



Strength-based performance appraisal and goal setting

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ABSTRACT

Many supervisors and subordinates hate performance appraisal exercises. Moreover, the benefits of performance appraisals for organizations are questionable. To address these challenges, we participated in the development of an alternative Strength-Based Performance Appraisal (SBPA) and a goal setting process, considering ideas both from performance appraisals practitioners and from Positive Psychology scholars. SBPA emphasizes learning from success stories using the Feedforward interview [Kluger A.N. and Nir D., 2009. The feedforward interview. *Human Resource Management Review* 20,235–246.], reflected best self [Roberts L.M., Dutton J.E., Spreitzer C.M., Heaphy E.D., Quinn R.E. 2005. Composing the reflected best-self portrait: Building pathways for becoming extraordinary in work organizations *Academy of Management Review* 30(4),712–736], finding new ways to use existing strengths (Seligman, Steen, Park, & Peterson, 2005) and a win–win approach (Pruitt & Rubin, 1986). However, SBPA does not avoid negative feedback; it constrains it for prevention-focus behaviors, where it appears to be effective in increasing motivation and performance [Van-Dijk D. & Kluger A.N. 2004. Feedback sign effect on motivation: Is it moderated by regulatory focus? *Applied Psychology: An International Review*, 53(1), 113–135]. Following an elaboration of the theoretical rationale of SBPA, we describe a case study of applying SBPA at SodaStream (formerly Soda-Club), coupled with an initial evaluation of its impact. We conclude with lessons learned from the first implementation, followed by a call for replications.

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1. Strength-based performance appraisal and goal setting

Human Resource (HR) managers frequently lead performance appraisals in their organization, hoping to provide a variety of benefits (e.g., improved performance, creating an opportunity for superior–subordinate communication, data for personnel decisions, and more, Coens & Jenkins, 2000). Yet, the putative benefits of performance appraisals are questionable (Smither, London, & Reilly, 2005). Indeed, performance appraisals could even be destructive (Coens & Jenkins, 2000). To overcome the potential destructive elements of performance appraisal, we developed and implemented, in collaboration with HR managers, a Strength-Based Performance Appraisal (SBPA) by capitalizing on Positive Psychology (Seligman et al., 2005). Specifically, borrowing from Positive Psychology, we applied in the SBPA the following six tools and principles: Feedforward, which is based on Appreciative Inquiry (Kluger & Nir, 2009), reflected best self (Roberts, Dutton, et al., 2005), developing strengths (Seligman et al., 2005), happiness research (Fredrickson, 2001), a ratio of 3:1 between positive and negative (Fredrickson & Losada, 2005), a win–win approach (Pruitt & Rubin, 1986), and increasing collective efficacy (Bandura, 2006). These tools and principles were integrated into an SBPA at an Israeli multi-national corporation – SodaStream. First, we describe the SodaStream challenge pertaining to performance appraisal and review how universal that challenge is. Next, we elaborate on the principles and tools that guided the development of the SBPA. Following this, we report on the processes of implementation, and then we describe the SBPA process flow. Lastly, we report on an initial evaluation of managers' and employees' reactions to the process, ending with a discussion.

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2. Performance appraisal challenge

2.1. The performance appraisal challenge at SodaStream

SodaStream is the world's largest manufacturer, distributor and marketer of home water carbonation systems, operating in more than 30 countries worldwide. Six years prior to our involvement with SodaStream, the HR department implemented a performance appraisals process whose goals were a) to clarify company expectations b) to provide feedback to the employees on their performance and set expectations accordingly, and c) to identify employees' weaknesses and challenges as a basis for a development plan. The process flow comprised the following three stages: First, the managers filled out a performance appraisal questionnaire. Second, the subordinate filled out a self-evaluation questionnaire. Third, the manager held an evaluation meeting with the subordinate in which they discussed three strengths, three weaknesses, goals and an action plan for the next year.

Five years after implementing the process and after personnel changes in the top management team (TMT), the HR department sought to design a new performance appraisal process. In preparation, they established two focus groups with 24 supervisors and subordinates. Seasoned employees and newcomers alike responded to questions regarding performance appraisal (either at SodaStream or at their previous workplace). Among the questions were: "Did you get feedback from your manager, either at SodaStream or at your previous workplace? How did the feedback affect your work at SodaStream? Do you think it is essential to have a performance evaluation process? What are the conditions that can make a performance evaluation process a success?" Results suggested that managers did not provide feedback to their employees at SodaStream ("we don't receive feedback from our managers"). The majority of the employees described unpleasant experiences in their previous workplace regarding feedback ("it is a stressful period", "the feedback meeting is a conflict meeting", "it was devastating"; "the process was a waste of time"; "feedback equals criticism and it is not nice") and a minority described positive experiences ("managers dare to tell me things only during feedback meeting"; "I had a dialog with my manager and I understood his expectations"). Most of the participants in the two focus groups thought that it is crucial to have a performance appraisal process ("without feedback, it is as if you are navigating without a compass"). They suggested that the following conditions have to be met for the process to succeed: a) positively energize employees b) follow-up on the process c) raise employees' motivation d) make it short and simple.

Informed by the focus group results, an HR manager at SodaStream wished to implement a different performance appraisal process, one which would not replicate the many problems identified in the focus groups. Consequently, she hired the authors, along with a performance appraisal systems provider, as consultants to help design and implement such a process. The process reported here was implemented with 26 managers and 64 employees for a total of 90 participants out of 700 employees in the organization. Next, before describing the SBPA, we review the evidence with respect to problems with performance appraisal, which shows that SodaStream is not alone in having to confront them.

2.2. The performance appraisal challenge: SodaStream is not alone

The experience in SodaStream is by no means unique. People in many organizations are dismayed by performance appraisals, as indicated by the titles of at least three books that suggest putting an end to performance appraisals: "Abolishing Performance Appraisals" (Coens & Jenkins, 2000), "Catalytic Coaching: The End of the Performance Review" (Markle, 2000), and "Performance Conversations: An Alternative to Appraisals" (Lee, 2006). The numerous problems with performance appraisals can be summarized as follows: Performance appraisal does not lead to performance improvement, and performance appraisals destroy relationships in organizations.

Note, however, that our review pertains to the typical performance appraisal in organizations and to the typical prevailing practices. There are other extensive approaches to performance measurement and feedback that invest considerable effort in identifying causes of performance success prior to constructing a feedback instrument. Such systems could yield large performance gains exceeding one standard deviation, and these effects appear to depend on the constructive nature of the feedback provided by the supervisor (Pritchard, Harrell, DiazGranados, & Guzman, 2008). Such an approach resembles findings in the domain of teaching evaluations. Specifically, teaching evaluation does not appear to improve performance, unless coupled with extensive instructor training (Marsh & Roche, 1997). Thus, we are not arguing that performance appraisals in general are not effective, or even destructive. We do, however, argue that the typical performance appraisal, which is not accompanied by other interventions, is ineffective and even destructive. Below, we review the quantitative evidence.

The practitioners claim regarding the typical performance appraisal, namely that performance appraisal does not deliver performance gains, is substantiated with quantitative data. A meta-analysis of 24 longitudinal studies, which were based on a total of 7700 employees, showed that improvement in ratings over time is generally negligible (Smither et al., 2005). Specifically, the average time between appraisals was a year, and the (negligible) improvement in rating (uncorrected but weighted d-statistics) was 0.12 for feedback from direct reports, 0.04 for feedback from peers, 0.10 from supervisors, and -0.04 for self feedback.

Additional quantitative data raise a general question about appraisals:

"The risks associated with implementing a 360-degree system can be illustrated by Watson Wyatt's 2001 Human Capital Index (HCI). This is an ongoing study of the effects of HR practices on the stock value of more than 700 publicly traded companies. One particular result was especially alarming. Of the companies surveyed, those that had implemented 360-degree feedback had lower stock value! Specifically, the companies that used peer reviews had 4.9% lower market value than did similar companies that did not implement peer reviews. Furthermore, companies that implemented upward feedback,

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