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## What's Wrong with Performance Management?

Performance management is always a controversial topic. In most organizations, it is limited to appraisals alone. In some, it encompasses a loose process comprised of goal and standard setting, intermittent coaching, and year-end performance evaluation. In very few organizations, performance management is viewed as a more comprehensive approach to leveraging human assets that includes identifying, measuring, and developing human performance. No matter what defined scope is involved, performance management in most settings is considered a "necessary evil," usually driven by the need to evaluate employees for retention, work assignments, promotability, and pay.

So why are employees so universally dissatisfied with performance management? Many experts, including disciples of Deming, contend that performance management is actually harmful and should be eliminated. They consistently emphasize that performance management usually holds individuals accountable for outcomes beyond their control, that the potential benefits related to coaching and feedback can be achieved without appraisals, and that efforts focusing on managing performance should concentrate on operational systems and processes, since they account for almost all variances from ideal performance.

Other experts cite a range of human factors that undermine performance management, such as rampant sources of rater bias; conflicting purposes for appraisal; inconsistent, incomplete, and irrelevant assessment criteria; poor communication and execution of policies and practices; and lack of skills (and training) to support the process. The most frequent sources of dissatisfaction with performance management are outlined below.

### Major Sources of Dissatisfaction with Performance Management

1. Manager appraisal ratings linked to "administrative purposes" such as promotion, pay, and work assignments are generally an inaccurate assessment of performance (i.e., managers tend to "game the system" by being overly lenient).
2. Rater distortions are often known, tolerated, and even supported at the highest levels of organizations.
3. Performance ratings are often perceived as unfair because of problems related to the following dimensions:
  - **Outcome** (e.g., evaluation consistent with expectations),
  - **Interpersonal** (e.g., thorough, timely, honest feedback), and
  - **Procedural** (e.g., a consistent process with criteria that are highly relevant to work).



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4. Limited collaboration between the manager and employees around goal and standard setting, performance feedback, and final evaluation contributes to perceived unfairness and less reliable and valid ratings of performance.
5. Lack of clarity around expectations (e.g., how to align individual and team behavior and goals with organization requirements) lead to sub-optimal employee satisfaction and performance.
6. Critical work priorities leave little or no time for ongoing feedback.
7. The process and administrative requirements for implementing performance management are too complicated.

### Process Principles Make Performance Management Work

While developing and implementing performance management is challenging, I am a strong advocate for these systems. First of all, no matter what the difficulties, in modern organizations human behavior represents a large source of error and variation in implementing plans and processes. Mis-alignment of individual actions with purpose, strategy, and goals; low motivation; poor fit to roles; and skill deficits are always major contributors to performance problems. These issues must be addressed in some systematic fashion to create and sustain a high-performance enterprise.

The primary solution to performance management problems is to adopt a quality process approach. Defining and continuously improving, operational processes have become a fundamental requirement for business success; comparable rigor has not been applied to people management and development processes. My experience (and research) strongly indicates that consistently applying a few standard process principles produces both positive results and positive levels of satisfaction with the process. See below for determinates of successful performance management systems.

### Performance Management Application Principles that Work

- Ensure alignment between criteria applied throughout the process to business values and goals and customer outcomes (e.g., specific clear "inputs" and "outputs" for the process).
- Define performance criteria individuals can impact significantly that are:
  - Relevant to the job.
  - Encompass both goals and behaviors.
  - Represent excellent standards that can be monitored and measured over time.



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- Clearly define the boundaries of the process (i.e., where does it start, end, and restart; what activities are included and what activities, such as pay decisions and promotion, are not).
- Specify the roles and responsibilities for all participants in the process.
- Define the workflow and rules for the process clearly (e.g., specific steps, decisions, and actions for managers, employees, and teams).
- Define the relationship(s) between performance management and other human resource processes (e.g., succession planning, assessment, and development, etc.), including key interdependencies, synergies, and conflicts.
- Decide on guidelines for "measuring" success (e.g., scales, weighting, criteria) that can be tracked consistently.
- Determine fair, consistent methods for gathering "measurement" data (e.g., sources-- such as self, manager, peers, customers, etc.).
- Clearly communicate expectations and train those involved in the process methods to:
  - Rate in an unbiased manner.
  - Provide behavioral feedback.
  - Identify and determine root causes of performance problems (including situational constraints).
- Hold everyone involved in the process accountable for process excellence and continuous improvement.
- Apply technologies, whenever possible, to simplify, manage, support, and distribute workflow, and capture process data to apply for improvements.

In my experience, many of the ideas noted above are encompassed in the design and documentation of performance management systems in organizations. However, poor execution generally stems from limited support from leadership to apply the same principles and rigor to the process of managing people that they apply to other processes. Until organizations consistently make a commitment to people assessment, development, and evaluation as a core process, performance management will continue to be seen as a "necessary evil."

