How to avoid the 10 biggest problems in performance management

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About the authors

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Abstract

This article describes the 10 most common problems in performance management as it is used in organizations. Each problem is described, why it is a problem is discussed, along with the best ways to fix each. The hope is that this will help organizations design and implement performance management techniques so that they more effectively change employee behaviour.

Keywords: performance, management, feedback, interventions, motivation, engagement, productivity

Introduction

The topic of performance management (PM) has received considerable attention. In a recent review of PM literature, DeNisi and Murphy (2017) highlight the body of work on various PM models, strategies, and practical guidelines (e.g., Aguinis, 2013; DeNisi & Smith, 2014; Kinicki, Jacobson, Peterson, & Prussia, 2013; Pulakos, Mueller-Hanson, O'Leary, & Meyrowitz, 2012). A set of innovative developments in PM have emerged from a call for less formality and greater agility (Pulakos & O'Leary, 2011; Buckingham & Goodall, 2015; Aghina, De Smet, & Weerda, 2017), with new perspectives promoting continual, informal feedback (Pulakos, Hanson, Arad, & Moye, 2015) and focusing on future performance rather than past behaviour (e.g., Kluger & Nir, 2010). Likewise, across the globe, organizations are paying considerably greater attention to the "human" aspects of performance management, placing emphasis on the ways in which productivity is impacted by employee health, wellbeing, and interpersonal relationships in the workplace (Capelli & Tavis, 2016). Another example of this attention is this special

issue of *InPractice* which focuses exclusively on innovations and trends in performance management and feedback interventions.

While scholars and practitioners alike have begun a shift away from more traditional, prescriptive views of PM toward innovative and agile approaches to employee engagement and organizational effectiveness, the underlying principle behind the focus on PM remains – we can have a substantial positive (or negative) influence on work performance by changing how people are treated by the organization.

This lead article to this special issue is meant to be an introduction to the topic. It will describe the most important problems people encounter when implementing PM and how they can be avoided. The basic structure of the article is to 1) list each problem and explain it, 2) describe why it is a problem, and 3) explain how things should be done better. This is meant to set the stage for the articles that follow.

Much of the material in this paper comes from the authors' experience with ProMES, the Productivity Measurement and Enhancement System (Pritchard, Harrell, DiazGranados, & Guzman, 2008; Pritchard, Weaver, & Ashwood, 2012; www.promes-icc.com). This 35+ year research program has used the ProMES intervention in many different settings and we have learned a good deal about what does and does not work well.

Some of these issues may seem obvious to PM professionals. Indeed, these are not new issues. We assure you that the vast majority of PM systems that ProMES researchers have worked with have had many or most of these problems. Furthermore, as organizations are reinventing their approaches to PM, we must also rethink approaches to overcome these common problems.

The 10 biggest problems in performance management

1. Not tying performance measures to broader organizational objectives

What is the problem?

The measures used in a PM system must be consistent with the objectives of the broader organization. That is, if the measure is improved, this should lead to improved organizational-level outcomes. This sounds obvious, but it is often a problem.
An example comes from an American unit doing repairs on electronic aircraft

components such as radios and radars (Pritchard et al., 1988; 1989). A key measure they used was the average time to repair pieces of equipment. On the surface, this seemed like a reasonable measure. Getting the repairs done quickly seemed like a good idea.

However, when asked how this measure led to meeting the broader organization's objectives, it was clear there was a problem. Maximizing their performance on this measure meant doing repairs quickly. However, there were times of low demand where unit personnel were not busy and waited for more items to be turned in for repair. A better approach was to do non-essential preventative maintenance on items they were repairing if they had the time. This took more time and "hurt" their measure of average time to repair but would lead to that item working longer before additional repairs were needed on it in the future. This kept more of the aircraft ready to fly; a key objective of the broader organization. They changed their measure to what per cent of demand was met. The idea was when the demand was high, getting all the items repaired quickly was important. But when demand was lower, they should take the time to do the discretionary preventative maintenance.

Why it is a problem

Measures inconsistent with broader organizational objectives are an obvious problem. Performing better on them will not lead to meeting the organization's objectives. Unit staff will ultimately feel that effort is wasted. Measures will also not be supported by higher management if they see this lack of alignment.

How to do it right

The fix for this is actually fairly easy as long as the organization's broader objectives are clear. If they are not clear, they need to be made clear. Start with defining a mission statement, vision, and strategy development in top management. The unit where the PM system is being developed can then identify their own unit's objectives and make sure they are consistent with the objectives of the broader organization. If the broader organization's objectives are clear, it should not take long to assess this consistency. Unit objectives not aligned with those of the broader organization should be changed to be consistent.

Making sure the PM **measures** are aligned with unit and broader organizational objectives is a bit more difficult. A good question to ask is: if the unit improved on

a measure, would that lead to better meeting the unit's and organization's objectives? Such a question can help identify lack of alignment and how measures need to be changed.

2. Measure and hold people accountable for measures they cannot control

What is the problem?

Often measures are used in a PM system that are not under sufficient control by the people doing the work. By controllability of PM measures, we mean the extent to which individuals and teams can control the level of their performance on the measures by varying the amount of effort allocated to the tasks that lead to those performance measures. This could be variation in the level of effort or variation in how effort is allocated to the various tasks that together produce the performance measure.

This lack of control is probably the most common and most damaging mistake in doing PM. The assumption we are making here is that the reason for using the PM system is to maximize performance. Often measures are used for PM that have been developed for other purposes and are simply transferred to the PM system. Most common is a situation where measures are used for PM that have been developed for management information systems such as return on investment analyses. A good example is a measure of cost per unit produced. Such measures are useful for management decisions on the value of, e.g., a new piece of manufacturing equipment. However, such measures are not useful for improving performance because they contain major components beyond the control of the people doing the work. Factors such as cost of labor, reliability of equipment, and cost to maintain the equipment are not under the control of the people doing the work.

A different type of lack of control can result from using an "obvious" measure without considering all the factors that influence that measure. An example comes from a Dutch firm manufacturing cardboard boxes (Janssen, van Berkel, & Stolk, 1995). A team fed large pieces of cardboard stock into a complex machine which had a drum that rotated and cut the individual boxes from the large sheet and inked them with the client's name and other customer information. The "obvious" measure was number of boxes produced by the team. However, the number of boxes was heavily influenced by the size of the boxes for a given order. If the order called for small boxes, there could be 20

boxes cut from each sheet of cardboard fed through the rotating cutting/inking drum. If large boxes were ordered there could be as few as 1 or 2 boxes per drum rotation. After working on this measure, the team concluded that the number of rotations of the drum was a better measure they had more control over.

A more complex example of increasing controllability comes from a ProMES project done with Swedish Traffic Police (Agrell & Malm, 2002; Pritchard, Culbertson, Agrell, & Malm, 2009). The goal of the project was to reduce traffic accidents, injuries and fatalities. In building the measures for their system, traffic officers were reluctant to include measures of accidents, injuries, and fatalities because they felt they did not have sufficient control over these outcomes. Instead, they argued that they should include measures of how often they patrolled the areas most likely to lead to these negative traffic events at the times when they would most likely occur. They wanted to use these measures and if improving them did not lead to more positive traffic outcomes, they would use the more direct measures. Management agreed to this. After feedback, they increased these measures of how they patrolled dramatically and accidents, injuries, and fatalities decreased substantially.

Why it is a problem

Making people responsible for measures they cannot control is a sure way to drain motivation. If staff cannot have reasonable control over their measures, then putting more or less effort into the work will have little influence on the numbers used to evaluate them. Motivation will suffer from the lack of connection between effort and results (Pritchard & Ashwood, 2008). This also leaves staff feeling somewhat insulted and leads them to ignore the feedback they receive on the measures. It also makes management look bad in the eyes of the staff. It is even a greater problem when goal setting or incentives are tied to uncontrollable measures.

How to do it right

Maximizing the controllability of measures often takes a good bit of effort. The basic idea is to 1) look at all the factors that influence a measure, 2) assess which are and are not under the control of the unit, and 3) redesign the measure to improve controllability. This sometimes means coming up with a new measure and sometimes means giving the unit more control.

An example of the first type of redesign is the cardboard box manufacturing discussed above where the measure was changed to eliminate the effects of box size. An example of the second type of change comes from the same box manufacturing setting. Preventative maintenance was necessary to keep output high but scheduling the unit which did such maintenance was often a problem. The team was given more control over their output by allowing them to do their own preventative maintenance.

Yet another example of the second type comes from a Dutch maintenance team whose output measures sometimes decreased because they did not get the supplies and spare parts they need to operate. Approaching those who controlled delivery of supplies and parts and working out a more effective distribution system decreased this uncontrollable source of variance.

The issue of controllability and more detail on techniques that can be used to increase control are discussed in Pritchard, van Tuijl, Bedwell, Weaver, Fullick, & Wright (2017).

3. Implement a PM system top-down

What is the problem?

Many times, a PM system is developed by management and imposed on a unit below them that does the actual work. For example, middle management comes up with a set of measures and the unit doing the work is told this will be how they will now be evaluated. The people doing the work had no control over what measures were selected.

Why it is a problem

There are a number of criteria that must be met to have good PM measures and most managers are not especially sensitive to these. In addition, management frequently does not know enough about the work to come up with good measures. A top-down approach often produces incomplete and inaccurate measures which are not accepted by unit staff. This leads staff to ignore them, or effort is wasted to make these measures "look good" for management. The other problem is this lack of participation removes control from the people doing the work. This can have a negative effect on motivation and make people feel as if they are not valued as professionals (Pritchard et al., 2017; Pritchard & Ashwood, 2008; Scaduto, Hunt, & Schmerling, 2015).

An example comes from a German firm manufacturing electrical components such as switches and circuit breakers (Przygodda, Kleinbeck, Schmidt, & Beckmann, 1995). Employees of several of the teams making these components were given a large number of measures by management. However, there were too many measures to be useful, many were beyond the unit's control, and they left out some important parts of the work.

How to do it right

A better approach is a bottom-up development strategy where the staff doing the work develop the measures which are then presented to, edited by, and approved by higher management. However, do not expect the people doing the work to be able to develop good measures all by themselves. In the ProMES process, a facilitator gives the design team a list of criteria (Table 1) that measures must meet. As measures are proposed, they are compared to the criteria. What we find is it takes substantial time to develop the first few measures because it takes time for the design team to learn how to meet the criteria. After that, the process goes quicker.

In the electrical components firm mentioned above, reviewing the measures by the team doing the work resulted in far fewer measures, ones the team had more control over, and the addition of measures of aspects of the work that had been omitted.

Table 1.
Criteria for Good Measures

Measures must be consistent with the objectives of the broader organization.
If the measure was maximized, the organization would benefit.
Measures must validly measure the unit's objective.
All important aspects of each objective of the unit must be covered by the set of measures.
Higher management must be committed to the measure.
Measures must be largely under the control of unit personnel.
Measures must be understandable and meaningful to unit personnel.
It must be possible to provide information on the measure in a timely manner.
Accurate data on the measure must be cost effective to collect.
The information provided by the measure must neither be too general nor too specific.

4. Give feedback based on invalid measures

What is the problem?

If measures are flawed, i.e., if they don't meet the criteria in Table 1, feedback on those measures will not effectively change behaviour. The criteria for good measures that are especially relevant to the feedback system are:

- Making sure the measures are consistent with the objectives of the broader organization
- Using measures that are largely under the control of unit personnel
- Using measures that are valid and perceived as valid
- Measuring all important aspects of the work

While the quality of feedback is directly related to the quality of performance measures, organizations often deliver feedback based on measures that do not meet these important criteria. The importance of developing measures that are consistent with the objectives of the broader organization and under the control of the unit personnel were discussed above.

Another common problem occurs when organizations measure and feedback only some, but not all, important parts of the work. Measures are included which are easy to use and more difficult measures are omitted. A frequent example is using quantity measures but omitting quality measures. While quantity is usually fairly easy to assess, quality is not. Customer satisfaction is another usually important outcome but is often omitted because it is harder to measure.

Why it is a problem

Giving feedback based on invalid measures or measures that are not consistent with unit and organizational objectives is an obvious problem. Simply put, invalid measures produce invalid feedback.

An example of invalid measures comes from a maintenance unit in an education setting. This unit did major renovation projects such as remodeling classrooms. Higher management bought into a system for estimating costs of such jobs and tracking expenditures. The maintenance staff quickly realized that the new system was very cumbersome and did not produce accurate estimates. However, higher management did not want to look bad for purchasing the system, so they forced the unit to "game" it in

that they did their usual cost estimates then changed them around so that they would make the new system look accurate. This resulted in a great deal of additional effort that the personnel considered a waste of time. In this example, the measures used for feedback were invalid, inconsistent with the objectives of the broader organization, and not under the control of the unit staff (i.e., not representative of their actual effort). This feedback led to large decreases in morale and motivation.

A general principle of PM is that resources flow to what is measured and fed back. By taking the time to measure some aspect of the work and feedback that information to the staff, management is signaling that this is an important part of the work and should be a significant focus by the staff. An example comes from an academic department where the first author was a faculty member. This was in the day before email and the department was experiencing large long distance phone bills. The department chair started giving each faculty member a form showing the number and cost of the long distance calls s/he made in the last month. Without any further discussion or any outcomes tied to this report, long distance calling decreased dramatically. So the simple step of giving the feedback resulted in significant behaviour change.

While feedback is very powerful, it is a two-edged sword. Measuring and feeding back results on some of the important measures ignores what is happening to other important measures which are not fed back. If quantity of output is measured and fed back but quality is not, quality can suffer. The implied message is quantity is important, but quality is not.

How to do it right

The solution is fairly simple, but not easy. The PM system needs to include measures that meet all the criteria in Table 1. This should ideally be done with a bottom-up strategy where the unit personnel design the measures with help.

In the ProMES intervention, we start with the design team identifying the objectives of that unit. These are what the unit does to add value to the broader organization. This is usually a set of five to eight objectives and takes two hours or less for the unit to define. Measures are then selected or developed that show how well the unit is meeting these objectives. Starting with the unit's objectives makes it more likely that all the important aspects of the work are included in the set of measures.

It is still a challenge for most design teams to develop good measures; ones that meet all the criteria in Table 1. One approach for difficult measures is to start with the idea that there are three steps in the process of producing results that are of value to the organization. These steps are the inputs to the result, the process used to develop the result, and the final output. In general, the best measure is the actual output. The units produced, the fees collected, or the degree of customer satisfaction. When output cannot be measured, the next best bet is to measure the process that produces the output. If that cannot be done, measure the input.

For example, one measure of a unit doing management selection assessments in an international consulting firm was behaving ethically with clients. It was not feasible to measure the output, e.g., if ethics complaints were filed. This was very rare and not all ethics violations were reported. Measuring the process was also not feasible. Having a second consultant participate in the service to the client each time and identifying any ethics violations would have been too costly. So the unit decided to use an input measure, the extent to which the firm's consultants attended ethics training regularly (Pritchard et al., 2008). The idea was this input variable of reminders of ethical consultant behaviour should make the process of client services more ethical, which would prevent negative consequences of unethical practices.

Another example comes from a Dutch manufacturing firm (Kleingeld & van Tuijl, 1995). One measure they wanted was customer satisfaction. However, they could not come up with a way of measuring customer satisfaction that would work. One problem was the products they made would often be stored in the customer's warehouse for months before being used. So the customer could not provide satisfaction measures on those products in a timely way. The unit decided to use a process measure. They interviewed a number of clients and identified the aspects of the product that led to customer satisfaction and dissatisfaction such as poor packaging and incorrect product labeling. They then measured how well these process features were done during manufacturing with the idea that if they were done well, customer satisfaction should be high.

The experience of the team is another consideration. With a new team, input or process indicators may be preferred, because they can help the team clarify the way their work should be done. With established or experienced teams, more distal output measures may be more appropriate.

5. Design a poor feedback system

What is the problem?

While feedback can be a powerful source for behaviour change, it is not easy to develop a good feedback system. An ideal feedback system must meet a number of criteria. The more of these that are met, the better the feedback system. Some of these deal with the quality of the measures used; we have discussed these above and they are listed in Table 1.

However, when we consider the design of the feedback system itself, there are additional criteria that frequently go unmet. Often, feedback is given on multiple individual measures without providing feedback on overall unit performance. It is hard for the unit personnel to assess how well they are doing overall without such overall performance measures. Another issue is not all the performance measures are going to be equally important and ideally this should be included in the feedback design. Finally, feedback systems rarely identify improvement priorities in any formal way.

Why it is a problem

We have discussed above why having good measures is important to a good feedback system. Here we focus on three additional criteria: having an overall index of performance, identifying the relative importance of different measures, and formally identifying improvement priorities.

Having an overall index of performance is important so unit personnel can see whether their performance is going up or not. With eight to 12 different measures, some going up and some going down, it is difficult to tell what is happening to overall performance. An overall index provides a tangible, quantitative view of performance across multiple measures. For the unit, seeing this index go up is very reinforcing, as it is indicative of improved overall performance. For management teams, the index gives a snapshot of performance across multiple units and does so in a way that is fair and accepted by the unit personnel.

An example of using the overall index to compare units comes from an education setting, where the organization provided support services to schools (Wright & Hill, 2014). Each unit was unique, e.g., one unit designed training for teachers, one provided

school maintenance services, and one managed student data. Thus, performance measures for each unit were very different. Management wanted a way to view performance across units for purposes of determining where organizational resources and staff development were needed most. Without an overall index of performance for each unit, comparisons across units for making good decisions about resource distribution would be much more difficult and be perceived as unfair by unit staff.

While feedback is intended to lead to improvements, not everything can be improved at once. This means that improvement priorities need to be identified, a job for the feedback system. The more clearly these improvement priorities are, the better the unit can allocate improvement efforts. Deciding on these improvement priorities is much easier when the feedback system includes relative importance of the measures and the value of different improvements to the organization. Without this information, improvement efforts will be made in areas of less value to the organization.

In the education example above, units struggled to identify priorities across multiple measures which each reflected different aspects of their jobs. Formally identifying improvement priorities enabled the units to decide which improvements to work on and focused efforts on areas where the most valuable gains could be made.

How to do it right

The ProMES approach (Pritchard, Weaver, & Ashwood, 2012) offers one way to meet all three of these criteria: overall performance index, relative importance, and improvement priorities. With ProMES, once measures are identified, the feedback design team develops what are called contingencies. These are a kind of non-linear utility function relating amount of the measure produced to the value of those amounts to the organization. These functions, one for each measure, convert levels of possible performance to contributions to organizational effectiveness. These effectiveness scores actually achieved for each measure can then be added to get an overall effectiveness score. Differential importance is captured by the range of effectiveness values in the contingencies. More important measures have larger ranges, i.e., they can contribute more to overall effectiveness than measures with smaller ranges. Improvement priorities can be calculated by determining the gain in effectiveness that would occur with a gain in each measure. The larger the potential gain, the more important improving that measure is.

6. Give feedback badly

What is the problem?

The feedback used in most organizations often has a number of problems. These problems have negative effects on behaviour change in part because they threaten personnel's receptivity to feedback (Chawla, Gabriel, Dahling, & Patel, 2016).

Most feedback systems give feedback too infrequently rather than providing regular, timely feedback on a predictable schedule. Many often give feedback only when there is a problem. That is, the feedback is always negative, indicating there is something wrong. Equally problematic is that supervisors can be reluctant to give "tough" feedback (Adler et al., 2016). Finally, it is a problem when the measures and/or the feedback system is changed frequently.

Why it is a problem

Remember that the purpose of giving feedback is to promote behaviour change that will lead to increases in organizational effectiveness. Anything that inhibits this behaviour change makes the feedback system less effective.

Feedback that only comes once or twice a year is unlikely to promote behaviour change. There is just too much time between any behaviour change and the feedback which tells employees whether their changes have had any effect. For example, a common practice in American schools is for principals to conduct formal classroom observations of teachers once or twice in a school year. With this infrequent feedback, teachers will not know whether changing a particular instructional strategy had any impact on the quality of their teaching.

If feedback is only given when it is negative and personnel are given the message that their work is not good enough, this can threaten self-esteem. Feedback that is a threat to self-esteem is a major problem for generating behaviour change (Kluger & DeNisi, 1996). In the original ProMES project with the US Air Force (Pritchard, Jones, Roth, Stuebing, & Ekeberg, 1989), the first feedback meeting showed the unit had increased dramatically in overall effectiveness and all but two of the individual measures showed good improvement. The manager spent less than one minute on the positive results, then said: "Well, why did you go down on these two measures?" After the meeting, the

ProMES facilitator pointed out to him that he spent way too much time on the negative. This type of feedback leads to efforts to protect self-esteem rather than focusing on how to improve things.

Finally, the feedback system needs to be fairly stable over time. This stability includes having consistent performance measures and priorities and predictable processes for receiving feedback. If the system changes too often, staff will not have a clear idea of how to focus their efforts and the feedback system will lose credibility.

How to do it right

Research has consistently found that continuous feedback has greater impacts on behaviour change than feedback given less frequently, i.e., once or twice a year (Pulakos, Hanson, Arad, & Moye, 2015). The actual frequency depends on the time to complete one job cycle, as feedback is most impactful when it is given immediately. Typically, if the job cycle is less than a day or two, weekly feedback is optimal. For job cycles of up to 2-3 weeks, monthly feedback is usually best. Only when the job cycle is several months is less frequent feedback warranted.

One example of more frequent feedback comes from continuous improvement models which have been used for decades in product-driven fields such as manufacturing. Recently, many organizations are adapting such methods for use in other fields and job types. Because they are typically based on discrete job cycles and iterative outputs (Kniberg & Skarin, 2010), they are useful as a basis for rapid feedback. For example, the Scrum framework, an agile project management model originally used in software development projects, uses multiple, frequent feedback cycles (e.g., daily, weekly, or monthly sprints) to maximize collaboration and performance of interdependent teams (Beck et al., 2001). Increasingly, Scrum principles are being used across industries as a model for continuous feedback and knowledge management (Ciric et al., 2018; Hidalgo, 2019).

In addition to increasing the frequency of feedback, one of the most important issues is training managers to give positive as well as negative feedback both to individuals and groups. In the US Air Force example above, we recommend the supervisor focus first on the measures that improved and ask: what did we do to make these go up? In some cases, the group does not know, but most of the time the increase was because of a changed work strategy. The focus should be on identifying why each measure went up and what the unit needs to keep the improvement going. For measures that went down,

the question should be what do we need to do to turn these around?
This feedback focus also addresses the self-esteem issue. If the message from the supervisor is the individual or group did something wrong, as in the Air Force example above, this will be a threat to self-esteem. However, if the message is how can we work together to problem solve ways of improving this measure, the self-esteem threat is much less likely.

Consistent with Positive Psychology literature (e.g., Seligman, Steen, Park, & Peterson, 2005; Seligman & Csikszentmihalyi, 2000), recent strategies promote feedback that develops Positive Organizational Scholarship (e.g., Roberts et al., 2005; Cameron et al., 2003). Such strategies, including Strength-Based Performance Appraisal (Bouskila-Yam & Kluger, 2011) and the Feedforward Interview (Kluger & Nir, 2010), focus on feedback that promotes self-evaluation, emphasizes a person's strengths and resilience, and helps to build positive relationships between managers and unit staff.

Finally, avoiding frequent changes to performance measures or to the feedback system is important for feedback to effectively change behaviour. Having the unit staff participate in the design of the system, including input from supervisors, is one step towards building a system that will be stable over time. The system should also be thoroughly tested before formal implementation to identify potential problems. We recommend using the system for several feedback cycles before fully implementing it.

These issues emphasize the importance of a positive feedback environment, i.e., one that promotes transparency, consistency, and trust between the supervisor and unit staff (Steelman, Levy, & Snell, 2004).

7. Not providing the opportunity to effectively use feedback

What is the problem?

Even with good feedback, staff need an opportunity to digest feedback and plan improvement strategies. The whole point of feedback is to change behaviour. Unit personnel need to learn from the feedback and decide what behaviours to change to improve performance. In most cases, the work requires interdependence between people in the unit and interaction with other units. As discussed above, this means that the feedback will be group based and interpretation of the feedback and deciding what the priorities are for changes will be done in a group setting.

Why it is a problem

Without providing an opportunity to process the feedback, it will have less effect on behaviour change and it sends the message that feedback is not that important. An example comes from an American battery manufacturing organization (Jones, 1995). This was a ProMES project where the work was done on an assembly line. The personnel received the regular feedback, but management was not willing to provide the time and place for them to process the feedback and decide on changes. There was little effect on performance from the feedback.

How to do it right

While it takes staff time, this is easy to fix. The unit staff need to meet after each feedback report to review it and problem solve improvement priorities. The feedback meeting involves three phases. The first is reviewing the feedback. We all like feedback and after developing the feedback system, unit personnel will be interested in seeing the results. The next phase is deciding which aspects of the job to work on to make improvements. This step is important because we should not expect the unit to improve all aspects of performance at once. They need to decide which have the highest priority and then in the third phase, decide what should be done to make improvements. This is not so much increases in effort as changes in task strategy. It often involves changes in how the unit personnel coordinate with each other, e.g., sharing information, or how the unit coordinates with other units.

Staff should have the time and be given a quiet location without interruptions. Typically, 45 minutes to an hour is enough time once the staff have a bit of experience with the process. It is also important to include the supervisor in the feedback meeting. S/he will help determine improvement priorities and provide resources needed to make changes, especially when coordination with other units is needed.

One type of setting that is a challenge for feedback meetings is when the unit staff are not in the same geographic location. A copier maintenance firm in the Netherlands had its maintenance staff distributed around the country and each maintenance person was responsible for a geographic region. They solved this with the fairly simple strategy of having meetings less often, in this case every three months, and having staff come to a central location for the feedback meetings. Another option is online meetings.

8. Use typical performance reviews

What is the problem?

"Typical" performance reviews refer to performance appraisals where employees are rated by a supervisor once or twice a year on a series of dimensions. Normally, the same set of dimensions is used for large numbers of employees. These appraisals are usually done on individuals. Such PM appraisals are popular because they are fairly inexpensive to develop and can be used with large numbers of jobs. They are also a way to assess individual performance for providing outcomes such as raises and promotions.

The first author has taught Executive MBA programs where experienced managers take classes while working full-time. He has asked the 40-50 person classes how many have received performance appraisals like these. Over 90% say they have. When asked how many of them found the process helpful, only about 5% say they did. So clearly, there is something wrong with the way these are normally done.

Why it is a problem

Traditionally, there were two common approaches to the design of such appraisals. The first is to focus on **traits** such as how creative, industrious, and organized an employee is. The second is to focus on **processes** such as planning, budgeting, and delegation. Neither of these approaches is very effective.

Focusing on traits is a problem because changing traits is usually not possible. Traits tend to be fairly stable over time. Telling someone to be more creative doesn't accomplish much. What improvement strategy or behaviour change should be used to get more creative? Evaluating processes is better than evaluating traits, but processes like planning, budgeting, and delegating are only the means to an end, the actual results that are valuable to the organization. Doing better planning is only valuable if it leads to results that are more valuable.

Other problems with typical performance appraisals are they are too infrequent, the feedback is too general to allow it to be translated into specific action plans for making improvements, and they are often the type of threat to self-esteem discussed above. Kluger and DeNisi (1996) point out that feedback that is a threat to self-esteem will not be effective, as the recipient focuses on maintaining self-esteem rather than what behaviours need to change.

How to do it right

Ultimately, what the organization values are the results that lead to accomplishing the organization's objectives. Ideally, appraisals should focus on these results: the clients seen, the units produced, the quality of the output, the orders completed on schedule, and the units sold. However, this measurement is usually too difficult to do for individuals. It is expensive to customize such appraisals and it is usually difficult to identify an individual's contribution to results that are produced by coordination of the staff in the unit.

So how should they be done? There is a great deal of research on such performance appraisals and the main conclusion is the more the clear definition of the specific behaviours required, the better the results. For example, the first author and one of his doctoral students (Hedley, 1993) developed an approach to performance appraisals called the Performance Dimension Checklist (PDC) that tries to provide a detailed frame of reference for doing the appraisals. A series of dimensions, specific factors (subdimensions), and detailed behaviours are identified, and a design team selects which of these fit the job to be assessed. An example of a dimension, specific factor, and defining behaviours is shown in Table 2. Roth (2020) has developed a software system that provides the PDC (and also ProMES) in English, German, and Spanish. It translates the PDC into a day to day or "instant" feedback solution. The effectiveness of the instrument was tested in a study (see this issue of InPractice) by Soucek and Rupprecht (2020), showing that frequent supervisory feedback provides job resources that ultimately lead to a higher level of work engagement. Other ideas on how to successfully do performance appraisal can be found in DeNisi and Pritchard (2006).

In addition to the format used, e.g., the PDC, the review sessions with one's manager are essential for behaviour change. One of the biggest problems is creating the type of threat to the subordinate's self-esteem we discussed above. This is very easy to do. The manager is formally evaluating the person, and this is an emotionally delicate situation. The key is to focus on the results, not the person. If the message is "You are not doing a good enough job" this is a threat to self-esteem and the subordinate's response will be some form of "I am doing a good job!" However, suppose the message is "These results are not where I'd like to see them, so let's problem solve together to see how we can improve them." This message is much less likely to result in a threat to self-esteem.

Table 2.
Example of a PDC Dimension, Subdimension, and Specific Behaviours

Dimension
Displays effective communication skills. This dimension relates to the conveyance of information in both verbal and written form. This involves keeping others informed through one-to-one conversation, presentations, and meetings. It also includes promoting positions and influencing others to gain their support.
Subdimension
Effectively communicates verbally. This specific factor is concerned with how effectively an individual speaks (clarity, conciseness, etc.) and conveys thoughts in verbal form. It also involves listening effectively to others and keeping others informed.
Specific Behaviours
■ Provides verbal information in a clear, concise manner. ■ Uses appropriate gestures and voice inflections to emphasize points when speaking. ■ Effectively develops two-way communication. ■ Communicates effectively over the phone or when teleconferencing. ■ Listens to questions and comments of others. ■ Conveys understanding of what others say. ■ Responds appropriately to other's communication. ■ Adequately identifies the information needs of others. ■ Provides others with concise and timely information to facilitate their work. ■ Keeps those above and below in the organization appropriately informed about significant events or problems.

9. Misuse goal setting

What is the problem?

The term “goal setting” means different things to different people. Its meaning can range from casual intentions (I’m going to brush my teeth now) to a formal, publicly agreed upon quantitative level of performance between the subordinate and the supervisor, normally over a specified time period such as a week or month, with the expectation that performance will be reviewed together at the end of the time period. The focus here is on formal goal setting.

There has been a great deal of research on goal setting (Locke & Latham, 2019; Kleingeld, van Mierlo, & Arends, 2011). It is seen as a way to focus effort on the measure for which the goal is set and to get commitment to increase performance to meet the goal. Surprisingly, there is very little research on the use of goal setting in field settings over any extended time period.

The biggest problem with goal setting is its misuse by managers. Most managers focus on the goal itself rather than the performance change. Suppose someone is producing 80 units a month and in meeting with his manager sets a goal of 100 units. At the end of the month, he has produced 95 units. If the manager is not pleased because the person did not make the goal, this teaches the person to make sure to set very low goals that he is sure to make. As one manager said, "Oh, goal setting. That's where a smart subordinate convinces a less smart manager to set low goals that he is sure to make."

What the manager should focus on is the performance change. The subordinate should be complimented on his improvement rather than focusing on the goal attainment. Ideally, the manager should then discuss how they can work together to make that final improvement.

Why it is a problem

While goal setting can increase performance, there are several problems with it. Like feedback, resources will flow to the measures where goals are set. If only a subset of the important aspects of performance have goals set for them, other aspects of performance can suffer. Formal goal setting requires good, quantitative measures. So if quantity is measured and quantity goals are set, but quality goals are not, quality can suffer. Another problem occurs with "all or nothing" goals. If someone sees that they will not achieve the goal, the person may give up and decrease effort. Likewise, once the goal is reached, there can be a decrease in effort to go beyond the goal.

As suggested above, focusing on the goal rather than performance improvement leads to the subordinate trying to set easy goals that s/he is sure to attain. It can also lead to decreased commitment to the whole goal setting process.

How to do it right

There are a number of things that can be done to improve goal setting as a PM technique. Goals should be set on all the important aspects of performance, not

just a few. This minimizes the problem of areas without goals suffering from lack of attention. However, this requires a good measurement system that includes all important aspects of performance, a challenging thing to achieve. In addition, if separate goals are set for each aspect of performance, this becomes difficult to manage. It is hard to set and deal with eight to 12 different goals. So a better approach is to develop an overall index of performance and set the goals on that overall index. There are many challenges to developing a good overall index. The approach we like is the one used by ProMES (Pritchard, Weaver, & Ashwood, 2012).

We also recommend the use of multiple goal levels. An international consulting firm used three goal levels, what they called the "A Goal", the "B Goal", and the "C Goal". Each individual had all three goals. The A Goal was outstanding performance, the B Goal good performance, and the C Goal acceptable performance. This minimizes the problem of people decreasing effort when they see they will not reach the goal or decreasing it once they reach the single goal.

However the goals are designed, it is essential to train managers to focus on the performance change, not the goal attainment.

10. Do financial incentives badly

What is the problem?

We use the term "financial incentives" to mean a formal program where financial rewards are tied to specific, quantitative levels of performance and the system is known in advance and it goes on over time. A good financial incentive system can improve performance, but very often such systems are done badly.

In fact, it is very difficult to do one well. The biggest problem is measuring performance. All the issues we have discussed above about developing good measures apply to the measures used for financial incentives. Unfortunately, a poorly designed system will cause more problems the stronger it is. That is, the larger the incentives, the more damage it can do if poorly designed.

Why it is a problem

If the measurement of performance is not done very carefully, incentivizing what is measured can produce unexpected negative consequences. A classic example comes

from a commercial bakery in the US. Part of the process was the inspection of the dry ingredients for foreign matter (twigs, trash, dead rodents) as they went along a conveyer belt into the mixing phase. The organization instituted an incentive system were significant financial incentives were awarded for the amount of foreign matter each inspector found. They later found that inspectors were bringing in foreign matter to put into the ingredients and then "found" them to get the incentives.

Most of the issues about measures we have been discussing also apply to measures used for financial incentives. Some that apply particularly to financial incentives include:

- Measuring only some important aspects of performance. Things not included in the measures and thus the incentives receive less attention.
- Using measures not under the control of unit personnel. Management loses credibility and the system is ignored.
- Using measures that are not perceived as valid. Unit personnel make the numbers look good, even though they know it is not helping the organization.
- A significant threat to motivation.
  Using the wrong unit of analysis, e.g., attempting to use individual incentives when the work requires coordination between people.

There are other problems with using financial incentives. If multiple measures are used, the system becomes difficult to manage. It is a challenge to come up with financial incentives for a number of different measures. Another problem is that perceptions of inequity are almost inevitable. Staff within the unit will not agree on how financial rewards are distributed because they will disagree on what factors should be considered in dividing up the money. For example, disagreements on whether factors such as level of responsibility for performance, amount of experience/tenure in the unit, and level of individual performance contribution should be considered. In addition, people who are not under the incentive system can feel resentful about being left out. Finally, it is very difficult to change the system once implemented. This is especially the case if the level of rewards is decreased for the same level of performance over time.

How to do it right

Many, but not all of these problems can be dealt with by first developing a high-quality set of performance measures that can be converted to a single overall score. By high-quality we mean measures that meet the criteria we have been discussing and are summarized in Table 1. As for getting an overall performance index, we have noted

before that one way to get such an overall score is with the ProMES approach. This was done in a German silicone manufacturing unit (Fuhrmann, Kleinbeck, & Boeck, 2002). The project actually started with the organization wanting to institute a financial incentive system. The authors convinced company personnel that they should first develop a good measurement system and suggested they use ProMES to do that. This worked out quite well.

Our advice for doing financial incentives is to first develop and refine the measurement system. As discussed above, use a bottom-up approach with editing and approval from higher management. Then implement the measurement system, including feedback. This will usually result in some refinement of the measurement system after experience. Only when all agree that the measurement system is good should incentives be added. Before incentives are actually added, have the unit personnel agree on the way the rewards should be distributed to individual group members. That is, what factors such as seniority, tenure, and level of responsibility for performance should influence how much each person gets.

We can make a final set of recommendations on the use of financial incentives because of all the potential problems they have. First, try other things before adding incentives. Specifically, first develop a good measurement and feedback system, give it enough time to be used and refined, and then see how that effects performance. This can produce substantial improvements. For example, ProMES projects average an improvement effect size of 1.16 and when all the steps are fully implemented, an average effect size of 1.81 (Pritchard et al., 2007). Next, if incentives are to be added, consider non-financial incentives. One of the strongest is time off. High performance leading to getting a half-day off on Friday can be a powerful incentive. Finally, instead of incentives, consider using financial bonuses, i.e., a financial bonus based on performance and profitability that is determined each period. Bonuses are easier to deal with because the performance measurement system is less demanding and it is fairly easy to change the amount of the bonus as needed.

Conclusion

Performance management techniques can be a powerful source of improved performance.

We have focused on the problems that can make performance management unsuccessful and how to make improvements that will make them more effective.

As we noted at the beginning of this article, many of these problems and improvements may seem obvious. However, our experience over the last 40 years with PM is that every organization we have studied has most of these problems in their PM systems.

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