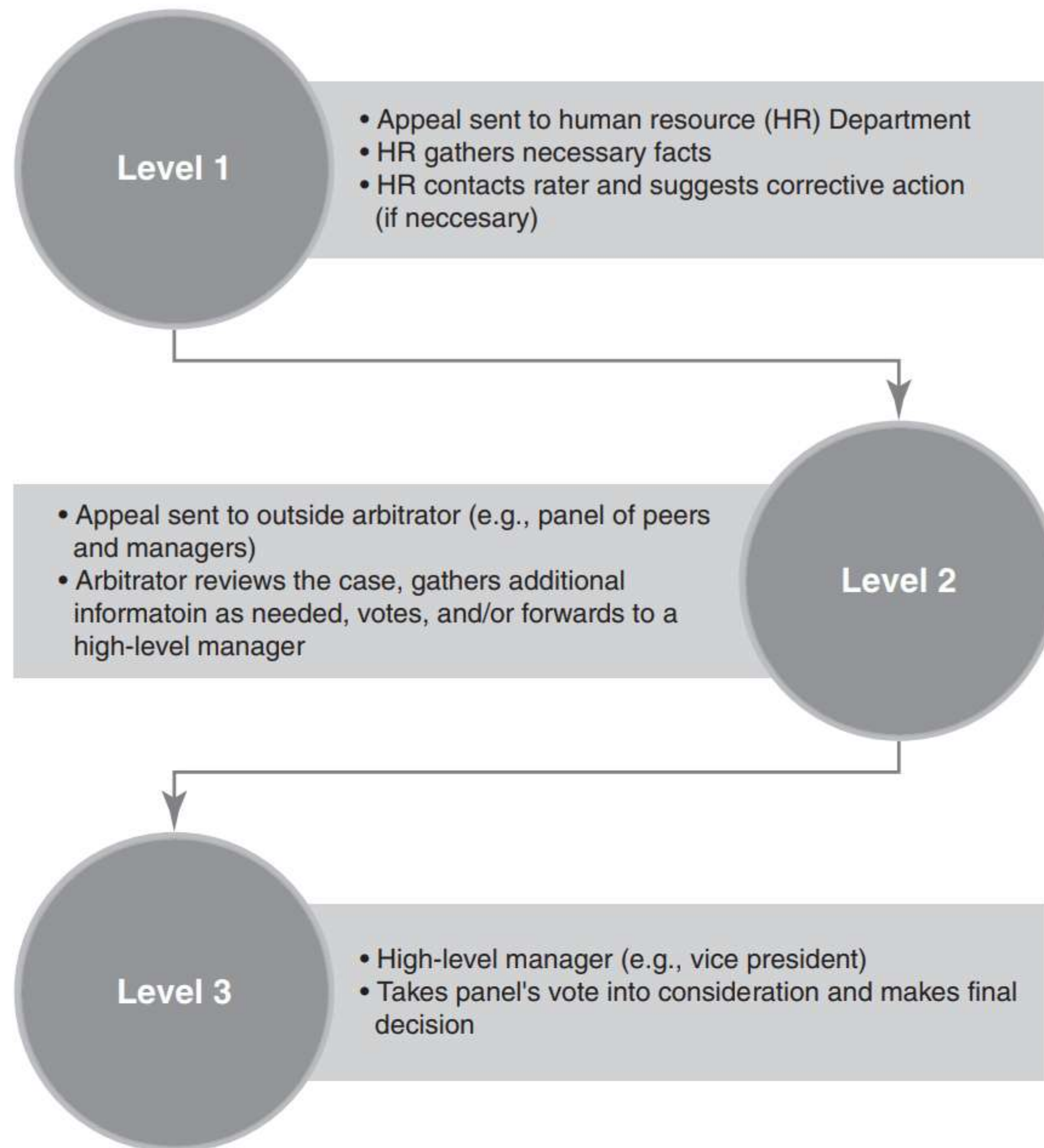
When an appeals process is in place, employees have the ability to question two types of issues: judgmental and administrative.⁸ Judgmental issues center on the validity of the performance evaluation. For example, an employee may believe that a manager's performance ratings for that employee do not reflect his actual performance. Administrative issues involve whether the policies and procedures were followed. For example, an employee may argue that her supervisor did not meet with her as frequently as he had with her coworkers and that the feedback she is receiving about her performance is not as thorough as that received by her coworkers. Figure 7-2 includes a summary of the three main levels involved in an appeals process.

Typically, when an appeal is first filed, the HR department serves as a mediator between the employee and the supervisor. An appeal sent to the HR department is usually called a Level 1 appeal. The HR department is in a good position to judge whether policies and procedures have been implemented correctly, and also, has good information about the various jobs, levels of performance expected, and levels of performance of other employees within the unit and organization. The HR department gathers the necessary facts and brings them to the attention of either the rater to encourage reconsideration of the decision that caused the appeal or to the complainant to explain why there have been no biases or violations. In other words, the HR department either suggests corrective action to the supervisor or informs the employee that the decision or procedures were correct.

If the rater does not believe corrective action should be taken or if the employee does not accept the HR decision, and the appeal continues, then the process moves to Level 2. In Level 2, there is an outside arbitrator that usually consists of a panel of peers and managers. The panel reviews the case, asks questions, interviews witnesses, researches precedents, and reviews policy. Then, they simply take a vote to make the decision. In some cases, the vote represents

FIGURE 7-2

Steps in Appeals Process



the final decision. In other cases, the vote is forwarded to a high-level manager (vice president or higher level), who takes the panel's vote into consideration in making the final decision.

Box 7-1 shows some of the key sections of the performance management appeals process for employees at the University of Lethbridge in Canada. The appeals process is intended to air concerns and to resolve disagreements. The purpose of this specific policy is to provide employees and management with a means for resolving disagreements involving performance evaluations.

The information shown in the box describing the appeals process at the University of Lethbridge spells out the steps involved, the time line that should be followed, and the various outcomes that could be expected. Given that such a policy is in place, employees are given assurances that if there is an appeal, the case will be treated fairly and as objectively as possible. Once again, this should help gain support for the performance management system. From your perspective, how does this process compare to the one summarized in Figure 7-2? Is there anything missing that the University of Lethbridge should consider adding?

Box 7-1

Company Spotlight: University of Lethbridge Performance Management Appeals Process

Purpose

The Appeal Process is a means for Employees and Supervisors to resolve disagreements involving the Performance Evaluation process. This Appeal Process does not in any way circumvent or prohibit an employee from the invocation of Article 12; Grievance Procedure.

Principles

All appeals:

1. Are to be conducted with diplomacy and impartiality.
2. Aspire to construct and provide the best possible information.
3. Maintain confidentiality and respect for the individual.

Process

If an Employee disagrees with the result of their Performance Evaluation, as conducted by their Supervisor, the Employee may appeal in writing to the Office of Human Resources. A request for appeal must be received within ten (10) Work Days of the date of the Employee's signature on the Performance Evaluation. The deadline for all written appeals is the last work day in June. Late applications shall not be subject to appeal except under extraordinary circumstances as determined by the Associate VP HR and Admin. Submission of an appeal must be with the use of the Performance Evaluation Appeal Form.

Level 1

Following the receipt of an appeal, a member of the Human Resources Department will conduct a confidential investigation, gathering information in discussion with the Employee, the Supervisor, and where necessary other informed parties. A recommendation for resolution will be

put forward by HR to the Supervisor and Employee. If an agreement cannot be reached at Level 1 then the appeal will move to Level 2 of the Appeals Process.

Level 2

The appeal will be brought before a Performance Evaluation Committee whose membership shall consist of three (3) AUPE (Alberta Union of Provincial Employees) Representatives, three (3) Representatives of the Board and a Facilitator from Human Resources. The committee members will remain consistent for all appeals relating to the evaluation period except in circumstances where members with a substantial personal or professional relationship with the employee under appeal shall not participate in the review.

The committee will consider the information collected by Human Resources in Level 1, as well as any relevant evidence that may be offered by the Employee and the Supervisor, and may seek out other sources that the committee deems to be of relevance to the appeal. The committee will have five (5) Work Days from the date the committee was convened to review the evidence and then formally issue a ruling.

Level 3

In the event that an agreement is not achieved in Level 2 the matter will continue as a grievance commencing at Step 2 of Article 12: Grievance Procedure.

Once a consensus has been reached and signed by all parties involved, at any point in the appeal process, the revised Performance Evaluation will be final and not subject to further appeal. All documentation will be forwarded to the Human Resources department and will remain confidential. The employee may at anytime withdraw the appeal request by writing to the Associate VP HR and Admin who will inform the members of the committee.

Source: Performance Management—Appeals Process & Appeals Form. Available online at <https://www.uleth.ca/hr/performance-management-appeals-process-appeals-form>. Retrieved on January 2, 2018.

7-3 TRAINING PROGRAMS FOR MINIMIZING UNINTENTIONAL RATING ERRORS

Training the raters is another necessary step to prepare for the rollout of the performance management system. Training not only provides participants in the performance management system with needed skills and tools to do a good job implementing it, but also helps increase satisfaction with the system.⁹

In Chapter 6, we discussed what to do to minimize intentional rating distortion. But *unintentional errors* also affect the accuracy of ratings. Specifically, before rolling out the performance management system, we should consider implementing rater training programs that address how to identify and rank job activities and how to observe, record, and measure performance.

7-3-1 Rater Error Training

Many performance management systems can be plagued with rating errors. In fact, rating errors are usually the reason why so many performance management systems are usually criticized.¹⁰ Accordingly, the goal of rater error training (RET) is to make raters aware of what rating errors they are likely to make and to help them develop strategies to minimize those errors. In other words, the goal of RET is to increase rating accuracy by making raters aware of the unintentional errors they are likely to make.

RET programs generally include definitions of the most typical errors and a description of possible causes for those errors. Such programs also allow trainees to view examples of common errors and to review suggestions on how to avoid making errors. This can be done by showing video vignettes designed to elicit rating errors and asking trainees to fill out appraisal forms regarding the situations they observed on the video clips. Finally, a comparison is made between the ratings provided by the trainees and the correct ratings. The trainer then explains why the errors took place, which specific errors were made, and ways to overcome the errors in future.

RET does not guarantee increased accuracy. Raters do become aware of the possible errors they can make, but precisely because many of the errors are unintentional, simple awareness of the errors does not mean that errors will not be made. Nevertheless, it may be useful to expose raters to the range of possible errors. These errors include the following:

- *Similar to me error.* Similarity leads to attraction, so we tend to favor those who are similar to us. Consequently, in some cases, raters are more likely to give higher performance ratings to those employees who are perceived to be more similar to them in terms of attitudes, preferences, personality, and demographic variables, including race and gender.
- *Contrast error.* Contrast error occurs when, even if an absolute measurement system is in place, raters compare individuals with one another, instead of against predetermined standards. For example, when a rater rates an individual of only average performance, the rating may actually be higher than deserved if the other individuals rated by the same rater display substandard performance levels: the average performer may seem to be much better in comparison to the others. This error is most likely to occur

when raters complete multiple appraisal forms at the same time because, in such situations, it is difficult to ignore the ratings given to other employees.

- *Halo error.* Halo error occurs when raters fail to distinguish between the different aspects of performance being rated. Recall, we described this error in Chapter 6 in the context of peer evaluations. If an employee receives a high score on one dimension, she also receives a high score on all other dimensions, even though performance may not be even across all dimensions. For example, if an employee has a perfect attendance record, then the rater may give her a high mark on dedication and productivity. The perfect attendance record, however, may be caused by the fact that the employee has large loan payments to make and cannot afford to miss work, not because the employee is actually an excellent overall performer. In other words, being present at work is not the same as being a productive employee. This error is typically caused by the rater's assigning performance ratings based on an overall impression about the employee instead of evaluating each performance dimension independently.
- *Primacy error.* Primacy error occurs when performance evaluation is influenced mainly by information collected during the initial phases of the review period. For example, in rating communication skills, the rater gives more weight to incidents involving communication that took place toward the beginning of the review period, as opposed to incidents taking place at all other times.
- *Recency error.* Recency error occurs when performance evaluation is influenced mainly by information gathered during the last portion of the review period. This is the opposite of the primacy error: raters are more heavily influenced by behaviors taking place toward the end of the review period, instead of giving equal importance and paying attention to incidents occurring throughout the entire review period.
- *Negativity error.* Negativity error occurs when raters place more weight on negative information than on positive or neutral information. For example, a rater may have observed one negative interaction between the employee and a customer and several positive interactions in which customers' expectations were surpassed. The rater may focus on the one negative incident in rating the "customer service" dimension. The negativity error explains why most people have a tendency to remember negative rather than positive news that they read online or watch on television.
- *First impression error.* First impression error occurs when raters make an initial favorable or unfavorable judgment about an employee, and then, ignore subsequent information that does not support the initial impression. This type of error can be confounded with the "similar to me error" because first impressions are likely to be based on the degree of similarity: the more similar the person is to the rater, the more positive the first impression will be.
- *Spillover error.* Spillover error occurs when scores from previous review periods unjustly influence current ratings. For example, a rater makes the assumption that an employee who was an excellent performer in the

- previous period ought to be an excellent performer during the current period also, and provides performance ratings consistent with this belief.
- *Stereotype error.* Stereotype error occurs when a rater has an oversimplified view of individuals, based on group membership. That is, a rater may have a belief that certain groups of employees (e.g., women) are unassertive in their communication style. In rating women, therefore, he may automatically describe communication as being “unassertive” without actually having any behavioral evidence to support the rating.¹¹ This type of error can also lead to biased evaluations of performance when an individual (e.g., woman) violates stereotypical norms by working in an occupation that does not fit the stereotype (e.g., assembly of airplane parts).¹² This type of error can also result in consistently lower performance ratings for members of certain groups. For example, a study including an identical sample of black and white workers found that white raters gave higher ratings to white workers relative to black workers than did black raters. In other words, if a white worker is rated, then it does not really matter whether the rater is black or white; however, if a black worker is rated, the rater’s ethnicity matters because this worker is likely to receive a higher rating from a black rater than from a white rater.¹³
 - *Attribution error.* The attribution error takes place when a rater attributes poor performance to an employee’s dispositional tendencies (e.g., personality, abilities) instead of features of the situation (e.g., malfunctioning equipment). In other words, different raters may place different relative importance on the environment in which the employee works in making performance evaluations. If raters make incorrect inferences about the employees’ dispositions and ignore situational characteristics, actions taken to improve performance may fail because the same situational constraints may still be present (e.g., obsolete equipment).¹⁴

As a recap, Table 7-2 includes a summary list of unintentional errors that raters may make in assigning performance ratings. RET exposes raters to the different errors and their causes; however, being aware of unintentional errors does not mean that raters will no longer make these errors.¹⁵ Awareness is certainly a good first step, but we need to go further if we want to minimize unintentional errors. One fruitful possibility is the implementation of a frame of reference training.

7-3-2 Frame of Reference Training

Frame of reference (FOR) training helps improve rater accuracy by thoroughly familiarizing raters with the various performance dimensions to be assessed.¹⁶ The

TABLE 7-2
Unintentional Errors Likely to Be Made in Providing Performance Ratings

Similar to me
Contrast
Halo
Primacy
Recency
Negativity
First impression
Spillover
Stereotype
Attribution

overall goal is to give raters skills so that they can minimize unintentional errors and provide accurate ratings on each performance dimension by developing a common FOR.

A typical FOR training program includes a discussion of the job description for the individuals being rated and the duties involved. Raters are then familiarized with the performance dimensions to be rated by reviewing the definitions for each dimension and discussing examples of good, average, and poor performance. Raters are then asked to use the appraisal forms to be used in the actual performance management system to rate fictitious employees usually shown in video practice vignettes. The trainees are also asked to write a justification for the ratings. Finally, the trainer informs trainees of the correct ratings for each dimension and the reasons for such ratings and discusses differences between the correct ratings and those provided by the trainees. Typically, FOR training programs include the following formal steps¹⁷:

1. Raters are told that they will evaluate the performance of three employees on three separate performance dimensions.
2. Raters are given an appraisal form and instructed to read it as the trainer reads aloud the definition for each of the dimensions and the scale anchors.
3. The trainer discusses various employee behaviors that illustrate various performance levels for each rating scale included in the form. The goal is to create a common "performance theory" (frame of reference) among raters so that they will agree on the appropriate performance dimension and effectiveness level for different behaviors.
4. Participants are shown a video clip of a practice vignette, including behaviors related to the performance dimensions being rated, and are asked to evaluate the employee's performance using the scales provided.
5. Ratings provided by each participant are shared with the rest of the group and discussed. The trainer seeks to identify which behaviors participants used to decide on their assigned ratings and to clarify any discrepancies among the ratings.
6. The trainer provides feedback to participants, explaining why the employee should receive a certain rating (target score) on each dimension, and shows discrepancies between the target score and the score given by each trainee.

Consider how the Canadian military uses FOR training.¹⁸ First, the training program includes a session regarding the importance of performance management systems in the military. In the next session, raters are told that they will be evaluating the performance of four direct reports. They are given the appraisal form to be used and information on each of the scales included in the form. As the trainer reads through each of the scales, participants are encouraged to ask questions. At the same time, the trainer gives examples of behaviors associated with each level of performance. The trainer thus makes sure that the trainees come to a common FOR concerning what behaviors constitute the different levels of performance. Participants are shown a video clip of a soldier and are asked to evaluate the performance using the appraisal form explained earlier. Next, the

ratings are discussed as a group, focusing on the behaviors exhibited in the video clip and the ratings that would be most appropriate in each case. This process is repeated several times. Finally, the participants are given three more samples of behavior to rate, as displayed by three hypothetical soldiers, and they receive feedback on how well they evaluated each soldier.

It should be evident by now that FOR training can take quite a bit of time and effort to develop and administer, but it is well worth it. Specifically, as a consequence of implementing this type of training, raters not only are more likely to provide consistent and more accurate ratings, but they are also more likely to help employees design effective development plans. This is because sharing a common view of what constitutes good performance allows supervisors to provide employees with better guidelines to employ to reach such performance levels.¹⁹

7-3-3 Behavioral Observation Training

Behavioral observation (BO) training is another type of program implemented to minimize unintentional rating errors. BO training focuses on how raters observe, store, recall, and use information about performance. Fundamentally, this type of training improves raters' skills at observing performance.

For example, one type of BO training involves showing raters how to use observational aids such as notes or diaries. These observational aids help raters record a preestablished number of behaviors on each performance dimension. Using these aids helps raters increase the sample of incidents observed and recorded during a specific time period. In addition, an aid such as a diary is an effective way to standardize the observation of behavior and record of critical incidents throughout the review period. In addition, it serves as a memory aid when filling out evaluation forms. Memory aids are beneficial because ratings based on memory alone, without notes or diaries, are likely to be distorted due to factors of social context (e.g., friendship bias) and time (i.e., duration of supervisor–direct report relationship).²⁰

Consider how BO training is also implemented by the Canadian military. The Canadian military has found that a combination of FOR and BO training works best. Earlier, we described how the Canadian military uses FOR training. BO training is added to the FOR training program. In addition to FOR training, there are sessions on the importance of BO and common BO errors, including first impression, stereotypes, and halo effects. Finally, the participants are trained in the importance of keeping diaries and taking notes on their direct reports throughout the year. Furthermore, the trainer explains the criteria for each performance dimension and provides written descriptions of the different levels of performance. The participants are given a chance to practice keeping a diary while watching the video clips used in the FOR training section of the training program. After watching each video clip, participants are given tips on note-taking and recording behaviors as well as the resulting outcomes.

In summary, raters are likely to make several types of unintentional errors when providing performance information. Unintentional errors are the product of the complex tasks of observing, encoding, storing, and retrieving performance information—and resistance to change exacerbates these errors. Through the implementation of three different types of training programs, these errors can be substantially minimized. Training programs focus on describing the errors

that raters usually make (i.e., RET programs). In addition, they should allow raters to generate a common FOR to be used in evaluating performance as well as offer raters tools to improve observation and memory skills and help mitigate the discomfort generated by the interpersonal demands of the performance management process. FOR training is particularly beneficial when performance measurement emphasizes behaviors. On the contrary, BO training is particularly beneficial when performance measurement emphasizes results because raters learn not only how to observe behaviors, but also how these behaviors are linked to results.

Thus far, this chapter has described how to prepare for the launching of a performance management system by designing a communication plan and an appeals process and by delivering training programs that will minimize unintentional rating distortions. Next, we turn to the final set of activities required before the performance management system is put into practice: pilot testing.

7-4 PILOT TESTING

Before the performance management system is fully rolled out, it is a good idea to test a version of the entire system so that adjustments and revisions can be made as needed.²¹ In the pilot test of the system, evaluations are not recorded in employee files; however, the system is implemented in its entirety from beginning to end, including all the steps that would be included if the system had actually been implemented. In other words, meetings take place between supervisor and employee, performance data are gathered, developmental plans are designed, and feedback is provided. The most important aspect of the pilot test is that all participants maintain records, noting any difficulties they encountered, ranging from problems with the appraisal form and how performance is measured to the feedback received. The pilot test allows for the identification and early correction of any flaws before the system is implemented throughout the organization.

We should not assume that the performance management system will necessarily be executed or that it will produce the anticipated results. The pilot test allows us to gain information from the perspective of users on how well the system works, to learn about any difficulties and unforeseen obstacles, to collect recommendations on how to improve all aspects of the system, and to understand personal reactions to it. In addition, conducting a pilot test is yet another way to achieve early acceptance from a small group who can then act as champions for the performance management system, rather than putting the burden on the HR department to sell the idea. A final reason for conducting a pilot test is that users are likely to have a higher system acceptance rate, knowing that stakeholders in the company had a say in its design, rather than feeling that the system was created by the HR department alone.

In larger organizations, an important decision to be made is the selection of the group of employees with whom the system will be tested. In choosing this group, we need to understand that the managers who will be participating should be willing to invest the resources required to do the pilot test. In addition, this group should be made up of managers who are flexible and willing to try new things. Thus, managers should know what the system will look like and receive a realistic preview before they decide to participate in the pilot test.

In selecting the group, we must also consider that it should be sufficiently large and representative of the entire organization so that reactions will be generalizable to the rest of the organization. Thus, in selecting the group, we should select jobs that are similar to those throughout the company, and the group selected should not be an exception in either a positive or a negative way. Specifically, the group should not be regarded as particularly productive, hardworking, lazy, and so forth. For example, at The Gap, Inc., the pilot testing of their revamped performance management system was conducted in one store, given that it is a self-contained business unit.²²

Pilot tests provide crucial information to be used in improving the system before it is actually put in place. Pilot testing the system can provide huge savings and identify potential problems before they become irreversible and the credibility of the system is ruined permanently. For example, consider the case of the Washington State Patrol.²³ This organization realized that several changes were occurring, just like similar changes were occurring in patrol departments in other states, which prompted the revision of its performance management system. It established a committee to develop the new appraisals. Before implementing the system, the state patrol pilot tested it in two districts. First, the committee prepared a training chapter that included a pre-appraisal work group meeting. In this meeting, employees discussed their roles and expectations surrounding the performance management system and applied those discussions to a common goal. The training also focused on how new developments in the patrol led to new elements in the performance management system. During the training, the trainers encouraged the participants to ask questions regarding the shift to the new approach. The trainers then used the feedback received in these sessions to fix specific operational issues before introducing the training to the entire agency. After the appraisal process was fine-tuned, it was submitted for the approval of the troopers' and sergeants' associations. A select number of individuals across the districts received "train the trainer" training. Finally, the system was instituted agency-wide. Each of these steps allowed for the identification of potential barriers that could have prevented the system from being successful.

7-5 ONGOING MONITORING AND EVALUATION

When the testing period is over and the performance management system has been implemented organization-wide, it is important to use clear measurements to monitor and evaluate the system.²⁴ This also involves understanding the extent to which the training programs are achieving the objective of minimizing rating errors. In a nutshell, a decision needs to be made about how to evaluate the system's effectiveness, how to evaluate the extent to which the system is being implemented as planned, and how to evaluate the extent to which it is producing the intended results. As an illustration, the U.S. federal government takes the evaluation of performance management systems very seriously. Specifically, several laws have been passed and bills are being prepared that mandate federal agencies to develop a strategic plan, a performance plan, and a performance report.²⁵ Although these initiatives concern agencies and not individuals, ultimately, the performance of any agency depends on the performance of the individuals working in that agency.²⁶ The net result of such laws as the Government Performance and Results Act is an

increase in accountability and funding allocation based on performance. Thus, federal agencies are required to evaluate the relative efficiency of their various management practices and initiatives including performance management systems.

Evaluation data should include reactions to the system and assessments of the system's operational and technical requirements. For example, a confidential survey could be administered to all employees, asking about perceptions and attitudes regarding the system. This survey can be administered during the initial stages of implementation, and then, at the end of the first review cycle to find out if there have been any changes. In addition, regarding the system's results, one can assess performance ratings over time to see what positive effects the implementation of the system is having. Finally, interviews can be conducted with key stakeholders, including managers and employees who have been involved in developing and implementing the performance management system.²⁷

Several additional measures can be used on a regular basis to monitor and evaluate the system:

- *Number of individuals evaluated.* One of the most basic measures is to assess the number of employees who are actually participating in the system. If performance evaluations have not been completed for some employees, we need to find out who they are and why a performance review has not been completed.
- *Quality of non-quantitative performance data.* An indicator of quality of the performance data refers to the information provided in the open-ended sections of the appraisal forms. For example, how much did the rater write? What is the relevance of the examples provided?
- *Quality of follow-up actions.* A good indicator of the quality of the system is whether it leads to important follow-up actions in terms of development activities or improved processes. For example, to what extent do follow-up actions involve exclusively the supervisor as opposed to the employee? If this is the case, then the system may not be working as intended because it may be an indicator that employees are not sufficiently involved.²⁸ Also, to what extent have employees learned from their successes and failures and applying those lessons to the future?
- *Quality of performance discussion meeting.* A confidential survey can be distributed to all employees on a regular basis to gather information about how the supervisor is managing the performance discussion meetings. For example, is the feedback useful? Has the supervisor made resources available so the employee can accomplish the developmental plan objectives? How relevant was the performance review discussion to one's job? To what degree have developmental objectives and plans been discussed? To what extent does the supervisor's way of providing feedback encourage direct reports to receive more feedback in the future?²⁹
- *System satisfaction.* A confidential survey could also be distributed to assess the perceptions of the system's users, both raters and ratees. This survey can include questions about satisfaction with equity, usefulness, and accuracy.
- *Overall cost/benefit ratio or return on investment (ROI).* A fairly simple way to address the overall impact of the system is to ask participants to rate the overall cost/benefit ratio for the performance management system. This

is a type of bottom-line question that can provide convincing evidence for the overall worth of the system. The cost/benefit ratio question can be asked in reference to an individual (employee or manager), her job, and her organizational unit.

- *Unit-level and organization-level performance.* Another indicator that the system is working well is provided by the measurement of unit- and organization-level performance. Such performance indicators might be customer satisfaction with specific units and indicators of the financial performance of the various units or the organization as a whole. We need to be aware that it may take some time for changes in individual and group performance level to be translated into unit- and organization-level results. We should not expect results as soon as the system is implemented; however, we should start to see some tangible results at the unit level a few months after the system is in place.

Consider the case of Caterpillar, which designs, develops, engineers, manufactures, markets and sells machinery, engines, financial products, and insurance. Caterpillar is a leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines, and diesel-electric locomotives. In 2017, Caterpillar was ranked #74 on the Fortune 500 list and #264 on the Global Fortune 500 list. In their own words, Caterpillar's "value advantage" is that they "have the people, processes, tools and investments to deliver the quality, reliability and durability customers expect from Caterpillar in each new product introduction." Given this value proposition, Caterpillar has a strategic view of how managers should improve the performance of their people, so they have had a performance management system in place for many years. Caterpillar embarked on an impressive initiative to evaluate their performance management system. Specifically, the goal of this evaluation was to assess the cost/benefit ratio—return on investment (ROI)—of the training sections of the system that targeted managers and included modules about goal setting and coaching, among others. This evaluation included three steps. First, there was an estimated ROI, based on how much performance management training would cost and its expected benefits. This information was used prior to implementing the program to establish the program's business case. Second, there was an ROI forecast, which enabled the program's leaders to better understand how to make full deployment of the initiative successful. Participants in this study completed a questionnaire in which they described the potential financial and nonfinancial effects of the program. Third, an ROI study was conducted three months after the performance management training intervention to learn about financial as well as nontangible returns. This was done via focus groups that documented how training participants had used the knowledge they had acquired and the business impact and financial benefits. Finally, a follow-up study was conducted two months later to confirm the results of the third step. This final study included an online questionnaire completed by the direct reports of the managers who had participated in the program. This final step provided cross-validation data from the perspective of direct reports.

Results were quite impressive. For example, results of the ROI study indicated that 88 percent of respondents believed the program had a positive

impact on the organization; 5 percent reported that their personal productivity increased; 28 percent reported that product quality improved; and 33 percent reported that costs were reduced. The overall ROI was calculated as follows: $[(\text{Benefits} - \text{Costs}) / \text{Costs}] \times 100$. Benefits were annualized, treated as sustainable benefits to the business, and one-time benefits were excluded, and were not treated at face value—rather, they included weighting factors. For example, assume a respondent who reported that his productivity increased 5 hours per week, his estimate of percentage of these hours saved due to the performance management training program was 60 percent, and his confidence in this estimate is 75%. If the hourly rate is estimated at US\$65 and we consider 48 weeks per year, then $5 \text{ hours} \times \$65 \times 48 = \$15,600$. This estimate was revised, taking into account the answers to the follow-up questions (i.e., hours due to performance management and confidence in the estimate). In other words, $\$15,600 \times 60\% \times 75\% = \$7,020$. This resulting dollar figure was added to the total benefits pool. Finally, costs included all those associated with the program, including administration, communication, training design and delivery, evaluation, vendor fees, and so forth. What was the bottom-line? The final calculation indicated an impressive ROI of 194 percent.³⁰

Now, let us return to the performance management system at the Washington State Patrol to examine how it has evaluated effectiveness since the system was implemented.³¹ The patrol has several measures in place for continual evaluation of the effectiveness of the program. First, before all employees were reviewed using the system, they were surveyed regarding their satisfaction with the new system. This input was then used to further improve the appraisal process. In addition, the patrol used the results of a biyearly citizen's survey conducted by Washington State University. The results of this survey are used to determine whether the state patrol's customers are satisfied with its performance, and the data are also used to adjust and reprioritize performance objectives. In addition, the data are used to measure division-level performance, one indicator of the success of the performance management process. The Washington State Patrol collects other types of data as well. For example, every six months, division managers give presentations regarding performance management to their peers and to several executives. Initially, the meetings focused on efforts to implement the new performance management system and increase quality, but this will change as new issues arise. The presentation is 30–40 minutes long, followed by 20–30 minutes of questions from peers and executives. The feedback from these presentations is used to measure how well the system is being implemented, and feedback on the success of the meetings will be used to make any necessary changes to the system. The Washington State Patrol may also want to consider measuring how many people are participating in the system. The patrol would also benefit from assessing whether the new system is distinguishing high- from low-level performers and from ascertaining the overall cost/benefit ratio of implementing the system.

Box 7-2 describes the process of rolling out the performance management system at BT Global. As you will see, this included a communication plan, training, and ongoing commitment to monitoring and improvement.

The next chapter addresses a critical goal of good performance management systems: Employee development. This includes the creation of personal development plans, the role of one's supervisor, and the use of 360-degree feedback systems.

Box 7-2

Company Spotlight: Performance Management System Rollout at BT Global Services

BT Global Services, a global communication services company, employs more than 17,000 people worldwide, and provides information and communications technology services to 5,500 multinational companies in 180 countries. They provide services in three core areas (a) digital customer (aimed at driving deeper and richer interactions with their end customers), (b) digital business (aimed at increasing business agility and innovation through the move to cloud), and (c) digital employee (aimed at creating a productive and efficient business environment by facilitating employee collaboration across technologies). BT Global Services utilized several steps to effectively roll out a new performance management system, called "Maximizing Performance," designed to bring new consistency to managing and developing employees and to create a high-performance culture. After obtaining support from senior management, the first steps included a series of communications, including a workshop for executives so all employees would receive a clear message about why

a new system was being developed, what roles employees would play, and how those roles would contribute to the success of the company. The next step included training line managers, to ensure involvement and commitment, including the important role these managers play in ensuring success. Among other areas covered, training included how to set effective goals with employees, and how to provide coaching and feedback to facilitate development. Roles were reviewed and clarified to ensure employees understood expectations and how their work contributes to the success of their team, business unit, and the company as a whole. For ongoing monitoring of the program, data were collected through employee surveys, face-to-face meetings with line managers, and team meetings. In summary, BT Global Services illustrates an example of an effective roll-out of a new performance management system, including communication plan, training, and ongoing commitment to monitoring and improvement.³²

SUMMARY POINTS

- Four important steps need to be taken before the new or revised and updated performance management system is launched and implemented. These include (1) implementing a communication plan and then (2) an appeals process, which will help gain system acceptance, (3) training programs for raters, which will help minimize unintentional errors in performance ratings, and (4) pilot testing the system, which will allow revisions and changes to be made before the system is actually implemented. Careful attention to these pre-system implementation steps will help improve the integrity and success of the system.
- The main goal of the communication plan is to gain support for the system. A good communication plan addresses the following questions:
 - What is performance management? What are its general goals? How have performance management systems been implemented in other organizations?
 - How does performance management fit with the organizational strategy?
 - What are the tangible benefits of the performance management system for all parties involved?
 - How does the system work? What are the various steps in the process?

- What are the roles and responsibilities of each organizational member?
 - How does performance management relate to other initiatives and programs, such as training, promotion, and compensation?
- Including detailed, convincing, and clear answers for each of these questions is likely to help increase support for the system.
 - People engage in unconscious cognitive processes in how they take in and process information. Even though a good communication plan may be in place, these biases create misperceptions about the system, and also, resistance to change. First, selective exposure is a tendency to expose our minds only to ideas with which we already agree. Second, selective perception is a tendency to perceive a piece of information as meaning what we would like it to mean even though the information, as intended by the communicator, may mean the exact opposite. Finally, selective retention is a tendency to remember only those pieces of information with which we already agree.
 - The negative effects of the unconscious cognitive processes can be minimized by involving employees in system design, considering employees' needs in designing and implementing the system, delivering the communication plan before negative attitudes are established and rumors start circulating, putting information concerning the system in writing, providing facts and consequences and not just facts, using multiple channels of communication to present information about the system, using credible and powerful communicators, and repeating the information frequently. A good communication plan includes as many of these features as possible.
 - In addition to a communication plan, the establishment of an appeals process helps gain system acceptance. An appeals process allows employees to understand that if there is a disagreement regarding performance ratings or any resulting decisions, such disagreements can be resolved in an amicable and nonretaliatory way.
 - The appeals process begins with an employee filing an appeal with the HR department, which serves as a mediator between the employee and her supervisor. This is a Level 1 appeal. If the appeal is not resolved, then an outside and unbiased arbitrator makes a final and binding resolution. This is a Level 2 appeal. The arbitrator for a Level 2 appeal is usually a panel that includes peers and managers. Finally, the Level 3 appeal involves the participation of a senior level manager, who makes the final decision.
 - In rating performance, raters may make unintentional errors, which occur because observing, encoding, storing, and retrieving performance information is a complex cognitive task. Unintentional errors include the following (1) similar to me, (2) contrast, (3) halo, (4) primacy, (5) recency, (6) negativity, (7) first impression, (8) spillover, (9) stereotype, and (10) attribution. Unintentional errors can be minimized by implementing three types of rater training program.
 - Rater error training (RET) exposes raters to the different errors and their causes. RET does not guarantee rating accuracy, but becoming aware of what types of errors are likely to occur and the reasons for these errors is a very good first step in minimizing them.

- Frame of reference (FOR) training familiarizes raters with the various performance dimensions to be assessed. The goal is that raters will develop a common FOR in observing and evaluating performance. This type of training is most appropriate when performance measurement focuses on behaviors.
- Behavioral observation (BO) training focuses on how raters observe, store, recall, and use information about performance. For example, this program teaches raters how to use aids such as diaries to standardize performance observation. This type of training is most appropriate when performance measurement focuses on counting and recording how frequently certain behaviors and results take place.
- Pilot testing the system before it is rolled out fully is useful because it allows potential problems and glitches to be discovered and corrective action to be taken before the system is put in place. Pilot testing consists of implementing the entire system, including all of its components, but only with a select group of people. Results are not recorded in employees' records. Instead, the goal is that the people participating in the pilot test provide feedback on any possible problems and on how to improve the system.
- The group participating in the pilot test needs to understand that the test will take time and resources. A representative group should be selected so that conclusions drawn from the group can be generalized for the organization as a whole. The group should not be regarded as an exception in either a positive or negative way.
- As soon as the system has been implemented, there should be a measurement system to evaluate the extent to which it is working the way it should and producing the results that were expected. Such measures include confidential employee surveys assessing perceptions and attitudes about the system and whether there is an upward trend in performance scores over time. Other measures include number of individuals evaluated, quality of performance information gathered, quality of performance discussion meetings, user satisfaction with the system, overall cost/benefit ratio, and unit- and organization-level performance indicators. Taken together, these indicators are a powerful tool that can be used to demonstrate the value of the performance management system.

EXERCISE 7-1 TRAINING RATERS AT BIG QUALITY CARE CENTER

Located near the city of Caesarea, Israel, Big Quality Care Center (BQCC) is a nursing home facility for the elderly, serving about 125 residents. Because of the sheer size and diverse range of occupants served, the Center predominantly relies on highly skilled nursing professionals. Since Caesarea has had a long-term shortage of quality nursing professionals, the Center has some of the state-of-the-art management practices to both retain and maximize the performance of the Center's nurses.

Recently, however, BQCC has received several anonymous complaints from the nursing staff that many ratings seemed inaccurate and inconsistent.

Concerned that the Center may lose many of its quality nurses to competitors if the complaints are left unaddressed, the head of HR has decided to implement an organization-wide rater training program to correct for any true rater inaccuracies and inconsistencies.

Your performance management consulting business is now thriving, and luckily for you, the head of HR has gathered enough trust in you that she has decided to let you design the rater training program. But before hiring you to do so, she wants you to create a five-minute video presentation offering an overview and details of your recommended training program. This video clip will be shown to the company's CEO and the rest of the senior staff. Although you are somewhat nervous and scared, you soon regain your confidence and comfort level when you find out that you had kept a copy of a textbook called "Performance Management."

Using the information in Section 7-3 Training Programs for Minimizing Unintentional Rating Errors, create this five-minute video presentation to include (a) a brief explanation of the nature of your suggested rater training program; (b) anticipated benefits; and (c) its requirements in terms of resources (e.g., time, cost).

EXERCISE 7-2 PROPOSING AN APPEALS PROCESS FOR NURSING HOMES

As a follow-up to Exercise 7-1, your training proposal for Big Quality Care Center (BQCC) was a success. Congratulations! Your proposal has been accepted and the training program, together with the entire performance management system is now in place at BQCC. In fact, BQCC's CEO is so pleased with your work that she has forwarded your name to the American Association of Americans and Canadians in Israel (AACI), which keeps a list of nursing homes in Israel. And now, several nursing homes have reached out to you to solicit your consulting services so they can improve their own performance management systems.

To make your services more scalable, you decided to create online tools and services that you can offer to several nursing homes without the need to have to physically visit each. This is particularly important for you, given that you do not reside in Israel. Although no nursing home other than BQCC has reached out to you yet, BQCC's CEO told you that she heard through the grapevine that this will happen soon. So, you decided to create a five-minute video presentation describing what an appeals process is and how it would work at a nursing home.

You have done your homework about nursing homes and know that in addition to registered and licensed nurses, they typically employ administration staff (HR, accounting, operations), and also, support staff including custodians, maintenance staff, and groundskeepers. Using the information in Section 7-3 Training Programs for Minimizing Unintentional Rating Errors, and in Section 7-2 Appeals Process, create this five-minute video presentation to include (a) a brief explanation of the nature of an appeals process; (b) its anticipated benefits; and (c) its requirements in terms of resources (e.g., time, cost).

CASE STUDY 7-1

Implementing a Performance Management Communication Plan at Accounting, Inc.

Accounting, Inc. is a consulting and accounting firm headquartered in Amsterdam, the Netherlands. Recently, Accounting, Inc. implemented a performance management system. The first step in the implementation of the new system was the development of a set of core competencies that would be used to evaluate most employees, regardless of function or level. In addition, each employee was evaluated using more job-specific performance dimensions.

As the first step in the communication plan, the employees received individual email messages, asking them to define what the core competencies meant to them and to give descriptions and examples of how each of the core competencies played out in their specific positions. Next, the company held meetings, handed out frequently asked questions (FAQs)

sheets, and placed posters around the company, detailing how the core competencies were related to the organization's strategic priorities and how performance scores would be related to monetary rewards. In these communications, Accounting, Inc., detailed how the performance system worked, how the raters were chosen, how performance feedback was used, and other details about the system. The information also outlined the benefits employees could expect from the new system as well as employees' responsibilities regarding the system.

Please evaluate Accounting, Inc.'s communication plan. Specifically, does it answer all of the questions that a good communication plan should answer (Hint: see Figure 7-1)? Which questions are left unanswered? How would you provide answers to the unanswered questions (if any)?

Source: Adapted from Brotherton, P. (2003). Meyners pays for performance: Changing a compensation system is a sensitive undertaking. Here's how one firm handled it. *Journal of Accountancy*, 196, 41-46.

CASE STUDY 7-2

Implementing an Appeals Process at Accounting, Inc.

Following up on Case Study 7-1, when the system was implemented, many employees were not happy with the ratings and the type of performance feedback information they received from their supervisors. If you were to design an

appeals process to handle these complaints well, what would the appeals process be like? (Hint: Use the appeals process shown in Box 7-1: *University of Lethbridge Performance Management Appeals Process* as a model.)

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