

PART II: SYSTEM IMPLEMENTATION

Chapter 4

Defining Performance and Choosing a Measurement Approach

*How you measure the performance of your managers
directly affects the way they act.*

—GUSTAVE FLAUBERT

LEARNING OBJECTIVES

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

- Define what performance is and what it is not.
- Understand the evaluative and multidimensional nature of performance.
- Identify the various factors that determine performance, including declarative knowledge, procedural knowledge, and motivation.
- Gather information about a performance problem and understand which of the three main determinants of performance need to be addressed to solve the problem.
- Design a performance management system that includes both task and contextual performance dimensions.
- Understand that performance should be placed within a context: a performer in a specific situation engaging in behaviors leading to specific results.
- Adopt a behavior approach to measuring performance, which basically focuses on how the job is done and ignores the performer's traits and results produced.
- Adopt a results approach to measuring performance, which basically focuses on the outcomes of work and ignores the performer's traits as well as the manner in which the work is done.

- Adopt a trait approach to measuring performance, which basically focuses on the performer and ignores the situation, his or her behaviors, and the results produced.
- Understand the situations under which a behavior, results, or trait approach to measuring performance may be most appropriate.

This chapter marks the beginning of Part II of this text, which describes how to implement a performance management system. Whereas Part I addressed strategic and more macro-organizational issues, Part II addresses more operational concerns, such as the determinants of performance and how to measure performance. Let's begin by defining performance.

4.1 DEFINING PERFORMANCE

Performance management systems usually include measures of both behaviors (what an employee does) and results (the outcomes of an employee's behavior). The definition of performance does not include the results of an employee's behaviors but only the behaviors themselves. Performance is about behavior or what employees do, not about what employees produce or the outcomes of their work.

Also, there are two additional characteristics of the behaviors we label "performance."¹ First, they are *evaluative*. This means that such behaviors can be judged as negative, neutral, or positive for individual and organizational effectiveness. In other words, the value of these behaviors can vary based on whether they make a contribution toward the accomplishment of individual, unit, and organizational goals. Second, performance is *multidimensional*.² This means that there are many different kinds of behaviors that have the capacity to advance (or hinder) organizational goals.

As an example, consider a set of behaviors that can be grouped under the general label "contribution to effectiveness of others in the work unit." This set of behaviors can be defined as follows:

Works with others within and outside the unit in a manner that improves their effectiveness; shares information and resources; develops effective working relationships; builds consensus; and constructively manages conflict.

Contribution to the effectiveness of others in the work unit could be assessed by using a scale including anchors demonstrating various levels of competence. For example, anchors could be words and phrases such as "outstanding," "significantly exceeds standards," "fully meets standards," "does not fully meet standards," and "unacceptable." This illustrates the evaluative nature of performance because this set of behaviors is judged as positive, neutral, or negative. In addition, this example illustrates the multidimensional nature of performance because there are several behaviors that, combined, affect the overall perceived contribution that an employee makes to the effectiveness of others in the work unit. In other words, we would be missing important information if we only considered, for example, "shares information and resources" and did not consider the additional behaviors listed earlier.

Because not all behaviors are observable or measurable, performance management systems often include measures of results or consequences that we infer are the direct result of employees' behaviors. Take the case of a salesperson whose job consists of visiting

clients to offer them new products or services. The salesperson's supervisor is back in the home office and does not have an opportunity to observe the salesperson's behaviors firsthand. In this case sales volume may be used as a proxy for a behavioral measure. In other words, the supervisor makes the assumption that if the salesperson is able to produce high sales figures, then she is probably engaging in the right behaviors.

4.2 DETERMINANTS OF PERFORMANCE

What factors cause an employee to perform at a certain level? Why do certain individuals perform better than others? A combination of three factors allows some people to perform at higher levels than others: (1) *declarative knowledge*, (2) *procedural knowledge*, and (3) *motivation*.³ Declarative knowledge is information about facts and things, including information regarding a given task's requirements, labels, principles, and goals. Procedural knowledge is a combination of knowing what to do and how to do it and includes cognitive, physical, perceptual, motor, and interpersonal skills. Finally, motivation involves three types of choice behaviors:

1. Choice to expend effort (e.g., "I will go to work today")
2. Choice of level of effort (e.g., "I will put in my best effort at work" versus "I will not try very hard")
3. Choice to persist in the expenditure of that level of effort (e.g., "I will give up after a little while" versus "I will persist no matter what")

Table 4.1 summarizes the components of declarative knowledge, procedural knowledge, and motivation. All three determinants of performance must be present for performance to reach high levels. In other words, the three determinants have a multiplicative relationship such that

$$\text{Performance} = \text{Declarative Knowledge} \times \text{Procedural Knowledge} \times \text{Motivation}$$

If any of the determinants has a value of 0, then performance also has a value of 0. For example, consider the case of Jane, a salesclerk who works in a national clothing retail chain. Jane has excellent declarative knowledge regarding the merchandise. Specifically, she knows all of the brands, prices, sizing charts, and sales promotions. We would consider her declarative knowledge to be very high. Jane is also intelligent and physically able to conduct all of the necessary tasks. We would consider Jane's procedural knowledge also to be very high. Jane does not, however, show motivation to perform. When customers enter the store, she does not approach them; instead, she sits behind the cash

TABLE 4.1 Factors Determining Performance

<i>Declarative Knowledge</i>	<i>Procedural Knowledge</i>	<i>Motivation</i>
Facts	Cognitive skill	Choice to perform
Principles	Psychomotor skill	Level of effort
Goals	Physical skill	Persistence of effort
	Interpersonal skill	

register and talks on the phone. When her manager is in the store, she shows a high level of effort, but her coworkers complain that, as soon as the manager leaves, Jane stops working. Her overall performance, therefore, is likely to be poor because, although she has the declarative and procedural knowledge necessary to do the job, she is not motivated to apply them to her job when her supervisor is not watching her.

We can think of a handful of individuals who have achieved the top level of performance in their fields. Think about Tiger Woods as a golf player, Bill Gates as Microsoft's founder and businessman, Bobby Fischer as a chess player, Thomas Edison as an inventor, and Socrates as a philosopher. How did they achieve such excellence? What made these individuals' performance so extraordinary? How were they able to improve their performance constantly even when others would believe they had reached a plateau? What these individuals have in common is that they devoted large number of hours to *deliberate practice*.⁴ Deliberate practice is different from regular practice and from simply working many hours a week. Professor K. Anders Ericsson of Florida State University gives the following example: "Simply hitting a bucket of balls is not deliberate practice, which is why most golfers don't get better. Hitting an eight-iron 300 times with a goal of leaving the ball within 20 feet of the pin 80% of the time, continually observing results and making appropriate adjustments, and doing that for hours every day—that's deliberate practice." Top performers in all fields engage in deliberate practice consistently, daily, including weekends. The famous pianist Vladimir Horowitz was quoted as saying: "If I don't practice for a day, I know it; if I don't practice for two days, my wife knows it; if I don't practice for three days, the world knows it." Deliberate practice involves the following five steps:

1. Approach performance with the goal of getting better and better.
2. As you are performing, focus on what is happening and why you are doing things the way you do.
3. Once your task is finished, seek performance feedback from expert sources, and the more sources the better.
4. Build mental models of your job, your situation, and your organization.
5. Repeat steps 1–4 continually and on an ongoing basis.

4.2.1 Implications for Addressing Performance Problems

The fact that performance is affected by the combined effect of three different factors has implications for addressing performance problems. In order to address performance problems properly, managers must find information that will allow them to understand whether the source of the problem is declarative knowledge, procedural knowledge, motivation, or some combination of these three factors. If an employee lacks motivation but the manager believes the source of the problem is declarative knowledge, the manager may send the employee to a company-sponsored training program so he can acquire the knowledge that is presumably lacking. This would obviously be a waste of time and resources for the individual, manager, and organization in Jane's case because it is lack of motivation, and not lack of declarative knowledge, that is causing her poor performance. This is why performance management systems need not only to measure performance but also to provide information about the source of any performance deficiencies.

4.2.2 Factors Influencing Determinants of Performance

The factors that determine performance are affected by the employee (i.e., abilities and previous experience), human resources (HR) practices, and the work environment. For example, some companies offer more opportunities for training than do others. At the top of the list in terms of annual training investment are IBM (\$1 billion), Accenture (\$717 million), and Ford Motor (\$500 million).⁵ In these companies, declarative knowledge is not likely to be a big problem because, when lack of knowledge is identified, employees have multiple opportunities to fill in the gap. However, performance problems may be related more to procedural knowledge and motivation. In terms of procedural knowledge, employees may actually have the knowledge to perform certain tasks but may not have the skill to do them because of lack of opportunity for practice. In terms of motivation, downsizing interventions may have caused a “survivor syndrome,” which includes retained employees’ feelings of frustration, resentment, and even anger. These feelings are likely to have strong negative effects on motivation, and employees may expend minimal energy on their jobs.

Thus, there are three individual characteristics that determine performance: procedural knowledge, declarative knowledge, and motivation. In addition, HR practices and the work environment can affect performance. When addressing performance problems, managers first need to identify which of these factors is hampering performance and then help the employee improve his or her performance.

4.3 PERFORMANCE DIMENSIONS

As noted earlier, performance is multidimensional, meaning that we need to consider many different types of behaviors to understand performance. Although we can identify many specific behaviors, two types of behaviors or performance facets stand out: task performance and contextual performance.⁶ Some authors also use the labels “prosocial behaviors” and “organizational citizenship behaviors” in referring to contextual performance.⁷

Contextual and task performance must be considered separately because they do not necessarily occur in tandem. An employee can be highly proficient at her task, but be an underperformer regarding contextual performance.⁸ Task performance is defined as

- activities that transform raw materials into the goods and services that are produced by the organization
- activities that help with the transformation process by replenishing the supply of raw materials, distributing its finished products, or providing important planning, coordination, supervising, or staff functions that enable the organization to function effectively and efficiently.⁹

Contextual performance is defined as those behaviors that contribute to the organization’s effectiveness by providing a good environment in which task performance can occur. Contextual performance includes behaviors such as the following:

- persisting with enthusiasm and exerting extra effort as necessary to complete one’s own task activities successfully (e.g., being punctual and rarely absent, expending extra effort on the job)
- volunteering to carry out task activities that are not formally part of the job (e.g., suggesting organizational improvements, making constructive suggestions)

- helping and cooperating with others (e.g., assisting and helping coworkers and customers)
- following organizational rules and procedures (e.g., following orders and regulations, showing respect for authority, complying with organizational values and policies)
- endorsing, supporting, and defending organizational objectives (e.g., organizational loyalty, representing the organization favorably to outsiders)

Both task and contextual performance are important dimensions to take into account in performance management systems. Imagine what would happen to an organization in which all employees are outstanding regarding task performance but do not perform well regarding contextual performance. What if a colleague whose cubicle is next to yours needs to take a bathroom break and asks you to answer the phone if it rings because an important client will call at any moment? What if we said, “That is not MY job?”

Many organizations now realize that there is a need to focus on both task and contextual performance because organizations cannot function properly without a minimum dose of positive contextual behaviors on the part of all employees. Consider the case of TRW Automotive Inc., one of the world’s 10 largest automotive suppliers and one of the top financial performers in the industry (<http://www.trw.com>). TRW had 2006 sales of \$13.1 billion and employed approximately 63,800 people. With increasing market pressures and sluggish growth, TRW wanted to become more performance driven, experiment in new markets, and offer greater value to its shareholders. To do so, the senior management team developed what they labeled the “TRW behaviors.” These behaviors are communicated throughout the company and have a prominent role in the performance management process. The majority of the TRW behaviors actually focus on *contextual performance*. Specifically, the TRW behaviors emphasize many of the elements of contextual performance, including teamwork and trust.

Table 4.2 summarizes the main differences between task and contextual performance. First, task performance varies across jobs. For example, the tasks performed by an HR manager are different from those performed by a line manager. The tasks performed by a senior HR manager (i.e., more strategic in nature) differ from those performed by an entry-level HR analyst (i.e., more operational in nature). On the other hand, contextual performance is fairly similar across functional and hierarchical levels. All employees, regardless of job title, function, and responsibilities, are equally responsible for, for example, volunteering to carry out task activities that are not formally part of the job. Second, task performance is likely to be role prescribed, meaning

TABLE 4.2 Main Differences Between Task and Contextual Performance

<i>Task Performance</i>	<i>Contextual Performance</i>
Varies across jobs	Fairly similar across jobs
Likely to be role prescribed	Not likely to be role prescribed
Antecedents: abilities and skills	Antecedent: personality

that task performance is usually included in one's job description. On the other hand, contextual performance behaviors are usually not role prescribed and, instead, are typically expected without making them explicit. Finally, task performance is mainly influenced by abilities and skills (e.g., cognitive, physical), whereas contextual performance is mainly influenced by personality (e.g., conscientiousness).¹⁰

There are numerous pressing reasons why both task and contextual performance dimensions should be included in a performance management system. First, global competition is raising the levels of effort required of employees. Thus, whereas it may have sufficed in the past to have a workforce that was competent regarding task performance, today's globalized world and accompanying competitive forces make it imperative that the workforce also engage in positive contextual performance. It is difficult to compete if an organization employs a workforce that does not engage in contextual behaviors. Second, related to the issue of global competition is the need to offer outstanding customer service. Contextual performance behaviors can make a profound impact on customer satisfaction. Imagine what a big difference it makes, from a customer perspective, when an employee puts in extra effort to satisfy a customer's needs. Third, many organizations are forming employees into teams. Although some teams may not be permanent because they are created to complete specific short-term tasks, the reality of today's world of work is that teams are here to stay. Interpersonal cooperation is a key determinant of team effectiveness. Thus, contextual performance becomes particularly relevant for teamwork. Fourth, including both task and contextual performance in the performance management system provides an additional benefit: Employees being rated are more satisfied with the system and believe the system is fairer if contextual performance is measured in addition to task performance.¹¹ It seems that employees are aware that contextual performance is important in affecting organizational effectiveness and, therefore, believe that these types of behaviors should be included in a performance management system in addition to the more traditional task performance. Finally, when supervisors evaluate performance, it is difficult for them to ignore the contextual performance dimension, even though the evaluation form they are using may not include any specific questions about contextual performance.¹² Consequently, since contextual performance has an impact on ratings of overall performance even when only task performance is measured, it makes sense to include contextual performance more explicitly.¹³ Measuring contextual performance explicitly is also important because, unless carefully defined, it can be more subjective and subject to bias compared to measuring task performance.

Finally, there is an additional type of behavior that is another facet of contextual performance, but it is different from traditional ways of thinking about it: *voice behavior*.¹⁴ Voice behavior is a type of behavior that emphasizes expression of constructive challenge with the goal to improve rather than merely criticize; it challenges the status quo in a positive way, and it is about making innovative suggestions for change and recommending modifications to standard procedures even when others, including an employee's supervisor, disagree. Consider an employee who has just been hired into your organization. This new colleague was recruited from a competitor, which is known to implement top-notch performance management practices. This employee, having the benefit of an outsider perspective, can point to processes that could be improved. For example, the new colleague may suggest that more feedback be given to the members of the team regarding

their performance. This employee may even send an e-mail message to all members of her team and to her supervisor including suggestions for improvement based on proven practices directly observed elsewhere. Some of these suggestions may not be applicable in the new organizational environment due to different equipment, processes, products, and clients. However, others, if implemented, may produce immediate and highly beneficial results. Although such type of behavior can be included as part of the broader category of contextual behavior, it is different in that it is not conformist in nature. In fact, voice behavior can be seen as a threat by the new employee's supervisor who is used to "doing things the same way we've done them before." Such supervisors may perceive the suggestions for changes and improvements as a threat to the status quo. Moreover, more senior organizational members may also feel personally threatened by the knowledge, energy, and innovative ideas of the new employee. These reactions to voice behavior can be a sign that the wrong people are occupying leadership positions in the organization and a sign of imminent organizational decline.¹⁵ On the other hand, healthier organizational environments that are more adaptive and promote innovation and improvements are more receptive to voice behavior and even reward it. For example, a recent study found that, although voice behavior was not explicitly included as part of a performance management system, raters gave higher performance scores to employees who engaged in voice behavior in spite of similarities regarding task and contextual performance ratings.¹⁶

As in other sections throughout the book, it is important to understand contextual factors and how they affect how different organizations choose to define and measure performance. For example, consider the important role that cultural differences can play in this regard.¹⁷ Organizations in the United States are likely to value behaviors that are individualistic in nature and that demonstrate individual achievement, self-reliance, competition, and disengaged emotional styles. In such organizations, individuals from ethnic minority groups who align themselves with more collectivistic values may receive lower performance ratings compared to members of the majority group and may be seen as helpless, dependent, and lacking sufficient commitment to their work and organizations. This is another important reason for including both task and contextual performance in the system so that all organizational members are given an opportunity to demonstrate their value-added to the organization regardless of different behaviors, styles, and cultural values and norms.

In short, performance includes both a task and a contextual dimension. Both should be considered because both dimensions contribute to organizational success. In the case of both task and contextual performance, each behavior should be defined clearly so that employees understand what is expected of them. Organizations that include both task and contextual dimensions are likely to be more successful, as in the case of O₂ Ireland, Ireland's second largest mobile phone operator. Headquartered in Dublin, O₂ Ireland employs more than 1,750 people. In 2000, O₂ Ireland implemented a performance management system in its 320-seat customer care center in Limerick. O₂'s performance management system includes task-related facets centered in hard metrics regarding productivity as well as contextual-related facets such as involvement in staff socialization and contribution to team development. The targets set for each employee are also aligned with company objectives. O₂ concluded that this focus on both task and contextual performance has led to higher levels of customer service and employee satisfaction.

4.4 APPROACHES TO MEASURING PERFORMANCE

Before we discuss how to measure performance, we must remember that employees do not perform in a vacuum. Figure 4.1 shows that employees work in an organizational context, engaging in certain behaviors that produce certain results. The same employee may behave differently (and produce different results) if placed in a different situation (e.g., working with a different supervisor or using better or worse equipment).

Given the model shown in Figure 4.1, there are three approaches that can be used to measure performance: the *behavior*, *results*, and *trait* approaches.¹⁸

4.4.1 Behavior Approach

The behavior approach emphasizes what employees do on the job and does not consider employees' traits or the outcomes resulting from their behaviors. This is basically a process-oriented approach that emphasizes *how* an employee does the job.

The behavior approach is most appropriate under the following circumstances:

- *The link between behaviors and results is not obvious.* Sometimes the relationship between behaviors and the desired outcomes is not clear. In some cases, the desired result may not be achieved in spite of the fact that the right behaviors are in place. For example, a salesperson may not be able to close a deal because of a downturn in the economy. In other cases, results may be achieved in spite of the absence of the correct behaviors. For example, a pilot may not check all the items in the preflight checklist but the flight may nevertheless be successful (i.e., take off and land safely and on time). When the link between behaviors and results is not always obvious, it is beneficial to focus on behaviors as opposed to outcomes.
- *Outcomes occur in the distant future.* When the desired results will not be seen for months, or even years, the measurement of behaviors is beneficial. Take the case of NASA's Mars Exploration Rover Mission program. NASA launched the exploration rover Spirit on June 10, 2003, which landed on Mars on January 3, 2004, after traveling 487 million kilometers (302.6 million miles). Its twin, the exploration rover Opportunity, was launched on July 7, 2003, and landed on the opposite side of Mars on January 24, 2004. From launching to landing, this mission took about six months to complete. In this circumstance, it is certainly appropriate to assess the performance of the engineers involved in the mission by measuring their behaviors in short intervals during this six-month period rather than waiting until the final result (i.e., successful or unsuccessful landing) is observed.
- *Poor results are due to causes beyond the performer's control.* When the results of an employee's performance are beyond the employee's control, it makes sense to

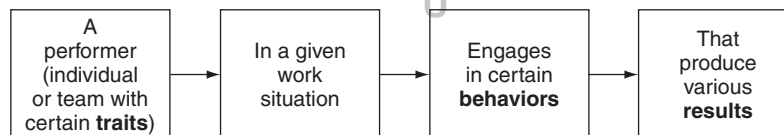


FIGURE 4.1 Job Performance in Context Source: Adapted from Grote, D. (1996). *The complete guide to performance appraisal* (Fig. 3-1, p. 37). New York: American Management Association.

BOX 4.1**Task and Contextual Performance at Sprint Nextel**

Sprint Nextel (<http://www.sprint.com>) is a provider of local, wireless, long-distance voice, and voice-over IP services. The company is headquartered in Reston, Virginia. At Sprint Nextel, all employees are evaluated, and development plans are created through the use of five core competencies or "dimensions." These dimensions include act with integrity, focus on the customer, deliver results, build relationships, and demonstrate leadership. The dimensions are used not only for business strategy and objectives but also as a template for what successful performance looks like at the company. These dimensions include the consideration of both task and contextual performance, and employees in the evaluation and development process are asked to write behavioral examples of how they have performed on each dimension. For example, the delivering results dimension clearly links to performing specific tasks of one's job. Each employee has certain tasks to complete on a regular basis to keep the business moving. On the other hand, the company is concerned about how the work gets done and contributing to a good work environment that allows greater effectiveness. This is apparent through the dimensions that look at how employees develop relationships with others and act with integrity in their day-to-day functioning. In summary, Sprint Nextel has recognized the importance of considering both task and contextual components of a job in its performance management system. Employees are evaluated not only on results but also on how they are achieved through working with others.¹⁹

emphasize the measurement of behaviors. For example, consider a situation involving two assembly-line workers, one of them working the day shift and the other the night shift. When the assembly line gets stuck because of technical problems, the employee working during the day receives immediate technical assistance, so the assembly line is back in motion in less than five minutes. By contrast, the employee working the night shift has very little technical support and, therefore, when the assembly line breaks down, it takes about 45 minutes for it to be up and running again. If we measured results, we would conclude that the performance of the day-shift employee is far superior to that of the night-shift employee, but this would be an incorrect conclusion. Both employees may be equally competent and do the job equally well. The results produced by these employees are uneven because they depend on the amount and quality of technical assistance they receive when the assembly line is stuck.

We discuss the specific steps involved in measuring behaviors in Chapter 5. Next, let's discuss the results approach to measuring performance.

4.4.2 Results Approach

The results approach emphasizes the outcomes and results produced by the employees. It does not consider the traits that employees may possess or how employees do the job. This is basically a bottom-line approach that is not concerned about employee behaviors and processes but, instead, focuses on what is produced (e.g., sales, number of accounts acquired, time spent with clients on the telephone, number of errors). Defining and measuring results usually takes less time than defining and measuring behaviors needed to achieve these results. Also, the results approach is usually seen as

BOX 4.2**Implementing a Behavior Approach to Measuring Performance at Dollar General**

At Dollar General (<http://www.dollargeneral.com>), a behavior approach is utilized to measure performance. Tennessee-based Dollar General has 8,000 stores operating in the United States with more than 64,000 employees. The company sells consumable basics such as paper products, cleaning supplies, health and beauty products, foods and snacks, housewares, toys, and basic apparel. As part of the performance management system, Dollar General has identified behaviors that serve as indicators to underlying competencies. These behaviors are reviewed and utilized to encourage certain outcomes and provide feedback and rewards to staff members. For example, the company management sought to improve attendance among employees. In order to encourage employees to arrive to work on time, a system was developed to group employees into teams who earn points. A wall chart was created displaying a racetrack, and each team was given a car that would be moved forward by the number of points earned each day. After a certain number of laps around the track, employees on the teams with the most points would be given a choice about how to celebrate. The program was successful within the first two weeks and increased attendance significantly. In summary, Dollar General's performance management system includes the use of a behavior approach to measuring performance.²⁰

more cost-effective because results can be less expensive to track than behaviors. Overall, data resulting from a results approach seem to be objective and are intuitively very appealing.

The results approach is most appropriate under the following circumstances:

- *Workers are skilled in the needed behaviors.* An emphasis on results is appropriate when workers have the necessary knowledge and skills to do the work. In such situations, workers know what specific behaviors are needed to achieve the desired results and they are also sufficiently skilled to know what to do to correct any process-related problems when the desired results are not obtained. Consider the example of a professional basketball player. A free throw is an unhindered shot made from the foul line and is given to one team to penalize the other team for committing a foul. Free throw shooting can make the difference between winning and losing in a close basketball game. Professional players know that there is really no secret to becoming a great free throw shooter: just hours and hours of dedicated practice besides actual basketball play. In assessing the performance of professional basketball players, the free throw shooting percentage is a key results-oriented performance indicator because most players have the skills to do it well. It's just a matter of assessing whether they do it or not.
- *Behaviors and results are obviously related.* In some situations, certain results can be obtained only if a worker engages in certain specific behaviors. This is the case of jobs involving repetitive tasks such as assembly-line work or newspaper delivery. Take the case of a person delivering newspapers. Performance can be measured adopting a results approach: whether the newspaper is delivered to every customer within a particular time frame. For the employee to obtain this

result, she needs to pick up the papers at a specific time and use the most effective delivery route. If these behaviors are not present, the paper will not be delivered on time.

- *Results show consistent improvement over time.* When results improve consistently over time, it is an indication that workers are aware of the behaviors needed to complete the job successfully. In these situations, it is appropriate to adopt a results approach to assessing performance.
- *There are many ways to do the job right.* When there are different ways in which one can do the tasks required for a job, a results approach is appropriate. An emphasis on results can be beneficial because it could encourage employees to achieve the desired outcomes in creative and innovative ways.

Table 4.3 summarizes the conditions under which a behavior or a results approach may be best suited for assessing performance. However, these approaches are not mutually exclusive. In fact, measuring *both* behavior and results is the approach adopted by many organizations. Consider the case of The Limited, Inc., a retailer headquartered in Columbus, Ohio.²¹ The Limited, Inc. now operates 3,500 retail stores and seven retail brands including Victoria's Secret, Express, The Limited, Bath & Body Works, C. O. Bigelow, The White Barn Candle Co., and Henri Bendel. The Limited aims to foster an entrepreneurial culture for its managers; therefore, managers who thrive in the company have a history of delivering impressive business results. The Limited decided to design a new performance management system that is now used uniformly by all The Limited companies. With the involvement of outside consultants and employees, The Limited developed a performance management system wherein managers are measured on business results including total sales, market share, and expense/sale growth ratio as well as leadership competencies that are tailored to The Limited. A few of these competencies include developing fashion sense, financial acumen, and entrepreneurial drive. Overall, The Limited has been pleased with the new system because it helps align individual goals with business strategy and results. Raters like the new system because behavioral anchors help define the competencies, which make ratings more straightforward. Finally, employees comment that they appreciate the new focus on *how* results are achieved, as opposed to focusing only on *what* is achieved (i.e., sales).

TABLE 4.3 Behavior Approach Versus Results Approach

Adopting a behavior approach to measuring performance is most appropriate when

- The link between behaviors and results is not obvious
- Outcomes occur in the distant future
- Poor results are due to causes beyond the performer's control

Adopting a results approach to measuring performance is most appropriate when

- Workers are skilled in the needed behaviors
- Behaviors and results are obviously related
- Results show consistent improvement over time
- There are many ways to do the job right

BOX 4.3**Implementing a Results Approach to Measuring Performance at HomeLoanCenter.com**

Companies frequently utilize rewards and incentives as a part of performance management systems. At HomeLoanCenter.com, there are many bonus and reward opportunities that emphasize outcomes, or a results approach to measuring performance. HomeLoanCenter.com is a company based in Irvine (California) that provides home mortgage loans directly to consumers over the Internet and employs over 600 people. Some of the criteria used to evaluate performance based on outcomes include closing the most loans in a given time period, bringing in the most revenue, and providing the most referrals. Rewards include getting the use of a Mercedes or Hummer and a special parking place to the top loan agent of the month as an acknowledgment of his or her success. Other awards include using the company's suite at the Staples Center in Los Angeles for sporting events or concerts or winning trips to Mexico on CEO Anthony Hsieh's 60-foot private yacht. In summary, HomeLoanCenter.com utilizes a performance management system focusing on outcomes or results in order to motivate employees and bring about business results. The company looks at what is produced at work rather than at behaviors or how the job gets done.²²

4.4.3 Trait Approach

The trait approach emphasizes the individual performer and ignores the specific situation, behaviors, and results. If one adopts the trait approach, raters evaluate relatively stable traits. These can include abilities, such as cognitive abilities (which are not easily trainable) or personality (which is not likely to change over time). For example, performance measurement may consist of assessing an employee's intelligence and conscientiousness at the end of each review period. This approach is justified based on the positive relationship found between abilities (such as intelligence) and personality traits (such as conscientiousness) and desirable work-related behaviors.^{23,24} Several vendors provide tools to assess relatively stable traits such as these, sometimes with the capability of administering them online. Vendors who describe their products online include ddi.com, www.appliedpsych.com, www.previsor.com, www.kenexa.com, www.personneldecisions.com, and www.vangent-hcm.com.

What are some of the challenges of implementing a system that emphasizes the measurement of traits only? First, traits are not under the control of individuals. In most cases, they are fairly stable over one's life span. They are not likely to change even if an individual is willing to exert substantial effort to do so. Consequently, employees may feel that a system based on traits is not fair because the development of these traits is usually beyond their control.²⁵ Second, the fact that an individual possesses a certain trait (e.g., intelligence) does not mean that this trait will necessarily lead to desired results and behaviors. As noted in Figure 4.1, individuals are embedded in specific situations. If the equipment is faulty and coworkers are uncooperative, even a very intelligent and conscientious employee is not likely to engage in behaviors conducive to supporting the organization's goals.

In spite of these challenges, there are situations in which a trait-oriented approach can be fruitful. For example, as part of its business strategy, an organization may anticipate drastic structural changes that will lead to the reorganization of most functions and the resulting reallocation of employees. In such a circumstance, it may be useful to assess the traits possessed by the various individuals so that fair and appropriate decisions are made regarding the allocation of human resources across the newly created organizational units. This is, of course, a fairly unique circumstance. In most organizations, performance is not measured using the trait approach. This is why two more popular approaches to measuring performance are based on behaviors and results, as we discussed earlier.

Summary Points

- Performance is about behavior or what employees do, not about what employees produce or the outcomes of their work. Performance management systems typically include the measurement of both behaviors (how the work is done) and the results (the outcomes of one's work). Performance is evaluative (i.e., we judge it based on whether it helps advance or hinder organizational goals) and multidimensional (i.e., many behaviors are needed to describe an employee's performance).
- Performance is determined by a combination of declarative knowledge (i.e., information), procedural knowledge (i.e., know-how), and motivation (i.e., willingness to perform). Thus, $\text{Performance} = \text{Declarative Knowledge} \times \text{Procedural Knowledge} \times \text{Motivation}$. If any of the three determinants of performance has a very small value (e.g., very little procedural knowledge), then performance will also have a low level. All three determinants of performance must be present for performance to reach satisfactory (and better) levels.
- There are two important facets of performance: task and contextual. Task performance refers to the specific activities required by one's job. Contextual performance refers to the activities required to be a good "organizational citizen" (e.g., helping coworkers, supporting company initiatives). In addition, voice behavior is another important facet of contextual performance (i.e., raising constructive challenges with the goal to improve rather than merely criticize, challenge the status quo in a positive way, and make innovative suggestions for change when others, including an employee's supervisor, disagree). Both task and contextual performance are needed for organizational success, and both should be included in a performance management system.
- Employees do not perform in a vacuum. Employees work in a specific situation, engaging in specific behaviors that produce certain results. An emphasis on behaviors leads to a behavior-based approach to assessing performance. An emphasis on results leads to a results-based approach to assessing performance. An emphasis on the employee leads to a trait-based approach to assessing performance. The relative emphasis given to each of these approaches to measuring performance should be influenced by the organization's business

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strategy. For example, an organization emphasizing research and development as its main strategy would be concerned about results that are not easily observable in the short term. Thus, an emphasis on behaviors would be consistent with such a business strategy.

- A behavior approach emphasizes what employees do (i.e., how work is done). This approach is most appropriate when (1) the link between behaviors and results is not obvious, (2) outcomes occur in the distant future, and/or (3) poor results are due to causes beyond the employee's control. A behavior approach may not be the best choice if most of these conditions are not present. In most situations, however, the inclusion of at least some behavior-based measures is beneficial.
- A results approach emphasizes the outcomes and results produced by employees. This is basically a bottom-line approach that is not concerned with how the work is done as long as certain specific results are obtained. This approach is most appropriate when (1) workers are skilled in the

needed behaviors, (2) behaviors and results are obviously related, (3) results show consistent improvement over time, and/or (4) there are many ways to do the job right. An emphasis on results can be beneficial because it could encourage employees to achieve the desired outcomes in creative and innovative ways. On the other hand, measuring only results is typically not welcomed by employees even in types of jobs for which the expected result is very clear (e.g., sales jobs).

- A traits approach emphasizes individual traits that remain fairly stable throughout an individual's life span (e.g., cognitive abilities or personality). This approach may be most appropriate when an organization anticipates undertaking drastic structural changes. A major disadvantage of this approach is that traits are not under the control of individuals, and even when individuals possess a specific positive trait (e.g., high intelligence), this does not necessarily mean that the employee will engage in productive behaviors that lead to desired results.

CASE STUDY 4-1

Diagnosing the Causes of Poor Performance

Heather works in the training department of a large information technology (IT) organization. She is in charge of designing and delivering interpersonal skills training, including communication skills, networking, and new manager training classes. Heather has excellent knowledge of how to design a training class. She incorporates behavioral modeling and practice into all of her classes. She has also conducted research on what good communication consists of, how to network, and what new managers need to know to be successful. However, individuals who attend Heather's training

classes often give her low ratings, stating that she has a hard time answering specific questions in classes and that she does not seem approachable after the classes when individuals want to ask questions.

1. You are Heather's manager. In your opinion, what is causing Heather's poor performance? Is it due to a deficiency in declarative knowledge or procedural knowledge?
2. What can be done to remedy the performance problem? ■

CASE STUDY 4-2

Differentiating Task from Contextual Performance

Consider the following adaptation of a job description for the position of a district business manager for a sales organization in Bristol-Myers Squibb (BMS) (www.bms.com). BMS produces pharmaceuticals, infant formulas and nutritional products, ostomy and advanced wound care products, cardiovascular imaging supplies, and over-the-counter products. Some of its brands include Enfamil, Cardiolite, and Plavix. Its stated mission is to “extend and enhance human life by providing the highest-quality pharmaceutical and related health care products.” In addition, all employees live by the BMS pledge: “We pledge—to our patients and customers, to our employees and partners, to our shareholders and neighbors, and to the world we serve—to act on our belief that the priceless ingredient of every product is the honor and integrity of its maker.”

DBM JOB RESPONSIBILITIES

The following are the core performance objectives for the district business manager (DBM) position: Create the environment to build an innovative culture, create and articulate a vision, drive

innovation by embracing diversity and change, set the example, and thereby shape the culture. Develop and communicate the business plan, understand and explain BMS strategies, translate national plan to business plans for districts and territories, set goals and expectations of performance, set priorities, and allocate resources. Execute and implement the business plan, maximize rank order lists of medical education professional relationships, achieve optimum coverage frequency of highest potential physicians, take accountability, and achieve results. Build relationships focused on customer retention, develop relationships (i.e., networks), influence others (i.e., internal and external), and develop self and others. Strong skills are acquired in the following areas: written and oral communication, negotiation, strategic analysis, leadership, team building, and coaching.

1. Based on the DBM job description, extract a list of task and contextual performance behaviors. Refer to Table 4.2 for a review of the differences between task and contextual performance. ■

CASE STUDY 4-3

Choosing a Performance Measurement Approach at Paychex, Inc.

The following job description is for an account executive at Paychex, Inc. (www.paychex.com). Paychex, Inc., is a leading national provider of payroll, human resources, and benefits outsourcing solutions for small- to medium-sized businesses. Paychex is headquartered in Rochester, New York, but the company has more than 100 offices and serves hundreds of thousands of clients nationwide. Because account executives often make sales calls individually, their managers do not always directly observe their performance. Furthermore, managers are also responsible for sales in their markets and for staying up-to-date on payroll laws. However, account executives are responsible for training new account executives and networking in the industries in which they sell products. For example, if an account manager is responsible for retail

companies, then that account executive is expected to attend retail trade shows and professional meetings to identify potential clients and to stay current with the issues facing the retail industry.

ACCOUNT EXECUTIVE JOB RESPONSIBILITIES

- Performing client needs analysis to ensure that the major market services product can meet a client's requirements and expectations.
- Establishing clients on the host processing system.
- Acting as primary contact for the client during the conversion process.
- Supporting clients during the first few payrolls.

- Completing the required documentation to turn the client over to customer service for ongoing support.
 - Scheduling and making client calls and, when necessary, supporting sales representatives in presales efforts.
 - Keeping abreast of the major market services system and software changes, major changes and trends in the PC industry, and changes in wage and tax law.
1. Based on the above description, assess whether Paychex should use a behavior approach, a results approach, or a combination of both to measure performance.
 2. Using the accompanying table as a guide, place check marks next to the descriptions that apply to the job of account executive. Explain why you chose the approach you did. ■

Behavior approach to measuring performance is most appropriate when

the link between behaviors and results is not obvious
 outcomes occur in the distant future
 poor results are due to causes beyond the performer's control

Results approach to measuring performance is most appropriate when

workers are skilled in the necessary behaviors
 behaviors and results are obviously related
 results show consistent improvement over time
 there are many ways to do the job right

CASE STUDY 4-4

Deliberate Practice Makes Perfect

Ricardo is an associate financial analyst in a large financial consulting firm. He works in the emerging markets division developing low-cost products for the Southeast Asia region. He was selected for this position because of his wide range of skills, relevant experience, and analytical abilities.

During his time at the firm, he has worked on a variety of projects and has become well respected among his peers. He is satisfied with his job and with his progress so far, but he strives to work on more challenging projects, wants to make a greater impact, and seeks a leadership-centered role. Ricardo has a strong drive and eventually hopes to get a position at the highest levels of the organization.

In recent years, the firm has remained stable but has struggled with growth. The recent economic downturn changed the financial landscape and is requiring new and innovative solutions to common issues such as reducing and calculating risk. As a result, the firm decided to launch a company-wide competition for the best risk assessment model in

order to motivate all of its employees to work on solving this issue. After several rounds of assessment and interviews, the top two finalists will be invited to present their ideas to the CEO who will make the final decision regarding the winner of the competition. The winning team will receive a substantial cash prize alongside significant prestige.

Ricardo sees this as the perfect chance to impress his colleagues and supervisors and to establish himself as a top performer. This competition presents the ideal circumstances for him to not only prove himself but also really shine. He and his team are incredibly excited about this opportunity and have been working tirelessly on this project. Ricardo's strong math and finance background help him come up with a comprehensive and complex algorithm that seems to be surprisingly effective in predicting risk. Each member contributes to different aspects of the project and together they create a strong proposal that they believe is worthy of winning the competition.

Ricardo emerges as leader of the group due to his detailed knowledge and understanding of its proposed model. He is excellent at motivating and guiding his small team, but he gets very nervous in formal situations and speaking in public, which questions his ability to influence people. He knows that part of the selection process will involve presenting his team's idea to different departments and important stakeholders and that he will be expected to take the lead during these presentations. He also knows that the key to passing through each round of the selection process will be to get people on board with their idea and convincing them of its potential.

You are Ricardo's manager, and he comes to you for advice and guidance about the current situation. You believe that he is one of the brightest employees in the

company and that he has the potential to become the most successful as well. However, he will need to overcome his fear of public speaking and develop his presentation skills in order to win this competition and reach his goals. Ricardo is committed to improvement and to becoming a top performer, and he understands that this will require a considerable amount of time and dedication. However, he hasn't heard of the concept of deliberate practice and is unsure of how to get the most value out of the time he dedicates to improving his performance.

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1. Based on the concept of deliberate practice, list the five steps that lead to excellence.
2. Provide Ricardo with specific recommendations on how he can "deliberately practice" his presentation skills. ■

End Notes

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Chapter 5

Measuring Results and Behaviors

The reason most people never reach their goals is that they don't define them, or ever seriously consider them as believable or achievable. Winners can tell you where they are going, what they plan to do along the way, and who will be sharing the adventure with them.

—DENIS WAITLEY

LEARNING OBJECTIVES

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

- Adopt a results approach to measuring performance, including the development of accountabilities, objectives, and standards.
- Determine accountabilities and their relative importance.
- Identify objectives that are specific and clear, challenging, agreed upon, significant, prioritized, bound by time, achievable, fully communicated, flexible, and limited in number.
- Identify performance standards that are related to the position, concrete, specific, measurable, practical to measure, meaningful, realistic and achievable, and reviewed regularly.
- Adopt a behavior approach to measuring performance, including the identification and assessment of competencies.
- Develop competencies that are defined clearly, provide a description of specific behavioral indicators that can be observed when someone demonstrates a competency effectively, provide a description of specific behaviors that are likely to occur when someone doesn't demonstrate a competency effectively (what a competency is not), and include suggestions for developing them further.

- Develop comparative performance measurement systems such as simple rank order, alternation rank order, paired comparisons, relative percentile, and forced distribution (being aware of the relative advantages and disadvantages of each).
- Develop absolute performance measurement systems such as essays, behavior checklists, critical incidents, and graphic rating scales, and understand their advantages and disadvantages.

Chapter 4 provided a definition of performance and described the trait, results, and behavior approaches to measuring performance. In this chapter, we provide a more detailed description of how to measure performance, adopting the two most common approaches: results and behavior.

5.1 MEASURING RESULTS

Chapter 2 included some information about how to assess performance when a results approach is adopted. If one adopts a results approach, one needs to ask the following key questions:

- What are the different areas in which this individual is expected to focus efforts (key accountabilities)?
- Within each area, what are the expected objectives?
- How do we know how well the results have been achieved (performance standards)?¹

As a reminder, key accountabilities are broad areas of a job for which the employee is responsible for producing results. A discussion of results also includes specific objectives that the employee will achieve as part of each accountability. Objectives are statements of important and measurable outcomes. Finally, discussing results also means discussing performance standards. A performance standard is a yardstick used to evaluate how well employees have achieved each objective. Performance standards provide information on acceptable and unacceptable performance, for example, regarding quality, quantity, cost, and time. Organizations that implement a management by objectives (MBO) philosophy are likely to implement components of performance management systems, including objectives and standards. For example, the contract for the chief of police of the city of Flevoland in the Netherlands includes a direct link between objectives of the police department and his personal income.² Similarly, the police department of the city of Utrecht (also in the Netherlands) has specific performance objectives including that 150 suspects of public violence and 1,050 minors suspected of any crime should be brought before the public prosecutor annually. Similar objectives have been set by police departments in England and Wales. Setting these objectives has not always led to the intended results because, in many cases, police officers resort to gaming strategies to achieve the objectives, often at the expense of providing a high-level quality of service to their local communities.³ Nevertheless, overall, an emphasis on objectives and standards is likely to allow employees to translate organizational goals into individual goals, which is a key goal of MBO philosophies.⁴

5.1.1 Determining Accountabilities

The first step in determining accountabilities is to collect information about the job. The primary source is, of course, the job description that has resulted from the job analysis and a consideration of unit- and organization-level strategic priorities. The job description provides

information on the tasks performed. Tasks included in the job description can be grouped into clusters of tasks based on their degree of relatedness. Each of these clusters or accountabilities is a broad area of the job for which the employee is responsible for producing results.

After the accountabilities have been identified, we need to determine their relative degree of importance. To understand this issue, we need to ask the following questions:

- What percentage of the employee's time is spent performing each accountability?
- If the accountability were performed inadequately, would there be a significant impact on the work unit's mission?
- Is there a significant consequence of error? Could inadequate performance of the accountability contribute to the injury or death of the employee or others, serious property damage, or loss of time and money?

Although determining accountabilities may at first seem like a daunting task, it is not that difficult. Let's discuss an example based on a real job in a real organization to illustrate how it is done. Consider the position of Training Specialist/Consultant—Leadership & Team Development for Target Corporation, a growth company focused exclusively on general merchandise retailing (www.target.com). The job description is the following:

Identifies the training and development needs of Target Corporation's work force (in collaboration with partners), with primary emphasis on exempt team members. Designs and delivers training and development workshops and programs and maintains an ongoing evaluation of the effectiveness of those programs. Assumes leadership and strategic responsibility for assigned processes. May supervise the non-exempt staff.

Based on the job description and additional information found on Target's Web page regarding the company's strategic priorities, a list of the accountabilities, consequences of performing them inadequately, consequences of making errors, and percentage of time spent in each are shown in the following:

- *Process leadership.* Leads the strategy and direction of assigned processes. Coordinates related projects and directs or manages resources. This is extremely important to the functioning of Target leadership and the ability of executives to meet strategic business goals. If this position is managed improperly, then it will lead to a loss of time and money in training costs and leadership ineffectiveness. (40% of time)
- *Supervision of nonexempt staff.* Supervises nonexempt staff working in the unit. This is relatively important to the functioning of the work unit. If nonexempt staff members are supervised improperly, then the development of the employees and the ability to meet business targets will be compromised. (10% of time)
- *Coaching.* Conducts one-on-one executive coaching with managers and executives. This is extremely important to the development of internal leaders. If managers and executives are not coached to improve their performance, there is a loss of time and money associated with their poor performance as well as the cost of replacing them if necessary. (20% of time)
- *Team-building consultation.* Assists company leaders in designing and delivering their own team-building sessions and other interventions. This is relatively important to the successfulness of teams at Target. Mismanagement of this

function will result in teams not meeting their full potential and wasting time and resources on conducting the team sessions. (10% of time)

- *Assessment instrument feedback.* Delivers feedback based on scores obtained on assessment instruments of skills, ability, personality, and other individual characteristics. This is relatively important to the development of leaders. If assessment is incorrect, it could derail leader development. (10% of time)
- *Product improvement.* Continuously seeks and implements opportunities to use technology to increase the effectiveness of leadership and team development programs. This is important to the effectiveness of training delivery and could result in significant gains in efficiencies of the systems if carried out effectively. (10% of time)

5.1.2 Determining Objectives

After the accountabilities have been identified, the next step in measuring results is to determine specific objectives. Objectives are statements of an important and measurable outcome that, when accomplished, will help ensure success for the accountability. The purpose of establishing objectives is to identify a limited number of highly important results that, when achieved, will have a dramatic impact on the overall success of the organization. After objectives are set, employees should receive feedback on their progress toward attaining the objective. Rewards should be allocated to those employees who have reached their objectives.

Objectives are clearly important because they help employees guide their efforts. To serve a useful function, objectives must have the following characteristics⁵:

1. *Specific and clear.* Objectives must be easy to understand. In addition, they must be verifiable and measurable, for example, a directive: "Cut travel cost by 20%."
2. *Challenging.* Objectives need to be challenging (but not impossible to achieve). They must be a stretch, but employees should feel that the objective is reachable.
3. *Agreed upon.* To be most effective, objectives need to result from an agreement between the manager and the employee. Employees need an opportunity to participate in setting objectives. Participation in the process increases objective aspirations and acceptance, and it decreases objective resistance.
4. *Significant.* Objectives must be important to the organization. Employees must believe that if the objective is achieved, it will make a critical impact on the overall success of the organization. In addition, achieving the objective should give the employee the feeling of congruence between the employee's performance and the goals of the organization. This, in turn, is likely to enhance feelings of value to the organization.
5. *Prioritized.* Not all objectives are created equal; therefore, objectives should be prioritized and tackled one by one.
6. *Bound by time.* Good objectives have deadlines and mileposts. Objectives lacking a time dimension are likely to be neglected.
7. *Achievable.* Good objectives are doable; that is, employees should have sufficient skills and training to achieve them. If they don't, then the organization should make resources available so that the necessary skills are learned and equipment is made available to achieve the goals.
8. *Fully communicated.* In addition to the manager and employee in question, the other organizational members who may be affected by the objectives need to be aware of them.

9. *Flexible.* Good objectives are not immutable. They can and likely will change based on changes in the work or business environments.
10. *Limited in number.* Too many objectives may become impossible to achieve, but too few may not make a sufficient contribution to the organization. Objectives must be limited in number. Between 5 and 10 objectives per review period is a manageable number, but this can change based on the position and organization in question.

Several organizations set goals following these guidelines. For example, Microsoft Corporation has a long history of using individual goals in its performance management system. The goals at Microsoft are described by the acronym SMART: specific, measurable, achievable, results-based, and time-specific.⁶

Table 5.1 summarizes the characteristics of good objectives. Using this list as our guide, let's return to the position Training Specialist/Consultant—Leadership & Team Development at Target Corporation.

Examples of objectives (one or two per accountability) are the following:

- *Process leadership.* Develop leadership development processes and training programs within budget and time commitments. Meet budget targets and improve executive leaders' "leadership readiness" scores across organization by 20% in the coming fiscal year.
- *Supervision of nonexempt staff.* Receive acceptable managerial effectiveness rating scores from your nonexempt staff in the coming fiscal year.
- *Coaching.* Improve the managerial effectiveness scores of executive coaching clients in the coming fiscal year.
- *Team-building consultation.* Deliver necessary team-training sessions throughout the year within budget and with an acceptable satisfaction rating (as measured by the follow-up survey that is sent to every team) for team-training sessions in the coming fiscal year.
- *Assessment instrument feedback.* Deliver assessment feedback with an acceptable approval rating from your coaching clients in the coming fiscal year.
- *Product improvement.* Improve satisfaction with training delivery in the coming fiscal year by receiving acceptable scores while staying on budget.

Do these objectives comply with each of the 10 characteristics of good objectives listed in Table 5.1?

TABLE 5.1 Characteristics of Good Objectives

Specific and clear
Challenging
Agreed upon
Significant
Prioritized
Bound by time
Achievable
Fully communicated
Flexible
Limited in number

5.1.3 Determining Performance Standards

After accountabilities and objectives have been determined, the next step is to define performance standards. These are yardsticks designed to help people understand to what extent the objective has been achieved. The standards provide raters with information about what to look for to determine the level of performance that has been achieved. Standards can refer to various aspects of a specific objective, including quality, quantity, and time. Each of these aspects can be considered a criterion to be used in judging the extent to which an objective has been achieved.

- **Quality:** how well the objective has been achieved? This can include usefulness, responsiveness, effect obtained (e.g., problem resolution), acceptance rate, error rate, and feedback from users or customers (e.g., customer complaints, returns).
- **Quantity:** how much has been produced, how many, how often, and at what cost?
- **Time:** due dates, adherence to schedule, cycle times, deadlines (how quickly?) (e.g., timetables, progress reports)?

Standards must include an action, the desired result, a due date, and some type of quality or quantity indicator. For example, a standard might be the following: *Reduce overtime from 150 hours/month to 50 hours/month by December 1, 2012, at a cost not to exceed \$12,000.* The action is *reduce*, the due date is *December 1, 2012*, and the indicators are the *reduction in hours from 150 to 50* and *at a cost not to exceed \$12,000*.

Standards usually describe fully satisfactory performance. As soon as a standard has been created, one can create standards that describe minimum performance and outstanding performance. For example, the minimum standard could be the following: *Reduce overtime from 150 hours/month to 75 hours/month by December 1, 2012, at a cost not to exceed \$12,000.* The standard suggesting outstanding performance could be the following: *Reduce overtime from 150 hours/month to 40 hours/month by October 1, 2012, at a cost not to exceed \$12,000.*

In writing standards, consider the following characteristics that often determine whether one has a useful standard:

1. *Related to the position.* Good standards are based on the job's key elements and tasks, not on individual traits or person-to-person comparisons.
2. *Concrete, specific, and measurable.* Good standards are observable and verifiable. They allow us to distinguish between different performance levels. A good standard allows supervisors to measure the employee's actual performance to determine if it is below expectations, fully satisfactory, or above expectations. Standards are specific and concrete so that there should be no dispute over whether and how well they were met.
3. *Practical to measure.* Good standards provide necessary information about performance in the most efficient way possible. Good standards are created by taking into account the cost, accuracy, and availability of the needed data.
4. *Meaningful.* Good standards are about what is important and relevant to the purpose of the job, to the achievement of the organization's mission and objectives, and to the user or recipient of the product or service.

TABLE 5.2 Characteristics of Good Performance Standards

Related to the position
Concrete, specific, and measurable
Practical to measure
Meaningful
Realistic and achievable
Reviewed regularly

5. *Realistic and achievable.* Standards are possible to accomplish, but they require a stretch. There should be no apparent barriers to achieving the standard. Employees should be able to reach the standards within the specified time frame.
6. *Reviewed regularly.* Information should be available on a regular basis to determine whether the employee has reached the standard, and if not, remedial action should be taken.⁷

Table 5.2 lists the characteristics described here that are typical of good standards. Using this list as a guide, let's once again return to the position of Training Specialist/Consultant—Leadership & Team Development at Target Corporation.

Examples of standards (one per objective for each accountability) are the following:

- *Process leadership.* Increase the executive leaders' "leadership readiness" scores across organization by 20% by December 31, 2012, at a cost not to exceed \$70,000.
- *Supervision of nonexempt staff.* Receive managerial effectiveness rating scores of 80% approval from the nonexempt staff in December 2012.
- *Coaching.* Improve the managerial effectiveness scores of executive coaching clients by 5% in December 2012.
- *Team-building consultation.* Design and deliver 95% of scheduled team-building sessions with a cost not to exceed \$30,000 for an 85% satisfaction rating with team-training sessions by December 2012.
- *Assessment instrument feedback.* Deliver assessment feedback with an 85% approval rating from the coaching clients in December 2012.
- *Product improvement.* Improve satisfaction scores with training delivery by 5% by December 31, 2012, at a cost not to exceed \$30,000.

5.2 MEASURING BEHAVIORS

Chapter 2 provided an introduction to the topic of measuring behaviors. A behavior approach to measuring performance includes the assessment of competencies. Competencies are measurable clusters of knowledge, skills, and abilities (KSAs) that are critical in determining how results will be achieved.⁸ Examples of competencies are customer service, written or oral communication, creative thinking, and dependability.

We can consider two types of competencies: first, differentiating competencies, which are those that allow us to distinguish between average and superior performers; and, second, threshold competencies, which are those that everyone needs to display to do the job to a minimally adequate standard. For example, for the position Information

BOX 5.1**Leadership Competencies At Xerox Capital Services**

At Xerox Capital Services (XCS; <http://www.xerox.com>), identifying leadership competencies was the first step in a successful leadership development program. XCS is jointly owned by the Xerox Corporation and General Electric. The company specializes in financing, risk analysis, and credit approval and employs 1,800 people in the United States. A leadership development program at XCS was focused on high-potential future leaders that were currently in pre-management roles. An important step in developing training sessions was to identify the key competencies of leaders in the organization. This process involved senior managers giving their opinions about what was most critical for leadership success in the company. After a clearly defined list of 12 competencies was identified, a curriculum was developed that included readings and a specific course each week on each topic. In summary, XCS provides an example of the importance of identifying competencies and how the competencies can be used within the context of a performance management system.⁹

Technology (IT) Project Manager, a differentiating competency is process management. Process management is defined as the “ability to manage project activities.” For the same position, a threshold competency is change management.¹⁰ The change management competency includes knowledge of behavioral sciences, operational and relational skills, and sensitivity to motivators. Therefore, in order for an information technology project manager to be truly effective, she has to possess process management and change management competencies.

As noted earlier, competencies should be defined in behavioral terms. Take the case of a professor teaching an online course. An important competency could be “communication.” This competency is defined as the set of behaviors that enables a professor to convey information so that students are able to receive it and understand it. For example, one such behavior might be whether the professor is conveying information during preassigned times and dates. That is, if the professor is not present at the chat room at the prespecified dates and times, no communication is possible.

To understand the extent to which an employee possesses a competency, we measure indicators. Each indicator is an observable behavior that gives us information regarding the competency in question. In other words, we don’t measure the competency directly, but we measure indicators that tell us whether the competency is present or not.

Figure 5.1 shows the relationship between a competency and its indicators. A competency can have several indicators. Figure 5.1 shows a competency with five

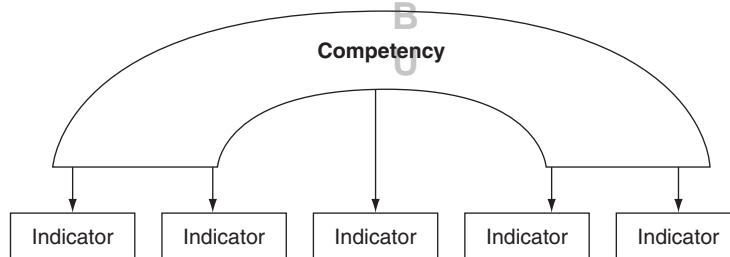


FIGURE 5.1 Competency and Indicators

indicators. An indicator is a behavior that, if displayed, suggests that the competency is present. In the example of the competency communication for a professor teaching an online course, one indicator is whether the professor shows up at the chat room at the preestablished dates and times. Another behavioral indicator of the competency communication could be whether the responses provided by the professor address the questions asked by the students or whether the answers are only tangential to the questions asked. As another example, consider the two competencies that define good leadership: consideration and initiation structure.¹¹ Consideration is the degree to which the leader looks after the well-being of his or her followers. Initiating structure is the degree to which the leader lays out task responsibilities. Five indicators whose presence would indicate the existence of the consideration competency are the following:

- Supports subordinates' projects
- Asks about the well-being of employees' lives outside of work
- Encourages subordinates to reach their established goals
- Gets to know employees personally
- Shows respect for employees' work and home lives

In describing a competency, the following components must be present:

1. Definition of competency
2. Description of specific behavioral indicators that can be observed when someone demonstrates a competency effectively
3. Description of specific behaviors that are likely to occur when someone doesn't demonstrate a competency effectively (what a competency is not)
4. List of suggestions for developing the competency in question¹²

Using the competency consideration, let's discuss the four essential elements in describing a competency. We defined consideration: it is the degree to which a leader shows concern and respect for followers, looks out for their welfare, and expresses appreciation and support. Next, we listed five indicators or behaviors that can be observed when a leader is exhibiting consideration leadership. Leaders who do not show consideration may speak with subordinates only regarding task assignments, repeatedly keep employees late with no consideration of home lives, take no interest in an employee's career goals, and assign tasks based only on current expertise. Finally, how do leaders develop the consideration competency? One suggestion would be to ask employees, on a regular basis, how their lives outside of work are going. This may lead to knowledge about an employee's family and interests outside of work.

In contrast to the measurement of results, the measurement of competencies is intrinsically judgmental. Competencies are measured using data provided by individuals who make a judgment regarding the presence of the competency. In other words, the behaviors displayed by the employees are observed and judged by raters (typically, the direct supervisor, but raters might also include peers, customers, subordinates, and the employee himself).

Two types of systems are used to evaluate competencies: *comparative systems* and *absolute systems*. Comparative systems base the measurement on comparing employees with one other. Absolute systems base the measurement on comparing employees with a prespecified performance standard.

TABLE 5.3 Comparative and Absolute Behavioral Measurement Systems

<i>Comparative</i>	<i>Absolute</i>
Simple rank order	Essays
Alternation rank order	Behavior checklists
Paired comparisons	Critical incidents
Relative percentile	Graphic rating scales
Forced distribution	

Table 5.3 lists the various types of comparative and absolute systems that could be used. Let's discuss how to implement each of these systems and point out some advantages and disadvantages of each.¹³

5.2.1 Comparative Systems

Comparative systems of measuring behaviors imply that employees are compared to one other. If a *simple rank order* system is used, employees are simply ranked from best performer to worst performer. Alternatively, in an *alternation rank order* procedure, the supervisor initially lists all employees. Then, the supervisor selects the best performer (#1), then the worst performer (#*n*), then the second best (#2), then the second worst (#*n* - 1), and so forth, alternating from the top to the bottom of the list until all employees have been ranked.

Paired comparisons is another comparative system. In contrast to the simple and alternation rank order procedures, explicit comparisons are made between all pairs of employees to be evaluated.¹⁴ In other words, supervisors systematically compare the performance of each employee against the performance of all other employees. The number of pairs of employees to be compared is computed by the following equation:

$$\frac{n(n-1)}{2}$$

where *n* is the number of employees to be evaluated. If a supervisor needs to evaluate the performance of 8 employees, she would have to make $[8(8-1)]/2 = 28$ comparisons. The supervisor's job is to choose the better of each pair, and each individual's rank is determined by counting the number of times he or she was rated as better.

Another type of comparison method is the *relative percentile method*.¹⁵ This type of measurement system asks raters to consider all rates at the same time and to estimate the relative performance of each by using a 100-point scale. The 50-point mark on this scale (i.e., 50th percentile) suggests the location of an average employee—about 50% of employees are better performers and about 50% of employees are worse performers than this individual. Relative percentile methods may include one such scale for each competency and also include one scale on which raters evaluate the overall performance of all employees. Figure 5.2 includes an example of a relative percentile method scale to measure the competency "communication." In this illustration, the rater has placed employee DS at roughly the 95th percentile, meaning that DS's performance regarding communication is

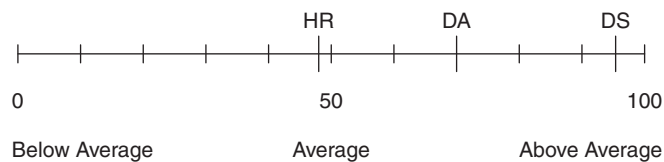


FIGURE 5.2 Example of Relative Percentile Method Scale

higher than 95% of other employees. On the other hand, HR has been placed around the 48th percentile, meaning that about 52% of employees are performing better than him.

A fifth comparison method is called *forced distribution*. In this type of system, employees are apportioned according to an approximately normal distribution. For example, 20% of employees must be classified as exceeding expectations, 70% must be classified as meeting expectations, and 10% must be classified as not meeting expectations. General Electric (GE) is one organization that has adopted a forced distribution system. Former GE CEO Jack Welch labeled GE's forced distribution system the "vitality curve." In his view, forced ranking enables managers to manage low-achieving performers better. GE's success in implementing a forced ranking system is cited as the model by many of the 20% of U.S. companies that have adopted it in recent years. At GE, each year 10% of managers are assigned the "C" grade, and if they don't improve they are asked to leave the company.¹⁶

What are some of the advantages of using comparative measurement methods? First, these types of measurement procedures are usually easy to explain. Second, decisions resulting from these types of systems are fairly straightforward: it is easy to see which employees are where in the distributions. Third, they tend to control several

BOX 5.2

Using a Forced Distribution System at Yahoo!

Yahoo! Inc. is one of the most trafficked Internet destinations worldwide. Yahoo! provides online products and services, offering a full range of tools and marketing solutions for businesses to connect with Internet users around the world. Yahoo! is headquartered in Sunnyvale, California. The performance management system at Yahoo! has utilized a forced distribution system in the past for assessing and reviewing employee performance. In this system, all departments are required to compare employees to one another and assign "top," "middle," and "bottom" performers based on a predetermined percentage that must fall in each category. Such systems are known for "weeding" out the bottom performers. Yahoo! has now removed the labeling of employee performance in an attempt to have a better dialogue between employees and managers and less focus on explaining the decision about which performance grade they were assigned in the evaluations. This change has also meant comparing employee performance to a predetermined standard and not directly to peers. The company has kept some of the comparisons because managers are asked to rank order the staff members to determine compensation increases and bonuses. Although the employees are not assigned a rank number, managers are generally expected to explain how the increases in pay compare to others in the work group. In summary, companies have developed many different methods for assessing and reviewing employees. Yahoo! gives an example of how one company has worked to find the most effective methods with important consideration to business objectives and the culture of the organization.¹⁷

biases and errors made by those rating performance better than do those in absolute systems. Such errors include leniency (i.e., giving high scores to most employees), severity (i.e., giving low scores to most employees), and central tendency (i.e., not giving any above-expectations or below-expectations ratings).

On the other hand, there are also disadvantages associated with the use of comparative systems, which may explain why only about 4% of all published research on performance appraisal has used them as opposed to the use of absolute systems (described in Section 5.2.2).¹⁸ First, employees usually are compared only in terms of a single overall category. Employees are not compared based on individual behaviors or even individual competencies, but instead are compared based on an overall assessment of performance. As a consequence, the resulting rankings are not sufficiently specific so that employees can receive useful feedback, and also these rankings may be subject to legal challenge. Second, because the resulting data are based on rankings and not on actual scores, there is no information about the relative distance between employees. All we know is that employee A received a higher score than employee B, but we do not know if this difference is, for example, similar to the difference between employee B and employee C. Some of these disadvantages were experienced recently by Microsoft and were noticed by Lisa E. Brummel, the senior vice president in charge of human resources.¹⁹ She noted that, by using a forced distribution system, “people were beginning to feel like their placement in one of the buckets was a larger part of the evaluation than the work the person actually did.” Similarly, a posting in June 2005 on an anonymous Microsoft employee’s blog called MiniMicrosoft read as follows: “I LOVE this company, but I hate the Curve.”

Finally, there are specific issues that should be considered in the implementation of a forced distribution method. This method assumes that performance scores are normally distributed, with some employees performing very highly, some poorly, and the majority

BOX 5.3

The Evolution of the Forced Distribution System at GE

General Electric (<http://www.ge.com>) is one of the most frequently cited companies to have utilized a comparative rating system with a forced distribution. GE, based in Fairfield, Connecticut, provides a wide array of products and services globally to customers in the areas of financial services, media entertainment, health care, and energy technologies, and products such as appliances and plastics. In recent years, the rigid system of requiring managers to place employees into three groups (top 20%, middle 70%, and bottom 10%) has been revised to allow managers more flexibility. While the normal distribution curve is still referenced as a guideline, the reference to the 20/70/10 split has been removed, and work groups are now able to have more “A players” or “no bottom 10’s.” The company did not view the forced distribution system of the past as a match for fostering a more innovative culture in which taking risks and failure are part of the business climate. As a result, the company has begun evaluating employees relative to certain traits, including one’s ability to act in an innovative manner or have an external business focus. In summary, GE’s performance management system and revisions to the system provide an example of how decisions about the measurement of performance need to consider the ramifications and resulting behaviors that are encouraged or discouraged. The consideration of culture and overall business strategy is also crucial in determining how to measure performance.²⁰

somewhere in between. This assumption, however, may not hold true for all units within an organization. Some units may have a high-performing culture and systems in place so that the majority of members perform at a very high level. Conversely, other units may have a majority of members who perform at a below-expectations level. In fact, in some professions such as researchers in universities, athletes in a variety of sports, actors and entertainers in a variety of industries, and politicians, job performance is rarely normally distributed.²¹ The pattern is such that a small minority of individuals account for the majority of results such as number of publications, goals, and how many times individuals are re-elected into office. Another disadvantage of implementing a forced distribution system is that such a system may discourage employees from engaging in contextual performance behaviors. After all, some employees may think, “The better my colleague does, the smaller the chance that I will be rated at the top of the distribution, so why should I help her do her job?” Obviously, this can undermine teamwork and the goals of the organization; it is important to consider what the culture of the organization is before implementing this type of system. If there is a culture with an unhealthy level of competitiveness, then a forced distribution may produce an effect opposite to what is intended and create performance problems. Finally, a forced distribution system is very difficult to implement in an organization that is not experiencing any growth. This is especially true for an organization that is experiencing cutbacks. If it is the same group or, even worse, a smaller group being evaluated one year later, people who had been in the middle position are by default moved to the bottom, even if their performance has not changed. This is because the employees who were rated at the bottom previously are no longer with the organization. It is not easy for employees to understand why, given the same level of performance, they are now placed in the C instead of the B category. University of Southern California professor Ed Lawler gives a great example of a forced distribution system using a salamander as a comparison: the salamander’s tail grows back when you chop it off, but this doesn’t happen in companies. In companies, if a forced distribution system is used and a prespecified percentage of employees are let go every year because someone has to be placed in the C category, at some point you will be cutting into the “bone” of the organization. Computer simulations have confirmed that the benefits of implementing a forced distribution system in terms of performance improvement are most noticeable in the first several years of program implementation.²²

5.2.2 Absolute Systems

In absolute systems, supervisors provide evaluations of an employee’s performance without making direct reference to other employees. In the simplest absolute system, a supervisor writes an *essay* describing each employee’s strengths and weaknesses and makes suggestions for improvement. One advantage of the essay system is that supervisors have the potential to provide detailed feedback to employees regarding their performance. On the other hand, essays are almost totally unstructured so that some supervisors may choose to be more detailed than others. Some supervisors may be better at writing essays than others. Because of this variability, comparisons across individuals, groups, or units are virtually impossible because essays written by different supervisors, and even by the same supervisor regarding different employees, may address different aspects of an employee’s performance. Finally, essays do not provide any quantitative information, making it difficult to use them in some personnel decisions (e.g., allocation of rewards).

A second type of absolute system involves a *behavior checklist*, which consists of a form listing behavioral statements that are indicators of the various competencies to be measured. The supervisor's task is to indicate ("check") statements that describe the employee being rated. When this type of measurement system is in place, supervisors are not so much evaluators as they are "reporters" of employee behavior. Because it is likely that all behaviors rated are present to some extent, behavior checklists usually include a description of the behavior in question (e.g., "the employee arrives at work on time") followed by several response categories such as "always," "very often," "fairly often," "occasionally," and "never." The rater simply checks the response category she feels best describes the employee. Each response category is weighted—for example, from 5 ("always") to 1 ("never") if the statement describes desirable behavior such as arriving at work on time. Then, an overall score for each employee is computed by adding the weights of the responses that were checked for each item. Figure 5.3 includes an example of an item from a form using a behavior checklist measurement approach.

How do we select response categories for behavior checklist scales? Often, this is a quite arbitrary decision, and equal intervals between scale points are simply assumed. For example, in Figure 5.3, we would assume that the distance between "never" and "sometimes" is the same as the distance between "fairly often" and "always" (i.e., 1 point in each case). Great care must be taken in how the anchors are selected. Table 5.4 includes anchors that can be used for scales involving frequency and amount.²³

Table 5.4 includes anchors to be used in both seven-point and five-point scales. For most systems, a five-point scale should be sufficient to capture an employee's performance on the behavior being rated. One advantage of using five-point scales is that they are less complex than seven-point scales. Also, five-point scales are superior to three-point scales because they are more likely to motivate performance improvement

The employee arrives at work on time.

1	2	3	4	5
Never	Sometimes	Often	Fairly Often	Always

FIGURE 5.3 Example of Behavior Checklist Item

TABLE 5.4 Anchors for Checklists of Frequency and Amount

<i>Anchors for Checklists of Frequency</i>	
<i>Seven-Point Scale</i>	<i>Five-Point Scale</i>
Always	Always
Constantly	Very often
Often	Fairly often
Fairly often	Occasionally
Sometimes	Never
Once in a while	
Never	

(continued)

Anchors for Checklists of Amount	
Seven-Point Scale	Five-Point Scale
All	All
An extraordinary amount of	An extreme amount of
A great amount of	Quite a bit of
Quite a bit of	Some
A moderate amount of	None
Somewhat	
None	

because employees believe it is more doable to move up one level on a five-point scale than it is on a three-point scale.²⁴

Table 5.5 includes anchors that can be used in scales involving agreement and evaluation.²⁵ This table includes 13 anchors that can be chosen if one uses a scale of evaluation and 13 anchors that can be used if a scale of agreement is used.

Table 5.5 also includes ratings that can be used to choose anchors for a scale of evaluation or agreement. In creating scales, we must choose anchors that are approximately equally spaced based on the ratings included in Table 5.5. So, if we were to create a five-point scale of evaluation using the information provided in this table, one possible set of anchors might be the following:

1. Terrible
2. Unsatisfactory
3. Decent
4. Good
5. Excellent

TABLE 5.5 Anchors to Be Used in Checklists of Evaluation and Agreement

Anchors for Checklists of Evaluation	
Terrible	1.6
Bad	3.3
Inferior	3.6
Poor	3.8
Unsatisfactory	3.9
Mediocre	5.3
Passable	5.5
Decent	6.0
Fair	6.1
Average	6.4
Satisfactory	6.9
Good	7.5
Excellent	9.6

Anchors for Checklists of Agreement

Slightly	2.5
A little	2.7
Mildly	4.1
Somewhat	4.4
In part	4.7
Halfway	4.8
Tend to	5.3
Inclined to	5.4
Moderately	5.4
Generally	6.8
Pretty much	7.0
On the whole	7.4
Very much	9.1

In this set of anchors, the distance between all pairs of adjacent anchors ranges from 1.5 to 2.3 points. Note, however, that the use of the anchor “terrible” has a very negative connotation such that we may want to use a less negative anchor such as “bad” or “inferior.” In this case, we would be choosing an anchor that is closer to the next one (“unsatisfactory”) than we may wish, but using the new anchor may lead to less defensive and overall negative reactions on the part of employees who receive this rating.

In summary, behavior checklists are easy to use and to understand.²⁶ On the other hand, detailed and useful feedback is difficult to extract from the numerical rating provided. Overall, however, the practical advantages of checklists probably account for their current widespread popularity.

Every job includes some critical behaviors that make a crucial difference between doing a job effectively and doing it ineffectively. The *critical incidents* measurement approach involves gathering reports of situations in which employees exhibited behaviors that were especially effective or ineffective in accomplishing their jobs.²⁷ The recorded critical incidents provide a starting point for assessing performance. For example, consider the following incident as recorded by a high school principal regarding the performance of Tom Jones, the head of the disability services office:

A sophomore with learning disabilities was experiencing difficulty in writing. Her parents wanted a laptop computer for her. Tom Jones ordered a computer and it was delivered to the student’s teacher. No training was provided to the child, her teacher, or her parents. The laptop was never used.

This recorded incident is actually the synthesis of a series of incidents:

1. A problem was detected (a student with a special need was identified).
2. Corrective action was taken (the computer was ordered).
3. Corrective action was initially positive (the computer was delivered).
4. Corrective action was subsequently deficient (the computer was not used because of the lack of training).

When critical incidents are collected, this measurement method allows supervisors to focus on actual job behavior rather than on vaguely defined traits. On the other hand, collecting critical incidents is very time consuming. As is the case with essays, it is difficult to attach a score quantifying the impact of the incident (either positive or negative). A revised version of the critical incidents technique involves summarizing critical incidents and giving them to supervisors in the form of scales (e.g., behavior checklist). One example following up on the critical incident involving Tom Jones might be the following:

Addresses learning needs of special-needs students efficiently

<i>Strongly Agree</i>	<i>Agree</i>	<i>Undecided</i>	<i>Disagree</i>	<i>Strongly Disagree</i>
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A second variation of the critical incidents technique is the approach adopted in the performance management system implemented by the city of Irving, Texas.²⁸ First, the city identified core competencies and classified them as core values, skill group competencies, or performance essentials. Then, the team in charge of implementing the system wrote dozens of examples of different levels of performance on each competency from ineffective to highly effective. In other words, this team was in charge of compiling critical incidents illustrating various performance levels for each competency. Then, managers used this list by simply circling the behavior that best described each of the employees in the work unit.

As an example, consider the competency Adaptability/Flexibility. For this competency, critical incidents were used to illustrate various performance levels:

<i>Completely Ineffective</i>	<i>Somewhat Ineffective</i>	<i>Effective</i>	<i>Highly Effective</i>	<i>Exceptional</i>
Able to focus on only one task at a time	Easily distracted from work assignments/activities	Handles a variety of work assignments/activities with few difficulties	Handles a variety of work assignments/activities concurrently	Easily juggles a large number of assignments and activities
Avoids or attempts to undermine changes	Complains about necessary changes	Accepts reasons for change	Understands and responds to reasons for change	Encourages and instructs others about the benefits of change
Refuses to adopt changes policies	Makes only those changes with which they agree	Adapts to changing circumstances and attitudes of others	Adapts to changes and develops job aids to assist others	Welcomes change and looks for new opportunities it provides
Considers only own opinion when seeking solution	Occasionally listens to others but supports own solutions	Listens to others and seeks solutions acceptable to all	Ensures that everyone's thoughts and opinions are considered in reaching a solution	Actively seeks input in addition to recognized sources and facilitates implementation of solution

A third variation of the critical incidents technique is the use of behaviorally anchored rating scales (BARS), which are described next as one of several types of graphic rating scales.

The *graphic rating scale* is the most popular tool used to measure performance. The aim of graphic rating scales is to ensure that the response categories (ratings of behavior) are clearly defined, that interpretation of the rating by an outside party is clear, and that the supervisor and the employee understand the rating. An example of a graphic rating scale used to rate the performance of a project manager is the following:

Project management awareness is the knowledge of project management planning, updating status, working within budget, and delivering project on time and within budget. Rate _____'s project management awareness using the following scale:

1	2	3	4	5
Unaware or not interested	Needs additional training	Aware of responsibilities	Excellent knowledge and performance of skills	Superior performance of skill; ability to train others

BARS use graphic rating scales that use critical incidents as anchors.²⁹ BARS improve on the graphic rating scales by first having a group of employees identify all of the important dimensions of a job. Then, another group of employees generates critical incidents illustrating low, average, and high skills of performance for each dimension. A third group of employees and supervisors takes each dimension and the accompanying definitions and a randomized list of critical incidents. They must match the critical incidents with the correct dimensions. Finally, a group of judges assigns a scale value to each incident. Consider the following BARS for measuring job knowledge:

Job Knowledge: The amount of job-related knowledge and skills that an employee possesses.

Consider the following BARS which assess one of 10 performance dimensions identified as important for auditors:³⁰

- 5 **Exceptional:** Employee consistently displays high level of job knowledge in all areas of his or her job. Other employees go to this person for training.
- 4 **Advanced:** Shows high levels of job knowledge in most areas of his or her job. Consistently completes all normal tasks. Employee continues searching for more job knowledge, and may seek guidance in some areas.
- 3 **Competent:** Employee shows an average level of job knowledge in all areas of the job. May need assistance completing difficult tasks.
- 2 **Improvement Needed:** Does not consistently meet deadlines or complete tasks required for this job. Does not attempt to acquire new skills or knowledge to improve performance.
- 1 **Major Improvement Needed:** Typically performs tasks incorrectly or not at all. Employee has no appreciation for improving his or her performance.

Knowledge of Accounting and Auditing Standards/Theory: Technical foundation, application of knowledge on the job, ability to identify problem areas and weigh theory vs. practice.

-
- 3 **High-Point Performance:** Displays very strong technical foundation, able to proficiently apply knowledge on the job, willingly researches areas, able to identify problems, can weigh theory vs. practice considerations.
 - 2 **Midpoint Performance:** Can resolve normal accounting issues, has adequate technical foundation and skills, application requires some refinement, has some problems in weighing theory vs. practice, can identify major problem areas.
 - 1 **Low-Point Performance:** Displays weak accounting knowledge and/or technical ability to apply knowledge to situations/issues on an engagement, has difficulty in identifying problems and/or weighing factors of theory vs. practice.
-

For graphic rating scales to be most useful and accurate, they must include the following features:

- The meaning of each response category is clear.
- The individual who is interpreting the ratings (e.g., a human resources manager) can tell clearly what response was intended.
- The performance dimension being rated is defined clearly for the rater.

Compare the two examples of BARS shown earlier. Which is better regarding each of these three features? How can these BARS be revised and improved?

In summary, several types of methods are available for assessing performance. These methods differ in terms of practicality (i.e., some take more time and effort to be developed than others), usefulness for administrative purposes (i.e., some are less useful than others because they do not provide a clear quantification of performance), and usefulness for users (i.e., some are less useful than others in terms of the feedback they produce that allows employees to improve performance in the future). Practicality and usefulness are key considerations in choosing one type of measurement procedure over another.

Summary Points

- The first step in measuring performance by adopting a results approach is to identify accountabilities. Accountabilities are the various areas in which an individual is expected to focus.
- After all key accountabilities have been identified, the second step in the results

approach is to set objectives for each. Objectives should be (1) specific and clear, (2) challenging, (3) agreed upon, (4) significant, (5) prioritized, (6) bound by time, (7) achievable, (8) fully communicated, (9) flexible, and (10) limited in number.

- Finally, the third step in the results approach involves determining performance standards. These yardsticks are designed to help people understand to what extent the objective has been achieved. In creating standards, we must consider the dimensions of quality, quantity, and time. Good standards are (1) related to the position; (2) concrete, specific, and measurable; (3) practical to measure; (4) meaningful; (5) realistic and achievable; and (6) reviewed regularly.
- The first step in measuring performance adopting a behavior approach involves identifying competencies. Competencies are measurable clusters of KSAs that are critical in determining how results will be achieved. Examples of competencies, are customer service, written or oral communication, creative thinking, and dependability.
- The second step in the behavior approach involves identifying indicators that will allow us to understand the extent to which each individual possesses the competency in question. These indicators are behavioral manifestations of the underlying (unobservable) competency.
- In describing a competency, one must first clearly define it, then describe behavioral indicators showing the presence of the competency, describe behavioral indicators showing the absence of the competency, and list suggestions for developing the competency.
- After the indicators have been identified, the third step in the behavior approach includes choosing an appropriate measurement system, either comparative or absolute.
- Comparative systems base the measurement on comparing employees with one another and include simple rank order, alternation rank order, paired comparisons, relative percentile, and forced distribution. Comparative systems are easy to explain, and the resulting data are easy to interpret, thereby facilitating administrative decisions. On the other hand, employees are usually compared to one another in terms of one overall single category instead of in terms of specific behaviors or competencies. This produces less useful feedback that employees can use for their future improvement.
- Absolute systems include evaluations of employees' performance without making direct reference to other employees. Such systems include essays, behavior checklists, critical incidents, and graphic rating scales. Essays are difficult to quantify but produce useful and often detailed feedback. Behavior checklists are easy to use and understand, but the scale points used are often arbitrary, and we cannot assume that a one-point difference has the same meaning along the entire scale (i.e., the difference between an employee who scores 5 and an employee who scores 4 may not have the same meaning as the difference between an employee who scores 3 and one who scores 2). Critical incidents allow supervisors to focus on actual job behavior rather than on vaguely defined traits, but gathering critical incident data may be quite time consuming. Graphic rating scales are arguably the measurement method most frequently used to assess performance. For this type of measurement to be most useful, the meaning of each response category should be clear, the individual interpreting the ratings (e.g., the human resources manager) should be able to tell clearly what response was intended, and the performance dimension being rated should be defined clearly for the rater.

CASE STUDY 5-1

Accountabilities, Objectives, and Standards

Below is an actual job description for a sourcing and procurement internship position that was available at Disney Consumer Products/Studios. Based on the information in the job description, create accountabilities, objectives, and standards for this position.

TITLE

Graduate Associate, Sourcing, & Procurement (Disney Consumer Products/Studios)

THE POSITION

- Provide analytical support for sourcing projects impacting business units, specifically targeting Disney Consumer Products & Studios.
- Benchmark current pricing models and develop new approaches to pricing/buying various products and services that yield creative and business advantage.
- Support the continuing efforts to increase the percentage of spend influenced, specifically as it relates to business units where we have had only a minor impact.
- Assist in the development of spend profiles, key stakeholder lists, savings opportunities where existing contracts are leveraged, savings opportunities in commodity areas that have not been sourced.
- Assist in developing overall Sourcing & Procurement strategy for partnering with business units, specifically targeting Disney Consumer Products & Studios.

THE COMPANY

The Walt Disney Company is a diversified, international family entertainment and media company with 2003 annual revenues of \$27.1 billion. Its operations include theme parks and resorts, filmed entertainment, including motion pictures and television shows, home video and DVD products, records,

broadcast and cable networks, Internet and direct marketing, consumer products, radio and television stations, theatrical productions, publishing activities, and professional sports enterprises.

THE IDEAL CANDIDATE

- L** • Ability to conceptualize issues and problems and develop hypotheses around appropriate responses.
- A** • Intellectual curiosity and professional commitment to excellence.
- R** • Superior analytical skills defined by an ability to identify and rearticulate critical aspects of a business situation from a large data pool (both qualitative and quantitative).
- K** • Superior Microsoft Excel modeling skills.
- '** • Strong written and verbal communication skills with the ability to build relationships.
- A** • Ability to work independently.
- N** • Demonstrated ability to manage multiple tasks, meanwhile retaining focus on project deliverables and strategic priorities.
- E**

THE OPPORTUNITY

This will be an opportunity for an MBA intern to utilize project management skills he or she has learned in the classroom. The intern will be faced with difficult and/or skeptical clients and will learn how to work with them. They will have an opportunity to execute portions of the sourcing methodology and work in teams. This will also be an opportunity for those individuals who have not experienced working in Corporate America, and for those that have had some experience, to further their learnings. The intern will gain experience from working in the Media and Entertainment industry. Through these various experiences, we hope the intern will find value in the internship we are offering. ■

CASE STUDY 5-2

Evaluating Objectives and Standards

Using the results from Case Study 5.1, use the accompanying checklist to evaluate each objective and standard you

produced. For each objective and standard, use the first column in the checklist, and place a check mark next to each

of the ideal characteristics if the characteristic is present. Then, use the Comments column to provide a description of why or why each objective and standard meets or does not

meet the ideal. Finally, review your tables, and provide an overall assessment of the quality of the objectives and standards you created. ■

Objectives must have the following characteristics:		Comments
Specific and clear	C L A R K	
Challenging		
Agreed upon		
Significant		
Prioritized		
Bound by time		
Achievable		
Fully communicated		
Flexible		
Limited in number		
Performance standards must have the following characteristics:		Comments
Related to the position	A N N E T	
Concrete, specific, and measurable		
Practical to measure		
Meaningful		
Realistic and achievable		
Reviewed regularly		

CASE STUDY 5-3

Measuring Competencies at the Department of Transportation

The Department of Transportation (DOT) of a large midwestern state uses core competencies to measure performance in its organization. Two of its core competencies on which all employees are measured are “organizational knowledge” and “learning and strategic systems thinking.” Organizational knowledge is defined as follows: “Understands the DOT’s culture. Accurately explains the DOT’s organizational structure, major products/services, and how various parts of the organization contribute to one other. Gets work done through formal channels and informal networks. Understands and can explain the origin and reasoning behind key policies, practices, and procedures. Understands, accepts, and communicates political realities and implications.” Learning and strategic systems thinking is defined as follows: “Accepts responsibility for continued improvement/learning. Appreciates and can explain

the mission of each individual work unit and the importance of the time between them to make the entire operation whole. Acquires new skills and competencies and can explain how they benefit the DOT. Regularly takes all transportation forms (i.e., bicycle, light rail, highway, etc.) into account planning and problem solving. Seeks information and ideas from multiple sources. Freely and intentionally shares ideas with others.”

Using the accompanying table as a guide, evaluate each of these two competencies, and place a check mark next to each of the components of a good competency description if the component is present.

Next, using the organizational knowledge and learning and strategic systems thinking competencies, create a five-point graphic rating scale for each indicator using anchors of frequency, amount, agreement, or evaluation. ■

In describing a competency, the following components must be present:

Definition

Description of specific behavioral indicators that can be observed when someone demonstrates a competency effectively

Description of specific behaviors that are likely to occur when someone does not demonstrate a competency effectively (what a competency is not)

List of suggestions for developing the competency in question

Source: Adapted from D. GROTE, "Public sector organizations: Today's innovative leaders in performance management," *Public Personnel Management*, 29(Spring 2000), 1–20.

CASE STUDY 5-4

Creating BARS-Based Graphic Rating Scales for Evaluating Business Student Performance in Team Projects

In many universities, students are required to conduct team projects. A description of these "job" duties is the following:

Work with team members to deliver project outcomes on time and according to specifications. Complete all individual assignments to the highest quality, completing necessary background research, making any mathematical analysis, and preparing final documents. Foster a good working environment.

Please do the following:

1. Generate a list of competencies for the position described.
2. Identify a list of critical behavioral indicators for each competency.
3. Generate critical incidents (high, average, and poor performance) for each behavioral indicator.
4. Create graphic rating scales using BARS to measure each competency. ■

End Notes

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