
Performance Feedback Culture: The Key to Performance Management Effectiveness?

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CEO Sponsors' Meeting

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Outline

- **Origin of our approach**
- **The heroic, frustrating search for better techniques**
- **Why focusing on culture may be a better approach**
- **The CEO Performance Feedback Culture study**

CEO Research on Performance Management

- Long-term interest of CEO researchers
- The first CEO study 36 years ago was on PM
- Multi-company study of PM – 1980s
- Studies of current practice 2002, 2012 in large U.S. firms
- Survey of cutting edge practices with support from WorldatWork (244 organizations)
- 2016 study of ratingless appraisal in an insurance company



We've seen a lot and we've learned a few things about PM

Origin Of the Performance Feedback Culture Study

- **CEO Advisory Board Meeting, May 2016**
- **Core ideas resonated:**
 - Decades of looking at technique hasn't gotten us very far
 - Culture is probably much more important than technique
 - Good culture + dated techniques still works
 - Bad culture + the best techniques fails
 - What can we do to create the right kind of culture?
- **We will make the case for each of these points**



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For Group Discussion

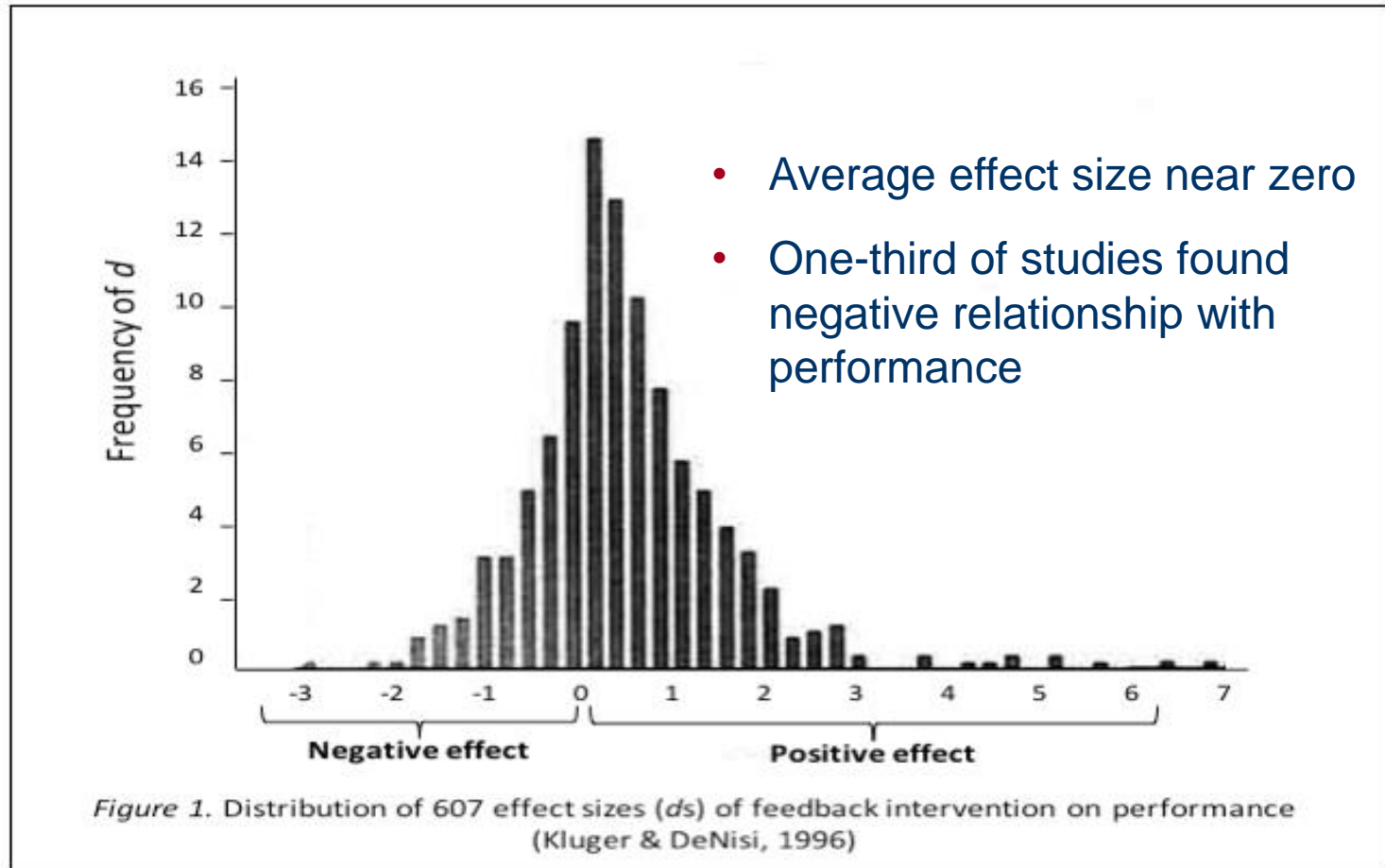
- 1. What are the most effective things you do in your performance management system?**
- 2. How much of a difference do those things make in the overall effectiveness of the system?**

The Heroic Search for PM Effects

- **More than 100 years of studies**
 - More than 1200 published since 1980
 - Some 30+ meta-analyses or “studies of studies”
- **Topics of Study**

Employee Reactions to Feedback	Feedback Characteristics	Rating Behavior and Errors	Appraisal Practices
Employee Personality	Positive vs. Negative	Ratings Validity	Rating Purpose
Other Differences	Perceived Fairness	Social Influences	360 Review
	Perceived Usefulness	Manager Training	Rating Formats

1996 Meta-Analysis of Feedback Studies



Subsequent research and reviews haven't changed the picture

CEO Research Agrees With These Findings

- **2016 study of 244 organizations**
 - Cutting-edge practices (ongoing feedback, ratingless, crowd-sourced feedback) had slight positive effects on a wide range of outcomes
- **2015-16 quasi-experimental study of ratingless feedback in an insurance company**
 - Company already had an excellent PM system, including ongoing feedback
 - Adding ratingless made no major difference

Research Findings

- **Feedback improves performance in general, but . . .**
 - Important to have a manager you like and trust
 - Numbers, ratings and rankings complicate things
- **The best feedback...**
 - Is positive and forward looking
 - Perceived to be fair
 - Non-threatening
 - Done for developmental purposes
 - Includes employee participation



Are these findings actionable?

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What is Organizational Culture?

- **Grabbed executive attention in the '80s**

- *In Search of Excellence*
- “Rites” and “rituals”

- **What culture is:**

- Culture is comprised of the implicit values and expectations that people experience in companies
- Culture is a subtle guide to behavior; it reduces ambiguity
- Culture emerges from the behavior of key decision makers
 - **What** leaders pay attention to (reward, recognize, allocate resources to)
 - **How** leaders make decisions
 - **Who** leaders recruit, select, promote and excommunicate



Cultures and Subcultures

- **Companies have culture and subcultures simultaneously**
 - Southwest Airlines: Baggage handlers, customer service reps, and flight crews have different subcultures
 - Different work processes, language, personalities
 - Based on customers, work requirements, employee backgrounds, etc.
 - All have an overall culture of efficiency and customer care
- **Effectiveness depends on company culture and subcultures**
- **A goal in many companies is to have a *strong* culture**
 - Can have the negative consequence of making baggage too much like customer service!
 - Strong and flexible is key



For Discussion: Subcultures in Your Company

- **What creates subcultures in your company?**

Differences by:

- By function
 - By type of product or service
 - By geography
 - By level
- **How many subcultures are there in your company?**
 - **How does the effectiveness of performance management vary across subcultures in your firm?**

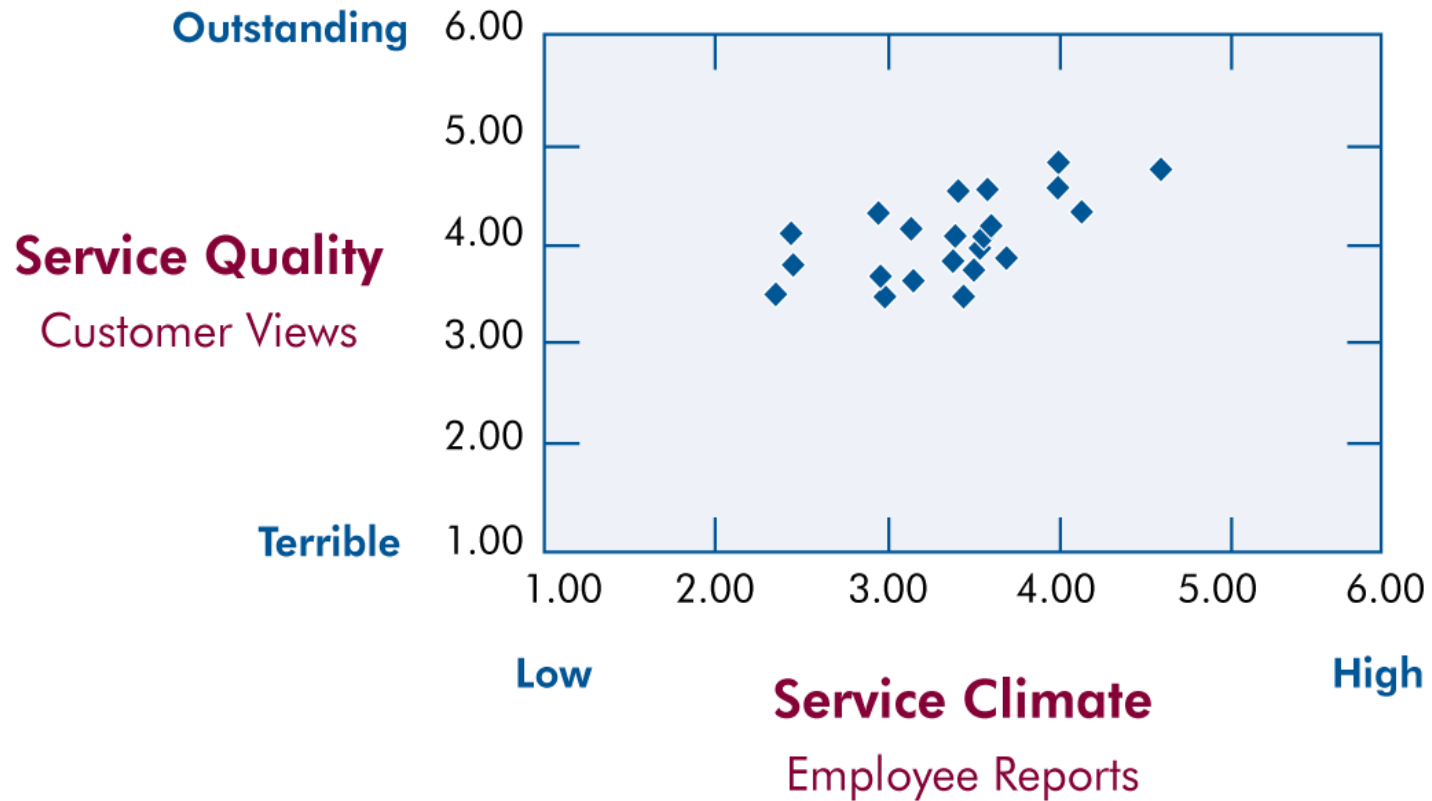
Strategic Climate and Culture

- **There is convincing evidence that culture matters – when focused**
- **Focus works because it creates habits**
 - Prioritizes effort and energy by clarifying goals
 - Eliminates the need for excessive formal rules and bureaucracy
- **Evidence for focused climates and cultures**
 - Service climate predicts customer satisfaction
 - Safety climate predicts accidents
 - Patient-oriented culture predicts hospital patient outcomes
 - Quality-oriented culture predicts product quality and productivity

Culture and Climate Can Have Strong Effects

- **Effects of Service Climate on customer satisfaction**
 - Studies in banks, hotels, restaurants, and hair salons
 - 23 studies with a total sample of 4,817 yield a corrected correlation of .23
- **Effects of Safety Climate on injuries**
 - 11 studies with a total sample of 448 yield a corrected correlation of -.24
- **Effects of company-level Service Climate on the American Customer Satisfaction Index (ACSI) over time (N = 20 – 33)**
 - 2003 – 2003: correlation of .42
 - 2003 – 2004: correlation of .51
 - 2003 – 2005: correlation of .38

Study of 27 Branches of A Bank



Correlation = .47

Connections Between Concepts, Applied to Performance Feedback

Organizational Culture and PM Practices



Feedback Culture as Experienced by Managers



Feedback Climate as Created for Employees

Six Practices to Promote Feedback Culture



- **Communication**
- **Training**
- **Modeling**
- **Monitoring**
- **Rewards and punishments**
- **Selection**

Are there others key practices?

For Discussion: Practices In Your Company That Promote Feedback Culture

- Which practices does your company emphasize?
- What exactly are those practices that you use?
- What are the most effective practices do you use?
- Which practices do you need to use more?

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New CEO Study: Creating A Performance Feedback Culture

Research Goals

- 1. Investigate relationships between organizational culture, feedback culture, and managerial and employee attitudes and behaviors**
- 2. Determine the best ways for companies to create a feedback culture in which managers feel compelled to offer high quality performance feedback to employees**



Study Methodology

- **Research Design**

- At least 10 companies, three or more subcultures per company, with no upper limit (total of 30 – 50 organizations)
- Three surveys
 - A sample of managers in each organization
 - The employees reporting to those managers
 - One key informant per organization
- Records data from the HRIS for manager and employee samples: demographics, prior performance ratings, promotions, etc.

- **Study participants**

- Current participants
- How to participate

Timeline



- **Data collection**
 - 1H 2017
 - All surveys are complete, online, and are available any time
- **Feedback reports to each company**
 - Data for the company overall and its organizations
 - Completed Within 6 weeks of finishing data collection
- **Multi-company analysis and reporting**
 - Tentatively to be completed by September
- **Facilitated, action-oriented conference to share results, benchmark, learn from others**
 - Fall 2017

Two Ways to Participate

	Full Version	Organization Level Version
Analysis Focus	Organizations + work groups	Organizations
Sample	Random sample of work groups within organizations	Random sample of managers and employees in organizations
Data on Respondents	From HRIS: Demographics; performance and pay history	From survey: Manager/non-manager; organization
How we track respondents	ID codes	Total anonymity
Primary feedback	Organization versus company	Same
Additional feedback options	Cuts by demographics; individual manager feedback	None
Primary advantages	<ol style="list-style-type: none"> More sophisticated analysis More feedback options 	<ol style="list-style-type: none"> Lower administrative burden Easier approval by company Less employee concerns

Your Reactions, Please



**Questions, comments, and challenges:
Let's hear them!**

Appendix:

What We Are Measuring

What Is High Quality Feedback?

- **Frequent**
- **Developmental**
- **Credible**
- **Supportive**
- **Coaching**
 - Guidance on expectations and outcomes
 - Facilitates improvement and problem solving

Indicators of Feedback Culture

How much do you agree or disagree with each of the following statements? [Strongly Agree – Strongly Disagree scale.]

1. In making the decision to hire new managers, this organization considers the quality of feedback they will likely give their subordinates.
2. Top management in this organization communicates by word and deed that quality feedback to employees is important.
3. Managers in this company receive the training, support and resources necessary to deliver high quality feedback.
4. This organization tracks the quality of the feedback managers deliver to their people.
5. This organization rewards and recognizes managers who provide high quality feedback to their people.

Organizational Culture and Feedback

- **Perceptions of Top management**
 - Ability and integrity
- **General Organizational Culture**
 - Involvement in decision-making and information sharing
 - Promotes employee welfare
 - Clear organizational goals
- **Workgroup Climate and Supervisor Relationships**
 - Psychological safety and willingness to speak up
 - Support for employees
 - Positive supervisor / subordinate relationships

We Expect that Quality Feedback Leads to:

- **Performance Appraisal Satisfaction**
 - “I am satisfied with the way my manager provided me with feedback.”
 - “The feedback I received agrees with what I have actually achieved.”
 - “The feedback I received on how I do my job is highly relevant.”
- **Positive Employee Attitudes**
 - Learning and vitality
 - Commitment
- **Performance Improvement**