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Titre de la communication

Performance Management Effectiveness: Practices or Context?

Résumé :

Bien que la gestion des performances au travail représente un levier important de développement des ressources humaines et de mise en œuvre des stratégies d'affaires (Lawler et McDermott, 2003), cette activité fait historiquement l'objet de nombreuses critiques (Banks et May, 1999; Fletcher, 1997; Mercer, 2002; Morgan, 2006; Moullakis, 2005; Stoskopf, 2002). Plutôt que d'adopter une perspective psychométrique, ce qui a caractérisé la grande majorité des études sur le sujet à ce jour, cette étude innove en explorant l'efficacité de la gestion des performances selon une perspective organisationnelle.

Plus précisément, l'étude analyse l'effet de diverses pratiques de gestion des performances (Aguinis et Pierce, 2008; Murphy et Cleveland, 1991) et de différentes caractéristiques du contexte organisationnel (Levy et Williams, 2004; Murphy et Cleveland, 1995) sur l'efficacité de la gestion des performances. Les résultats présentés analysent (a) les relations directes entre les pratiques de gestion des performances et les caractéristiques contextuelles sur

l'efficacité de la gestion des performances et (b) les interactions ou les synergies entre ces pratiques et les caractéristiques contextuelles sur l'efficacité de la gestion des performances.

Les données de cette étude ont été colligées par questionnaire auprès de 312 professionnels en ressources humaines. Les résultats confirment l'influence de certaines pratiques ─ comme la formation et la reconnaissance ─ sur l'efficacité de la gestion des performances. De plus, la culture organisationnelle, le climat de relations du travail et l'intégration du management des ressources humaines à la gestion stratégique s'avèrent des caractéristiques contextuelles importantes pour comprendre l'efficacité de la gestion des performances.

Mots clefs :

Gestion des performances, évaluation du rendement, efficacité.

INTRODUCTION

Effective employee performance management is a vehicle for implementing strategic initiatives and managing the development of the workforce (Lawler & McDermott, 2003). Although this view is widely accepted, there remains much dissatisfaction with the actual functioning of performance management systems (Banks & May, 1999; Fletcher, 1997; Mercer, 2002; Moullakis, 2005; Schneier, Shaw, & Beatty, 1991; Stoskopf, 2002). Morgan (2006), amongst others, noted that "too many companies are finding that their performance management systems are falling short of expectations" (p. 22). One reason for this may be the gap between scholarly knowledge and actual performance management practices (Aguinis & Pierce, 2008; Murphy & Cleveland, 1991). Such systems may also be falling short because of a poor understanding of the social context in which employee performance management is embedded (Levy & Williams, 2004).

While much research has examined the technical or measurement issues associated with employee performance management, few studies have addressed the practices that may lead to more positive or negative assessments of the overall system. Lawler and McDermott (2003) noted that "there is little research data to establish the impact of the many practices recommended in the writings on performance management" (p. 50). Moreover, as noted by Murphy and Cleveland (1995), few studies have examined the associations between organizational contingencies and performance management effectiveness. This is somewhat surprising given that strategic and organizational considerations permeate performance management systems (Aguinis & Pierce, 2008). In this study, in a common set of analyses, we therefore examine performance management practices as well as meaningful elements of the organizational social context in which performance management is implemented. We first examine the relative influence of practices and contextual variables on performance

management effectiveness and subsequently explore whether some synergies exist between them.

The practices included in this study are performance management training, multisource feedback, and employee recognition. These are considered critical features of effective performance management systems. The contextual variables are organizational culture, employee relations climate, and the strategic integration of human resource management. These are variables that qualify the organizational context in which performance management systems are embedded. We will argue that they represent critical considerations when designing or implementing a performance management system.

The contributions of this study are relative to the current state of performance management research and practice. First, little is known about the relationships between specific performance management practices and overall system effectiveness. We extend the study conducted by Lawler and McDermott (2003) by investigating the associations between three such practices and performance management effectiveness. One of these practices, employee recognition, was not included in their study. The other two practices will either confirm or disconfirm previously found associations, but with a larger sample of organizations and regression equations that include extraneous variables. Second, while the importance of context is acknowledged in the performance management literature (Cardy & Dobbins, 1994; Levy & Williams, 2004; Murphy & Cleveland, 1995; Tziner, Murphy, & Cleveland, 2005), few studies of performance management effectiveness have included variables that qualify the organizational context. By doing so in this field study, we test the proposition that performance management systems will likely falter if implemented in a context that is unreceptive to employee development and growth. This outlook is not unlike the one adopted in the area of employee training and development in which climate and other contextual variables are often considered correlates of training effectiveness (e.g., Bates &

Khasawneh, 2005; Rouiller & Goldstein, 1993), and not just the training activity itself. Third, we further probe the proposition that "organizational context matters" by investigating the moderating influence of contextual variables in the associations between performance management practices and system effectiveness. Many organizations invest in the most sophisticated performance management practices, but fail to consider the organizational context in which such practices are implemented. In this study, we therefore submit to empirical scrutiny the moderating influence of context. A fourth contribution lies in our focus on performance management effectiveness rather than on design interventions. Posthuma and Campion stated that "too much attention has been placed on the design of a [performance management] system, and not enough on how it works when implemented" (2008, p. 50). We therefore hope to contribute to an area of practical relevance that has been, for the most part, overlooked by scholarly research.

I PERFORMANCE MANAGEMENT PRACTICES

Features of performance management systems may either support or impede initiatives to manage performance in an effective manner. In this study, we first focus on the extent of performance management training received by managers. We then turn our attention to the use of multisource feedback and employee recognition. These are considered important performance management practices.

I.1 Performance Management Training

Performance management engages leaders in an ongoing process in which they are expected to get involved in performance planning, coaching, assessment, and review. As such, the effectiveness of performance management rests largely on their shoulders. To the extent that leaders competently engage in the various stages of the performance management cycle, the system has a much greater chance of delivering desirable outcomes. This would

explain why much research has examined the role of performance management training most often geared at improving managerial competencies relative to their role in this process (e.g., Bernardin, Buckley, Tyler, & Weise, 2000; Tziner, Murphy, & Cleveland, 2005).

Frame-of-reference training, for instance, has been shown to be an effective intervention for improving the accuracy of supervisory performance ratings (Gorman & Rentsch, 2009). Other training interventions may serve to improve justice perceptions (Posthuma & Campion, 2008), while other programs may help leaders become more effective at communicating performance messages and coaching their followers around performance issues. With much evidence showing that performance management training can serve to improve one aspect or another of performance management delivery, we expect that such training will be associated with more positive assessments of overall performance management effectiveness. Consistent with this prediction, Lawler and McDermott (2003) reported a relatively strong positive association between training for managers doing appraisals and performance management effectiveness.

I.2 Multisource Feedback

Multisource feedback provides those involved in the performance management process with multiple sources of feedback that offer different perspectives. With a multisource or multi-rater system, feedback is provided by subordinates, peers, and supervisors. This approach is associated with improved employee performance according to some studies (Maylett & Riboldi, 2007; Walker & Smither, 1999), but only in some conditions according to other studies (Smither, London, & Reilly, 2005; Bracken, Timmreck, Fleenor, & Summers, 2001).

Although a previous study did not find a significant association between the use of multisource appraisals and performance management effectiveness (Lawler & McDermott, 2003), we consider it worthwhile to again test this association, but with a larger sample while

controlling for the influence of other variables. To the extent that feedback recipients improve their performance after receiving multisource feedback, even if only modestly over time (Smither, London, & Reilly, 2005), this practice is likely to generate positive perceptions of overall performance management system effectiveness.

I.3 Employee Recognition

The practice of employee recognition has deep roots in motivation theories. From the perspective of such theories, employee recognition is generally considered a reinforcement contingency with the capacity to shape behavior and improve performance. Providing behavioral consequences that reinforce desired behavior may therefore improve the effectiveness of the performance management system.

In recent years, the practice of employee recognition has spread with the advent of popular books (e.g., Nelson, 2005) and with the realization that social rewards can be just as effective as monetary rewards in the form of variable pay. Organizations adopt employee recognition programs to reinforce behavior the employer wants to encourage. Interestingly, this is also the aim of most performance management systems. As such, although little empirical evidence is available to support this claim, it would seem that the practice of employee recognition is likely to improve the effectiveness of performance management systems.

II PERFORMANCE MANAGEMENT CONTEXTUAL FACTORS

A number of scholars have argued that context plays a major role in the effectiveness of the process of performance management (Ferris, Judge, Rowland, & Fitzgibbons, 1994; Landy & Farr, 1980; Levy & Williams, 2004; Murphy & Cleveland, 1991). The three contextual variables included in this study are organizational culture, the employee relations

climate, and the strategic integration of human resource management. Little systematic empirical work has addressed variables of this nature in relation to performance management effectiveness (Levy & Williams, 2004).

II.1 Organizational Culture

Fletcher (2001) pointed to the need for research on cultural differences and how they relate to performance management. Our study will address a dimension of organizational culture that reflects the extent to which employee engagement is a mission-critical value within the organization.

According to the competing values framework (Cameron & Quinn, 1998; Quinn & Rohrbaugh, 1983), some organizational cultures are characterized more by an internal person-oriented focus while others are characterized more by an external organization-oriented focus. Accordingly, the "group culture" has an internal focus and thus emphasizes values relating to employee development and participation. This organizational culture fosters commitment and more fulfilling work through human resource development. Given the positive outcomes associated with this culture (Gifford, Zammuto, & Goodman, 2002; Goodman, Zammuto, & Gifford, 2001; Lund, 2003), and the similarities between the group culture and the culture of employee commitment as conceptualized in our study, we expect more positive performance management outcomes when employee commitment is valued within the organization.

II.2 Employee Relations Climate

With a shift in performance management research from a technical base to a greater recognition of the social aspects involved in the process (Fletcher, 2001), we included the employee relations climate as a second contextual factor. The conceptual foundations of a climate construct are quite different from those of the culture construct. According to Denison (1996), climate portrays organizational environments at a given time. With regards to our

study, the employee relations climate would capture the nature of the relations between employees and management at any given time. A more positive employee relations climate would provide a constructive social context for performance management. Thus, we expect that more positive employee relations climates will be associated with more effective performance management systems. This seems reasonable given that performance management is set within leader-follower relationships that can be characterized as more or less positive depending on the employee relations climate.

II.3 Strategic Integration of Human Resource Management

Some research conducted at the individual level of analysis suggests that the perceived importance of appraisals may be an important variable relating to the context of performance management (Wood & Marshall, 2008). The strategic integration of human resource management reflects the importance of the function with regards to the organization's mission and goals. As a critical component of the overall human resource management architecture, performance management is more likely to be perceived as important when it is part of a strategically integrated system of human capital practices. Thus, when human resources management is considered strategically integrated, we anticipate that the performance management system will be more effective.

Another way of thinking about this association is in terms of alignment. To the extent that it is strategically integrated, the human resource management architecture is designed to address important company goals. With a strong vertical alignment of this nature, we may further expect the performance management system to fully integrate these goals. If all is done according to best practices, the performance appraisal of each individual is thereby based, at least in part, on achieving performance criteria that contribute to important company goals.

III PRACTICES AND CONTEXT SYNERGIES

Effective performance management not only requires the coordination of multiple key practices, but also an organizational context that is supportive of such practices (Levy & Williams, 2004). As Stoskopf (2002) put it, "a [performance management] system with the most academically correct competencies or performance measures may fail if it does not fit with the company's culture or work force" (p. 30). This perspective is often acknowledged, but seldom investigated. If we take multisource feedback as a case and point, a review conducted by Levy and Williams (2004) hinted that "perhaps other factors play a part in whether feedback results in actual performance improvement" (p. 897)

In our analysis of the possible synergies or combined effects of practices, we test the moderating influence of each contextual factor on the associations between each practice and performance management effectiveness. We thus expect some enhancing interactions in which practices and context have a stronger than additive effect.

IV METHOD

A pre-tested questionnaire was mailed to the person in charge of human resource management in each of the designated 1,556 organizations with 200 and more employees located in Quebec (Canada). The organizations were identified with the *Dun & Bradstreet* listing and a phone survey was conducted to obtain the name of the person responsible for human resource management within each location. The questionnaire was written in French and the conventional method of back-translation (Brislin, Lonner, & Thorndike, 1973) was used to translate the established scales from English to French. The questionnaire was then pretested with several human resource managers from various firms who were invited to comment on any of the scales or scale items that they found ambiguous or difficult to understand.

Given that 312 completed questionnaires were returned, the response rate was 20 percent (30 were returned to sender with a mention of unknown address). This response rate is comparable to those obtained in similar surveys (e.g., Delery & Doty, 1996; Guthrie, 2001; Terpstra & Rozell, 1993). We should add that it compares favorably to those of survey-based studies of high performance work systems reviewed by Becker and Huselid (1998), which had response rates ranging from 6 to 28 percent, with an average of 17.4 percent.

About 35.9 percent of the responding organizations had between 200 and 399 employees, 27.9 percent had between 400 and 799 employees, 9.3 percent had between 800 and 1,199 employees, 9.3 percent had between 1,200 and 1,999 employees, and 17 percent had over 2,000 employees. The sample included organizations from a wide range of industries, including 14.2 percent in health care, 10.6 percent in manufacturing of durable goods, and 4.8 percent in financial services. The sample included 46.2 percent of organizations that were part of a larger group (i.e., subsidiary, division, or business unit) and the average age of the responding organizations was 49.1 years. Most organizations were in the private sector (60.6 percent) and a strong proportion of responding organizations were unionized (81.7 percent). Forty percent of responding organizations had a quality certification (e.g., ISO 9000). Finally, the respondents had an average of 7.4 years of experience in their current position and a little more than half were male (53.8 percent).

IV.1 Measures

Performance management effectiveness. Performance management effectiveness was assessed with 16 items and a response format ranging from *totally disagree* (1) to *totally agree* (5) (alpha = .94). Items were selected on the basis of a review of the performance management literature and they were all considered to be desirable outcomes of performance management systems. Sample items from the scale are *this organization's performance*

management… (a) *improves individual performance*, (b) *improves employee retention*, and (c) *makes change easier*.

Performance management training. The scale developed to measure the extent of performance management training included 13 items and a response format ranging from *not at all* (1) to *a lot* (5) (alpha = .90). The items cover the typical performance management training contents found in the litterature. Respondents were requested to indicate to what extent managerial personnel in their organization receives training on contents relating to performance planning, feedback delivery, and other such related topics. Hence, in this way, higher scores would reflect more extensive training on a greater number of performance management contents.

Multisource feedback. One question asked whether multisource (360^0) feedback was used for at least one category of personnel over the last 24 months. Only 49 respondents (15.7 %) reported such use.

Employee recognition. Employee recognition was assessed with six items and a response format ranging from *hardly ever* (1) to *on an ongoing basis* (5) (alpha = .78). Each item contained a form of recognition commonly offered in workplaces. Respondents were instructed to indicate how often good performance was recognized with six forms of recognition including a special mention at a meeting, a note in the company newsletter, or various gifts.

Culture of employee engagement. This variable was assessed with four items from two scales enquiring about organizational strategies and priorities (alpha = .85). The response format for all four items was identical, ranging from *not important* (1) to *of the outmost importance* (5). Sample items forming this variable are *employee competency development* and *strengthening employee engagement*.

Strategic integration of human resource management. Two indicators selected from different scales measured the strategic integration of human resource management. The first asked about how important it was to management that the head of the human resources department be involved in strategic planning. The second indicator prompted respondents to rate, on a five-point scale, the degree to which human resource management is part of the strategic decision-making process in their organization. These two indicators formed a single measure of the strategic integration of human resource management (alpha = .78); higher scores indicating a greater strategic integration of human resource management into the organization's strategic planning and decision-making.

Employee relations climate. Respondents were prompted to rate the employee (labor) relations climate within their organization on a response format ranging from *very difficult* (1) to *excellent* (5).

Control variables. Five control variables were deemed important in this study because they are organizational-level variables that are likely to influence the nature and effectiveness of performance management. Environmental uncertainty was assessed with a four-item scale ranging from *totally disagree* (1) to *totally agree* (5). Respondents indicated their level of agreement with the following statements: *In our industry, environmental changes (technological, economic, etc.) are... (a) frequent, (b) unpredictable, (c) important, (d) increasing* (alpha = .79). Respondents indicated whether their organization is part of a larger group (i.e., whether their organization is a subsidiary, division, or business unit) (coded *no* = 0 and *yes* = 1). Size was assessed with nine categories ranging from 200 to 3,000 and more employees. Responding organizations were coded as being either public (coded 0) or private sector (coded 1). Finally, union presence was assessed in terms of union coverage for at least one category of personnel.

IV.2 Analyses

This study used hierarchical multiple regressions to determine the associations between practices, context, and performance management effectiveness. Every regression model included the five control variables. The three performance management practices were entered in one block. The three performance management contextual factors were entered in another block, in a regression model that did not include the practices. This was done to establish the unique contribution of each set of variables beyond what could be explained with the control variables only. Specifically, the first model was set up to help establish whether the performance management practices add any unique variance beyond that accounted for by the control variables. The second model was then determined to help establish whether the performance management contextual factors add any unique variance beyond that accounted for by the control variables. Because the interaction terms were not entered on either of these steps, these first-order effects are not conditional effects. Finally, the interactions were estimated one moderator variable at a time. Hence, three moderation models were tested, one for each moderator variable.

Following the recommendation made by Aiken and West (1991), the predictors and the moderators were standardized and the interaction terms used in these models are the product of standardized variables. Moreover, because standardized (*ß*) coefficients for interaction terms are not interpretable (Frazier, Tix, & Baron, 2004), we report unstandardized (*B*) coefficients along with their standard errors (*SE*).

V RESULTS

Descriptive statistics and intercorrelations are in Table 1. The general pattern of the bivariate associations between the study variables points to positive associations between practices, context, and performance management effectiveness. The only predicted association that was not supported is the one between multisource feedback and performance

management effectiveness. We would also point out the rather high association between performance management training and employee recognition.

Table 1

Interrcorrelations, Means, and Standard Deviations of All Study Variables

	Variable	*M*	*SD*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
1.	Effectiveness	3.40	0.66	—									
2.	Training	2.80	0.77	.45	—								
3.	Multisource	0.16	0.37	.09	.22	—							
4.	Recognition	2.06	0.73	.27	.42	.19	—						
5.	Culture	3.91	0.71	.44	.40	.14	.31	—					
6.	Climate	3.71	0.87	.30	.31	.05	.24	.39	—				
7.	Integration	3.55	0.85	.44	.39	.06	.33	.66	.47	—			
8.	Uncertainty	3.55	0.79	.12	.14	.10	.17	.25	.17	.16	—		
9.	Division	0.47	0.50	.14	.17	.16	.09	.01	.03	-.09	-.01	—	
10.	Size	3.55	2.92	-.02	.10	.07	.08	-.03	.03	-.06	.02	.12	—
11.	Union	0.82	0.39	.25	.20	.15	.01	.08	.05	.03	-.06	.42	-.05	—

Note. All correlation coefficients above .11 are significant at *p* < .05.

V.1 Regression Models

Table 2 includes the five hierarchical regression models described above. The positive relationship between performance management training and effectiveness is relatively strong in Model 1. The association between employee recognition and performance management

effectiveness is also positive, but not as strong. This may be because of the rather high association between performance management training and employee recognition. As reported, the association between multisource feedback and performance management effectiveness is not significant. Taken together the results suggest that performance management practices add significantly to the explained variance in performance management effectiveness.

Table 2

Hierarchical Multiple Regression Models for Performance Management Effectiveness

Predictor	Model 1			Model 2			Model 3			Model 4			Model 5		
	B	SE	ΔR^2	B	SE	ΔR^2	B	SE	ΔR^2	B	SE	ΔR^2	B	SE	ΔR^2
Block 1			.10***			.10***			.10***			.10***			.10***
Control variables															
Block 2			.16***						.16***			.16***			.16***
Training	.31***	.05					.18***	.04		.22***	.04		.17***	.04	
Multisource	-.07	.10					-.03	.04		-.02	.04		-.01	.04	
Recognition	.10†	.05					.03	.04		.06	.04		.03	.04	
Block 3						.21***			.07***			.02**			.07***
Culture				.21**	.06		.21***	.04							
Climate				.07†	.04					.13**	.04				
Integration				.19**	.06								.20***	.04	
Block 4									.00						
Culture × Training							.02	.04							
Culture × Multisource							-.00	.04							

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Predictor	β	SE	β	SE	ΔR²
Culture × Recognition	.03	.05			
Block 5					.02*
Climate × Training			.11**	.04	
Climate × Multisource			-.02	.04	
Climate × Recognition			-.04	.04	
Block 6					.00
Integration × Training			.02	.04	
Integration × Multisource			-.03	.04	
Integration × Recognition			-.02	.04	
Total R^2	.26***		.31***		.33***

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Total R^2 (cont.)	.30***	.33****

Model 2 indicates that performance management contextual factors capture even more of the variance in performance management effectiveness. Positive associations between all three contextual variables and performance management effectiveness are reported; although the employee relations climate is not as strongly associated to this dependent variable as are the other two contextual variables.

The other models included in Table 2 suggest that organizational culture and the strategic integration of human resource management do not moderate the associations between performance management practices and effectiveness. The employee relations

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climate is the only contextual variable that appears to have such an effect. In particular, the results indicate that the interaction between the employee relations climate and performance management training is significant. Figure 1 provides a graphical illustration of the joint effect of these variables on performance management effectiveness. As depicted in this figure, the influence of performance management training on effectiveness is more pronounced when the employee relations climate is more positive (i.e., high).

Figure 1

Interaction between training and employee relations climate
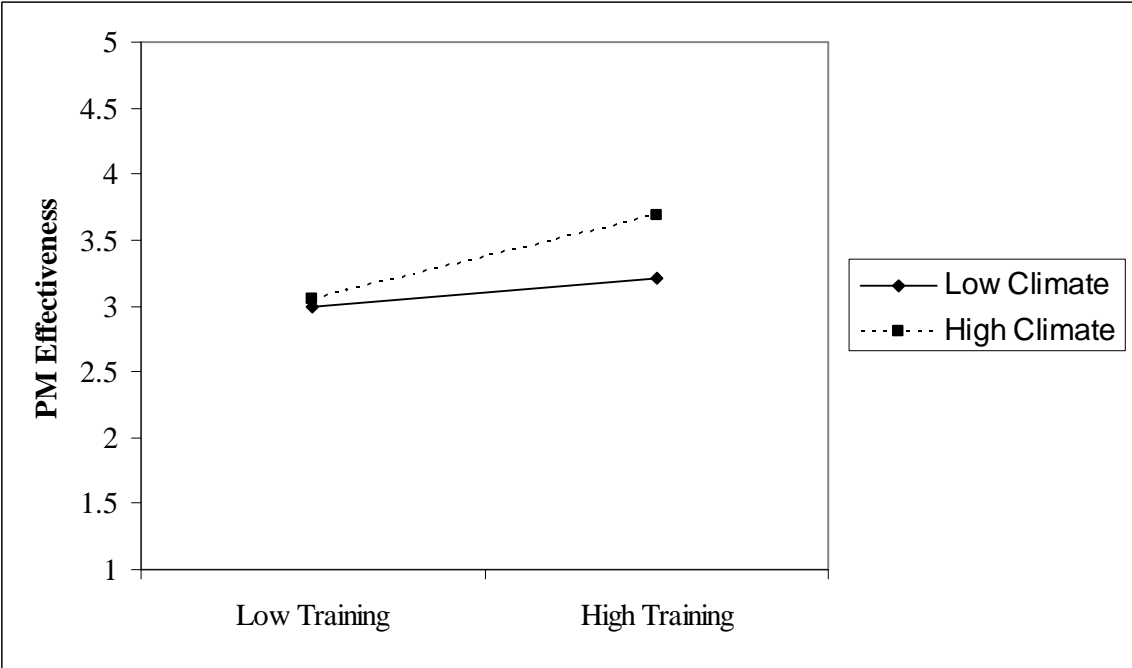
V.2 Additional Analyses

The results of our main analyses raise questions about the possible associations between specific practices and overall performance management effectiveness. Given that performance management practices only target a component of the overall system, we developed an index of these practices to by averaging their standardized values. This generated a new variable that captures the overall use of three performance management practices. This variable is a

way of rendering the idea that practices may complement each other as a coherent system to improve overall effectiveness; an outlook not unlike the one taken in the area of strategic human resource management (e.g., Delaney & Huselid, 1996; Delery & Doty, 1996; Guthrie, 2001).

We ran a regression analysis to test whether the overall use of such practices is associated with the overall effectiveness of performance management systems. This analysis, that included the control variables, was revealing of a positive association between these variables ($B = .30$; $SE = .05$; $p = .00$). Next, given the lack of significance of most of the practice by practice moderation models, we tested three interactions between the performance management contextual factors and the overall use of performance management practices. Following the same procedure as in the above analyses, we found no significant interaction terms.

VI CONCLUSION

The findings from this study are consistent with the general proposition that effective performance management systems are supported by practices and organizational contexts. Indeed, as found in this study, those organizations that provide more performance management training or that emphasize employee recognition to a greater extent also have performance management systems that deliver more valued outcomes according to those responsible for human resources management. Moreover, even when important organizational contingencies are controlled for, the results suggest that the social context of performance management is associated with its effectiveness.

These findings thereby extend research that has so far focused mainly on the micro-level technical or measurement characteristics of performance management systems (Posthuma & Campion, 2008). In particular, these findings highlight that some practices

appear to improve the capabilities of such systems. Although other practices not investigated in this study may have a similar positive influence, the role of performance management training seems particularly significant in this respect. Training managers to deal with the many challenges of performance management would appear to be an approach with much promise. Other practices, however, such as multisource feedback, may only offer marginal contributions to overall performance management effectiveness.

With regards to context, some relatively strong associations reported in this study underscore the need for a corporate culture that values employee engagement. When human capital is valued, the performance management system may deliver its full potential. When this is not the case, then performance management might be considered a bureaucratic requirement of little value in terms of employee development and performance improvement. Moreover, such results may be achieved, so our findings suggest, when human resource management is strategically integrated with the organizations business plans. This again would establish the relevance of the performance management system with regards to important strategic goals.

Although our study provided little evidence of the combined effects of practices and context on performance management effectiveness, the significant interaction between the employee relations climate and performance management training is revealing of the possibility of such synergies. In this particular case, it would seem that the positive association between performance management training and effectiveness is even stronger when delivered in a social context characterized by a positive employee relations climate.

There is no shortage of recommendations in the practitioner literature about what makes for effective performance management systems (e.g., Kochanski & Becom, 2008; Posthuma & Campion, 2008). The problem is that few studies support the many claims about the actual contributions of various practices to the overall effectiveness of performance

management systems. Our study addressed some of the practice-oriented issues involved in performance appraisal.

A host of different factors may influence performance management effectiveness, including design interventions (e.g., measures, rating scales, methods), system practices, and context. While design interventions are clearly important, this study supports the view that practices and context are also significant determinants of performance management effectiveness.

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