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Performance management effectiveness: practices or context?

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Although much research has focused on the technical or measurement issues involved in employee performance management, this study investigates the mutual influence of practices and context on performance management effectiveness. From a sample of 312 private and public sector organizations with 200 or more employees, the results indicate positive associations between practices – training and employee recognition – and performance management effectiveness. They further underscore the relevance of three contextual variables – culture, climate and the strategic integration of human resource management – as they are also related to more positive performance management outcomes. Implications for research and practice are discussed.

Keywords: climate; effectiveness; performance appraisal; performance management

Employee performance management is a vehicle for implementing strategic initiatives and managing the development of the workforce (Lawler and McDermott 2003). There remains, however, widespread dissatisfaction with the actual functioning of performance management systems (Schneier, Shaw and Beatty 1991; Bretz, Milkovich and Read 1992; Fletcher 1997; Banks and May 1999; Mercer 2002; Stoskopf 2002; Moullakis 2005). Morgan (2006), for instance, noted that ‘too many companies are finding that their performance management systems are falling short of expectations’ (p. 22). Similarly, 80–90% of human resource professionals consider that their performance management system does not improve organizational performance (Smith, Hornsby and Shirmeyer 1996; Gosselin, Werner and Halle 1997).

One reason for this may be the misalignment of scholarly knowledge and actual performance management practices (Murphy and Cleveland 1991; Aguinis and Pierce 2008). Although much research has examined the technical or measurement issues associated with employee performance management, few studies have addressed the practices that may improve overall system effectiveness. Lawler and McDermott (2003) noted that ‘there is little research data to establish the impact of the many practices recommended in the writings on performance management’ (p. 50). Performance management systems may also be falling short of expectations because of a poor understanding of the social context in which they are implemented (Levy and Williams 2004). As noted by Murphy and Cleveland (1995), few studies have examined the associations between organizational contingencies and performance management effectiveness. This is somewhat surprising given that strategic and organizational considerations permeate performance management (Aguinis and Pierce 2008).

In this study, in a common set of analyses, we therefore examine performance management practices as well as meaningful elements of the organizational context in which

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performance management is implemented. We first investigate the relative influence of practices and contextual variables on performance management effectiveness and subsequently explore whether some synergies exist between them. The practices included in this study are performance management training, multisource feedback and employee recognition, which constitute key features of many performance management systems. Performance management training and multisource feedback were investigated by Lawler and McDermott (2003), but employee recognition was not. The contextual variables that qualify the environment in which performance management is embedded are organizational culture, the employee relations climate and the strategic integration of human resource management.

Our focus in this study is on overall performance management effectiveness rather than on specific design interventions that typically address the psychometric properties of various measurement approaches. Posthuma and Campion (2008, p. 50) stated that 'too much attention has been placed on the design of a [performance management] system, and not enough on how it works when implemented'. Thus, the approach taken here may help practitioners improve the functioning of their employee performance management defined as a comprehensive system that involves setting goals and targets, coaching, ongoing feedback, performance appraisal and employee development. This seems especially important at a time when performance management systems are often perceived as being disconnected from the business (WorldatWork 2007). As organizations seek to improve their performance management, we therefore hope to contribute to an area of practical relevance that has been, for the most part, overlooked by scholarly research.

Performance management practices

Features of performance management systems may either support or spoil efforts to manage performance in an effective manner. In this study, we focus on the extent of performance management training received by managers, the use of multisource feedback and employee recognition practices. As we explain below, these practices were most often studied in relation to a specific aspect of employee performance management (e.g. justice perceptions and employee performance), but not in relation to overall performance management system effectiveness.

Performance management training

Performance management engages managers in an ongoing process in which they are expected to get involved in performance planning, coaching, assessment and review. As such, the effectiveness of performance management rests largely on their shoulders. To the extent that leaders competently engage in the various stages of the performance management process or cycle, the system has a much greater chance of delivering desirable outcomes. This would explain why much research has examined the role of performance management training designed to improve managerial competencies relative to their role in this process (e.g. Bernardin, Buckley, Tyler and Weise 2000; Tziner, Murphy and Cleveland 2005). Frame-of-reference training, for instance, has been shown to improve the accuracy of supervisory performance ratings (Gorman and Rentsch 2009). Other training interventions may serve to improve justice perceptions (Posthuma and Campion 2008); whereas other programmes may help leaders become more effective at communicating performance messages or at coaching their followers around performance issues.

With much evidence showing that performance management training can serve to improve one aspect or another of performance management delivery, we expect that such training will be associated with more positive assessments of overall performance management effectiveness. Consistent with this prediction, Lawler and McDermott (2003) reported a relatively strong positive association between training for managers doing appraisals and performance management effectiveness.

Multisource feedback

As its name suggests, multisource feedback provides those involved in the performance management process with multiple sources of feedback that offer different perspectives. With a multisource, multi-rater or 360° system, feedback is provided by subordinates, peers, superiors and sometimes by other internal or even external sources such as suppliers and external clients (Brutus and Brassard 2005; Brutus and Gosselin 2007). This approach is associated with improved employee performance according to some studies (Walker and Smither 1999; Maylett and Riboldi 2007), but only in some situations according to others (Greguras and Robie 1998; Bracken, Timmreck, Fleenor and Summers 2001; Smither, London and Reilly 2004). The meta-analysis conducted by Smither, London and Reilly (2005), for instance, found that multisource feedback has a stronger positive effect on subsequent performance when it is conducted with developmental purpose.

Although a previous study did not show a significant association between the use of multisource appraisals and overall performance management effectiveness (Lawler and McDermott 2003), we consider it worthwhile to again test this association, but with a larger sample, while controlling for the influence of other variables. To the extent that feedback recipients improve their performance after receiving multisource feedback, even if only modestly over time (Smither et al. 2004), this practice may generate positive perceptions of overall performance management system effectiveness.

Employee recognition

The practice of employee recognition has deep roots in motivation theories (Vroom 1964; Skinner 1974). From the perspective of such theories, employee recognition is considered as a reinforcement contingency with the capacity to shape behaviour and improve performance. Providing behavioural consequences that reinforce desired behaviour may, therefore, improve the effectiveness of the performance management system.

In recent years, the practice of employee recognition has spread with the advent of popular books (e.g. Nelson 2005) and with the realization that social rewards can be just as effective as and even more so than monetary rewards or variable pay (Stajkovic and Luthans 1997; Gostick 2003). Organizations adopt employee recognition programmes to reinforce the behaviour the employer wants to encourage. Interestingly, this is also the aim of most performance management systems. As such, although little empirical evidence is available to support this claim, it would seem that the practice of employee recognition is likely to improve the effectiveness of performance management systems.

Performance management contextual factors

For some years now, scholars have argued that context plays a major role in the process of performance management (Landy and Farr 1980; Murphy and Cleveland 1991; Ferris, Judge, Rowland and Fitzgibbons 1994; Levy and Williams 2004). The three contextual variables included in this study are organizational culture, the employee relations climate

and the strategic integration of human resource management. Although some of the aims of performance management are strategy implementation and the transmission of corporate values (Schneier et al. 1991), little systematic empirical work has addressed variables of this nature in relation to overall performance management effectiveness (Levy and Williams 2004).

Organizational culture

Fletcher (2001) pointed to the need for research on cultural differences and how they relate to performance management. Our study will address a dimension of organizational culture that reflects the extent to which employee engagement is mission critical within the organization.

According to the competing values framework (Quinn and Rohrbaugh 1983; Cameron and Quinn 1998), some organizational cultures are characterized more by an internal person-oriented focus, whereas others are characterized more by an external organization-oriented focus. Accordingly, the 'group culture' has an internal focus as it emphasizes organizational values relating to employee development and participation. This organizational culture fosters commitment and more fulfilling work through human resource development. Given the positive outcomes associated with this culture (Goodman, Zammuto and Gifford 2001; Gifford, Zammuto and Goodman 2002; Lund 2003) and the similarities between the group culture and the culture of employee commitment as conceptualized in our study, we expect more positive performance management outcomes when employee engagement is valued within the organization.

Employee relations climate

With a shift in performance management research from a technical focus to a greater recognition of the social aspects involved in the process (Fletcher 2001), we included the employee relations climate as a second contextual factor. The conceptual foundations of the climate construct are quite different from those of the culture construct. According to Denison (1996), climate portrays organizational environments at a given time. With regard to our study, the employee relations climate would capture the nature of the social relations between employees and management at any given time.

These social relations are rooted in leader-member exchange relationships that are relations between the leader and the subordinate (Liden, Sparrowe and Wayne 1997). To the extent that an organization was successful in developing quality leader-member exchange relationships, this should make performance management that much more effective. Some evidence of this proposition is found in an individual-level study that related the quality of leader-member exchange relationships with the effective functioning of performance appraisals (Elicker, Levy and Hall 2006).

At an organizational level of analysis, to the extent that the nature of the social relations between employees and management is a function of the quality of the two-way relationships between supervisors and subordinates, there is reason to believe that the employee relations climate is associated with performance management effectiveness. A more positive employee relations climate would be a reflection of the quality of leader-member relationships. It would also provide a constructive social context for quality leader-member relationships. Thus, we expect that more positive employee relations climates will be associated with more effective performance management systems. This seems reasonable given that performance management is set within leader-follower

relationships that can be characterized as more or less positive as reflected more generally by the employee relations climate.

Strategic integration of human resource management

Some research conducted at the individual level of analysis suggests that the perceived importance of appraisals may be a relevant variable relating to the context of performance management (Wood and Marshall 2008). The strategic integration of human resource management reflects the importance of the function with regard to the organization's mission and goals. As a critical component of the overall human resource management architecture, performance management is more likely to be perceived as important when it is part of a strategically integrated system of human capital practices. Thus, when human resources management is considered strategically integrated, we anticipate that the performance management system will be more effective.

Another way of casting this association is in terms of alignment. To the extent that it is strategically integrated, the human resource management architecture is designed to incorporate important company goals (Delery and Doty 1996). With a strong vertical alignment of this nature, we may expect the performance management system to fully integrate these goals. If all is done accordingly, the performance appraisal of each individual is thereby based, at least in part, on achieving performance criteria that contribute to important company goals. This, in itself, would improve perceptions of overall performance management effectiveness.

Practices and context synergies

Effective performance management not only requires the coordination of multiple key practices but also an organizational context that is supportive of such practices (Levy and Williams 2004). As Stoskopf (2002) put it, 'a [performance management] system with the most academically correct competencies or performance measures may fail if it does not fit with the company's culture or work force' (p. 30). This perspective is often acknowledged, but seldom investigated, most likely because few studies were conducted at the organizational level of analysis. With regard to feedback, a review conducted by Levy and Williams (2004) hinted that 'perhaps other factors play a part in whether feedback results in actual performance improvement' (p. 897).

In our analysis of the possible synergies or combined effects, we test the moderating influence of each contextual factor on the associations between each practice and performance management effectiveness. We expect some enhancing interactions in which practices and contexts have a stronger than an additive effect.

Method

A pretested questionnaire was mailed to the person in charge of human resource management in each of the designated 1556 organizations with 200 and more employees located in Quebec (Canada). The organizations were identified with the *Dun and Bradstreet* listing and a phone survey was conducted to obtain the name of the person responsible for human resource management within each location. The questionnaire was developed in French and the conventional method of back-translation (Brislin, Lonner and Thorndike 1973) was applied to translate the scales from English to French. The questionnaire was then pretested with several human resource managers from various

firms who were invited to comment on any of the scales or scale items that they found ambiguous or difficult to understand.

Given that 312 completed questionnaires were returned, the response rate was 20% (30 were returned to sender with a mention of unknown address). This response rate is comparable to those obtained in similar surveys (e.g. Terpstra and Rozell 1993; Delery and Doty 1996; Guthrie 2001). It compares favourably to those of survey-based studies of high-performance work systems reviewed by Becker and Huselid (1998), which had response rates ranging from 6 to 28%, with an average of 17.4%.

About 35.9% of the responding organizations had between 200 and 399 employees, 27.9% had between 400 and 799 employees, 9.3% had between 800 and 1199 employees, 9.3% had between 1200 and 1999 employees and 17% had over 2000 employees. The sample included organizations from a wide range of industries, including 14.2% in health care, 10.6% in manufacturing of durable goods and 4.8% in financial services. The sample included 46.2% of organizations that were part of a larger group (i.e. subsidiary, division or business unit) and the average age of the responding organizations was 49.1 years. Most organizations were in the private sector (60.6%) and a strong proportion of responding organizations were unionized (81.7%). Forty per cent of responding organizations had a quality certification (e.g. ISO 9000). Finally, the respondents had an average of 7.4 years of experience in their current position and a little more than half were male (53.8%).

Measures

Performance management effectiveness

Performance management effectiveness was assessed with 16 items and a response format ranging from *totally disagree* (1) to *totally agree* (5) ($\alpha = 0.94$). Items were selected following a review of the performance management literature, and they were all considered to be desirable outcomes of performance management systems. Sample items from the scale are *this organization's performance management* (a) *improves individual performance*, (b) *improves employee retention* and (c) *makes change easier*.

Performance management training

The scale developed to measure the extent of performance management training included 13 items and a response format ranging from *not at all* (1) to *a lot* (5) ($\alpha = 0.90$). The items cover the typical performance management training contents found in the literature. Respondents indicated to what extent managerial personnel in their organization receives training on contents relating to performance planning, feedback delivery and other such topics. Hence, in this way, higher scores on this scale reflect more extensive training on a greater number of performance management contents.

Multisource feedback

One question asked whether multisource (360°) feedback was used for at least one category of personnel over the last 24 months. Only 49 respondents (15.7%) reported such use. This variable was coded *no* (0) when no such system was used and *yes* (1) when such use was reported.

Employee recognition

Employee recognition was assessed with six items and a response format ranging from *hardly ever* (1) to *on an ongoing basis* (5) ($\alpha = 0.78$). Each item contained a form of

recognition commonly offered in workplaces. Respondents were instructed to indicate how often strong performance was recognized with six forms of recognition including a special mention at a meeting, a note in a company newsletter or various gifts. Higher scores on this variable, therefore, reflect a more frequent use of such forms of employee recognition.

Culture of employee engagement

This variable was assessed with four items taken from two scales enquiring about organizational strategies and priorities ($\alpha = 0.85$). The response format for all four items was identical, ranging from *not important* (1) to *of the outmost importance* (5). Sample items forming this variable are *employee competency development* and *strengthening employee engagement*. Higher scores, therefore, reflect the greater centrality of employee engagement in the organization's culture.

Strategic integration of human resource management

Two indicators selected from different scales measured the strategic integration of human resource management. The first asked about how important it was to management that the head of the human resources department be involved in strategic planning. The response format for this first indicator went from *not important* (1) to *of the outmost importance* (5). The second indicator was on a five-point scale ranging from no integration (1) to strong integration (5). The respondents indicated the degree to which human resource management is part of the strategic decision-making process in their organization. These two indicators formed a single measure of the strategic integration of human resource management ($\alpha = 0.78$) with higher scores, suggesting a greater strategic integration of human resource management into the organization's strategic planning and decision making.

Employee relations climate

Respondents were prompted to rate the employee (labour) relations climate within their organization on a response format ranging from *very difficult* (1) to *excellent* (5). Higher scores on this one-item scale are the expression of a more positive work climate between employees and management.

Control variables

Five control variables were deemed important in this study because they are organizational-level variables that are likely to influence the nature and effectiveness of performance management. Environmental uncertainty was assessed with a four-item scale ranging from *totally disagree* (1) to *totally agree* (5). Respondents also indicated their level of agreement with the following statements. In our industry, environmental changes (technological, economic, etc.) are (a) frequent, (b) unpredictable, (c) important, (d) increasing ($\alpha = 0.79$). Respondents indicated whether their organization is part of a larger group (i.e. whether their organization is a subsidiary, division or business unit) (coded *no* = 0 and *yes* = 1). Size was assessed with nine categories ranging from 200 to 3000 and more employees. Organizations were coded as being either public (coded 0) or private sector (coded 1). Finally, union presence was assessed in terms of union coverage for at least one category of personnel. In the absence of such coverage, a value of 0 was given;

but when at least one category of personnel was unionized, a value of 1 was assigned to the organization.

Analyses

This study used hierarchical multiple regressions to determine the associations between practices, context and performance management effectiveness. Every regression model included the five control variables. The three performance management practices were entered in one block. The three contextual factors were entered in another block, in a second regression model that did not include the practices. This was done to establish the unique contribution of each set of variables beyond the variance that could be explained by the control variables only. Specifically, the first model was set up to help establish whether the performance management practices add any unique variance beyond that accounted for by the control variables. The second model was then specified to help establish whether the contextual factors add any unique or incremental variance beyond that accounted for by the control variables. Because the interaction terms were not entered on either of these steps, these first-order effects are not conditional effects. Finally, the interactions were estimated one moderator variable at a time. Hence, three moderation models were tested, each including the interactions between the moderator and the three performance management practices.

Following the recommendation made by Aiken and West (1991), the predictors and the moderators were standardized. The interaction terms used in these models are, therefore, the product of standardized variables. Moreover, because standardized (β) coefficients for interaction terms are not interpretable (Frazier, Tix and Baron 2004), we report unstandardized (B) coefficients along with their standard errors (SE).

Results

Descriptive statistics and intercorrelations are shown in Table 1. The general pattern of the bivariate associations between the study variables points to positive associations between practices, contextual variables and overall performance management effectiveness. The only predicted association that was not supported is the one between multisource feedback and performance management effectiveness. We would also point out the rather high association between performance management training and employee recognition. It would seem that organizations with more extensive performance management training also favour employee recognition.

Regression models

Table 2 includes the five hierarchical regression models according to the above specifications.

Performance management practices

In Model 1, the positive relationship between performance management training and effectiveness is relatively strong. The association between employee recognition and performance management effectiveness is also positive, but not as strong. This may be because of the rather high association between performance management training and employee recognition. The association between multisource feedback and performance management effectiveness is not significant. Taken together, the results suggest that the

Table 1. Intercorrelations, means and standard deviations of all study variables.

Variable	M	SD	1	2	3	4	5	6	7	8	9	10	11	12
1. Effectiveness	3.40	0.66	–											
2. Training	2.80	0.77	0.45	–										
3. Multisource	0.16	0.37	0.09	0.22	–									
4. Recognition	2.06	0.73	0.27	0.42	0.19	–								
5. Culture	3.91	0.71	0.44	0.40	0.14	0.31	–							
6. Climate	3.71	0.87	0.30	0.31	0.05	0.24	0.39	–						
7. Integration	3.55	0.85	0.44	0.39	0.06	0.33	0.66	0.47	–					
8. Uncertainty	3.55	0.79	0.12	0.14	0.10	0.17	0.25	0.17	0.16	–				
9. Division	0.47	0.50	0.14	0.17	0.16	0.09	0.01	0.03	–0.09	–0.01	–			
10. Size	3.55	2.92	–0.02	0.10	0.07	0.08	–0.03	0.03	–0.06	0.02	0.12	–		
11. Private	0.61	0.49	0.25	0.20	0.15	0.01	0.08	0.05	0.03	–0.06	0.42	–0.05	–	
12. Union	0.82	0.39	0.25	0.20	0.15	0.01	0.08	0.05	0.03	–0.06	0.42	–0.05	–0.27	–

Note. All correlation coefficients above 0.11 are significant at $p < 0.05$.

Table 2. Hierarchical multiple regression models for performance management effectiveness.

<i>Predictor</i>	<i>Model 1</i>			<i>Model 2</i>			<i>Model 3</i>			<i>Model 4</i>			<i>Model 5</i>		
	<i>B</i>	<i>SE</i>	ΔR^2	<i>B</i>	<i>SE</i>	ΔR^2	<i>B</i>	<i>SE</i>	ΔR^2	<i>B</i>	<i>SE</i>	ΔR^2	<i>B</i>	<i>SE</i>	ΔR^2
Block 1			0.10***			0.10***			0.10***			0.10***			0.10***
Control variables															
Block 2			0.16***			0.16***			0.16***			0.16***			0.16***
Training	0.31***	0.05					0.18***	0.04		0.22***	0.04		0.17***	0.04	
Multisource	-0.07	0.10					-0.03	0.04		-0.02	0.04		-0.01	0.04	
Recognition	0.10†	0.05					0.03	0.04		0.06	0.04		0.03	0.04	
Block 3						0.21***			0.07***			0.02**			0.07***
Culture				0.21**	0.06		0.21***	0.04							
Climate				0.07†	0.04					0.13***	0.04				
Integration				0.19**	0.06								0.20***	0.04	
Block 4									0.00						
Culture × training							0.02	0.04							
Culture × multisource							-0.00	0.04							
Culture × recognition							0.03	0.05				0.02*			
Block 5															
Climate × training										0.11**	0.04				
Climate × multisource										-0.02	0.04				
Climate × recognition										-0.04	0.04				
Block 6															
Integration × training													0.02	0.04	0.00
Integration × multisource													-0.03	0.04	
Integration × recognition													-0.02	0.04	
Total R^2			0.26***			0.31***			0.33***			0.30***			0.33***

† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

performance management practices add significantly to the explained variance in performance management effectiveness.

Performance management contextual factors

Model 2 indicates that contextual factors capture even more of the variance in performance management effectiveness. Positive associations between all three contextual variables and performance management effectiveness are reported; although the employee relations climate is not as strongly associated with the dependent variable as are the other two contextual variables.

Practices and context synergies

The other models included in Table 2 suggest that organizational culture and the strategic integration of human resource management do not moderate the associations between performance management practices and effectiveness. The employee relations climate is the only contextual factor that appears to have such an effect. In particular, the results indicate that the interaction between employee relations climate and performance management training is significant. Figure 1 provides a graphical illustration of the joint effect of these variables on performance management effectiveness. As depicted in this figure, the positive association between performance management training and effectiveness is more pronounced when the employee relations climate is positive (i.e. high). That is, there appears to be a stronger positive association between training and performance management effectiveness when there is a more positive employee relations climate.

Additional analyses

The results of our main analyses raise questions about the possible associations between specific practices and overall performance management effectiveness. Given that performance management practices only target a component of the overall system, we developed an index of these practices by averaging their standardized values. This generated a new variable that captures the overall use of three performance management practices. This variable is a way of rendering the idea that practices may complement each other as a coherent system to improve overall effectiveness, an outlook not unlike the one

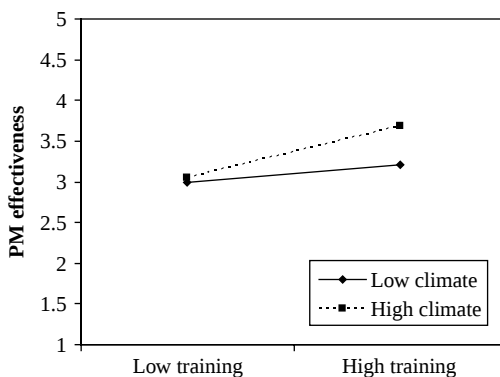


Figure 1. Interaction between training and climate on performance management effectiveness.

favoured in the area of strategic human resource management when 'bundles' of practices are formed (e.g. Delaney and Huselid 1996; Delery and Doty 1996; Guthrie 2001).

We ran a regression analysis to test whether the overall use of such practices is associated with the effectiveness of performance management systems. This analysis, which included the five control variables, was revealing of a positive association between these variables ($B = 0.30$; $SE = 0.05$; $P = 0.00$). Next, given the lack of significance of two of the practice-by-practice moderation models, we tested three interactions between the performance management contextual factors and the overall use of performance management practices. Following the same procedure as in the above analyses, we found no significant interaction terms (outputs available upon request).

Discussion

The contributions of this study are relative to the current state of performance management research. Little is known about the relationships between specific performance management practices and overall system effectiveness. We extended the study conducted by Lawler and McDermott (2003) by investigating the associations between three such practices and performance management effectiveness, but with a larger sample of organizations and regression equations that account for extraneous variables. In addition, as prescribed by several scholars (Heneman, Wexley and Moore 1987; Villanova and Bernardin 1991; Harris 1994; Waldman 1994; Murphy and Cleveland 1995), given the often mentioned lack of research in this area (Judge and Ferris 1993; Tziner, Murphy, Cleveland, Beaudin and Marchand 1998; Tziner and Murphy 1999), this field study subjected to empirical scrutiny the proposition that performance management systems will likely falter if implemented in a context that is unreceptive to employee development and growth. This outlook is not unlike the one adopted in the area of employee development in which climate and other contextual variables are considered correlates of training effectiveness (e.g. Rouiller and Goldstein 1993; Bates and Khasawneh 2005) and not just the training activity itself. We further probed the proposition that 'organizational context matters' by investigating the moderating influence of contextual variables in the associations between performance management practices and system effectiveness. Many organizations invest in the most sophisticated performance management practices, but fail to consider the organizational context in which such practices are implemented.

The findings from our study are consistent with the general proposition that effective performance management systems are supported by practices and organizational contexts with certain characteristics. Indeed, as reported in this study, those organizations that provide more performance management training or that emphasize employee recognition also have performance management systems that deliver more valued outcomes. Moreover, even when important organizational contingencies are controlled for, organizational context is associated with performance management effectiveness.

These findings thereby extend research that has so far focused mainly on the micro-level technical or measurement characteristics of performance management systems (Posthuma and Campion 2008). In particular, these findings highlight that some practices appear to improve the capabilities of such systems. Although other practices not investigated in this study may have similar positive associations, the role of performance management training seems particularly significant in this respect. Training managers to deal with the many challenges of performance management thus appears to be an approach with much promise. Other practices, however, such as multisource feedback, may only

offer marginal singular contributions to overall performance management effectiveness if not combined with other practices.

With regard to context, the associations reported in this study underscore the need for a corporate culture that values employee engagement. When human capital is valued, the performance management system may deliver its full potential. If this is not the case, then performance management might be considered a bureaucratic requirement of little value in terms of employee development or performance improvement. More positive outcomes may be achieved, so our findings further suggest, when human resource management is strategically integrated with the business plans of the organizations. This integration would establish the relevance of the performance management system with regard to important strategic goals.

Although our study provided little evidence of the combined effects of practices and context on performance management effectiveness, the significant interaction between the employee relations climate and performance management training is revealing of the possibility of such synergies. In this particular case, it would seem that the positive association between training and performance management effectiveness is even stronger when delivered in a social context characterized by a constructive employee relations climate.

Implications for research

Most organizational studies have considered performance management as but one practice among many human resource management practices (cf. Delaney and Huselid 1996; Guthrie 2001). Our study provides an in-depth investigation into the organizational-level design and effectiveness of performance management. We hope that this will prompt more research into the workings of performance management systems at this level of analysis.

This study, as the one conducted by Lawler and McDermott (2003), suggests that some performance management practices may be more beneficial than others. Performance management training is one such practice that is associated with more positive performance management outcomes. Although some studies conducted at the individual level of analysis attest to the value of such training (Bernardin et al. 2000; Tziner et al. 2005; Gorman and Rentsch 2009), few organizational-level studies do so. Thus, more research needs to be conducted to better understand how various training strategies are associated with overall performance management effectiveness.

Other practices such as employee recognition may also serve to improve the overall functioning of performance management systems. Combined with the traditional activities involved in performance management (e.g. communicating expectations, coaching, performance reviews), such practices may shape employee behaviour and thereby improve performance. An emphasis on employee recognition, in particular, would help improve employee behaviour and performance. As in this case, performance management practices may provide additional layers of reinforcements for desired employee behaviour.

Another mechanism by which practices may improve overall performance management effectiveness is by way of their influence on the rigour applied to the process. Training, for instance, is likely to allow more competent interventions throughout the performance management process. Other practices may improve performance management by increasing the motivation to do so. Both training and employee recognition may signal to all those involved in the process that the organization values performance management. This, in turn, would favour a more rigorous and diligent application of the performance management process.

One practice that may do little to activate either mechanism is multisource feedback. Indeed, because of the inherent complexity of this practice (Derayeh and Brutus 2003), it may do little to improve managerial competencies in the area of performance management. Moreover, because multisource feedback is not generally integrated into the performance management process, but rather a stand-alone application, it would do little to signal the importance of applying rigour to this process. Finally, given the small effect of multisource feedback on performance improvement (Smither et al. 2004), this practice may provide only marginal additional reinforcements for employee behaviour.

These and other alternative explanations regarding the associations between performance management practices and effectiveness obviously deserve more research attention. The role of context also deserves more in-depth analysis. Our study suggests that a culture of engagement and the strategic integration of human resource management are significant contextual variables associated with performance management effectiveness. Given these findings and the fact that so few studies have integrated such variables, more research needs to be conducted with the perspective that performance management is embedded in the organization's social context.

As we pointed out in the introduction, the reality is that many performance management systems are not effective (Schneier et al. 1991; Bretz et al. 1992; Fletcher 1997; Banks and May 1999; Mercer 2002; Stoskopf 2002; Moullakis 2005; Morgan 2006). Although research on the technical aspects of performance management system components is still much needed, our findings support those who favour more research on the context of performance management (Landy and Farr 1980; Murphy and Cleveland 1991, 1995; Ferris et al. 1994; Levy and Williams 2004).

Implications for practice

There is no shortage of recommendations in the practitioner literature about what makes for effective performance management systems (e.g. Kochanski and Becom 2008; Posthuma and Campion 2008). The problem is that few studies support the many claims about the actual contributions of various practices to the overall effectiveness of performance management systems. Our study addressed some of the practice-oriented issues involved in performance management.

Effective behaviour is a function of motivation, context and competencies. While a positive employee relations climate may offer a context conducive to effective performance management, employers need also develop the competencies associated with effectiveness in this area. Therefore, with regard to the performance management practices, training should be considered first and foremost. Training managers to be effective at performance coaching or at sharing constructive feedback is a key challenge identified by various surveys (Watson Wyatt 2007–2008; WorldatWork 2007). Employers wishing to improve their performance management system would be well advised to invest in performance management training.

Our findings also support the practice of employee recognition. Interestingly, with the growing popularity of employee recognition programmes (Abrahamsen and Boswell 2003), our research suggests that they are associated with performance management effectiveness. This may be because of the motivational properties of employee recognition or because recognition programmes reflect a context supportive of employee growth. Indeed, some employment relationships are characterized by discipline and control while others by employee discretion and engagement. The practice of employee recognition is most likely an expression of the latter. Considered in this light, we would suggest that

employers pay more attention to the way performance management is interpreted by employees. Is it considered an instrument of control or an integral part of an employment relationship characterized by mutual engagement?

With regard to multisource feedback, our findings as well as those from another study (Lawler and McDermott 2003) may prompt employers to consider this practice as separate, with little bearing on overall performance management effectiveness. Organizations that adopt multisource feedback most often do so for a specific employee group only, often managers (Derayeh and Brutus 2003). Thus, there seems to be a clear line to be drawn between the practice of multisource feedback and overall performance management system functioning. Organizations wishing to improve their performance management system might, therefore, disregard multisource feedback as a possible solution. This is not to say that multisource feedback should not be considered an effective practice for achieving other goals.

Another clear implication for practice is the need to pay attention to the organizational context in which performance is managed. Is the organizational culture one of employee engagement? What is the degree of strategic integration of human resource management? A climate survey may provide answers to these questions and this diagnosis should precede any actions taken to improve performance management systems. The significant interaction between climate and training revealed in this study provides support for this recommendation. If the organizations' social climate is antagonistic, the best advice might be to improve the context of performance management first. Specific interventions to improve performance management may then follow as the social context becomes brighter.

Study limitations

A few study limitations should be noted to better appreciate the findings of this study. We must recognize the subjective nature of the performance management effectiveness scale. Although the measure was suited to the organizational level of analysis at which this study was conducted, it would have been useful to collect data on other indicators such as the number of complaints or variations in employee performance or turnover. Such data, however, is difficult to obtain in the context of a large multi-establishment study.

Also, because the data were obtained from only one respondent, we cannot rule out the possibility of a common method bias. We would argue, however, that the person responsible for human resource management is probably the most knowledgeable of overall performance management system functioning.

Another limitation is that the data were collected at one point in time. Thus, we cannot infer causality in the associations between study variables. Only a longitudinal design would offer this possibility. Hence, future research may attempt to determine how the implementation of one or many practices impacts overall performance management effectiveness over time.

Finally, the responding sample of organizations located in Quebec (Canada) may not be a representative of organizations located in other national contexts. Caution is, therefore, warranted when attempting to generalize these findings to other contexts.

Conclusion

Researchers and practitioners have been trying to improve employee performance management, including performance appraisal, for a long time and this study offers some

guidance for organizational-level interventions that may improve overall system functioning. The findings reported here suggest that having the right practices and the right context may improve performance management effectiveness. Our investigation thus provides support for the idea that performance management effectiveness is not only a function of system design or best practices, but also of programme implementation and execution in different organizational contexts. Although business leaders may be well advised to implement performance management training and other such practices, they should not neglect the possible influence of organizational culture or climate on overall performance management effectiveness. The extent to which human resource management is strategically integrated is yet another important consideration.

We hope that other studies will pursue this line of enquiry; but studying the context of performance management requires a partnership between researchers and practitioners (Murphy and Cleveland 1995). Considering that job performance is largely a function of contextual factors, such as the complexity of work or the quality of supervision (Waldman 1994), it would seem that studies of the contextual factors that improve overall employee performance management effectiveness may prove fruitful.

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