

Part 3

Improving Employee Performance



Chapter 8 • Measuring Performance and Providing Feedback

Chapter 9 • Training for Improved Performance

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Chapter 8

Measuring Performance and Providing Feedback

A MANAGER'S PERSPECTIVE

TYRONE FEELS EXHAUSTED. AS MANAGER OF THE LOCAL HARDWARE STORE, HE JUST COMPLETED AN ANNUAL PERFORMANCE REVIEW FOR EACH OF HIS EMPLOYEES. HE STRUGGLED TO SEPARATE THE GOOD AND BAD EMPLOYEES. WAS HE RIGHT TO CAREFULLY IDENTIFY THE TOP PERFORMERS OR SHOULD HE HAVE JUST RATED EVERYONE THE SAME?

One of the things that Tyrone found most difficult was how to account for different aspects of performance. One of the sales representatives—Joe—had the highest sales volume, but often refused to help other less experienced coworkers. Because of Joe's lack of cooperation, Tyrone gave him a much lower rating than might be suggested by the objective sales figures. Was this a good idea?

Another employee, Logan, became upset last week and actually threatened violence against two coworkers. At first Tyrone gave him a very low rating, but then he thought back about Logan's performance over the entire rating period. Up until last week Logan's work had been exemplary. Tyrone thus decided that it would not be fair to penalize Logan with an extremely low rating. On the other

hand, Tyrone wants to communicate that threats of violence will not be tolerated. He wonders what he should say when he meets with Logan.

Tyrone also worries about any potential biases that he might have. When he looked over his ratings he saw that the two lowest scores were given to women. He wondered if this was a problem and spent a great deal of time listing good and bad things that he had seen both women do. In the end he concluded that his initial ratings were accurate, but he continues to worry that he is somehow biased.

In order to prepare for performance discussions, Tyrone asked each employee to provide self-ratings. He was a little shocked when he looked at these ratings last night. Almost everyone had a self-rating that was higher than the rating he gave them. Curiously, Ed and Janice, two of the lowest performers, actually gave themselves some of the highest self-ratings. How could this be? Didn't they know that they were not performing up to standard?





THE BIG PICTURE *Performance Management Evaluates Employees' Contributions and Provides Feedback So That Employees Can Improve.*

Thinking about sitting down with the employees and sharing his evaluations makes Tyrone nervous. Would it be best to provide general comments, or should he describe very specific behaviors that he would like to see? He is sure that Ed and Janice will complain about their low ratings. What if they become defensive and emotional? Will he be able to have a constructive discussion with Logan?

Tyrone realizes that mixed with his uncertainty about how people might react to the ratings is a sense of excitement. Perhaps completing ratings and sharing feedback will give him an opportunity to address some of the performance issues he has been avoiding. This just might be an important key to making the store more profitable. This is important as recently he has been feeling pressure from corporate headquarters to increase sales and customer satisfaction ratings.



WHAT DO YOU THINK?

Suppose you are listening to a conversation between Tyrone and his district manager, Calista. Calista makes the following statements. Which do you think are true?

- T OR F** Employee rating systems are of no value unless at least some employees receive low ratings.
- T OR F** When completing performance ratings, it is best to focus only on whether an employee completes tasks and not on how well he or she works with others.
- T OR F** Objective measures of performance, which are represented by things that can be counted, are better than subjective measures such as supervisor judgments.
- T OR F** Self-ratings of performance are usually higher than ratings provided by others.
- T OR F** Employee performance increases when supervisors communicate high expectations.

LEARNING OBJECTIVES

After reading this chapter you should be able to:

- LEARNING OBJECTIVE 1** Describe how merit-based and parity-based performance management systems relate to overall HR and competitive strategy.
- LEARNING OBJECTIVE 2** Describe the three dimensions of job performance.
- LEARNING OBJECTIVE 3** Explain differences among and common problems with various types of performance measures.
- LEARNING OBJECTIVE 4** Explain the value of using multiple sources to obtain performance appraisal ratings.
- LEARNING OBJECTIVE 5** Describe effective methods for providing feedback to employees.

How Can Performance Management Make an Organization Effective?

Performance management

The process of measuring and providing feedback about employee contributions to the organization.

Grades are an important part of almost every university class. What would happen if grades were eliminated? Would your individual performance improve or decline? Would the reputation of your university rise or fall? Similar issues are at the heart of **performance management**, which involves assessing and communicating employee contributions. Rating employees' performance is similar to giving them grades. In the employment context, important questions include the following: Do employees improve their performance when their contributions to the organization are measured? Is it helpful to give feedback so that employees know how they are doing? Does effective measurement of individual contributions lead to improved organizational performance?

Measuring performance and providing feedback does indeed improve employee performance. And improvements in individual performance translate into better organizational performance. Organizations have higher productivity when top management encourages supervisors to set goals, assess performance, and provide feedback to employees.¹ One reason is that trust in management increases when performance is accurately measured and adequately rewarded.² Effective appraisals, particularly appraisals that allow employee participation, have also been linked to higher levels of job satisfaction.³

An example of a company that practices effective performance management is General Electric (GE). GE is a diversified corporation with businesses that range from manufacturing appliances to delivering media and entertainment. Such diversification has been helpful for GE during the past few years when its finance division, GE Capital, struggled with an over 80 percent loss of profit that followed problems with bad loans. Other areas of GE were less affected by the recession and helped absorb some of the finance loss. In fact, profit at the energy-infrastructure division rose. These offsetting businesses resulted in a revenue report of \$39 billion in 2009.⁴

GE is consistently ranked as one of the world's most admired corporations.⁵ Much of the admiration comes from GE's ability to attract and retain superior employees. This ability comes from a culture that sees human resource management as a strategic activity. The human resource department is not seen

as a support function but rather as a business partner. CEO Jeff Immelt puts it this way, “HR people need to work for companies where people are valued. There’s not a day that goes by that I don’t talk to our senior HR leader.” In fact, Immelt considers the triangle formed by himself, the CFO, and the senior HR leader to be “absolutely central to how the business is led.”⁶ Within this strategic orientation, one area that most sets GE apart is the successful use of performance management to identify and reward excellent employees, who make up a workforce that is difficult for competitors to imitate.⁷

GE’s performance management system is best known for its emphasis on clearly identifying high and low performers. Historically, the company asked managers to follow a rating distribution that placed 20 percent of employees in the top category, 70 percent in a middle category, and 10 percent in a category of low performance.⁸ These strict percentages have been relaxed over the past few years, but most managers continue to place about this percentage of employees in each category. One effect of forcing managers to use such categories is clear identification of low performers. The objective of identifying low performers was summarized by the head of human resources, William Conaty, when he stated, “We want to create angst in the system ... you have to know who are the least effective people on your team and then you have to do something about them.”⁹ Either replacing low-performing employees with higher performers or taking specific steps to improve the productivity of low performers increases the likelihood that the company will be successful. Another effect of the forced categories is clear identification of high performers. Only 20 percent of employees receive a top rating, so employees feel a special sense of accomplishment when they are rated in the top category. Employees come to see exceptional performance, rather than politics or favoritism, as the key to promotion and advancement.

Clear goals that encourage employees to stretch and improve are another important aspect of the GE performance system. In the process of measuring and discussing performance, managers work with employees to establish difficult goals. Focusing on goals provides clear direction for improvement. Accomplishing stretch goals requires a great deal of effort and often necessitates working in radically different ways.¹⁰ The performance appraisal process at GE helps assure that an individual’s goals are aligned with company goals. This is done through a process of cascading, wherein goals and performance assessments begin at the top and flow downward. Top-level goals and assessments become critical input for goals and assessments at lower levels.¹¹

Performance management at GE also adapts to the changing needs of the organization. The behaviors encouraged in the rating process are behaviors that link to the company’s competitive strategy. For example, the performance appraisal system was recently updated to provide ratings for things such as imagination and understanding of market trends.¹² These traits are consistent with GE’s strategic focus on innovation and growth.

Performance management at GE is a critical component of the overall human resource system that encourages innovation and quality. Top performers are clearly identified, which provides a merit-based foundation for compensation decisions. The best employees are recognized and treated in ways that increase the likelihood that they will continue to work for GE. Low performance is likewise identified in order to encourage low performers to improve or to leave the company. The performance management process at GE thus creates a culture of excellence that brings out the best in employees.



Building Strength Through HR

GENERAL ELECTRIC

General Electric is a multinational company that employs over 300,000 people. Human resource management at GE builds competitive strength by

- Clearly identifying people who are high and low performers, so that high performers can be rewarded and low performers can be encouraged to improve or leave.
- Establishing stretch goals that focus employee efforts on areas where they can improve their performance.
- Aligning the behaviors assessed in the performance appraisal process with strategic objectives.



LEARNING OBJECTIVE 1

How Is Performance Management Strategic?

Although identifying high and low performers is an important part of performance management at General Electric, it might not be the best approach for other organizations. In some cases, encouraging people to stand out from the crowd may discourage teamwork and harm employee motivation. Like other HR practices, then, performance management practices are most effective when aligned with an organization's competitive strategy.

EMPHASIZING EITHER MERIT OR PARITY

Organizations tend to follow one of two approaches in measuring performance. Some organizations create a merit-based climate that emphasizes performance differences among employees. In other organizations, the system encourages parity, or a sense of equality, among employees.

Merit-based system

A performance management system that specifically seeks to identify and recognize the contributions of high performers.

Relative measures

Performance ratings that assess an employee's contributions through comparison with the contributions of other employees.

Forced distribution

Performance ratings that spread out ratings by requiring raters to place a certain percentage of employees in each category.

Merit-Based Systems

The basic objective of a **merit-based system** is to create and recognize high performance in order to achieve superior outcomes. This is the approach adopted by GE with the underlying purpose of performance management being to encourage employees to perform at the highest possible level. Employees who produce the highest outcomes, or results, are given high marks. As at GE, this is usually done through the use of **relative measures** that compare employees with each other. Success at work is defined not just as meeting a certain standard but as doing better than others. With a merit-based system, managers are also frequently required to place a certain percentage of employees in each rating category, which is called a **forced distribution**. Only a few can be given the highest rating, and at least some must be given the lowest rating.

In summary, merit-based systems focus on bottom-line results and use relative measures and forced distributions to ensure that high and low performers are clearly identified.¹³

Students who have been in a class with a grading curve have experienced a merit-based performance system. In such classes, a student's grade is determined to some extent by how well other students perform. With true grading on the curve, a certain percentage of students must fall into each category. For example, 10 percent might receive an A, 20 percent a B, 40 percent a C, 20 percent a D, and 10 percent an F.

Even if you have never experienced such a grading scheme, just thinking about it can help identify possible outcomes. Students who want a top grade tend to work very hard because they know the teacher will give only a few As. Students who do receive an A or a B feel a strong sense of accomplishment because they know that they performed better than most others. Students who are not performing well are also clearly identified. In some cases, students resist helping their peers, since doing so may result in their own grade being lower. The class climate is competitive, but individual performance is usually very high.

Parity-Based Systems

The basic objective of a **parity-based system** is to encourage cooperation and allow everyone who meets a certain standard to be classified as a high performer. Parity-based performance measures frequently focus on processes rather than outcomes. High performance is defined as following guidelines and performing behaviors assigned by supervisors. This usually involves **absolute measures** that compare employees with an established benchmark rather than with each other. Most parity-based systems also adopt a **free distribution**, which allows any percentage of employees to be placed in a particular category. For example, any employee who assembles a certain number of cell phones without error can be given a top performance rating, regardless of how many cell phones others assemble. Every employee can thus be a top performer. In general, parity-based performance systems do not separate people into categories of high and low performance but rather encourage all employees to perform above a certain standard.

The underlying principle of a parity-based system is communicated whenever a professor announces that every student in a class can achieve an A. More students usually receive As and Bs in such classes than in classes graded on a curve. Without a curve, teachers are less likely to give failing grades. However, receiving a high grade in such classes may not be especially meaningful. If almost everyone receives an A, it is impossible to identify the best students. In fact, it is often the top performers who are most unhappy with a parity-based performance system. They may resent receiving the same grade as others, although they performed better, or they may reduce their effort and perform just above the cutoff for the highest grade. The class climate is thus more cooperative, but fewer students really stretch and perform at their highest level.

LINKING MERIT AND PARITY SYSTEMS TO HR STRATEGY

In general, merit-based approaches are best suited to organizations pursuing differentiation strategies, while parity-based systems make sense for organizations using cost strategies. Organizations with internal and external labor systems do not differ in terms of their approaches to merit and parity. Linkages

Parity-based system

A performance management system that seeks to recognize contributions from all employees without elevating some above others.

Absolute measures

Performance ratings that assess an employee's contribution in comparison to a fixed standard or benchmark.

Free distribution

Performance ratings that allow raters to place as many employees as they wish into each rating category.

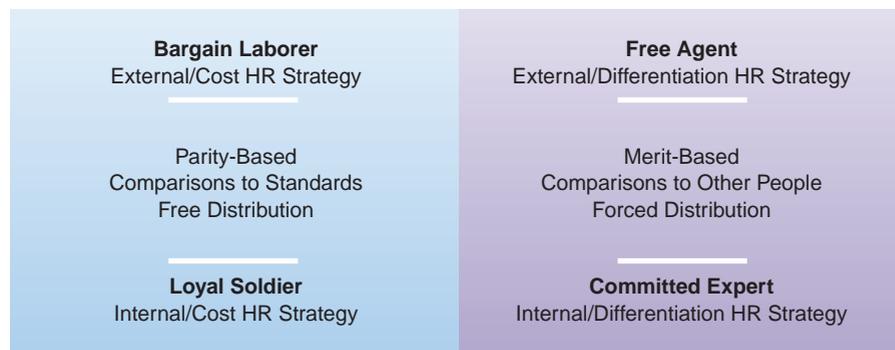


Figure 8.1 Strategic Framework for Performance Management.

between merit and parity approaches to performance management are shown in Figure 8.1.

Merit Systems and Differentiation Strategies

The merit-based approach is most beneficial for organizations pursuing a Free Agent HR strategy. Producing truly exceptional products and services is the key to success and is best accomplished by employees who are stretching to accomplish high goals. This sense of stretching and competition is enhanced by ratings that communicate how the employee is performing relative to others.¹⁴ Employees performing poorly are identified and encouraged to leave the organization so that they can be replaced with others who have greater skill and motivation. Organizations pursuing a Committed Expert HR strategy also tend to adopt merit-based approaches. Promotions and advancement in these organizations depend largely on achieving results and performing better than others. As we saw in the GE example, a merit-based approach to performance management that recognizes truly excellent performance is a key feature of effective differentiation strategies.

Parity Systems and Cost Strategies

For an organization using a Loyal Soldier HR strategy, success comes from cooperative employees who work with maximum efficiency. The contribution of an exceptional performer is often no more beneficial than the contribution of others who simply do what they are asked. In these cases, a performance appraisal system that creates competition among employees may actually harm the group's overall performance. Employees are usually more satisfied with evaluation systems that compare them to standards rather than to other employees.¹⁵ Evaluating most employees as high performers encourages long-term employee relationships and a strong sense of loyalty.

Like organizations that use a Loyal Soldier HR strategy, organizations pursuing a Bargain Laborer HR strategy are not concerned with identifying top performers. In this case, the reason is that these individuals are unlikely to stay employed with the organization for long periods. In addition, placing employees in different performance categories is time consuming and difficult. For an organization requiring only that employees meet expectations, such classification may not be worth the effort.



CONCEPT CHECK

1. How does a merit-based performance system differ from a parity-based performance system?
2. Which HR strategies best align with a merit-based system? Which are best for a parity-based system?

LEARNING OBJECTIVE 2

What Is Performance?

In the game of golf, high performance is being able to hit the ball from a tee to the hole in the fewest possible shots. When it comes to track, high performance is getting to the finish line in the shortest time. Success in gymnastics is based on scores received from a set of judges. Although these examples from sports are familiar to most of us, it is perhaps more difficult to describe what is meant by job performance. In the simplest sense, **job performance** represents the contribution that individuals make to the organization that employs them.

Figure 8.2 shows a diagram of important elements of job performance. At the top of the figure is a **general performance factor** that represents overall contribution to the organization. This general factor is important because all specific measures of job performance tend to be positively related, meaning that people who do well at one aspect of performance tend to do well at other aspects. Some people are simply better performers than others. Because they have positive traits, such as intelligence and motivation, these individuals excel no matter which aspect of performance is being measured.¹⁶

Under the general performance factor you will see three main performance dimensions: task, citizenship, and counterproductive performance. **Task performance** is behavior that contributes directly to the production of

Job performance

The contribution that individuals make to the organization that employs them.

General performance factor

A broad factor of performance that represents an employee's overall contribution to the organization.

Task performance

Employee behavior that directly contributes to producing goods or services.

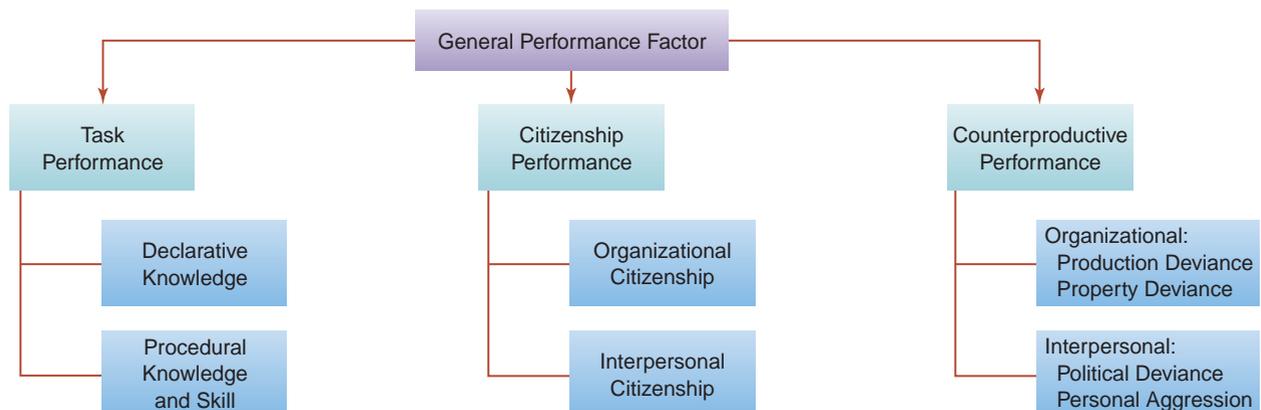


Figure 8.2 Elements of Job Performance.

Citizenship performance

Employee behavior that helps others and creates a positive work environment.

Counterproductive performance

Employee behavior that is harmful to the organization.

Declarative knowledge

An employee's understanding of the tasks that need to be done to perform job duties.

Procedural knowledge and skill

Information and expertise that an employee needs to have in order to carry out specific actions.

goods or services. An employee planning a production process, operating a machine, or inspecting output is involved in task performance. **Citizenship performance** is behavior that contributes to the social and psychological environment of the organization. Specific examples of citizenship performance include helping another employee repair a machine, voluntarily staying late to complete an order, and making constructive suggestions about ways to improve the workplace. Unlike task and citizenship performance, counterproductive performance is not constructive. Specifically, **counterproductive performance** is voluntary behavior that harms the organization. It can include acts such as destroying property, taking unauthorized work breaks, and threatening violence toward coworkers.¹⁷

TASK PERFORMANCE

Task performance occurs when employees perform actions that transform raw materials into goods and services. Some of these actions may be job-specific, as when a secretary prepares a document, a home builder lays the foundation for a house, or a waiter fills beverage glasses. Administrative tasks, such as planning and delegating, are important aspects of task performance for people working as managers.¹⁸ Other actions are less specific to a particular job and include things like following safety regulations, making decisions, and keeping the workspace clean.¹⁹ In order to perform tasks in most jobs, employees must also communicate with others by either writing or speaking.²⁰

Because it represents behaviors that directly produce goods and services, task performance is the most obvious form of contribution to an organization. In most organizations, a very large proportion of employee effort is spent on task performance. The result is that supervisors see task performance as the most important contribution that an employee makes.²¹

When it comes to task performance, employees are most likely to make significant contributions when they have appropriate knowledge, skill, and motivation.²² They must first have **declarative knowledge**, which is an understanding of what needs to be done to perform certain tasks. For instance, declarative knowledge for a carpenter might include knowing that constructing a cabinet involves obtaining accurate measurements, cutting boards to appropriate lengths, and then fastening the boards together in the proper sequence. Employees must also have **procedural knowledge and skill**, which concerns the ability to perform the prescribed tasks. Thus, the carpenter must be able to measure accurately, make straight cuts with a power saw, and drive nails without damaging the wood. However, knowing what to do and how to do it is not enough to ensure that the carpenter will actually build the cabinets. The third important factor is motivation. Employees show motivation when they choose to expend effort by engaging and persisting in production tasks. Motivation increases when workers feel supported by supervisors and coworkers, which in turn leads them to higher task performance.²³

CITIZENSHIP PERFORMANCE

Whereas task performance contributes by directly creating goods and services, citizenship behavior contributes by building a positive organizational environment. Going beyond minimum expectations and helping out is seen as particularly beneficial when employees must work closely with each other to complete tasks.²⁴ Common examples of citizenship behavior include

volunteering to take on tasks that are not part of one's job, following organizational procedures even when it is not convenient, and supporting and defending the organization.²⁵ Willingly taking charge and initiating positive change also demonstrates citizenship performance.²⁶ Work groups with higher levels of citizenship performance are more productive and profitable.²⁷

Citizenship performance can be pursued to help either the organization as a whole or specific individuals. Things that are done to benefit the organization are labeled **organizational citizenship behavior**. Employees engage in this type of performance when they do such things as protect the organization's property, give advance notice when unable to come to work, and follow informal rules that help maintain order. Another set of actions—labeled **interpersonal citizenship behavior**—has the effect of benefiting specific people. Such behaviors include taking time to listen to coworkers' problems, passing along information to peers, and helping people who have been absent. Coworkers who are confident and who are the center of communication networks, which makes them popular among coworkers, are most likely to receive helping behavior.²⁸

The distinction between organizational and interpersonal citizenship is important because the likelihood that employees will engage in helpful behavior differs depending on whether the behavior is intended to aid the overall organization or some individual. Employees engage in more organizational citizenship behavior when they feel that they receive reasonable pay, are praised for doing a good job, and have pleasant working conditions.²⁹ Interpersonal citizenship behavior is more likely to occur when employees have close relationships with coworkers and supervisors.³⁰ Thus, for example, employees who are unwilling to expend extra effort to help the organization may be willing to do extra things that benefit others whom they like.

Even though it may not be part of formal job requirements, citizenship performance represents a critical contribution to the organization. In fact, in many instances citizenship performance is what separates top performers from everyone else. Perhaps this is because citizenship performance primarily represents voluntary action. Given its voluntary nature, citizenship behavior depends not on specific knowledge and skills but on motivation. This means that employees with motivational personality traits such as dependability, cooperativeness, empathy, and being proactive are generally more likely to go beyond minimum expectations and help both the organization and other individuals.³¹ Workers who feel they are treated fairly by their supervisors and the organization are also more likely to engage in citizenship behavior.³² The role of the leader is particularly critical, as citizenship performance often depends on the supervisor's being seen as trustworthy and acting with integrity.³³

Employees are most likely to engage in citizenship performance when they perceive a long-term work relationship,³⁴ suggesting that citizenship contributions are higher in organizations with Loyal Soldier and Committed Expert HR strategies. This makes sense because developing cooperation among workers is at the heart of these labor strategies.

Organizational citizenship behavior

Positive employee actions aimed at helping the organization as a whole to succeed.

Interpersonal citizenship behavior

Positive employee actions aimed at helping specific coworkers succeed.

COUNTERPRODUCTIVE PERFORMANCE

In addition to engaging in helpful behavior, employees can consciously choose to engage in counterproductive performance—behavior that is harmful to the organization. Not surprisingly, organizations whose employees

Production deviance

Harmful employee actions aimed at reducing the speed and accuracy of production processes.

Property deviance

Harmful employee actions aimed at destroying assets of the organization.

Political deviance

Harmful employee actions designed to harm the performance and careers of other employees.

Personal aggression

Harmful employee actions that seek to personally harm coworkers.

engage in more counterproductive behavior have been found to have lower productivity.³⁵ Although individuals who engage in counterproductive behavior are somewhat less likely to excel at citizenship performance, these two measures are not the two ends of a single dimension.³⁶ An employee who contributes with high task and citizenship performance may in some cases also cause harm by engaging in counterproductive behavior.

Like citizenship performance, counterproductive behavior can be directed toward either the organization or specific individuals. Negative actions directed toward the organization include production and property deviance.

Production deviance occurs when employees do things that reduce the speed and accuracy with which goods and services are produced. Employees frequently do this by taking unauthorized breaks, intentionally working slowly, and wasting company resources. More serious is **property deviance**, which includes actions that destroy the assets of an organization. Employees who do this sabotage equipment, misuse expense accounts, or steal materials and products.³⁷

Counterproductive behaviors can also be targeted toward specific individuals. These actions fall into the categories of political deviance and personal aggression. **Political deviance** occurs when an employee does things that put other employees at a disadvantage. Examples include showing favoritism, gossiping about coworkers, and competing with others in nonbeneficial ways. The more serious form of counterproductive behavior directed toward individuals is **personal aggression**, which is represented by hostile acts such as violence and sexual harassment.³⁸ Employees working in groups lacking civility and respect are particularly prone to act aggressively.³⁹

As described in the “Technology in HR” feature, organizations use a number of tactics to reduce counterproductive behavior. Motivation that comes from a sense of being treated fairly is a very important factor influencing counterproductive performance. Employees are more prone to engage in counterproductive performance when they perceive that the organization treats them unfairly.⁴⁰ Having a leader who is ethical, fair, and not abusive is a critical deterrent of counterproductive behavior.⁴¹ Thus, organizations and leaders can reduce counterproductive behavior by communicating an interest in the well-being of employees, providing developmental opportunities, and acting in an ethical manner themselves. In addition, employees who are more conscientious, more agreeable, higher in self-mastery, less anxious, and less driven by a desire to obtain rewards indulge in less counterproductive behavior, even when they do not feel support from the organization.⁴²

**CONCEPT CHECK**

1. What are three different types of performance that fall directly under the general performance factor?
2. How is citizenship performance different from task performance?
3. What are four types of counterproductive performance behavior?



Technology in HR

MONITORING ELECTRONIC ACTIVITY

Increased use of computers and other technology has the potential to make workers more productive. But it is also possible that workers will become less efficient if they use the technology in counterproductive ways. The use of company computers for purposes other than work completion is sometimes referred to as cyberloafing, and it is not unusual. Over 60 percent of workers report surfing the Web at least once a day for personal purposes. Workers themselves report spending about 1.5 hours per week visiting websites unrelated to work, whereas human resource managers suggest the actual time is closer to 8 hours. Such problems have prompted as many as 76 percent of organizations to monitor employees' Internet connections.

One way of monitoring employees' computer usage is through the use of special software. The software is able not only to block access to websites but also to provide supervisors with reports listing the websites visited. Using such software can, however, communicate lack of trust. Research thus suggests that companies need to be careful when monitoring electronic activities.

Employees are more accepting of electronic monitoring when they are given advance notice that it will be used. Monitoring is also less threatening if employees feel general support from the organization. Using monitoring to show employees



how they can improve rather than to wield punishment is one way to increase the acceptance of electronic monitoring. On the whole, evidence suggests that electronic monitoring can deter counterproductive actions, but it is most effective when used in ways that do not violate employee perceptions of trust and fairness.

Sources: G. Stoney Alder, Terry W. Noel, and Maureen L. Ambrose, "Clarifying the Effects of Internet Monitoring on Job Attitudes: The Mediating Role of Employee Trust," *Information & Management* 43 (2006): 894–903; Deborah L. Wells, Robert Moorman, and Jon M. Werner, "The Impact of the Perceived Purpose of Electronic Performance on an Array of Attitudinal Variables," *Human Resource Development Quarterly* 18, no. 1 (2007): 121–138.

LEARNING OBJECTIVE 3

How Is Performance Measured?

The process of measuring what each employee contributes, called **performance appraisal**, is a necessary but difficult part of managing others. Indeed, for many managers, performance appraisal is near the top of the list of undesirable duties. Perhaps more troublesome is that a majority of workers say that performance reviews do nothing to improve their future effectiveness.⁴³ What makes assessing performance so tough? One reason managers dislike performance appraisal is the difficulty of capturing all areas of contribution. Employees contribute in a number of different ways, and it is often

Performance appraisal

The process of measuring what employees contribute to the organization.

hard to accurately evaluate their efforts with a numerical score. Another reason is that many employees seem to feel that performance ratings are biased. They see the process as sometimes unfair. A starting point for thinking about performance measures is thus to consider ways in which evaluations can be inaccurate. After examining general sources of inaccuracy in performance measures, we will explore various types of performance measures. We will also discuss problems that these specific measures have, and the formats—or specific types of questions—used to provide performance ratings.

CONTAMINATION AND DEFICIENCY AS SOURCES OF INACCURACY

Basic problems with performance appraisal are shown in Figure 8.3. Notice that one circle in the figure represents the employee's true contribution to the organization. The other circle represents contribution as it is measured. Of course, the objective of performance appraisal is to have the two circles overlap as much as possible. However, two types of error often interfere with achieving this objective.

Contamination

A problem with performance appraisal that occurs when things that should not be included in the measurement are included.

Deficiency

A problem with performance appraisal that occurs when things that should be included in the measurement are not included.

One error is **contamination**, which occurs when things that should not be measured are included in an employee's performance evaluation. For instance, a supervisor who is racially biased might give lower ratings to an employee from a minority group. A measure of the number of computer circuits that an employee assembles might be contaminated if the employee must use machinery that frequently breaks down.

The second type of error is **deficiency**, which occurs when things that should be included in an employee's performance evaluation are not measured. A measure that fails to include citizenship behavior is deficient because it does not recognize actions that aid coworkers. A monthly measure of insurance sales might also be deficient if it fails to include an assessment of effort expended to build relationships that will result in future sales.

A good appraisal system minimizes contamination and deficiency. The concepts of deficiency and contamination can also help guide our assessment of different types of performance measures.

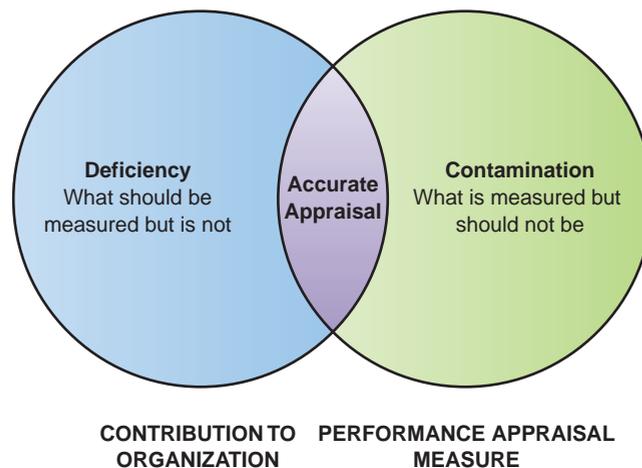


Figure 8.3 Sources of Inaccuracy in Performance Measurement.

GENERAL TYPES OF PERFORMANCE MEASURES

Organizations use a number of different methods for appraising performance. In general, performance appraisal methods vary in two important ways: whether they are subjective or objective and whether they focus on process or outcome.

Objective Versus Subjective Measures

Beginning in elementary school, students encounter differences between objective and subjective measures of performance. Teachers grade math tests objectively by identifying how many of the problems were solved correctly. Such **objective performance measures** are based on counts of either behavior or outcomes. In contrast, writing assignments are given subjective grades that reflect the teacher's evaluation of quality. These **subjective performance measures** are based on judgments from raters such as teachers and supervisors.

In many cases, objective and subjective measures don't agree.⁴⁴ An important question thus concerns which type of measure is best. Most people believe the answer is that objective measures are best. It is easy to see how raters could have biases that may reduce the accuracy of subjective measures. For example, workers who have a more positive attitude receive higher evaluations from supervisors but do not generally perform better on objective measures.⁴⁵ Objective measures seem more consistent and fair. However, objective measures also have problems. In the case of employees with a positive attitude, it may be that their cooperation with others represents a contribution that the objective measure does not capture. Indeed, subjective ratings have been shown to capture not only task performance but also citizenship performance,⁴⁶ making them less deficient in many contexts.

Another problem with objective measures can be seen in a common example involving employee productivity. Suppose a supervisor has two employees working on a production line with two machines that manufacture cell phone components. One employee produces 20 components every hour. The other produces only 15. The objective indicator of performance suggests that the first employee contributes more to the organization. However, the supervisor may know that one production machine frequently breaks down. Knowing that the employee who only produces 15 components frequently stops to repair the machine may cause the supervisor to provide a higher subjective rating for that person. In such a case, the objective rating is deficient because it does not capture an important part of overall contribution: repairing the machine.

An example that is closer to home for most college students concerns grading on an accounting exam. A purely objective measure will not give credit for a problem unless the final answer is correct. However, students often ask for and receive partial credit based on the grader's judgment that certain parts of the problem were done correctly. The end result is a combination of objective and subjective measurement. The part of performance where the objective measure is deficient is captured in the subjective measure. In summary, then, objective measures are not necessarily foolproof. It is usually desirable for assessments of job performance to include both objective and subjective measures.

Outcome Versus Behavioral Measures

Performance measures also differ in whether they focus on outcomes or behaviors. Outcome measures assess end results such as number of automobiles repaired or success of an advertising campaign. Behavioral measures place

Objective performance measures

Performance measures that are numerical and based on counts of behaviors or outcomes.

Subjective performance measures

Performance measures that represent judgments made by raters.

more emphasis on the actions of employees. Typical behavioral measures include following company procedures for reacting to customer complaints and using appropriate processes to move and store goods in a warehouse.

We can see some of the differences in outcome and behavioral measures by looking at organizations that employ sales representatives. One approach to managing sales representatives focuses on outcome measures. Organizations adopting this approach identify top performers as the individuals who sell the most products and services. Bottom-line results are most important, and methods of obtaining sales are not specifically evaluated as part of performance appraisal. This approach provides sales representatives with a great deal of autonomy. Individual representatives are expected to use their own knowledge and skills to determine the best way to meet the needs of individual customers.

A different approach to managing sales representatives focuses on behavioral measures. Organizations using this approach have preferred ways of interacting with customers and obtaining sales, and they provide sales representatives with very specific descriptions of appropriate selling behavior. Top performers simply carry out the actions specified by the organization. It is assumed that desirable outcomes will result when representatives engage in the desired actions. Following company procedures is thus emphasized more than simply making a high number of sales.

Both outcome and behavioral measures can suffer from deficiency and contamination, suggesting that both should be assessed in most situations. However, which type of measure dominates often depends on the organization's competitive strategy. Organizations pursuing cost-focused strategies tend to have production processes that are clearly established. In these organizations, research and experience have determined the most efficient production methods, and the objective of low-cost production is best accomplished by having employees follow prescribed procedures. Behavioral measures are thus most often linked with Loyal Soldier and Bargain Laborer HR strategies.

In contrast, outcome measures are most common for organizations pursuing Committed Expert and Free Agent HR strategies. These organizations rely on creativity and innovation. Optimal methods for producing goods and services are often unknown. High-performing employees are expected to use their unique knowledge and skills to produce the desired outcome of delivering superior goods and services. In these cases, the outcome, or end result, is what matters most.

COMMON PROBLEMS WITH PERFORMANCE MEASURES

Objective and subjective measures, as well as outcome and behavioral measures, suffer from several potential problems. For subjective measures, bias can be introduced when humans provide ratings. People are not perfect information processors, and subjective ratings based on human judgments are often both contaminated and deficient. Objective and outcome measures are also imperfect, as they sometimes hold employees accountable for things they cannot control. Finally, all types of performance ratings can suffer from inconsistency, because performance at one point in time is likely different from performance at another time. We can thus identify the following common problems with performance appraisal measures: rater errors and bias, situational influences, and changes over time.

Rater Errors

Research suggests that raters commit a number of errors when they rate employee performance. Rating errors occur when raters provide assessments that follow an undesirable pattern or when the rater does not properly account for factors that might influence assessments. One common error involves the pattern of results that arises when a rater dislikes separating people into categories. This leads to **central tendency error**, which is the pattern of placing almost everyone in the middle of the scale.

Another common problem occurs when a rater unintentionally compares people with one another. Suppose a rater is evaluating three employees and one of them is an outstanding performer. Observing the high performer may raise the rater's expectations so that he gives the other two employees low ratings even though their performance is above average. This type of error is called **contrast error**.

A different sort of error occurs when a rater bases an assessment on a general impression of an employee rather than on the employee's specific contributions. Over an extended period, the rater observes a number of different behaviors and forms an overall judgment of the contribution of the employee. The rater may then judge specific aspects of performance—such as quality of work, quantity of work, and cooperation with others—in terms of this overall perception of the employee, rather than judging each aspect of performance separately. For instance, a rater may be quite accurate in identifying a truck driver as a good employee but may not really be aware of whether the driver is consistently on time with deliveries. When a rater provides similar ratings for all the different dimensions of performance based on a general impression, the result is **halo error**. Subjective ratings are particularly prone to halo error.⁴⁷

Yet another type of error is **recency error**, which arises when raters place too much emphasis on recent behaviors and outcomes. Here, an employee who demonstrated outstanding performance during most weeks of the performance period may receive a lower rating if performance was not as high during the week right before the ratings were obtained. It is easier for the rater to recall recent actions and outcomes, so the rater places greater emphasis on more recent data.

A related but opposite problem, **primacy error**, occurs when a rater places too much emphasis on the behavior that is first observed. For example, a sales representative who loses an important account at the beginning of the year may be given a low rating even though her performance is excellent the rest of the year. In this case, the rater makes an initial judgment and fails to adequately account for later contributions that warrant an adjustment to the initial rating. Primacy can be particularly problematic when initial performance is very high, as raters don't sufficiently adjust their ratings downward.⁴⁸

Rater errors result in contamination and deficiency and are difficult to prevent. Rating accuracy can be improved somewhat by making raters aware of the kinds of errors that can arise. Various rating formats, which are discussed below, can also be used to reduce errors. But the most effective method for increasing rating accuracy is to help raters develop a consistent view of what represents good and bad performance.⁴⁹ This approach, often labeled **frame-of-reference training**, provides instruction and practice to help raters see different performance episodes in the same way.

An example of effective rater training for restaurant managers might go as follows. A group of raters meet to discuss descriptions of performance for a hostess in a restaurant. At the beginning of the training, one rater believes

Central tendency error

A rating error that occurs when raters give almost all employees scores in the middle of the scale.

Contrast error

A rating error that occurs when raters unknowingly allow comparisons among employees to influence ratings.

Halo error

A rating error that occurs when raters allow a general impression to influence ratings on specific dimensions of performance.

Recency error

A rating error that occurs when raters place too much emphasis on performance observed right before the measure is taken.

Primacy error

A rating error that occurs when raters place too much emphasis on performance observed at the beginning of the measurement period.

Frame-of-reference training

Training that focuses on building consistency in the way different raters observe and evaluate employee behaviors and outcomes.

that a hostess who smiles and greets customers in a pleasant manner should be rated 4 on a 5-point scale. Another rater thinks that really connecting with the customer is important and that being pleasant and smiling represents only a 3 on the scale. Other raters have other views. The raters then discuss various aspects of performance until they arrive at a common frame of reference—an agreement on what constitutes each level of performance. This is beneficial because it makes ratings more consistent. The process also makes individual raters more aware of the behaviors and outcomes they are assessing and tends to result in appraisals that more accurately reflect actual contribution.

Rater Bias

Substantial problems occur when rater errors operate in such a way that people with certain characteristics are consistently rated lower than others. Consistently providing lower ratings to people with certain characteristics is known as **rater bias**.

Rater bias

Bias that occurs when a rater unfairly provides lower ratings to certain groups of people, such as women and minorities.

A frequently asked question is whether raters give lower ratings to employees who are members of minority groups. The simple answer is yes. Ratings tend to differ depending on the race of the person being rated.⁵⁰ The reasons for these differences are, however, difficult to determine. One possible explanation is that raters give higher ratings to employees whose race is the same as theirs, but the available data do not support this explanation.⁵¹ The pattern is more complex. White raters sometimes give higher ratings to white employees. Black raters tend to give higher ratings to everyone.⁵² Differences in ratings for racial groups are also greater in some occupations than others. For example, ratings for members of racial groups differ more for technical plant operations than for service or healthcare jobs.⁵³ The reasons behind these racial differences are unclear. However, it is not all rater bias, as racial differences are also observed for objective performance measures.⁵⁴ More research is needed to better understand the role of race in performance management.

Performance ratings can also vary for men and women. Women tend to receive lower ratings in jobs done mostly by men, such as construction.⁵⁵ Here, stereotypes about who should perform the job seem to sway rater evaluations. Citizenship performance also has different effects for men and women. When women engage in citizenship behavior by helping others, their performance ratings don't necessarily improve as a result, but their ratings go down when they withhold help. In contrast, men don't get lower ratings when they withhold help, but they get higher ratings when they engage in citizenship behavior. The likely explanation is once again stereotyping. Raters assume that women should be more helpful and cooperative than men. Women are punished when they don't behave in accordance with the stereotype.

Ratings thus may be biased because of both race and sex. One way to overcome bias is simply to make raters aware of it. Another solution is to ask raters to generate lists of instances where they have observed both positive and negative behaviors, and then review the list before completing ratings. Writing lists of each type of behavior seems to reduce unconscious bias from negative stereotypes.⁵⁶ Obtaining ratings from multiple sources, since it is unlikely that all the raters will have the same prejudices, is also helpful for reducing the negative impact of rater biases.

Situational Influences

Suppose you have been given the task of mowing the grass at an exclusive golf resort. Strong thunderstorms roll in every day for a week and prevent you from being able to mow. At the end of the week, your supervisor, who

has been away at a golf tournament, calls you and asks why the lawn has not been mowed as requested. Of course, your answer is that the thunderstorms prevented you from completing your assigned work tasks. The thunderstorms are an example of **situational influences**, which are factors outside the control of workers that influence performance.

In the golf example, it is fairly easy to identify the situational influence that led to lower work performance. Situational factors are not always so easy to identify, but certain factors are fairly common. Table 8.1 lists some common situational influences that can either facilitate or inhibit performance outcomes.⁵⁷ Another common situational factor is the actions of other people such as coworkers.⁵⁸ Clearly, these situational factors can influence the contribution an employee makes to the organization.

Research suggests that subjective ratings are frequently contaminated and deficient because raters fail to account for situational influences.⁵⁹ However, it is at least possible for raters to adjust subjective evaluations to control for situational factors.⁶⁰ Situational influences present a greater problem for objective, outcome-oriented performance measures.⁶¹ Factors outside the control of the employee often influence production, which is the primary basis for outcome-oriented measures. For instance, one study found great variation in the amount of sales dollars taken in each week by sales representatives. Changes from week to week were largely explained by the number of referrals that the sales representative received from the central office at the beginning of the week. In this case, the measure of sales income is contaminated by the number of referrals.⁶²

Although it is impossible to identify all possible situational influences, a few steps can be taken to minimize the biases they create. First, raters can be trained to take situational influences into account. Second, consistent biases, such as difficulty of a sales territory, can be identified and assessed to get a clearer picture of their impact on objective, outcome-oriented measures. Finally, a variety of different measures can be used. Combining information from a number of different measures reduces the contamination present in any single measure.

Changes over Time

Another problem with measurement is that performance may not be consistent across time. An example of this effect for baseball players is described in the “How Do We Know?” feature on the next page.

Situational influences

Factors that affect performance but that are outside the control of the employee being rated.

Table 8.1 *Situational Factors Influencing Performance*

- | |
|---|
| 1. Job-Related Information—Rules, Policies, Informal Procedures |
| 2. Tools and Equipment—Machinery and Instruments |
| 3. Materials and Supplies—Ingredients and Components |
| 4. Budgetary Support—Financial Resources |
| 5. Required Services and Help from Others |
| 6. Task Preparation—Education and Training from Organization |
| 7. Time Availability—Interruptions and Alternative Obligations |
| 8. Work Environment—Noise, Temperature, Space, Lighting |

Source: Information from Lawrence H. Peters and Edward J. O'Connor, “Situational Constraints and Work Outcomes: The Influences of a Frequently Overlooked Construct,” *Academy of Management Review* 5 (1980): 391–397.



How Do We Know?

DOES PERFORMANCE CHANGE OVER TIME?

Does performance improve as workers gain experience? Is gaining experience more helpful for some than for others? Can performance actually get worse the longer someone performs a job? David Hofmann, Rick Jacobs, and Steve Gerras sought to answer these questions by exploring performance change for professional baseball players.

The researchers collected batting averages for 128 players and earned run averages for 76 pitchers. They found substantial differences in the players' patterns of performance. Performance changed more rapidly for some than for others. The rank-order of players changed so that the top players in any given year were often not the top players in other years. Across years, performance increased

for some, decreased for others, and showed little change for still others.

The Bottom Line. Performance is frequently unstable across time. For some people, performance improves over time, but for others, performance declines. This suggests that capturing performance at only one point in time may not provide an accurate assessment of long-term contribution. The study authors conclude that people with high performance at one point in time may not necessarily have high performance at a later point.

Source: Information from David A. Hofmann, Rick Jacobs, and Steve J. Gerras, "Mapping Individual Performance over Time" *Journal of Applied Psychology* 77 (1992): 185–195.

Performance can vary over time because of differences in motivation. For example, an incentive such as a special bonus may motivate employees to achieve high performance for a short period. Measuring this short-term achievement may result in an assessment that is quite different from an assessment that reflects typical performance on most days.⁶³ Changes in performance may also follow specific patterns of increasing or decreasing contribution.⁶⁴ The most common pattern for someone new to a job is a period of rapidly increasing performance followed by a fairly stable plateau.⁶⁵ Not everyone follows the same pattern, however. Performance for people with certain characteristics, such as conscientiousness, tends to increase more rapidly than the performance of others.⁶⁶

Unfortunately, differences in performance across time have the potential to decrease the accuracy of the appraisal process, which causes problems in other areas of human resource management. For instance, a number of researchers have suggested that changes in performance across time may reduce the effectiveness of selection measures.⁶⁷ This might occur if cognitive ability is critical for high performance in early stages of the job, but conscientiousness is more critical once the job tasks have been mastered. The benefits of hiring people with high cognitive ability might go away after people have been on the job for a certain period of time. In this case, using performance measures taken soon after someone begins a job may result in the organization not having a good idea about who performs well over time, which in turn may result in hiring the wrong type of employee. Another example involves using appraisal results to determine training needs. Poor decisions about training may be made if the performance measure fails to capture aspects of performance that change over time.

How can organizations deal with appraisal issues related to variability of performance over time? Some evidence shows that supervisor ratings can account for variance over time by capturing trends, suggesting that subjective assessments may present a somewhat acceptable approach.⁶⁸ A specific solution to the time problem is to obtain performance measures at many different times. Another possibility is to use a measure that reflects what is most important to the organization. For some tasks, such as working on an assembly line, typical performance may be most relevant. For other tasks, such as developing a marketing plan, maximum performance may be more important. The key is to base the timing of performance measurement on the nature of the desired contribution.

RATING FORMATS

Rating format concerns the type of instrument used to obtain ratings. Several different formats, most of which are probably familiar to you, exist for assessing performance. Each of the formats has strengths and weaknesses, and no method is always better than the others. The key to a successful appraisal is to choose the format that best accomplishes the purpose of the appraisal.

Narrative Ratings

One format is the narrative rating. Organizations that use **narrative ratings** ask supervisors or other raters to simply provide a written description of performance. You have experienced such a rating if a professor has written a note evaluating a paper you have turned in. A benefit of narrative ratings is that they can be tailored to describe specific, and perhaps unique, aspects of performance. A stock analyst may have a specific set of goals and circumstances that does not apply to other analysts. In this case, the narrative rating allows the analyst's supervisor to make comments and evaluations that apply only to that analyst. Such comments can also be very helpful for improving future performance.

Personalized ratings can, however, create problems when it comes to comparing the performance of different individuals. The lack of consistent measurement makes it difficult to determine which employees are high and low performers, which in turn creates problems for training and compensation. Narrative ratings are thus best for providing feedback in organizations where decisions related to training, promotions, and compensation are not based on comparisons with other employees.

Graphic Ratings

Perhaps the most common rating format uses graphic scales. With **graphic ratings**, raters are asked to provide a numerical rating for a number of different dimensions of work performance.

Graphical ratings can be designed to measure either outcomes or behaviors. Common dimensions of performance include quality of output, quantity of output, cooperation with others, and skill development. For each performance dimension, the rater is asked to place the employee in a specific rating category. Most scales have between three and seven rating categories, each represented by a number. For example, a scale with three categories may include a rating of 1 for unsatisfactory performance, 2 for average performance, and 3 for outstanding performance.

Narrative ratings

A rating format that asks raters to provide a written description of an employee's performance.

Graphic ratings

A rating format that asks raters to provide a numerical score for an employee on each of several dimensions of performance.

Directions: Please circle the number that you feel best describes this worker's performance for each work dimension.

Worker's Name _____

		Unsatisfactory	Marginal	Satisfactory	Good	Outstanding	
Quality of Work Performed		1	2	3	4	5	
Quantity of Work Performed		1	2	3	4	5	
Timeliness of Completing Work		1	2	3	4	5	
Cooperation with Others		1	2	3	4	5	
Innovation and Creativity		1	2	3	4	5	

Figure 8.4 Graphic Rating Scale.

One benefit of graphic ratings is that all employees are rated on a common set of dimensions, which makes it easy to compare employees with one another. A problem is that some performance dimensions may not apply to some employees. Raters who use graphical scales are also prone to rater errors, as described earlier. In many cases, raters who use graphical ratings end up giving most employees a similar score—the central tendency error. This tendency to rate people similarly makes graphical ratings best suited for organizations that are pursuing cost-reduction strategies and encouraging employee parity. Figure 8.4 shows an example of a graphic rating scale.

Forced Rankings

Another rating format is **forced ranking**, which occurs when a rater is required to rank all employees. For example, an office manager might be asked to rank the office's five secretaries in order from highest performer to lowest performer. A class ranking in which all students are ordered from highest GPA to lowest GPA is another example of such a measure.

The forced ranking technique eliminates central tendency error and provides clear guidance for organizations that want to give promotions and pay raises to top performers. Many supervisors are uncomfortable with rankings, however, because a high proportion of their employees perform at essentially the same level. Forced ranking formats are thus best for organizations that encourage competition among employees, which makes them most suitable for organizations that use merit-based performance management to pursue differentiation strategies.

Forced Distributions

A rating format that combines the graphic rating with the forced rating is a forced distribution. As mentioned earlier, this format requires that a certain percentage of employees be placed in each rating category. A supervisor of computer programmers, for instance, may be required to rate 50 percent of them as average, 30 percent as outstanding, and 20 percent as unsatisfactory. Raters tend not to like forced distributions because they perceive them as less fair and more difficult to complete.⁶⁹ Yet, this format represents a compromise

Forced ranking

A rating format that asks raters to directly compare the contribution of an employee with the contribution of other employees.

between the graphical format, which allows everyone to receive the same ranking, and the forced ranking format, which requires a different score for each person being rated. Because they encourage competition, forced distribution formats emphasize merit and are most suitable for organizations pursuing differentiation strategies.



CONCEPT CHECK

1. *How do contamination and deficiency affect performance ratings?*
2. *What is the difference between objective and subjective measures? How do outcome and behavioral measures differ?*
3. *What are three common problems that affect performance ratings?*
4. *What are the strengths and weaknesses of various rating formats?*

LEARNING OBJECTIVE 4

Who Should Measure Performance?

Students' performance is usually measured by a professor. What would happen if students rated their own performance? Would their grades be higher than the grades given by the professor? What about having other members of the class determine each student's grade? Would that be fair? Would everyone's grade be the same? If students received ratings from the professor, other students, and themselves, how similar would those different types of ratings be? These are important issues related to who should carry out performance appraisals. As you will see, it's a good idea to have more than one source of performance measurement.

MULTISOURCE PERFORMANCE RATINGS

Just as grades usually come from professors, employee ratings usually come from supervisors. Most organizations place the primary responsibility for managing employees with supervisors, making performance appraisal one of their most important tasks. In most cases, this makes sense, because supervisors are in a good position to evaluate what tasks need to be done, whether the employee is performing the right tasks, and how well the tasks are being performed. However, a supervisor may not see the complete picture, and supervisors have biases that can unfairly influence the ratings. In other words, ratings from supervisors suffer from both deficiency and contamination. Gathering information and ratings from multiple sources is thus a key to effective performance appraisal.

The process of obtaining performance ratings from multiple sources is known as multisource ratings, or sometimes as 360-degree appraisal. Based on the notion that a completed circle has 360 degrees, **multisource performance ratings**

Multisource performance ratings

Performance ratings obtained from a variety of raters such as customers, coworkers, supervisors, and self.

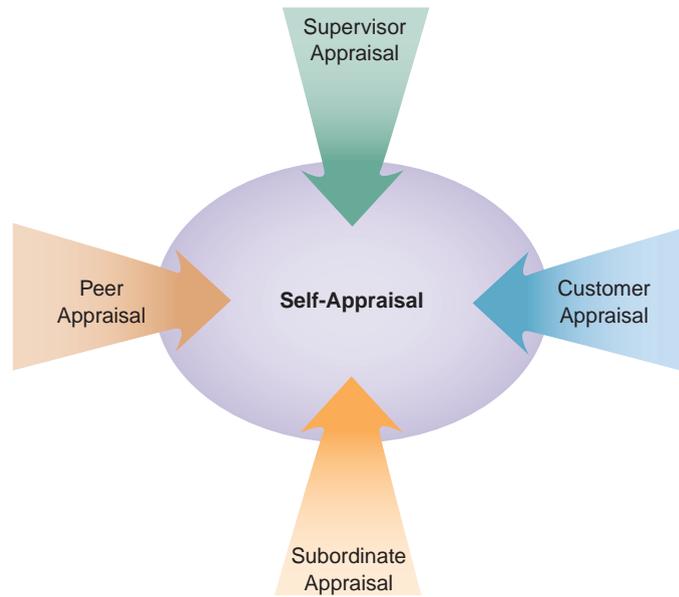


Figure 8.5 360-Degree Performance Appraisal. This is an example of multisource performance ratings.

seek to evaluate performance by obtaining information from multiple raters who have different perspectives. Figure 8.5 shows a typical 360-degree rating approach. Ratings are usually obtained not only from supervisors but also from coworkers and the employees themselves. If the person being rated is a supervisor, ratings are also obtained from the subordinates he or she supervises. Some organizations obtain ratings from customers and suppliers as well. The multiple ratings give a more complete picture of performance and usually provide better guidance about what the employee can do to improve.⁷⁰ These benefits can be enhanced by having the various raters meet together and discuss their evaluations.⁷¹ Multisource ratings are also a method of increasing employee satisfaction with the performance appraisal process.⁷²

RATING SOURCE DIFFERENCES

One concern about multisource ratings is that the measures from different sources often do not agree.⁷³ In particular, researchers have found that self-assessments tend to differ from ratings provided by others.⁷⁴ In some cases, particularly in cultures that value modesty, self-ratings can be lower than ratings by others.⁷⁵ But in most cases, self-ratings are higher than ratings provided by supervisors and peers.⁷⁶ Interestingly, self-ratings are still high but more similar to ratings provided by others for women, as well as for employees who are younger, less experienced, more educated, and white. Part of this effect occurs because experienced, nonwhite males seem to overrate their own performance more than others. In addition, ratings from others tend to be lower for people who are older and less educated, contributing to a larger difference between self-ratings and ratings from others for older, less educated employees.⁷⁷ These issues reflect potential biases in self-ratings, another problem is that people with lower performance are the very ones who are less accurate in their self-appraisals. Lack of perception that keeps some employees from performing well also makes them less accurate in their self-assessments.⁷⁸

Self-ratings and ratings from others differ for several reasons. One reason is that people generally have a self-serving bias—that is, they want to see themselves in the best possible light. People may also rate themselves higher because they have more opportunities than anyone else to observe their own work contributions. Finally, there may be disagreement over standards.⁷⁹ For this reason, self-ratings and ratings from others become more similar when organizations establish clear standards to describe high performance⁸⁰ and when the employees being rated have more knowledge about the performance appraisal system.⁸¹ Perceptions of performance also tend to be more similar when the person being rated and the other rater are both highly conscientious. This similarity may arise because both raters focus mostly on task contributions, leading to increased objectivity.⁸²

Whereas self-ratings and ratings from others often differ, ratings from peers and supervisors tend to be quite similar.⁸³ The one exception occurs when the person being rated performs very poorly; peer ratings in this case are not as low as ratings from supervisors.⁸⁴ Evidently, many peers are not willing to give low ratings to people with whom they work closely, even when those people might deserve low ratings. Regardless of whether peer ratings are consistent with supervisor ratings, simply obtaining peer ratings can be beneficial. In workgroups that use peer ratings, group members have better relationships with each other and focus more on task completion.⁸⁵

Even though ratings from supervisors and peers are similar, they are not identical, suggesting that perceptions of performance may not always be consistent. Indeed, even assessments from raters representing the same source—such as ratings from a number of different peers—tend to disagree somewhat.⁸⁶ Furthermore, ratings from any individual are likely to suffer from various biases, as explained earlier. Fortunately, many of the biases of one rater can be offset by different biases of another rater. Each of the ratings can focus on a somewhat different aspect of performance and thereby provide unique information about how well an employee is performing.⁸⁷ Obtaining ratings from a large number of sources and raters thus provides the best picture of overall contribution to the organization.



CONCEPT CHECK

1. Who usually provides evaluations for multisource performance ratings?
2. How are self-ratings of performance different from ratings provided by others?

LEARNING OBJECTIVE 5

How Should Feedback Be Provided?

Effective performance management requires more than simply measuring employee contributions. If such measurements are to result in improved performance, employees must receive information about how well they are performing. That is, they must be given **feedback**. Trying to improve performance without feedback can be highly frustrating. Just imagine taking an algebra test

Feedback

Information given to employees to communicate how well they are performing.



Technology in HR

FEEDBACK THROUGH TWITTER AND FACEBOOK

Many employees do not want to wait until their formal performance appraisal interview to receive feedback. They get this information in real time from the people in their online networks. For example, after making a presentation, an employee may tweet to ask others in the room how he or she did. The immediate response from friends is often helpful for improving future behavior. Of course, the accuracy of the feedback depends on who receives the initial tweet and how willing they are to be honest with the presenter.

Wiki technology provides another mechanism for receiving feedback. A manager posts feedback and then allows others to add their perceptions.

Some employees might be uncomfortable receiving feedback in such a public way, but online discussion can open communication channels.

For years managers and trainers have wondered about ways to provide employees with more ongoing feedback. Although social networking sites such as Twitter and Facebook were not developed for this specific purpose, they do provide an easy means for providing rapid, ongoing information. Of course, businesses are also developing dedicated software that can be tailored to the specific task of providing employees with feedback.

Source: Pat Galagan, “Dude, How’d I Do?” *T+D* 63, no. 7 (2009): 26.

and never finding out whether you solved the problems correctly. You might become aggravated and unwilling to continue working problems. You would also be unlikely to get much better at algebra until you learned what you might be doing wrong. In the same way, employees who do not receive feedback tend to become dissatisfied and perform at suboptimal levels. Feedback is thus desired by most employees. In fact, the accompanying “Technology in HR” feature describes how many younger employees are using Twitter and Facebook to ask for feedback.

Several hundred studies have examined the effect of feedback on performance and have found that people who receive feedback generally perform better than people who do not. In some cases, though, receiving feedback actually decreases performance. In other words, feedback has a positive effect on performance in most instances but can have a negative effect in some cases.⁸⁸

Before discussing specific ways to make feedback more effective, it is important to note that feedback can have a lasting positive influence on performance. Effective feedback reduces perceptions of negative workplace politics and thereby increased worker morale.⁸⁹ Improvement from feedback is greatest when the person receiving the information feedback perceives a real need to change and believes that he or she has the skill and ability to do what is needed to perform at a higher level.⁹⁰ Formal feedback meetings, usually held once or twice a year, provide a setting for communicating these matters. As described in the “Building Strength Through HR” feature, much of the benefit of feedback comes from two-way discussions between supervisors and employees. Employees who meet with their evaluators gain more from feedback than do employees who are only given written appraisals.⁹¹



Building Strength Through HR

WHIRLPOOL CORPORATION

Whirlpool Corporation is an international manufacturer of household appliances that employs nearly 70,000 people and has annual sales of \$19 billion. Although the depressed economy and decreased home building slowed the growth of Whirlpool, the company continued to excel by emphasizing cost reduction and performance improvement. Performance management is an important part of the overall effort to increase productivity. A number of years ago, Whirlpool streamlined its performance management process to help managers save time. Most feedback was provided through email exchanges. Unfortunately, the streamlined process was ineffective. Whirlpool thus revised its feedback process to include more face-to-face interaction. Specific features of the new appraisal and feedback process include the following:

- Managers are required to meet with each employee at least four times during the year to discuss performance and provide feedback.
- Employees write personal objectives that they share with supervisors. At least one objective must focus on a stretch goal for exceptional performance.
- Managers now spend a significant amount of time coaching and developing employees, which organizational leaders identify as the true role of a manager.



Sources: Bill Stopper, "Innovation at Whirlpool: Embedment and Sustainability," *Human Resource Planning* 29, no. 3 (2006): 28; Erin White, "For Relevance, Firms Revamp Worker Reviews," *Wall Street Journal*, July 17, 2006, p. B1; CEC Council, *CIO* 23, no. 6 (2010); Bob Tita, Corporate News: Whirlpool Earnings Tumble," *Wall Street Journal*, October 24, 2009, p. B5.

PROVIDING POSITIVE AND NEGATIVE FEEDBACK

Feedback can be classified as either positive or negative. Messages communicating high performance convey **positive feedback**. A sales representative who exceeds her sales quota receives positive feedback when her supervisor congratulates her for doing so well. Messages communicating low performance and a need to improve convey **negative feedback**. A parts assembler receives negative feedback when a supervisor tells him that one-half of the components he produced failed the quality test.

The model shown in Figure 8.6 explains how positive and negative feedback relate to motivation. Positive feedback leads to higher motivation when employees expect to receive benefits from continued high performance. This

Positive feedback

Information that communicates things that an employee is doing well.

Negative feedback

Information that communicates things an employee needs to change in order to improve.

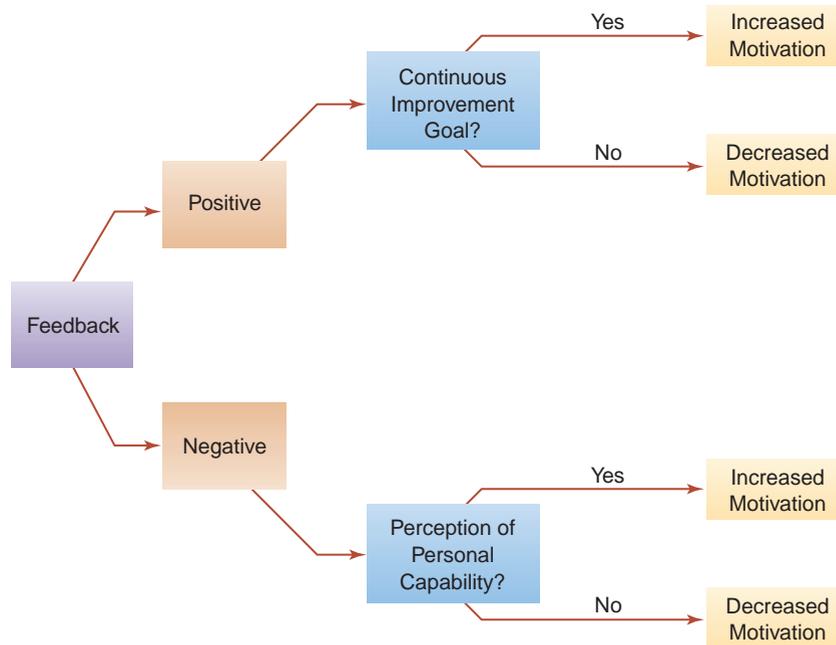


Figure 8.6 Effects of Positive and Negative Feedback. *Source:* Information from Avraham N. Kluger and Angelo DeNisi, “The Effects of Feedback Interventions on Performance: A Historical Review, A Meta-Analysis, and a Preliminary Feedback Intervention Theory,” *Psychological Bulletin* 119(1996): 254–284.

suggests that in many cases, positive feedback increases motivation when it is linked to future goals. Positive feedback, then, creates a sense of accomplishment that encourages sustained effort as long as employees have goals that provide them with the opportunity to further excel.

The influence of negative feedback on performance is somewhat less clear. Employees who perceive negative feedback as criticism become less motivated and more likely to experience conflict with others.⁹² The basic problem is that people become defensive when they hear that they are not performing as well as expected. As shown in Figure 8.6, the initial reaction of employees who have received negative feedback is to increase their effort. But they will continue to put forth greater effort only if they experience success or believe that success is likely. In other words, negative feedback only improves performance when people are confident that they can do what is necessary to improve.⁹³ Building confidence and helping people see that they have the skills necessary to improve is therefore one important consideration in making sure that negative feedback improves performance.

EFFECTIVELY COMMUNICATING METHODS FOR IMPROVEMENT

Of course feedback is helpful only if it results in employees doing things differently. Feedback should thus be communicated in ways that increase the likelihood that employees will actually change their behavior. Table 8.2 provides several keys for successful feedback meetings. People are most likely to accept and act on feedback when they perceive that it is accurate, suggesting that the person giving the feedback must be seen as credible.⁹⁴ The first key to

Table 8.2

Conducting Appraisal Interviews

1. Place the employee at ease with small talk.
2. Allow the employee to share his or her perspective before you share yours.
3. Be positive and use action-oriented behavioral terms.
4. Use specific and measurable expressions.
5. Avoid comparing the employee to yourself or others.
6. Balance negatives with positives; start with a positive.
7. Spend time planning for improvement.

Source: Information from David Javitch, "Appraising Employee Performance," *Management Services* 50, no. 3 (2006): 19–20.

effectively communicating feedback is thus to build a relationship so that the receiver has confidence in the supervisor's ability to provide helpful advice. Employees who feel that their leader cares about them and looks out for their best interests are more likely to seek out and respond to negative feedback.⁹⁵ Feedback is also improved when supervisors clarify the behaviors they are looking for when they evaluate employees,⁹⁶ suggesting that it is useful for supervisors to provide clear descriptions of specific behaviors they hope to observe. For example, a sales supervisor who wants an employee to be more proactive in preparing for meetings with clients might describe specific behaviors, such as gathering relevant sales figures and preparing potential responses to clients' excuses for not making a purchase. Supervisors also communicate effectively when they continue to build relationships by treating employees as individuals and taking into account personal circumstances. In the end, then, feedback is more likely to be accepted when the person giving it has a good relationship with the receiver and when the message is clear enough that the receiver knows exactly what to do to improve.⁹⁷

The importance of providing clear direction is captured in the principle of **feedback specificity**, which concerns the level of detail in the message. Specific feedback provides detailed descriptions of actions and outcomes and is good for communicating what someone has done to achieve success. In addition, specific feedback facilitates quick learning of skills when the skills are clearly defined and carried out in environments that do not change.⁹⁸ Providing a very detailed description of the optimal steps for bolting a bumper on a car is an example. Carefully describing each and every detail is helpful because the process has been thoroughly studied and optimal methods of performance have been identified. Furthermore, bolting car bumpers onto cars is a process that doesn't vary much from environment to environment.

Specific feedback is not always optimal, however. Less specific feedback encourages people to explore and try alternative methods for accomplishing tasks. In some cases, giving very specific feedback can inhibit learning. An example might involve giving specific feedback about how to operate a properly functioning machine. The feedback is helpful as long as the machine operates as it should. However, the specific feedback may inhibit the machine operator from exploring different methods of interacting with the machine. This may prevent the operator from learning more about how the machine operates.⁹⁹

We can conclude, then, that specific feedback is best for communicating how to do clearly defined tasks that do not change. However, specific feedback may discourage employees from learning that extends beyond knowing how

Feedback specificity

The level of detail in communication, which can range from broad information about overall performance to specific information about certain actions.

to follow prescribed procedures. To improve performance in such instances, it may be better to provide feedback that is not so specific that it suggests that there is only one best way of doing something.

Another factor that influences whether someone benefits from feedback is the extent to which the receiver can do what is necessary to improve. Feedback is more likely to be accepted when it focuses on things that an individual can actually change.¹⁰⁰ Focusing on factors outside the control of the employee increases frustration and does not provide a path for improving future performance. A store clerk who receives negative feedback because of low sales figures during a snow storm, for example, is left with a sense of confusion and little guidance for how to improve future performance. Supervisors are thus most effective when they communicate about issues the employee can control.

REDUCING NEGATIVE EMOTIONAL RESPONSES

Think of a time when you received a very poor grade on an assignment or exam. What was your initial reaction? Were you angry? disappointed? Did you feel like a failure? Perhaps you wanted to quit trying. Were you upset with the professor who wrote and graded the exam? Did you commit yourself to work harder and make sure you received a better grade the next time?

People who receive feedback, particularly negative feedback, experience a wide range of emotions. These emotions have a lot to do with the effect of feedback on performance. Feedback that is channeled through positive emotions generally improves performance, whereas feedback that is channeled through negative emotions often causes performance to become worse.¹⁰¹

Negative emotions such as fear, anger, sadness, and guilt harm performance because they focus attention away from future tasks. Feedback is thus most likely to lead to better performance when it is presented in ways that do not bring out negative emotions.¹⁰² Effective leaders who have good relationships with employees are able to give feedback that doesn't make recipients feel negative.¹⁰³ Ideas for presenting feedback in ways that reduce negative emotion are shown in Table 8.3.

Positive emotions that accompany feedback generally focus on learning and skill development. In addition, feedback that specifically teaches new skills can be effective for showing employees what they can do to improve future performance.¹⁰⁴ Organizations that develop a culture of providing ongoing feedback that emphasizes improvement rather than criticism are thus most effective in communicating methods for enhancing performance.¹⁰⁵

Individuals who approach life with an orientation toward learning and improving themselves benefit most from receiving feedback.¹⁰⁶ People with positive self-concepts are also more likely to react positively to feedback.

Table 8.3

Giving Employee Feedback

1. Focus comments on the task rather than the person.
2. Combine feedback with goals for improvement.
3. Describe behaviors in an unemotional manner.
4. Focus on what is observed rather than underlying causes.
5. Remain nonjudgmental.
6. Provide clear examples to support points.

When employees have a strong sense of self-worth and confidence in their abilities, they generally perceive negative feedback as intended to improve performance rather than to criticize and tear down.¹⁰⁷ Hiring skilled workers who have a desire to continuously improve is thus one way to ensure successful performance management.

BUILDING HIGH EXPECTATIONS

One interesting aspect of feedback is its potential to communicate high expectations. Performance often rises to the level of expectations that leaders have for their followers. The effect by which high expectations lead to better performance is often labeled the **Pygmalion effect**. A number of studies have shown that the Pygmalion effect operates in work organizations, where high expectations translate into improved job performance.¹⁰⁸ Supervisors who perceive their employees as having exceptional ability communicate greater confidence, which in turn raises the employees' performance.¹⁰⁹ Supervisors can therefore improve their feedback by clearly communicating high expectations for future performance. How do supervisors communicate high expectations? By telling employees that they have confidence in their abilities and by providing models so that employees can see that others have succeeded.¹¹⁰

Pygmalion effect

A process whereby performance increases when leaders have high expectations about the skills and capabilities of followers.



CONCEPT CHECK

1. What are keys to effectively giving positive feedback? How should negative feedback be given?
2. What can be done to reduce negative emotional reactions to feedback?

A MANAGER'S PERSPECTIVE REVISITED

IN THE MANAGER'S PERSPECTIVE THAT OPENED THE CHAPTER, TYRONE WAS CONCERNED ABOUT PERFORMANCE RATINGS AND FEEDBACK. HE WONDERED WHETHER HIS RATINGS WERE ACCURATE, AND HE FELT ANXIOUS ABOUT THE NEED TO COMMUNICATE LOW RATINGS TO SOME EMPLOYEES. FOLLOWING ARE THE ANSWERS TO THE "WHAT DO YOU THINK?" QUIZ THAT FOLLOWED THE MANAGER'S PERSPECTIVE. WERE YOU ABLE TO CORRECTLY IDENTIFY THE TRUE STATEMENTS? CAN YOU DO BETTER NOW?

1. Employee rating systems are of no value unless at least some employees receive low ratings. **FALSE.** Parity-based rating systems are helpful for organizations with

strategies that do not benefit from identifying differences among employees whose performance is adequate.

2. When completing performance ratings, it is best to focus only on whether an employee completes tasks and not on how well he or she works with others. **FALSE.** Citizenship performance and counterproductive performance are important aspects of contribution that should be reflected in ratings.



3. Objective measures of performance, which are represented by things that can be counted, are better than subjective measures such as supervisor judgments. **FALSE.** Like subjective measures, objective measures can suffer from contamination and deficiency.
4. Self-ratings of performance are usually higher than ratings provided by others. **TRUE.** Because of self-serving biases, people usually give themselves ratings that are higher than the ratings others give them.
5. Employee performance increases when supervisors communicate high expectations. **TRUE.** Performance in organizational settings is higher when leaders believe

employees are capable and communicate their high expectations to the employees.

Although conducting performance appraisals is a difficult task, Tyrone's effort is likely to pay off. Tyrone should take into account all aspects of performance. Given his need to improve store performance, he should also differentiate employees so that the individuals who are not performing at an adequate level can be identified. As explained in this chapter, carefully appraising performance and giving feedback to employees are key methods for improving organizational productivity.

SUMMARY

LEARNING OBJECTIVE 1

How is performance management strategic?

Merit-based systems use relative measures and forced distributions to recognize high performance. Because they encourage competition and stretch goals to foster innovation and high quality, merit-based systems are usually adopted in organizations that pursue either Free Agent or Committed Expert HR strategies. Parity-based systems incorporate absolute measures and free distributions to encourage cooperation. These systems are usually less costly and can recognize most employees as high performers, which aligns them most closely with Bargain Laborer and Loyal Soldier HR strategies.

LEARNING OBJECTIVE 2

What is performance?

Job performance represents the contribution individuals make to an organization. Most specific

measures of job performance are related to one another and combine to create a general performance factor that represents overall contribution to the organization. Task performance, citizenship performance, and counterproductive performance represent three main dimensions of the general performance factor. Task performance contributes to the actual production of goods and services. Employees who excel at task performance need both declarative knowledge (an understanding of what needs to be done) and procedural knowledge and skill (the ability to perform the necessary actions). Citizenship performance contributes to the social and psychological environment of the organization. Organizational citizenship behavior benefits the entire organization, whereas interpersonal citizenship behavior is directed toward specific individuals. Counterproductive performance harms the organization. Production and property deviance are forms of counterproductive performance directed toward the entire organization. Political deviance and personal aggression are forms of counterproductive performance that are directed toward specific individuals.

LEARNING OBJECTIVE 3

How is performance measured?

The goal of performance appraisal is accurate portrayal of each employee's contribution to an organization. Appraisal measures that measure things unrelated to contribution suffer from contamination. Measures that fail to capture things that do relate to contribution suffer from deficiency.

Organizations use a variety of methods to appraise performance. Objective performance measures are based on counts of behaviors and outcomes, while subjective measures are based on judgments from raters. Outcome measures focus on end results, whereas behavior measures assess employees' actions. Each type of measure may suffer from contamination and deficiency.

Performance ratings suffer from a number of problems. Raters may commit various errors, including central tendency error, contrast error, halo error, recency error, and primacy error. Rating errors that result in consistently lower scores for people with certain characteristics suffer from rater bias. Objective ratings are particularly susceptible to situational influences, which are factors outside the control of employees. In addition, performance frequently changes across time, so an assessment at a given time may not accurately reflect overall performance. Various rating formats have strengths and weaknesses. Because of these problems, organizations tend to adopt a combination of measures that operate together to provide a more accurate picture of overall contribution.

LEARNING OBJECTIVE 4

Who should measure performance?

Performance ratings should be obtained from multiple sources. An example of an effective measurement of this sort is the multisource performance rating, which includes information not only from supervisors but also from coworkers, subordinates, customers, and employees themselves. Each of these sources can provide information about different aspects of an employee's contribution to the organization.

LEARNING OBJECTIVE 5

How should feedback be provided?

Feedback provides information to employees so that they know how well they are performing. Feedback is most effective when the employee receiving it perceives a need to change and believes in his or her ability to do what is needed for improvement. Positive feedback increases performance when it is linked to goals for continued improvement. Negative feedback increases performance when the individuals receiving the feedback are confident in their abilities. Specific feedback is good for communicating how to accomplish well-defined tasks. However, providing very specific feedback can stifle learning and exploration. Feedback should be presented in a way that reduces negative emotions. An organization can nurture positive emotions by developing a culture of ongoing feedback that encourages continuous learning and development. Leaders can also improve performance by communicating high expectations for followers.

KEY TERMS

absolute measures 295
 central tendency error 305
 citizenship performance 298
 contamination 302
 contrast error 305
 counterproductive performance 298
 declarative knowledge 298
 deficiency 302

feedback 313
 feedback specificity 317
 forced distribution 294
 forced ranking 310
 frame-of-reference training 305
 free distribution 295
 general performance factor 297
 graphic ratings 309

- halo error 305
- interpersonal citizenship behavior 299
- job performance 297
- merit-based system 294
- multisource performance ratings 311
- narrative ratings 309
- negative feedback 315
- objective performance measures 303
- organizational citizenship behavior 299
- parity-based system 295
- performance appraisal 301
- performance management 292
- personal aggression 300
- political deviance 300
- positive feedback 315
- primacy error 305
- procedural knowledge and skill 298
- production deviance 300
- property deviance 300
- Pygmalion effect 319
- rater bias 306
- recency error 305
- relative measures 294
- situational influences 307
- subjective performance measures 303
- task performance 297

DISCUSSION QUESTIONS

1. Would you prefer working under a merit-based or parity-based performance management system?
2. How do you think employees might react to a change from a parity system to a merit system? How about a change from a merit system to a parity system?
3. Which do you think is most important: task performance, citizenship performance, or counterproductive performance? Why?
4. Have you ever observed an employee with high task performance but low citizenship performance? If so, describe that situation. If not, describe a scenario in which you think such performance might occur.
5. Why do you think instances of counterproductive performance are rising? What do you think should be done to decrease counterproductive performance? Is teaching ethics in management classes a good solution?
6. What are typical sources of contamination and deficiency in objective measures of job performance?
7. What are some situational influences that affect your performance as a student? Would it be fair for professors to take into account situational influences when assigning grades?
8. What factors might explain differences between coworker and supervisor ratings?
9. How do you react to negative feedback? What might you do to help yourself and others benefit more from negative feedback?
10. Why do we treat people we think have high ability differently than people we think have low ability?

EXAMPLE CASE

Medical Center

This healthcare organization provides a wide array of services including inpatient services, transitional care services, and outpatient treatment and testing.

A few years ago, the facility changed its performance appraisal methodology. It shifted from a subjective performance appraisal system to a more objective rating system that focused on the actions and behaviors of the employee. This shift can be considered as a good move because the use of behavior-based scales tends to overcome evaluation errors that plague more subjective evaluations. Employee evaluations in this organization were performed once a year.

The performance appraisal system was instituted in this healthcare organization as a four-step process:

Step 1: The employee performs a self-appraisal first by completing an appraisal sheet and then submitting it to his or her supervisor. Employees generally welcome use of self-appraisal, and it tends to decrease defensiveness about the process.

Step 2: The supervisor then responds to the same questions the employee had previously answered based on his or her perceptions and observations of the employee's performance.

Step 3: Finally, the supervisor and employee meet and discuss the ratings on the evaluation.

Step 4: The results of the evaluation are intended to then be used as a guiding tool to determine the annual raise of the employee.

The questions in the performance evaluation questionnaire were divided into two sections. The first section was based on the overall organizational standards that had been set for the entire hospital. Areas addressed in this section include professionalism, efficiency, quality of work, respect, and service. Every employee, full-time and part-time, has to complete this section of the performance appraisal. The second section of the appraisal consisted of various competencies for each individual position. These competencies were specific to the tasks required to fulfill the duties of the individual in their respective positions. The competencies, varying greatly from position to position, were based strictly on duties required for that position. This is important, as having similarly situated employees evaluated on like criteria improves the consistency of the appraisal process.

In this healthcare organization, both the employee and the supervisor were instructed on the evaluation instrument to rate the employee on each of the areas on the following scale:

- 0 = Not Applicable
- 1 = Does Not Meet Expectations
- 2 = Meets Expectations
- 3 = Exceeds Expectations

This system was implemented to improve performance appraisals and make them more objective. The use of the same evaluation form throughout the organization improved the consistency in the evaluation process.

The healthcare organization also used some guidelines regarding what should be done if an employee obtained a certain score. Here is a brief description of the organization's policies. If the person being rated received a mark of 1 or 3, then documentation had to be provided to justify that rating. Also, if the employee was given a rating of 1 by the supervisor, then some method of learning was to be designed to help the employee to achieve a level of meeting expectations. Following this, the employee was to be reevaluated in this area and was required to demonstrate abilities to meet expectations.

QUESTIONS

1. Do you think the new system is really more objective?
2. Why do you think the organization requires documentation for certain ratings?
3. What strengths do you see in the new system? What weaknesses do you see in the process?

Source: Ashish Chandra and Zachary D. Frank, "Utilization of Performance Appraisal Systems in Health Care Organizations and Improvement Strategies for Supervisors," *The Health Care Manager* 23, no. 1 (2004): 25–40. [Used with permission.]

DISCUSSION CASE

Reliable Underwriters

Reliable Underwriters is a risk management firm that provides insurance services to large organizations. Part of its operation is a claims-processing center that employs 156 clerical workers. These workers interact with clients to answer questions and provide information about the status of claims. Reliable has a corporate objective of obtaining the highest possible customer satisfaction ratings. However, recent customer satisfaction surveys suggest that some of the clerical workers are not adequately meeting clients' needs.

As part of an initiative to increase customer satisfaction, the management team of the claims processing center has decided to change the performance appraisal process. In the past, ratings have been made on a 5-point scale. A score of 5 represented outstanding performance, a score of 1 represented unacceptable performance, and a score of 3 represented average performance. Last year, 135 employees received a score of 4. Only 3 received a score of 5, and only 2 received the lowest rating. Since almost everyone receives the same rating, employees in the claims-processing center have little concern about being evaluated. For the most part, they see performance appraisal simply as a nuisance. However, the newly proposed process will create major changes.

The main change will be the use of a forced distribution. Each supervisor must rate at least 20 percent of employees as outstanding and at least 10 percent as unacceptable. This forced distribution is expected to clearly identify top performers. Low performers will also be identified and encouraged to either improve or seek employment elsewhere.

QUESTIONS

1. Do you predict that the forced distribution will increase customer satisfaction? Why or why not?
2. Which clerical workers do you think will most strongly oppose the change?
3. How do you think supervisors will react to the proposed change?
4. What problems with contamination and deficiency could occur with the forced distribution ratings?

EXPERIENTIAL EXERCISE

Assessing Performance in Sports

Visit an Internet site containing performance data for professional athletes. Examples include the following:

National Football League: www.nfl.com/stats

Major League Baseball: <http://sports.espn.go.com/mlb/statistics>

National Hockey League: <http://www.nhl.com/ice/statshome.htm#?navid=nav-sts-main>

National Basketball Association: www.nba.com/statistics

Examine the statistics for individual players and teams, and answer the following questions.

1. How are these measures of performance deficient and contaminated?
2. Do the statistical measures capture behaviors or outcomes?

3. What statistics might you add to measure citizenship performance?
4. Choose five players and look at their statistics across multiple years. How stable is their performance?
5. Does high individual performance equate with high team performance? Can you identify individual players with good personal statistics whose teams are unsuccessful?

INTERACTIVE EXPERIENTIAL EXERCISE

Performance Appraisal: Delivering Positive and Negative Feedback at Global Telecommunications
<http://www.wiley.com/college/sc/stewart>

Access the companion website to test your knowledge by completing a Global Telecommunications interactive role-playing exercise.

In this exercise it is performance appraisal time for Global Telecommunications. In the past, the company has had problems with several managers who have either failed to complete appraisals of their employees, failed to distinguish among employees in any meaningful way, or failed to evaluate the appropriate information. The company has asked you to modify its appraisal program and to train managers on the benefits and techniques of good performance management programs. In particular, top management wants you to help the company better achieve its Committed Expert HR strategy. How will you modify the program and gain the needed buy-in from individual managers? •

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