Performance Feedback Culture Drives Business Impact
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Executive Summary

For many decades, research and practice have confirmed that changes in performance management techniques have little effect on either performance management effectiveness or organizational success. The focus overwhelmingly has been on performance management techniques. These techniques include the scale for rating performance (complex, simple, none at all), the frequency of performance feedback (yearly, twice a year, quarterly, monthly), the number of raters (manager only, multiple managers, peers), the technology platform (such as social media tools for crowd-sourced feedback), and many others. The evidence is clear: such changes sometimes have a minor positive impact on employee attitudes and business performance, but they do not have strong effects on either.

Focusing on performance management technique is the problem, not the solution. It leads companies to ignore a more certain route to performance management success—a route that has been almost completely missed by executives and academics alike.

Performance Feedback Culture (PFC) creates the necessary environment that determines whether managers feel compelled to deliver high-quality performance feedback to employees. PFC is established and nurtured by company practices that focus managers’ attention on doing performance feedback effectively: regular and varied communication, training on how to do it well, modeling by senior executives in how they do it for their subordinates, rewards and recognition for doing it well, monitoring getting it done, and manager selection and promotion based on excellent performance feedback competencies. When these practices are in place, managers know that the organization values high-quality performance conversations—and they have them; our evidence shows that positive organizational results follow.

Our study of 234 organizations shows that the key to performance management effectiveness is creating a performance feedback culture (PFC).
Our study produced three primary conclusions.

1. **Performance feedback culture (PFC) has strong effects on organizational financial success in addition to other positive consequences.** An analysis of financial results for a subsample of 57 publicly traded U.S. companies showed, most impressively, that companies in the top third on our measure of PFC compared to those in the bottom third doubled net profit margin, return on investment, return on assets, and return on equity. Some performance management techniques also are associated with better financial performance, but the direct and indirect relationship of PFC to financial performance is much stronger and more consistent.

2. **Performance feedback culture (PFC) has significantly stronger effects than performance management techniques on performance management effectiveness.** The data are highly consistent in showing that companies with an effective PFC report their performance management processes are effective—even if their techniques are crude. And, it follows that companies with a weak PFC report ineffective performance management processes even if they use all the flashiest and most modern techniques.

3. **Performance management effectiveness for employee-oriented outcomes (including employee development, employee motivation, and employee retention) has an extremely strong effect on organizational financial returns.** PFC creates positive employee outcomes and those positive employee outcomes produce significant corporate financial returns. Indeed, moving from the bottom to the top third of the sample on this measure is associated with at least a doubling of net profit margin, return on investment, and return on assets, and a tripling of return on equity.

The commonplace belief that performance management is incapable of delivering business results clearly is wrong. Performance management is ineffective for companies that have a weak performance feedback culture. An important related finding is that performance management effectiveness for organization-oriented outcomes (aligning employees with the business strategy, supporting company values, and increasing organizational performance) is not related to financial business outcomes. Performance management that is focused on employee-oriented outcomes (including employee development, employee motivation, and employee retention), not performance management that is focused on organizational outcomes, leads to financial success.

The report explores these findings in considerable detail, and outlines the practical steps that managers need to take to create an effective performance feedback culture.
How Do Organizations Create A Strong Performance Feedback Culture?

Our study found that Performance Feedback Culture (PFC) is a powerful predictor of corporate financial performance and performance management effectiveness. But what do we mean by PFC, and how do organizations create it?

There are six dimensions of PFC. Our study measured PFC by asking business professionals what practices their organizations actually used, not how good they believed their organization's PFC to be. PFC practices in each category are included below. Please note that the specific text (checklists, survey items, etc.) for all measures is shown in Exhibit A.

**COMMUNICATION**

1. Methods for communicating to managers about the importance of providing honest, effective performance feedback to employees.
2. Likelihood that the typical manager at your organization has received communications about expectations for delivering honest, effective performance feedback.

**TRAINING**

1. Methods for training managers to provide honest, effective performance feedback to employees.
2. Approximate percentage of managers who have received training on how to provide honest and effective performance feedback to subordinates.
3. Approximate percentage of managers with the skills needed to provide honest and effective performance feedback to subordinates.
MONITORING
1. Methods used to monitor whether managers are delivering honest, effective performance feedback to their subordinates.
2. Likelihood that senior managers know if a manager is not delivering honest and effective performance feedback to subordinates.
3. Likelihood that someone in the HR function knows if a manager is not delivering honest and effective performance feedback to subordinates.

MODELING
1. Likelihood that a senior manager receives honest, effective performance feedback from his or her manager.
2. Importance executives give to providing honest, effective performance feedback to their own subordinates.

REWARDING
1. Methods used to reward managers for delivering honest and effective performance feedback to subordinates.
2. Likelihood that a manager who routinely provides honest and effective performance feedback to subordinates will be rewarded for doing so by any means including recognition, pay increase, bonus, promotion, etc.

SELECTING
1. Importance of ability of a candidate for a manager position to provide honest, effective performance feedback to employees.
2. Importance of the ability to provide honest effective performance feedback as a promotion criterion.
3. Methods for assessing a management candidate’s ability to engage in honest, effective performance feedback with employees.

Our measure of PFCs standardized the scores for each practice, then combined practices into an overall PFC score. The more practices that were used, and the more widely they were used, the higher the score.
Cambia Health Solutions is a prime example for those who believe that performance management can be a fair and effective process. An earlier study by Gerry Ledford and George Benson of CEO found some of the most positive attitudes toward performance management that they had ever seen. For example, between 83% and 85% of the 585 respondents agreed that, “I am satisfied with the way my manager provides me with feedback,” “The feedback I receive agrees with what I actually achieved,” and “I think my organization attempts to conduct performance reviews in the best possible way.” Might the company’s performance feedback culture (PFC) practices explain the highly favorable results? Indeed, they do.

Deeply rooted in over 100 years of transforming health care, Cambia is a family of over 20 companies that work to make the U.S. health care system more economically sustainable and person-focused. It operates health insurance plans serving over two million subscribers, including Blue Cross/Blue Shield plans in Washington, Oregon, Idaho and Utah. It also invests in companies nationwide to build and grow solutions that leverage innovative technology and consumer solutions to create a more personalized health care experience for people and their families. These companies serve over 70 million people.

Under the leadership of CEO Mark Ganz, Cambia has created a strong performance feedback culture using many mutually reinforcing PFC practices. Perhaps most important is executive modeling. Ganz and other C-suite leaders conduct regular performance conversations with their team members, covering goal attainment, development, ethics, and succession. In turn, senior executives repeat the process with their subordinates. Most executives add their own wrinkles. For example, CHRO Mark Stimpson focuses heavily on development to encourage human resources staff to grow continually.

Expectations for quarterly performance conversations are further set through a common human capital objective. This objective, shared by all people managers at Cambia, clearly communicates an expectation for holding these regular conversations. Modeling and communication are reinforced at all levels of management.

The company also provides manager training of various kinds to build on the core principles. For newly promoted or newly hired managers, Cambia offers “Welcome to Management,” a cohort class delivered remotely to make participation easy for managers.
Cambia emphasizes recognition as the primary reward for managers who conduct effective performance management. Quarterly leadership awards go to up to ten managers and project leaders, and the criteria in part emphasize leadership style (e.g., servant leadership). In addition, eight awards are available annually to any employee who embodies company values, which may include performance feedback and coaching. Award ceremonies are “teachable moments” that show the kinds of behaviors that Cambia values.

Finally, hiring takes the style of managerial candidates into account. It heavily emphasizes the values of the company to encourage candidate self-selection. In short, Cambia uses all six dimensions of performance feedback culture to create an effective and impactful performance management process.

at any Cambia location. Principles of self-awareness and understanding of others when delivering feedback are shared via other classroom learning. Reinforcement is offered periodically to managers, shared “just in time” prior to quarterly performance discussion periods.

The monitoring process is more detailed at Cambia than at most companies. Cambia conducts an engagement survey every six months, with survey items focused on the company culture. Regarding performance management, all employees are asked to rate the statement, “My immediate supervisor/manager regularly conducts effective performance conversations with me.” Results of this survey item are monitored by HR business partners down to the individual manager level, with action taken for those managers who have scores below the company benchmark. The company also conducts spot audits of manager performance feedback to ensure quality and alignment.

CEO Mark Ganz presenting at the Cambia 2014 all-employee meeting.
As a result of new research led by Gerry Ledford and Ben Schneider, these organizations now have substantive evidence that makes clear where efforts should be focused to significantly increase the performance of individuals and organizations: Ensuring people leaders consistently deliver high-quality, developmentally oriented feedback.

This important finding underscores one of the most powerful differentiators i4cp’s research into the people practices of high-performance organizations has seen surface year-after-year and study-after-study: Leaders as developers of talent. The emphasis and urgency leaders place on delivering forward-looking feedback conversations that focus on the individual’s development and priorities is a major component of this.

Fully two-thirds (67%) of 272 business professionals surveyed by the Institute for Corporate Productivity (i4cp) indicated that their employers were rethinking their existing performance management practices.

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i4cp’s advice to all organizations is to act now. If the impressive business performance gains validated by this research are not enough to convince you, consider two major trends we believe make performance feedback culture an imperative:

• Accelerating change and unpredictability place a premium on an organization’s ability to anticipate, adapt, and act on change. As a result, leaders are rethinking the ways they operate—from strategy to values, operating models, working with customers, and how work is performed. In fact, i4cp’s research, *The Three A’s of Organizational Agility*, revealed that 55% of organizations are moving from traditional functional work to cross-functional, project or team-based work.

Other i4cp research shows that a core tenet of an agile organization is *purposeful collaboration*. Performance feedback is one of the essential tools any leader should be able to utilize to build the alignment and trust that is needed to energize and empower others to pursue the purposeful collaboration that helps enable greater organizational agility.

• There is a persistent and growing mismatch between the demand for skilled talent and the under-supply of talent with the requisite skills. As a result, one of the most significant business risks is talent risk. Highly skilled individuals have lots of choices about who they work for and *development* is a very positive differentiator that aids in recruiting, retaining and engaging talented workers.

Especially now, in this new era of work, people leaders need to be architects of alignment and developers of talent. Performance feedback cultures enable this. It must be timely, constant and consistent. It must be relevant and aligned to build agility. It must be operational and something that can be implemented. It must focus on the job and how the job fits into a collaborative environment. Above all, it must be a development tool that focuses on the future.
Addendum

Performance Feedback Culture: The Hidden Key to Unlocking a Payoff for Performance Management

Study Background

This section provides details about the study and its methodology. We discuss our model, sample, measures, and analysis procedures.

Research Model

Figure 2 shows the research model that guided our work. It suggests that performance feedback culture (PFC) and performance management (PM) techniques influence the effectiveness of performance management for meeting both employee-oriented outcomes (e.g., developing employees) and organization-oriented outcomes (e.g., increasing organizational performance). In turn, performance management effectiveness of both types affects organizational outcomes, whether assessed through survey ratings or via direct measures of corporate financial performance.

We expected that performance management effectiveness would mediate the relationship between our predictors (PFC practices and PM techniques). That is, the predictors would affect outcomes such as financial performance by increasing the level of performance management effectiveness. We also expected to find a relationship between the PFC and PM techniques and the outcomes, but expected the primary impact to be indirect, through PM effectiveness. In our model, PFC and PM techniques are predictors, PM effectiveness is the mediator, ratings and financial indicators are our measures of performance – the outcomes.
Note that this model directly compared the impact of performance feedback culture to performance management techniques. To our knowledge, this is the first study to do so.

We also believed that the variables in our model would be related to the organization's employer brand (i.e., current and former employee views of the organization as an employer). Figure 3 depicts the model of these relationships. Here we collapse PFC, PM techniques, and PM effectiveness into one box for simplicity.
We expected to see the strongest relationships between the employer brand and ratings of organizational performance for three reasons:

- Information about organizational performance is much more widely available than information about internal company practices and techniques;
- People like to be associated with a “winner;”
- And they view more successful organizations as having more stable employment and higher rewards of various kinds.

We expected that what organizations do internally will be related to employer brand as well, although not as strongly. Some practices, including performance management, are highly visible and help shape employee’s views of their employer. However, the best performance management process will not overcome the employer brand problem of a poorly performing company, and organizations that are performing well usually get the benefit of the doubt from employees regarding their internal practices.

Sample

We solicited participation in the study using the mailing lists of CEO and the Institute for Corporate Productivity (i4cp). We requested that one person per organization complete a survey on behalf of the organization. Over 15,000 individuals received a solicitation. The mailing lists overlapped to an unknown degree and multiple individuals from the same organization were included in many cases. Although we do not know the exact number of unique companies solicited, it certainly was in the thousands. After eliminating duplicate surveys from the same organization, we had survey data from 234 organizations. Respondents were typically high-level managers and from the HR function. Over 28% were at the VP level and above; 21% were directors; 32% were managers or supervisors; 9% were individual contributors; the remaining respondents identified as “other” or unknown.

The sample is extremely diverse; the diversity of the sample gives us confidence that the results are broadly applicable to organizations in general. Sample characteristics:

- Headquarters for 72% of organizations in the sample were in the U.S., 15% in Europe, and 13% in other global locations.
- On average, organizations in the sample had between 5,001 and 10,000 employees, but 36% had less than 2,500 employees and 20% had more than 30,000.
- Over 20 industries were represented in the sample. The largest groups were manufacturing (24%), finance and insurance (14%), and professional services (13%).
• The sample included publicly traded organizations in the U.S. (25%), not-for-profits (14%), and government organizations (4%).

• Over half were privately held companies, which is somewhat less than the 85% of U.S. companies with 500 or more employees that are privately held (“4 Things You Don’t Know About Private Companies,” Forbes, May 26, 2013).

Measures

A virtue of the study is that we have measures from multiple sources (survey responses and ratings, financial measures, and Glassdoor ratings), which greatly increases our confidence in the findings.

Here we provide an overview of our approach:

Predictors: PFC Practices and PM Techniques

The survey measured the use of the six types of performance feedback culture (PFC) practices that were shown in Figure 1 and discussed earlier. Use of practices was highly correlated; organizations that used one tended to use others. We therefore aggregated them into one Use of PFC Practices score.

We collected data about 11 performance management (PM) techniques, which were defined in the survey. These included three variations on performance ratings: traditional ratings, simplified ratings (three or fewer points on the scale), and ratingless reviews (using no letter or number grade). The techniques further included calibration meetings, in which managers discuss the performance and determine rewards for large pools of employees; crowd-sourced feedback, which uses social media for feedback; and the assessment of employee competencies. We further asked about the degree to which performance feedback emphasized development rather than evaluation and the use of ongoing feedback (four or more meetings per year to discuss performance and/or development). Use of PM techniques was highly variable from one organization to another, but four techniques were highly correlated and were combined into a cluster of PM “best practices” (cascaded performance goals, 360 feedback, assessment of competencies, and measurement of team or unit performance in addition to or in place of individual assessment). After combining items into the PM best practices index, we were left with eight PM techniques to use in our analyses.

Note that our measures of PFC practices and PM techniques asked about the level of use of the different practices and techniques, not how well the organization was using them. This focus on what the organization did is more objective and less subject to bias than beliefs about how well the organization implements practices and techniques.
Mediators: PM Effectiveness:

Two measures of performance management effectiveness asked the respondents to rate the effectiveness of the PM process used in their organizations. Items used a five-point scale, with response options ranging from “very ineffective” to “very effective.”

*PM effectiveness – employee-oriented outcomes* included five items (e.g., developing employee skills and abilities, motivating employees, and retaining employees).

*PM effectiveness – organization-oriented outcomes* included seven items (e.g., increasing organizational performance, supporting company values, and supporting the business strategy).

Ratings of Organizational Performance:

The survey included four ratings of organizational performance, two each from i4cp and CEO. The i4cp measures included the *market performance index (MPI)*, which asks how four types of performance (revenue growth, profitability, etc.) have changed over the past five years, and the *organizational performance rating*, which asks for an overall assessment of performance on a five-point scale (from “We are in bad shape” to “We are in great shape”). The CEO measures included two ratings of performance compared to competitors over the prior three years: *competitive performance – organizational outcomes* (e.g., productivity, innovation, profitability) and *competitive performance – employee outcomes* (e.g., employee engagement, retention) on a five-point scale ranging from “significantly worse” to “significantly better.”

Financial Outcomes

For the 57 publicly traded U.S. firms in our sample, we obtained data from Compustat for performance during 2016, the latest full year before the survey. We downloaded data permitting calculation of calendar year 2016 *net profit margin, return on investment (ROI), return on assets (ROA), return on sales (ROS), and return on equity (ROE).* All of the analyses of financial indicators were done controlling for industry performance and company revenue. This is standard in financial analysis because industry and firm size can have large effects on financial performance.

Employer Brand

We measured employer brand using ratings from Glassdoor, which hosts a short web-based survey about thousands of organizations. The typical organization has over 1,000 ratings. The survey asks ten questions about the company as an employer (overall rating, ratings of the CEO, pay and benefits, etc.). The ratings are highly correlated, so we standardized the items and then combined them into one Glassdoor index score.
Analysis Procedures

The study relies primarily on multiple regression and path analysis. The sidebars (Multiple Regression Made Simple and Path Analysis Made Simple) may be helpful for those who are unfamiliar with or who need a refresher on these procedures.

Multiple regression is not complicated; if we want to know how several things together and individually are related to something else, we use regression. The measure of strength for predictors in a regression is beta, a standardized coefficient with a score from 0 to 1. The higher the beta, the stronger the relationship. Statistical tests indicate the level of significance, that is, the likelihood that the result is due to chance. For example, a significance level of .05 means that there are less than 5 chances in 100 that the result is due to chance. Figure 4 shows the series of four regressions (labeled #1 through #4) that we conducted for each outcome in the study.

A path analysis is a way to use the results of several regression analyses to understand the causal connections between predictors and outcomes. Figure 4 illustrates this. We used the regression results to build the path analysis for each outcome. Path analysis helps us understand how the index of PFC practices and eight PM techniques and two types of performance management effectiveness are causally related to each outcome.

Figure 4 | Path Analysis Illustrated

PREDICTORS

Use of Performance Feedback Culture Practices

Performance Management Techniques

MEDIATORS

PM Effectiveness: Employee-Oriented Outcomes

PM Effectiveness: Organization-Oriented Outcomes

OUTCOMES

Ratings/Financial Measures of Corporate Performance

Interpreting the Results

Evidence of Direct Effects: Significant results in multiple regressions #1, #2, #3 and #4

Evidence of Indirect Effects through Mediators: Significant results in #1 and/or #2 and #3; #1 and/or #2 > #4
We look at PFC practices and PM techniques simultaneously to estimate the relative influence of these predictors.

We have organized the report of results around outcomes. We present the study results for each outcome by first discussing the regression results, and then outlining the path analysis results. For each outcome, we will comment on the meaning of the regression and path analysis results for the reader.
What Drives Performance Management Effectiveness?

Figure 5 shows the relationship between performance feedback culture (PFC) practices, performance management (PM) techniques, and two performance management effectiveness: PM effectiveness—employee-oriented outcomes and PM effectiveness—organization-oriented outcomes. The results are based on our full sample of 234 organizations that completed the survey.

**Figure 5 | Path Analysis for Performance Management Effectiveness**

Numbers are Betas (standardized regression coefficients); only statistically significant paths are shown. **Significance levels:** *** = .001, ** = .01, * = .05, + = .10.

**PM Techniques not shown because there were no significant paths:** Traditional Ratings, Simplified Ratings, Ratingless Reviews, and Calibration
Regression Results

The regression results are clear and consistent with our predictions.

1. **The use of performance feedback culture (PFC) practices is strongly related to both PM effectiveness—employee-oriented outcomes and PM effectiveness—organization-oriented outcomes.** Both betas are .38 and are highly significant.

2. **Four performance management techniques predict PM effectiveness – employee-oriented outcomes.** Recall that this effectiveness measure included developing employee skills and abilities, motivating employees, retaining employees, etc. The strongest relationships among the PM technique predictors are developmental feedback (.23) and ongoing feedback (.18). The “best” PM practices cluster (cascaded goals, competency assessment, 360 feedback, assessing team/unit performance; .13) and crowd-sourced feedback (.11) are related at only a marginally significant level.

3. **Four PM techniques were not significantly related at all to PM effectiveness – employee-oriented outcomes:** traditional ratings, simplified ratings, ratingless reviews, and use of calibration sessions.

4. **Use of “Best” PM practices was the only PM technique that was significantly related to PM effectiveness – organization-oriented outcomes.** Recall that this PM effectiveness variable included such attributes as increasing organizational performance, supporting company values, and supporting the business strategy. The relationship was relatively strong and highly significant (.28).
Path Analysis

The path analysis results follow from the regression results and clearly indicate the following.

1. **Use of PFC practices is strongly related to performance management effectiveness for both employee-oriented outcomes and organization-oriented outcomes.** PFC practices are much more strongly related than any PM technique.

2. **PM techniques in general are not strongly related to either type of PM effectiveness.** Four PM techniques are not significantly related to either type, and three are related only to PM effectiveness – employee-oriented outcomes. Only best PM practices are related to PM effectiveness – organization-oriented outcomes.

Commentary

The common observation that there is a weak relationship between PM techniques and PM effectiveness is supported by these results. The far stronger predictive power of use of performance feedback culture practices indicates why PFC offers an important new avenue for research and practice. Further, the relationships of specific PM techniques to specific types of PM effectiveness make sense, given their purpose. The strongest PM technique predictors of employee-oriented PM effectiveness, developmentally oriented feedback and ongoing feedback, are specifically designed to increase coaching and employee development. “Best” practices, including cascaded performance goals, the inclusion of team and unit performance goals, and competency assessment were developed to enhance organization-oriented PM effectiveness and were developed at a time when organizations were expanding the purposes of PM to include support for attaining organizational goals.

Figure 5 is worth studying, because it will be part of all figures later in this report that show path analysis results with ratings of organizational performance and financial outcomes.
What Drives Ratings of Organizational Performance?

We next extend the previous analysis by examining four ratings of organizational performance that were included in the survey. These analyses use the full sample of 234 companies that participated in the survey. As we have indicated, these four ratings are (1) the i4cp market performance index (MPI), which asks how four types of performance (e.g., revenue growth) have changed over the past five years; (2) the organizational performance rating, which assesses overall performance; (3) the competitive performance – organizational outcomes (e.g., productivity, innovation, profitability); and (4) competitive performance – employee outcomes (e.g., engagement, retention).

Figure 6 summarizes the results. This is the most complex figure in this report, so we will review it carefully. The relationships between the predictors and mediating variables are the same as for the previous analysis; the new results in Figure 6 are those on the right side, for the ratings of organizational performance in the survey.

Note the column of numbers on the far-right side. These normally would be displayed with arrows directly from the predictors to the outcomes. However, the diagram would be unreadable if we included all the necessary arrows, so those results are displayed in a color-coded list. The numbers in blue are betas for performance feedback culture and the outcomes indicated. For example, .24** represents the beta from PFC to the i4cp MPI. The betas in green are for feedback that is more developmental as opposed to evaluative. The betas in orange are for traditional ratings. The column only includes betas that are statistically significant.
Regression Results

1. **Again, performance feedback culture (PFC) has the strongest relationship to the outcomes of any predictor.** The right-hand column reports moderate to strong betas (.24 to .33) for all four ratings of organizational performance. As we will see, only one variable in the study had a slightly stronger beta for one of these outcomes.

2. **Only two PM techniques – developmentally oriented feedback and traditional ratings – were significantly related to the four ratings of performance.** Developmental feedback was significantly related to both competitive performance – organizational outcomes and competitive performance – employee outcomes and was marginally related to the i4cp MPI. Traditional ratings were significantly, negatively related to the i4cp organizational performance rating (-.16*). That is, the more the use of traditional ratings, the lower the organizational performance rating.

3. **The two performance management effectiveness outcomes were significantly related to only two of the four performance ratings.** This contrasts with our prediction that both PM effectiveness measures would predict all four ratings. PM effectiveness – employee-oriented outcomes was significantly related (.19) to the organizational performance rating and it was strongly related (.36) to competitive performance –

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### Table: Betas for Predictors and Outcomes

<table>
<thead>
<tr>
<th>Predictor</th>
<th>i4cp Market Performance Index</th>
<th>i4cp Organizational Performance Rating</th>
<th>Competitive Performance: Org. Outcomes</th>
<th>Competitive Performance: Employee Outcomes</th>
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</thead>
<tbody>
<tr>
<td>Use of Performance Feedback Culture Practices</td>
<td><strong>.24</strong> ns</td>
<td><strong>.28</strong> ns</td>
<td>+.19</td>
<td>+.15 ns</td>
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<tr>
<td>“Best” PM Practices</td>
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<tr>
<td>Ongoing Feedback</td>
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<td>More Developmental Feedback</td>
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<td>Crowd-Sourced Feedback</td>
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<tr>
<td>Traditional Ratings</td>
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</table>

Numbers are Betas (standardized regression coefficients); only statistically significant paths are shown. **Significance levels:** *** = .001, ** = .01, * = .05, + = 0.10.

PM Techniques not shown because there were no significant paths: Simplified Ratings, Ratingless Reviews, and Calibration.
employee outcomes. PM effectiveness – organizational outcomes was significantly related to the organizational performance rating (.19) and was marginally related to competitive performance – employee outcomes (.15).

Path Analysis

We predicted that PM effectiveness – employee-oriented outcomes and PM effectiveness – organization-oriented outcomes would mediate the relationship between performance feedback culture practices and PM techniques on the one hand and ratings of organizational performance on the other. That is, the performance ratings would be higher only to the degree that PFC practices and PM techniques led to increased PM effectiveness. However, the results only partially confirm this prediction. The pattern of the betas suggests that PM effectiveness of both types may mediate performance ratings to some degree for two ratings of performance but not for two others. The size of the betas indicates that there are probably direct effects of use of PFC practices on three outcomes and that there are direct effects for developmental feedback for at least two outcomes. The negative effect of traditional ratings on organizational performance clearly is a direct effect, since use of traditional ratings is unrelated to either type of PM effectiveness.

Commentary

Once again, use of PFC practices is the variable most strongly related to key dependent variables, here four ratings of organizational performance. The importance of developmental feedback is also noteworthy; it is the only one of eight PM techniques to show direct positive effects on the survey ratings of organizational performance.

A PM process that is effective in producing positive employee outcomes is also one that yields superior ratings of competitive performance on employee outcomes such as engagement and turnover.

Performance management effectiveness for both employee-oriented and organization-oriented outcomes is significantly related to two ratings of organizational performance. Given the common critique of performance management in the business press, any such relationship would surprise some. However, PM effectiveness of either type is not related to all ratings of organizational performance. By far the strongest relationship is between PM effectiveness – employee-oriented outcomes and ratings of competitive performance – employee outcomes. In other words, a PM process that is effective in producing positive employee outcomes is also one that yields superior ratings of competitive performance on employee outcomes such as engagement and turnover.
What Drives Financial Performance?

We were able to obtain data on financial performance for a subset of companies in our sample. There were no data on these measures for the majority of our sample, because financial data are not available from privately held companies, foreign companies, not-for-profit organizations, and government agencies. We were able to collect financial data from 57 companies using Compustat, a market database published by Standard and Poor's. Data were for 2016, the last full year prior to the survey.

We collected five measures of financial performance: net profit margin, return on investment (ROI), return on assets (ROA), return on equity (ROE), and return on sales (ROS). These are among the most widely used ratios for measuring corporate financial performance.

- **Net profit margin** is net income divided by total revenue after all expenses have been deducted; it is a key measure of effectiveness for all profit-making companies.
- **ROI** divides net income by total invested capital; it measures how effectively the company uses invested capital.
- **ROA** divides net income by total assets, and measures effectiveness in the use of company assets.
- **ROE** divides net income by total common shareholder equity and is a measure of the effectiveness in using equity capital.
- **ROS** divides net income by total revenue, a measure of the efficiency with which the company uses its revenue.

It is useful to test multiple measures of financial performance to gain a more complete picture of the relationship between predictors and financial outcomes. Different measures can give very different results. Moreover, different measures are favored by particular industries. For example, capital-intensive industries tend to focus considerable attention on ROA and ROI; retail is especially interested in ROS; financial institutions tend to use ROE as the most important measure of return. Using all these outcomes helps show that any positive result is robust and not a statistical accident.
As we indicated earlier, we used industry and company revenue as controls in the regressions for the financial performance measures because industry and size are known to explain much of the variance in these outcomes. We do not report results for the control variables here in the interests of brevity and clarity.

**Net Profit Margin, Return on Investment (ROI)**
**Return on Assets (ROA), and Return on Equity (ROE)**

We will consider four of the five financial outcomes together. The pattern of results is remarkably consistent, and it is stunning for net profit margin, ROI, ROA, and ROE, as shown in Figures 7 – 10.

**Regression Results**

1. **The strongest predictor of net profit margin, ROI, ROA and ROE by far is PM effectiveness – employee-oriented outcomes.** The strength of the relationship is very impressive, and clearly challenges the common narrative in the business press that performance management is a hopeless process that makes no difference for organizational performance. The betas are .45, .39, .50, and .39 respectively. That means that organizations can increase financial performance on these measures to an impressive degree by increasing the effectiveness of performance management for employee-oriented outcomes such as coaching, development, and motivation.
Figure 7 | Analysis for Net Profit Margin
Controlling for Industry and Company Revenue

Numbers are Betas (standardized regression coefficients); only statistically significant paths are shown. Significance levels: *** = .001, ** = .01, * = .05, +.10.
PM Techniques not shown because there were no significant paths: Traditional Ratings and Simplified Ratings.

Figure 8 | Analysis for Return on Investment (ROI)
Controlling for Industry and Company Revenue

Numbers are Betas (standardized regression coefficients); only statistically significant paths are shown. Significance levels: *** = .001, ** = .01, * = .05, +.10.
PM Techniques not shown because there were no significant paths: Traditional Ratings and Simplified Ratings.
**Figure 9 | Analysis for Return on Assets (ROA)**
Controlling for Industry and Company Revenue

**PM Effectiveness:**
- Employee-Oriented Outcomes
  - Use of Performance Feedback Culture Practices
    - “Best” PM Practices
    - Ongoing Feedback
    - More Developmental Feedback
    - Crowd-Sourced Feedback
    - Calibration
    - Ratingless Reviews

- Organization-Oriented Outcomes
  - Use of Performance Feedback Culture Practices

Return on Assets

Numbers are Betas (standardized regression coefficients); only statistically significant paths are shown. **Significance levels:** *** = .001, ** = .01, * = .05, + = .10.
PM Techniques not shown because there were no significant paths: Traditional Ratings, Simplified Ratings.

**Figure 10 | Analysis for Return on Equity (ROE)**
Controlling for Industry and Company Revenue

**PM Effectiveness:**
- Employee-Oriented Outcomes
  - Use of Performance Feedback Culture Practices
    - “Best” PM Practices
    - Ongoing Feedback
    - More Developmental Feedback
    - Crowd-Sourced Feedback
    - Calibration

- Organization-Oriented Outcomes
  - Use of Performance Feedback Culture Practices

Return on Equity

Numbers are Betas (standardized regression coefficients); only statistically significant paths are shown. **Significance levels:** *** = .001, ** = .01, * = .05, + = .10.
PM Techniques not shown because there were no significant paths: Traditional Ratings, Simplified Ratings, and Ratingless Reviews.
2. **PM effectiveness – organization-oriented outcomes is not significantly related to any of the three outcomes.** The contrast between this finding and the previous one is striking. Increasing the effectiveness of PM process for achieving organizational goals has no effect on the four measures of financial performance.

3. **Performance feedback culture practices again are strongly related to the financial outcomes.** The betas for net profit margin, ROI, ROA and ROE are .35, .32, .29, and .33 respectively. This indicates that increasing the use of PFC Practices increases financial performance.

4. **Two PM techniques, calibration and ratingless reviews, are moderately to strongly related to most of the financial outcomes.** This is the case even though they are not significantly related to the PM effectiveness variables and were not related to the ratings of organizational performance. Use of calibration meetings predicts all four financial outcomes, with consistent significant betas of .24 to .28. Ratingless appraisal predicts Net Profit Margin (beta of .35), ROI (.24), and ROA (.39), but not ROE.

**Path Analysis**

1. *The pattern of results is consistent with our prediction that PM effectiveness – employee outcomes mediates the relationship between use of PFC practices and PM techniques on the one hand and financial outcomes on the other.* For use of PFC practices, the strength of various paths suggests that PM effectiveness – employee outcomes is a mediator, but the use of PFC practices may have some smaller direct effects on financial performance as well. The effects of using of several PM techniques (the best practice cluster, ongoing feedback, developmental feedback, and crowd-sourced feedback) on financial performance are entirely mediated. There are no direct, significant relationships between these techniques and financial performance.

2. **Performance management effectiveness – organizational-oriented outcomes does not appear to mediate the relationship between the predictors (use of PFC practices and PM techniques) and the outcomes (financial performance),** because there is no significant path from PM effectiveness – organization-oriented outcomes to any of the financial variables.

3. *The consistent relationship between calibration and ratingless appraisal on the one hand and the financial outcomes on the other is a direct effect not mediated by PM effectiveness – employee-oriented outcomes,* because there is no significant relationship from either technique to the mediator. The effect on financial variables is a direct effect.
Commentary

It is difficult to overemphasize the strength of these findings. We were prepared to find barely significant relationships or no relationships between financial performance and our predictors and mediating variables. After all, we are predicting financial performance based on variables collected from a survey of one person, typically an HR executive, for each organization. Instead, we found relationships that are very strong – indeed, about as strong as we have seen in social science research using financial performance outcomes.

This has several implications. First, it is worthwhile to strive to increase PM effectiveness for employee-oriented outcomes. Second, Use of PFC practices is a consistent, strong predictor of corporate financial performance, and this relationship appears to be partially mediated by PM effectiveness-employee outcomes. Use of several PM techniques also appears to have positive, direct, and mediated effects on financial performance.

It is difficult to overemphasize the strength of these findings. We were prepared to find barely significant relationships or no relationships between financial performance and our predictors and mediating variables. Instead, we found relationships that are very strong – indeed, about as strong as we have seen in social science research using financial performance outcomes.

Just how much does financial performance improve if the organization increases its scores on two key predictors, namely PM effectiveness – employee outcomes and use of PFC practices? Table 1 compares the mean level of performance on four financial measures by different levels on the two predictors. The sample is divided into the top, middle, and bottom third of the sample for each predictor. The results are very compelling. It is fair to say that any executive interested in doubling profitability or rates of return should be looking for ways to increase the organization's ranking on PM effectiveness – employee outcomes and use of PFC practices.
Table 1 | Differences in Financial Performance for Top, Middle, and Bottom Third of the Sample on Key Predictors

<table>
<thead>
<tr>
<th>PM Effectiveness - Employee Outcomes</th>
<th>Net Profit Margin</th>
<th>ROI</th>
<th>ROA</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top third of sample</td>
<td>11.72%</td>
<td>13.91%</td>
<td>7.63%</td>
<td>28.35%</td>
</tr>
<tr>
<td>Middle third</td>
<td>8.45%</td>
<td>11.01%</td>
<td>5.55%</td>
<td>17.58%</td>
</tr>
<tr>
<td>Low third</td>
<td>5.27%</td>
<td>5.72%</td>
<td>3.41%</td>
<td>9.33%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Use of PFC Practices</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Top third of sample</td>
<td>12.08%</td>
<td>14.63%</td>
<td>7.68%</td>
<td>26.26%</td>
</tr>
<tr>
<td>Middle third</td>
<td>7.48%</td>
<td>7.96%</td>
<td>4.89%</td>
<td>19.71%</td>
</tr>
<tr>
<td>Low third</td>
<td>5.09%</td>
<td>6.51%</td>
<td>3.65%</td>
<td>10.63%</td>
</tr>
</tbody>
</table>

The lack of relationship between PM effectiveness for organization-oriented outcomes and financial performance is an important finding. For at least 30 years, there has been a movement to increase this type of effectiveness, and a number of techniques (such as cascaded goals) have arisen to enhance it. Our results suggest that this direction may be misguided. Perhaps we are asking too much of performance management processes if we insist on effectiveness at meeting both employee-oriented and organization-oriented goals. Given the results, it may be wiser to focus most of our effort on enhancing employee-oriented outcomes such as development, motivation, and retention, and it is less useful to continue emphasizing organizational outcomes such as supporting the business strategy and organizational values. Organizations are more likely to increase hard measures of financial performance indirectly by focusing on employee outcomes from performance management.

Why might calibration and ratingless appraisal exert direct effects on financial performance, unlike any other PM techniques? We suspect that these practices affect financial incomes directly because they send important cultural signals about performance management. Proponents of ratingless reviews have long argued that they are a way of deemphasizing unproductive discussions about performance ratings and reward allocations, and that it enhances coaching. Calibration sessions in some ways can be seen as a specific performance feedback culture practice. The reason is that calibration sessions, by mixing managers of different levels who discuss the performance of groups of individuals, automatically provides modeling of the management culture and offers a means of monitoring front-line manager behavior. In other words, the results of
the performance management process are actually being used in visible ways. Certainly, ratingless reviews and calibration sessions are culture-moving practices to a far greater degree than other PM techniques.

**Return on Sales Regression Results and Path Analysis**

Performance feedback culture practices, performance management techniques, and performance management effectiveness are not significantly related to all measures of financial performance. None of these variables were significantly related to return on sales (ROS). This reinforces the importance of examining more than one financial outcome to discover patterns; if we had analyzed ROS only, we would have been misled about the relationship between performance management-related variables and corporate financial performance. Figure 11 displays the lack of results.

**Commentary**

Why was there no significant path to ROS? Our control variables provide one explanation. ROS varies hugely by industry. Industry accounts for so much of the variance in ROS (the beta was .58) that little variance is left over for the PM process to explain. Industry was far more important for ROS than for any other financial outcome.

![Figure 11 | Analysis for Return on Sales (ROS) Controlling for Industry and Company Revenue](image-url)
Performance Management and The Employer Brand: Glassdoor Data

We were able to obtain data about the employer brand from Glassdoor for 200 organizations in our sample, including many privately held, foreign, not-for-profit, and even government organizations for which financial performance data were not available.

Our measure of the employer brand was an index of the scores for 10 items in the Glassdoor survey. These measures were highly correlated and had a very high reliability when combined, so this was a reasonable procedure. Because the different items used response scales of different sizes and metrics, we standardized the scores before combining them.

We used correlation analysis to examine the relationship between variables in our study and employer brand. This is because we did not have a basis for combining different performance outcomes or PM-related variables into a regression equation. Table 2 presents the results.

The results are consistent with our prediction that ratings of organizational performance will have the strongest impact on the employer brand, because it is the most visible thing about the organization to most people. There are moderately high correlations to all of the ratings of organizational performance. The correlations for the mediator variables were much lower; only PM effectiveness—organization oriented outcomes was significant, and then only marginally at the .10 level. Only one of the predictor variables (PFC practices and PM techniques) was significant; that was emphasis on developmental more than evaluative feedback. This is interesting, because this variable predicted three ratings of organizational performance as well as PM effectiveness – employee-oriented outcomes, which was so important in the path analyses. However, use of PFC practices was unrelated to the employer brand—a rare miss in this study.
In many ways these results are remarkable. We would not necessarily expect any significant relationship between our survey results from one executive per company with results from a totally independent survey by Glassdoor that typically includes at least 1,000 respondents. And yet we find them. Ratings of performance are most closely related to the index of Glassdoor ratings; emphasis on developmental feedback and one type of PM effectiveness have effects that are significant in the Glassdoor data. This indicates that the performance management process has effects that are detectable in the reputation of the organization as an employer.

Table 2 | Correlations of Glassdoor Employer Brand Score with Survey Variables

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Mediators</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of PFC Practices</td>
<td>.02 ns</td>
<td></td>
</tr>
<tr>
<td>Best Practices</td>
<td>.07 ns</td>
<td></td>
</tr>
<tr>
<td>Use of Traditional Ratings</td>
<td>-.02 ns</td>
<td></td>
</tr>
<tr>
<td>Use of Simplified Ratings</td>
<td>.09 ns</td>
<td></td>
</tr>
<tr>
<td>Ratingless Reviews</td>
<td>.03 ns</td>
<td></td>
</tr>
<tr>
<td>Ongoing Feedback</td>
<td>.06 ns</td>
<td></td>
</tr>
<tr>
<td>Crowd-Sourced Feedback</td>
<td>.06 ns</td>
<td></td>
</tr>
<tr>
<td>Emphasis on developmental versus evaluative feedback</td>
<td>.21 **</td>
<td></td>
</tr>
<tr>
<td>Performance Management Effectiveness - Employee-Oriented Outcomes</td>
<td></td>
<td>.12 ns</td>
</tr>
<tr>
<td>Performance Management Effectiveness - Organization-Oriented Outcomes</td>
<td></td>
<td>.10 +</td>
</tr>
<tr>
<td>i4cp Market Performance Index</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i4cp Organizational Performance Rating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive Performance: Employee Outcomes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive Performance: Organizational Outcomes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Significance levels: ** = .01, * = .05, + = .10, ns = nonsignificant.
Sidebar 1 | Multiple Regression Made Easy

A few key points make multiple regression results easy to understand.

Predictors and Outcomes:
Regression results indicate the relative strength of predictor variables in explaining variation in an outcome (that is, dependent variable).

Correlation Versus Multiple Regression:
Correlations tell the strength of the relationship between two variables in isolation. Correlations can be misleading if we want to know the relative strength of two or more predictors, taking their interrelationships into account. To look at two or more predictors at a time, we use multiple regression. The results show the relative weights of the predictors against an outcome.

Beta
Beta is the measure of the strength of a predictor in a regression. It is analogous to a correlation coefficient. Beta is a standardized coefficient with a score from 0 to 1. The higher the beta, the stronger the relationship between predictor and outcome.

Significance tests
Statistical tests for beta indicate the level of significance, that is, the likelihood that the result is due to chance. For example, a significance of .05 means that there are less than 5 chances in 100 that the result is due to chance.

Controls
For financial analyses, it is important to control for predictors that we know explain much of the variance in the outcome but are unrelated to our variables of interest. The company’s industry and revenue affect financial outcomes because there are large differences in financial performance across industries and companies of different sizes. We control for industry and company size by entering them first in the regression, then entering our primary predictors. In other words, we account for industry and company size effects up front and then see how much of the remaining variance in financial outcomes we can explain using predictors related to performance management.

There are many additional details of regression analyses that belong in scientific papers, but not in this document. They will be reported later in academic journal articles.
Path Analysis Made Easy

Path analysis is like a super regression analysis. It is a clever way to use the results of several regressions at one time. A path analysis permits us to draw conclusions about direct and indirect causal connections (via mediators) between multiple predictors and an outcome.

Models

A path analysis begins with a model that depicts hypothesized relationships between different variables. Figure 2 shows the original model for our study. Figure 4 shows the set of analyses we conducted to test the model for each outcome.

Mediators

Path analysis is especially useful for analyzing possible mediator variables in a model. In this study, we believed that performance feedback culture practices and performance management (PM) techniques would affect outcomes such as financial performance indirectly, by increasing two types of PM effectiveness. Path analysis enables us to assess this hypothesized causal path versus the alternatives.

Path diagram

Figures 5 - 11 are graphic displays of our path analyses. Please note several things. First, the numbers are the betas for a regression that included the variables that are linked by arrows. Second, the thickness of the line gives a graphical indication of the size of the beta. Third, we only show paths that are statistically significant.

Causality

We follow a set of standard rules that permit us to draw inferences about direct and indirect causality. In the report, we walk the reader through the implications for causality of the path analysis for each diagram.

Readers with more sophisticated knowledge of statistical analyses may wonder why we did not perform structural equation modeling (SEM) with our data. Structural equation modeling is a more sophisticated technique that requires a much larger sample of companies than are available here, especially for financial analyses.
### Communication

**How do you communicate to managers the importance of providing honest, effective performance feedback to employees? Please select all that apply.**

<table>
<thead>
<tr>
<th>Communication</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reminder on honest and effective manager performance feedback style when it is time for performance reviews</td>
<td>71</td>
</tr>
<tr>
<td>Written message (memo, email, etc.) from HR about expectations of managers</td>
<td>60</td>
</tr>
<tr>
<td>Internal web site information about expectations for honest and effective manager feedback behavior</td>
<td>55</td>
</tr>
<tr>
<td>Written message (memo, email, etc.) from business executives about the organization's expectations of managers</td>
<td>47</td>
</tr>
<tr>
<td>Modeling honest and effective feedback behavior by senior executives of the organization</td>
<td>46</td>
</tr>
<tr>
<td>Manual or other written materials describing expectations for honest and effective manager feedback behavior</td>
<td>45</td>
</tr>
<tr>
<td>Other (Responses include: annual manager trainings, performance management workshops, in-person JIT, video messages, etc.)</td>
<td>31</td>
</tr>
<tr>
<td>No response</td>
<td>0</td>
</tr>
</tbody>
</table>

**How likely is it that the typical manager in your organization who gives performance feedback has received one or more of the communications indicating that he or she is expected to deliver, honest, effective performance feedback to subordinates?**

<table>
<thead>
<tr>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very unlikely</td>
</tr>
<tr>
<td>&lt;1</td>
</tr>
</tbody>
</table>
## Training

How does your organization train managers to provide honest, effective performance feedback to employees? Please select all that apply.

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reading material provided to managers to learn about providing honest and effective performance feedback</td>
<td>70</td>
</tr>
<tr>
<td>Formal classroom training – focused on practicing feedback behaviors</td>
<td>62</td>
</tr>
<tr>
<td>Self-paced, web-based training</td>
<td>50</td>
</tr>
<tr>
<td>Formal classroom training – lecture</td>
<td>35</td>
</tr>
<tr>
<td>Other (Responses include: coaching, webinars, open forums, verbal feedback, etc.)</td>
<td>18</td>
</tr>
<tr>
<td>No response</td>
<td>&lt;1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage Distribution of Managers Who Have Received Training</th>
<th>1-10%</th>
<th>11-33%</th>
<th>34-66%</th>
<th>67-90%</th>
<th>91-100%</th>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approximately what percentage of your managers have received training on how to provide honest and effective performance feedback to subordinates?</td>
<td>7</td>
<td>20</td>
<td>29</td>
<td>30</td>
<td>14</td>
<td>3.23</td>
<td>1.12</td>
</tr>
<tr>
<td>Approximately what percentage of your managers would you estimate have the skills needed to provide honest and effective performance feedback to subordinates? Here we are not asking whether they actually provide such feedback, only whether they are skilled enough to do so.</td>
<td>6</td>
<td>28</td>
<td>48</td>
<td>15</td>
<td>3</td>
<td>2.81</td>
<td>.86</td>
</tr>
</tbody>
</table>
## Monitoring

How does your organization monitor whether managers are delivering honest, effective performance feedback to their subordinates? Please select all that apply.

<table>
<thead>
<tr>
<th>Monitoring Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surveys of employees to track the degree to which performance feedback is honest and effective</td>
<td>47%</td>
</tr>
<tr>
<td>The manager’s manager is responsible for monitoring his or her honest and effective feedback behavior</td>
<td>46%</td>
</tr>
<tr>
<td>HR tracks and responds to employee complaints about the honesty and effectiveness of manager feedback</td>
<td>40%</td>
</tr>
<tr>
<td>HR reviews samples of feedback from documentation about performance feedback provided by managers</td>
<td>39%</td>
</tr>
<tr>
<td>HR technology is used to track whether honest and effective performance reviews/conversations are being conducted in a timely fashion (for example, software is used to record meetings)</td>
<td>21%</td>
</tr>
<tr>
<td>Employees provide ratings or other data to their managers about the honesty and effectiveness of the manager's feedback</td>
<td>17%</td>
</tr>
<tr>
<td>Other (Responses include: no monitoring, employee survey, 360 development feedback, HR engages proactively with management, etc.)</td>
<td>3%</td>
</tr>
<tr>
<td>No response</td>
<td>9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How likely is it that senior managers in the organization would know if a manager was not delivering honest and effective performance feedback to his or her subordinates?</th>
<th>10 Very unlikely</th>
<th>32 Unlikely</th>
<th>37 Moderately likely</th>
<th>15 Likely</th>
<th>6 Very likely</th>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.75</td>
<td>1.02</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How likely is it that someone in the HR function would know if a manager was not delivering honest and effective performance feedback to his or her subordinates?</th>
<th>3 Very unlikely</th>
<th>26 Unlikely</th>
<th>42 Moderately likely</th>
<th>19 Likely</th>
<th>10 Very likely</th>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.08</td>
<td>.99</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Rewarding

Which of the following are used to reward managers who provide honest and effective performance feedback to subordinates? Please select all that apply.

<table>
<thead>
<tr>
<th>Reward</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better promotion opportunities</td>
<td>24%</td>
</tr>
<tr>
<td>Formal recognition</td>
<td>16%</td>
</tr>
<tr>
<td>Greater salary increase</td>
<td>9%</td>
</tr>
<tr>
<td>Greater bonus</td>
<td>8%</td>
</tr>
<tr>
<td>Greater long-term incentive (such as equity awards)</td>
<td>8%</td>
</tr>
<tr>
<td>Other (Responses include: enhanced reputation, informal recognition, job satisfaction, etc.)</td>
<td>9%</td>
</tr>
<tr>
<td>No response</td>
<td>57%</td>
</tr>
</tbody>
</table>

How likely is it that a manager who routinely provides honest and effective performance feedback to subordinates will be rewarded for doing so by any means including recognition, pay increase, bonus, promotion, etc.?

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very unlikely</td>
<td>22%</td>
</tr>
<tr>
<td>Unlikely</td>
<td>36%</td>
</tr>
<tr>
<td>Moderately likely</td>
<td>27%</td>
</tr>
<tr>
<td>Likely</td>
<td>13%</td>
</tr>
<tr>
<td>Very likely</td>
<td>2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.36</td>
<td>1.02</td>
</tr>
</tbody>
</table>
# Hiring and Promoting Managers

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Not important</th>
<th>Slightly important</th>
<th>Moderately important</th>
<th>Very important</th>
<th>Among the most important</th>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>When your organization is hiring new managers how important in your hiring criteria is the ability of the candidate to engage in honest, effective performance feedback with employees?</td>
<td>10</td>
<td>27</td>
<td>29</td>
<td>29</td>
<td>4</td>
<td>2.90</td>
<td>1.06</td>
</tr>
<tr>
<td>When your organization is promoting employees to a management role, how important in your promotion criteria is the ability of the candidate to provide honest, effective performance feedback with employees?</td>
<td>9</td>
<td>25</td>
<td>32</td>
<td>29</td>
<td>4</td>
<td>2.94</td>
<td>1.04</td>
</tr>
</tbody>
</table>

How do you assess a new management candidate's ability to engage in honest, effective performance feedback with employees, if at all? Select all that apply. Note that we are asking whether you use the technique and it tells you about the manager’s feedback behavior, not simply whether you use the technique.

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Rating by interviewer</th>
<th>Reference checks</th>
<th>Assessment center or other simulation</th>
<th>Formal paper and pencil tests of management skills,</th>
<th>Other (Responses include: direct experience with candidates, debrief meetings, interviews, no assessments, etc.)</th>
<th>No response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>60</td>
<td>29</td>
<td>24</td>
<td>3</td>
<td>9</td>
<td>24</td>
</tr>
</tbody>
</table>
## Modeling by Executives

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Very unlikely</th>
<th>Unlikely</th>
<th>Moderately likely</th>
<th>Likely</th>
<th>Very likely</th>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>How likely is it that a senior manager in your organization will receive honest, effective performance feedback from his or her manager?</td>
<td>4</td>
<td>13</td>
<td>38</td>
<td>33</td>
<td>12</td>
<td>3.37</td>
<td>.98</td>
</tr>
<tr>
<td>How likely is it that an executive in your organization will have received formal or informal communications indicating that providing honest, effective feedback to their own subordinates determines the kind of feedback provided throughout the organization?</td>
<td>8</td>
<td>22</td>
<td>26</td>
<td>30</td>
<td>14</td>
<td>3.19</td>
<td>1.17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Not important</th>
<th>Slightly important</th>
<th>Moderately important</th>
<th>Important</th>
<th>Very important</th>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>How important do executives of your organization believe that it is for them to provide honest, effective performance feedback to their own subordinates?</td>
<td>1</td>
<td>12</td>
<td>20</td>
<td>47</td>
<td>21</td>
<td>3.75</td>
<td>.94</td>
</tr>
</tbody>
</table>
In your view, how effective do you consider each of the following types of practices to be in creating a high quality performance feedback culture in your organization?

<table>
<thead>
<tr>
<th>Practice</th>
<th>Not ineffective</th>
<th>Slightly ineffective</th>
<th>Neither effective nor ineffective</th>
<th>Somewhat effective</th>
<th>Very effective</th>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modeling how to provide honest, effective feedback by senior executives.</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>20</td>
<td>69</td>
<td>4.49</td>
<td>.94</td>
</tr>
<tr>
<td>Hiring and promoting the right kind of managers.</td>
<td>1</td>
<td>4</td>
<td>9</td>
<td>24</td>
<td>63</td>
<td>4.43</td>
<td>.90</td>
</tr>
<tr>
<td>Training managers to provide honest, effective feedback.</td>
<td>1</td>
<td>5</td>
<td>9</td>
<td>49</td>
<td>37</td>
<td>4.17</td>
<td>.84</td>
</tr>
<tr>
<td>Communicating with managers about providing honest, effective feedback.</td>
<td>1</td>
<td>8</td>
<td>12</td>
<td>53</td>
<td>25</td>
<td>3.92</td>
<td>.90</td>
</tr>
<tr>
<td>Monitoring the feedback behavior of managers.</td>
<td>5</td>
<td>6</td>
<td>17</td>
<td>41</td>
<td>31</td>
<td>3.88</td>
<td>1.08</td>
</tr>
<tr>
<td>Rewarding managers for their feedback behavior.</td>
<td>6</td>
<td>8</td>
<td>27</td>
<td>32</td>
<td>27</td>
<td>3.65</td>
<td>1.14</td>
</tr>
</tbody>
</table>

How likely is an employee to request feedback from a manager in your organization?

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Very unlikely</th>
<th>Unlikely</th>
<th>Moderately likely</th>
<th>Likely</th>
<th>Very likely</th>
<th>Mean</th>
<th>S.D.</th>
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<tr>
<td></td>
<td>3</td>
<td>16</td>
<td>44</td>
<td>25</td>
<td>12</td>
<td>3.27</td>
<td>.97</td>
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</table>
Acknowledgements

We wish to acknowledge the contributions of George Benson of the University of Texas – Arlington in conceptualizing the study, assisting with survey development, and providing advice on statistical advice. We also wish to recognize Aaron Griffith of the Center for Effective Organizations for his usual excellence and efficiency in survey administration, data management, and statistical support. Finally, we would like to thank i4cp for its partnership in the promotion of the survey and production of the report.

About the Authors

Gerald E. Ledford, Jr., Ph.D. is an Affiliated Research Scientist at the Center for Effective Organizations and Adjunct Professor, Marshall School of Business, University of Southern California. Much of his professional work has focused on employee reward systems and performance management. He received his Ph.D. in Psychology from the University of Michigan. Gerry is the author of over 140 articles and 11 books.

Benjamin Schneider, Ph.D. is Professor Emeritus of Psychology at the University of Maryland and an Affiliated Research Scientist at the Center for Effective Organizations, Marshall School of Business, USC. Ben is widely published, including 12 books, and has won numerous awards for his research. He writes and consults with organizational clients about employee engagement, service quality, organizational climate and culture, staffing, and the role of personality in organizational life.

Contributors

- Kevin Martin, Chief Research Officer, i4cp
- Lorrie Lykins, Managing Editor & Vice President of Research, i4cp
- Eric Davis, Creative Director & Senior Editor, i4cp
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