Debunking the Myths of Performance Appraisal/Management

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"Wow, I'm so excited for my performance appraisal today!"
Said no one ever.

Performance Appraisal/Management (PAM)
Myth #1: PAM is Based on Objective Measurement

• Wherry & Bartlett (1982) – ratings = true score + error

• Murphy & Cleveland (1995) – contextual influences on the quality of ratings
  – Cognitive biases
  – Differences in rating goals, purposes, and motivation
  – Political and organizational influences
Objective Measurement (cont’d)

• Job performance is
  – Dynamic
  – Multidimensional
  – A construct

• “Performance judgments are rarely sufficiently reliable and valid indicators of employee performance” (Meriac, Gorman, & Macan, 2015)
Myth #2: The Sole Purpose of PAM is to Improve Job Performance

• What happened to leadership?
• Performance improvement versus performance maintenance
• Performance documentation
Myth #3: PAM is All About Compensation

• Compensation decisions in most companies are made outside of the context of PAM
  – Budgetary constraints
• Monetary rewards can undermine intrinsic motivation
• If the purpose is development, ratings should not be tied to compensation
Myth #4: PAM Should Occur Once a Year

• PAM is an ongoing process
• Yearly hurdle approach to PAM kills effectiveness
  – Managers
    • Stress out
    • Rush through it
  – Employees
    • Stress out
    • Play politics at year end
Myth #5: All Managers Are Created Equal in a PAM System

- Managers hate giving negative feedback
- Performance appraisal discomfort
- Rater self-efficacy
- Communication skills of managers
- Rater accountability
Myth #6: One PAM System Can Be Used to Make Both Administrative and Developmental Decisions

- NO!!!!
- Jawahar & Williams (1997) – ratings for administrative decisions were 1/3 SD larger than ratings used for developmental purposes
- Employee “gaming” of the administrative purpose will undermine the developmental purpose
Myth #7: 360-Degree Feedback Will Solve All of Your Organization’s Problems

• NO!!!!
• Let’s take a system that everyone hates and just throw in more raters
• Must have a strong feedback culture
• Many organizations that adopted 360 systems dropped them within 2 years (Fletcher, 1998)
• Practitioners have become disenchanted with 360 feedback (DeNisi & Pritchard, 2006)
Myth #8: Disagreement Between Rating Sources = Error

• May be due more to differences in the constructs rated than differences between sources
• Job performance is dynamic and multidimensional
• Ecological validity perspective
  – Differences may reflect true sources of variance
  – Source factors explain more variance than general performance factors
Myth #9: Rating Format Has No Effect on the Quality of PAM Ratings

- Landy & Farr (1980) – moratorium on rating format research
- Based on psychometric “errors” as criteria
- Errors are poor indicators of rating quality
- Recent research has found favorable results
  - Rater reactions
  - Factor structure
Myth #10: The Reliability of Job Performance = .52

- Viswesvaran, Ones, & Schmidt (1996)
- Range restriction
- Interrater vs intrarater reliability
- Ecological validity
- Applications in meta-analysis
- Predictor reliability rule of thumb
- Influence of rating interventions
Myth #11: Job Performance ≠ In-Role Task Performance

- Job performance is multidimensional
  - In-role task performance
  - Organizational citizenship/contextual performance
  - Counterproductive work behaviors
- Where are OCBs and CWBs in our PAM systems?
- Exclusive focus on task performance may partially explain disenchantment with PAM
Myth #12: We Should Train Raters to Avoid Making Psychometric Errors

- Halo, leniency, severity, central tendency
- Actually produces meaningless redistributions of ratings
- Inadvertently lowers rating accuracy
- Rater “errors” may actually reflect true score variance
- Relatively unimportant and trivial
Myth #13: Adding More Bells and Whistles Will Fix PAM

- High-impact PAM practices
  - Multisource ratings
  - Competency ratings
  - Goal setting/management by objectives
  - Employee involvement
  - Continuous feedback between appraisal periods

- Worthless if the system is perceived as unfair or the purpose is not clear
Myth #14: PAM is Solely the Responsibility of Management

• When did we decide to make motivation and engagement solely the responsibility of immediate supervisors?

• Feedback is a two-way street

• Shared goal-setting

• Must create a culture of feedback and self-maintenance and motivation
Myth #15: PAM is Fundamentally Broken, So Let’s Just Give Up!

• Throw out numerical ratings
  – How will you make and justify administrative decisions?
  – Legal implications
• Use “objective” criteria instead
  – Criterion deficiency
• Abandon the process
  – Informal discussions?
• Analogy: Personnel selection is hard…so let’s just go back to unstructured interviews
Final Recommendations

• Make the process fair and transparent
• Include employees in the development
• Make PAM everyone’s responsibility
• Hold managers accountable
• Keep administrative decisions separate from developmental purposes
• Create a culture of feedback seeking and acceptance