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# Performance Feedback Culture: Two New Studies

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**CEO Sponsors' Meeting**

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# Outline

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**1. Performance Feedback Culture: Why Does it Matter?**

**2. CEO – i4cp Study: Variation in PM Across Companies**

**3. PwC Study: Variation in PM Within One Company**

# Performance Feedback Culture: Key Assumptions

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- **The most important factor in effective performance management is manager behavior**
  - The essence of performance management is good, open, honest, two-way communication about past performance and future expectations
  - That involves manager skill – and will; how do we create manager will?
- **Changes in performance management usually avoid this troublesome truth**
  - The endless focus is on forms, techniques, and technology
  - Our observation: Strong performance feedback cultures succeed even with outdated tools; weak performance feedback cultures fail even with the best techniques

# Research Approach

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- **Research questions**
  - 1. *How important*** is performance feedback culture to PM effectiveness – especially as compared to PM techniques?
  - 2. *How do companies create*** an effective performance feedback culture?
- **Two studies investigate these questions**
  - CEO and i4cp: Large sample study of 234 companies
  - PwC study: Study of 34 units within the company

# Six Practices to Promote Feedback Culture

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

# Outline

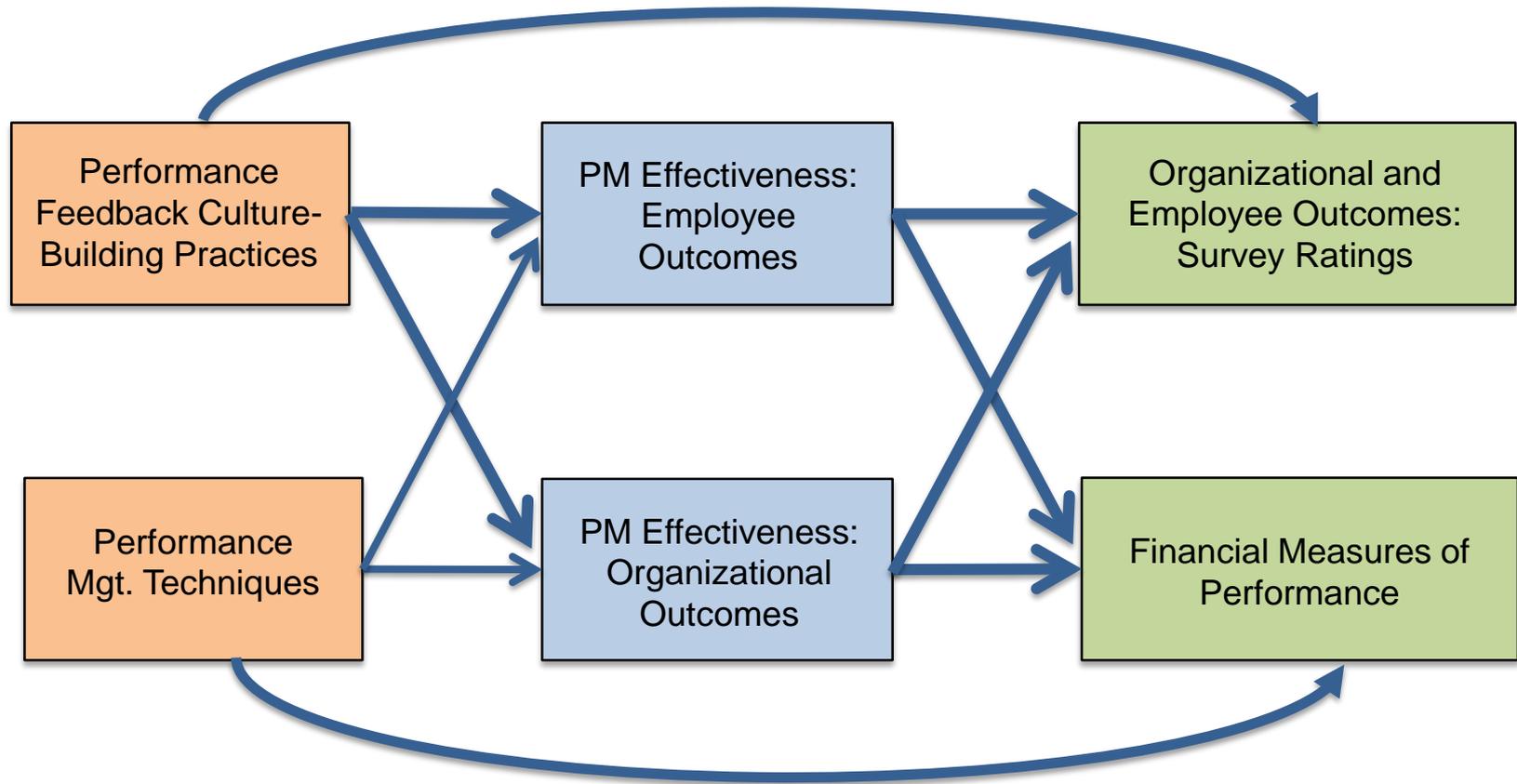
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# Performance Feedback Culture Study Model



**We used path analysis for the study**

# Key Findings of the CEO- i4cp Study

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- Use of PFC Practices is strongly related to performance management effectiveness, to ratings of organizational performance, and to several key measures of financial performance
- Use of PFC Practices is a much stronger predictor of all of these outcomes than any performance management technique
- The effectiveness of performance management for employee outcomes (e.g., developing employee skills and abilities, motivating employees, and retaining employees) is a critical mediating variable
- The effectiveness of performance management for organizational outcomes (e.g., increasing organizational performance, supporting company values, and supporting the business strategy) matters for ratings of organizational performance but not for financial performance

# How Much Of A Difference Does PM Effectiveness – Employee Outcomes Make?

	Net Profit Margin	ROI	ROA	ROE
<b>PM Effectiveness - Employee Outcomes</b>				
Top third of sample	11.72%	13.91%	7.63%	28.35%
Middle third	8.45%	11.01%	5.55%	17.58%
Bottom third	5.27%	5.72%	3.41%	9.33%

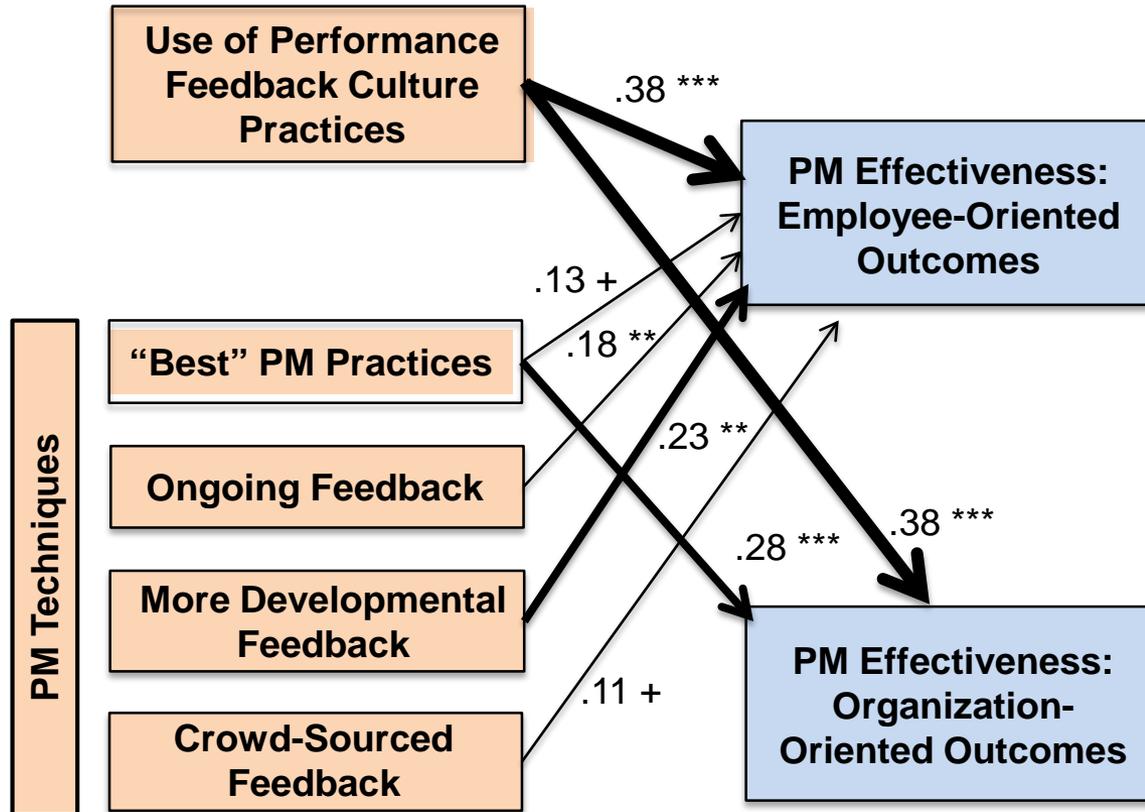
**PM Effectiveness – Organizational Outcomes, by contrast, made no difference**

# How Much Of A Difference Does PFC Make?

	Net Profit Margin	ROI	ROA	ROE
<b>Use of PFC Practices</b>				
Top third of sample	12.08%	14.63%	7.68%	26.26%
Middle third	7.48%	7.96%	4.89%	19.71%
Bottom third	5.09%	6.51%	3.65%	10.63%

**On every measure, performance doubles by going from the bottom to the top third of the sample**

# Predictors of PM Effectiveness

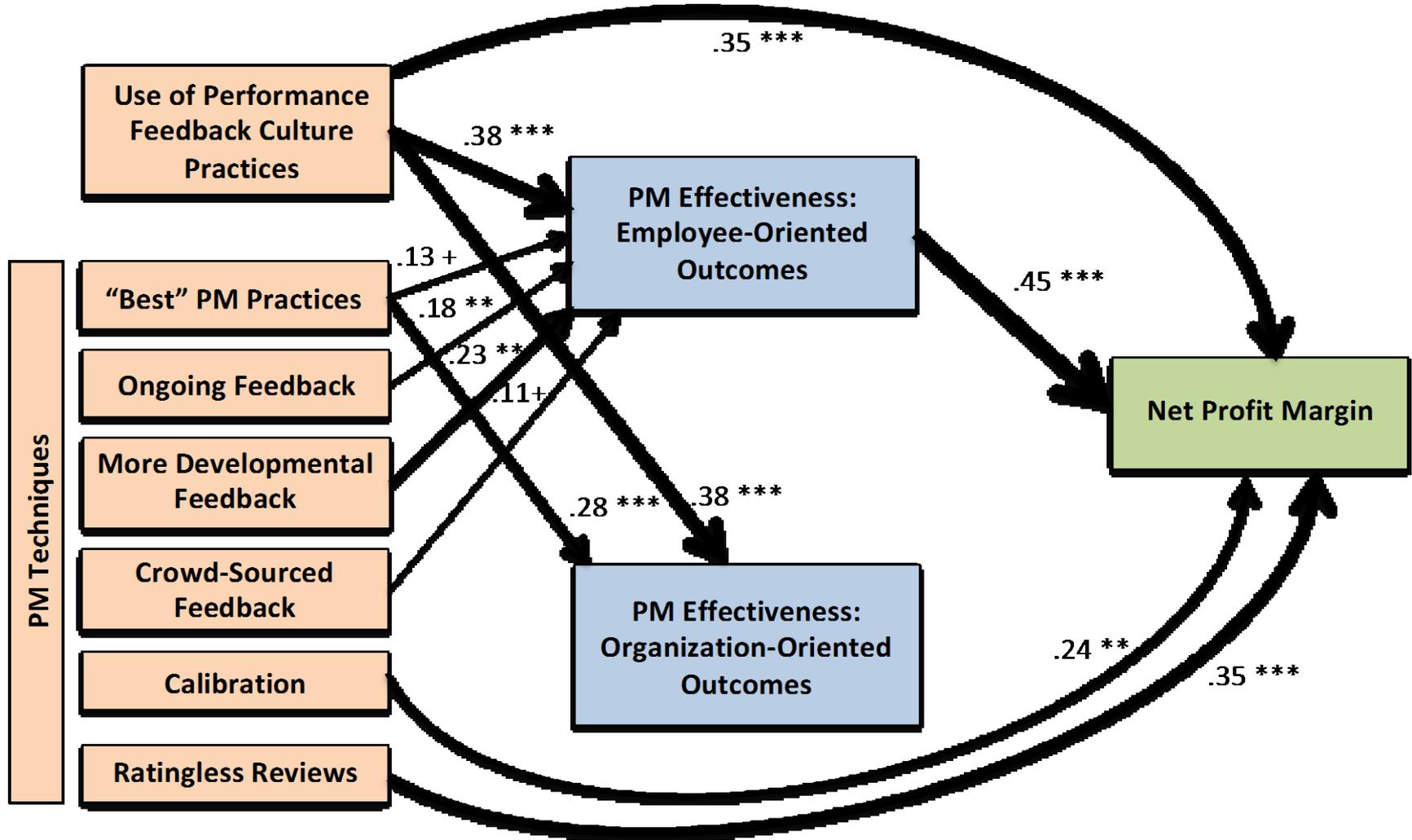


Numbers are Betas (standardized regression coefficients); only statistically significant paths are shown.

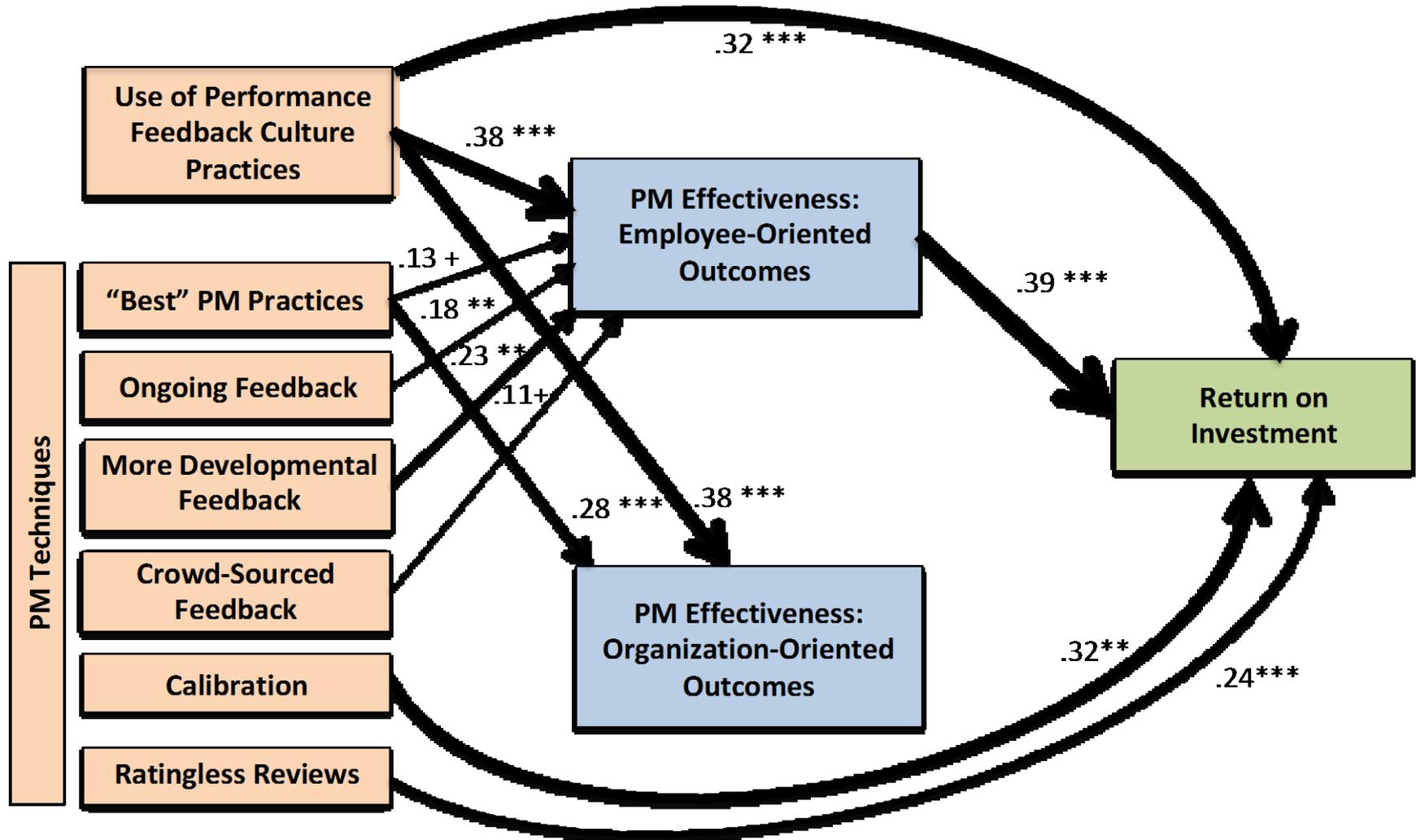
Significance levels:  $*** = .001$ ,  $** = .01$ ,  $* = .05$ ,  $+ .10$ .

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

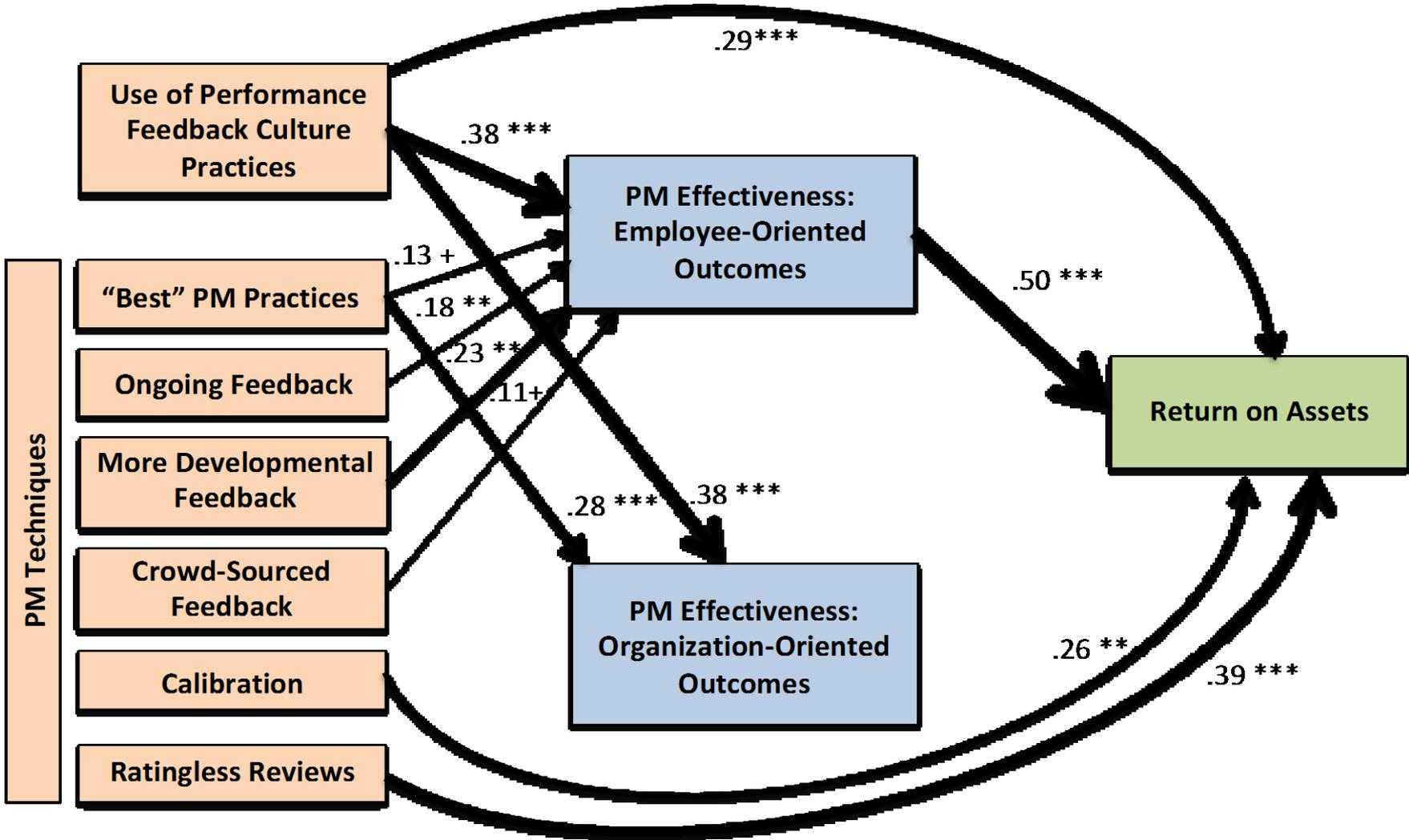
# Net Profit Margin Controlling For Industry and Size



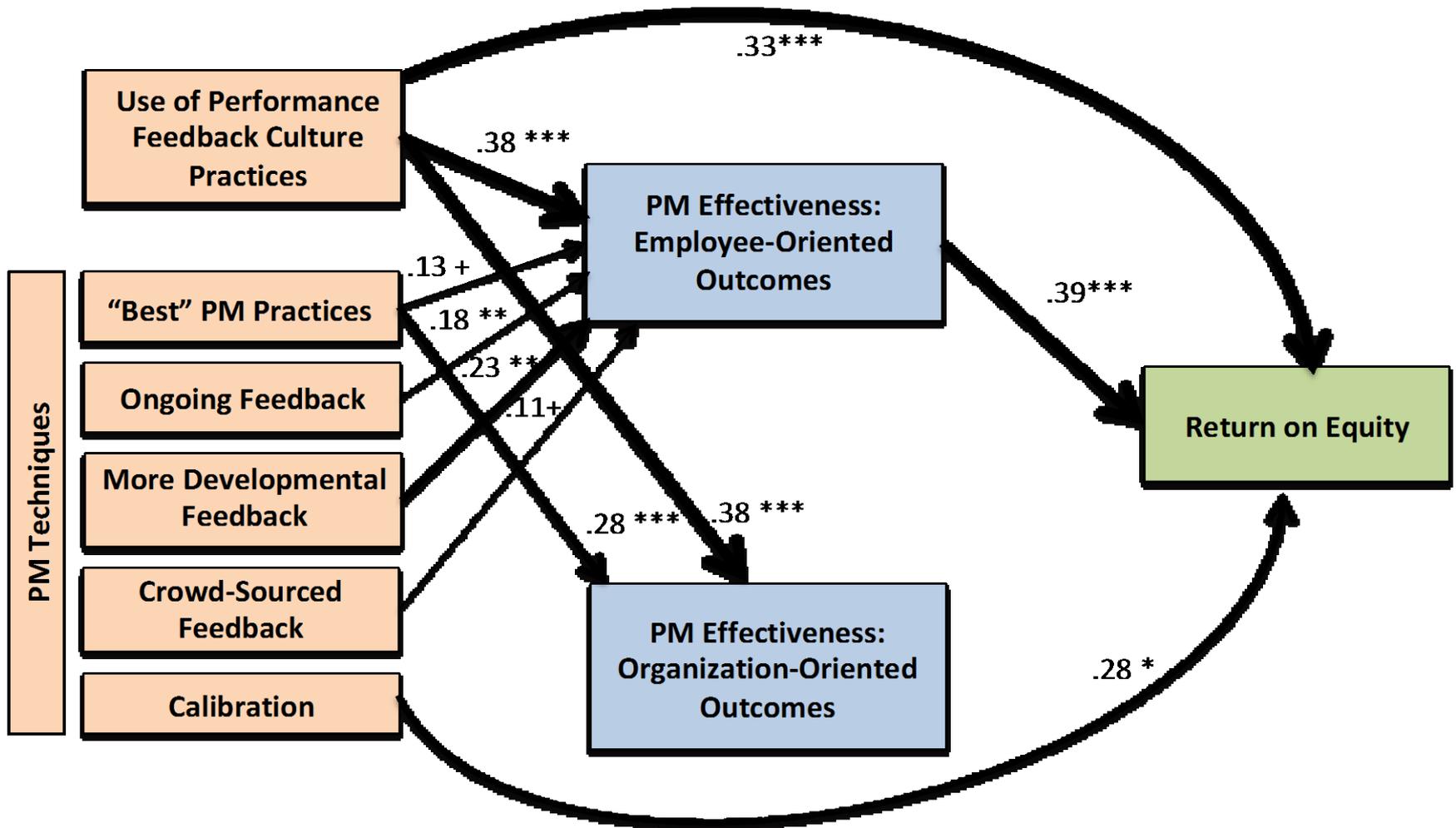
# ROI Controlling For Industry and Size



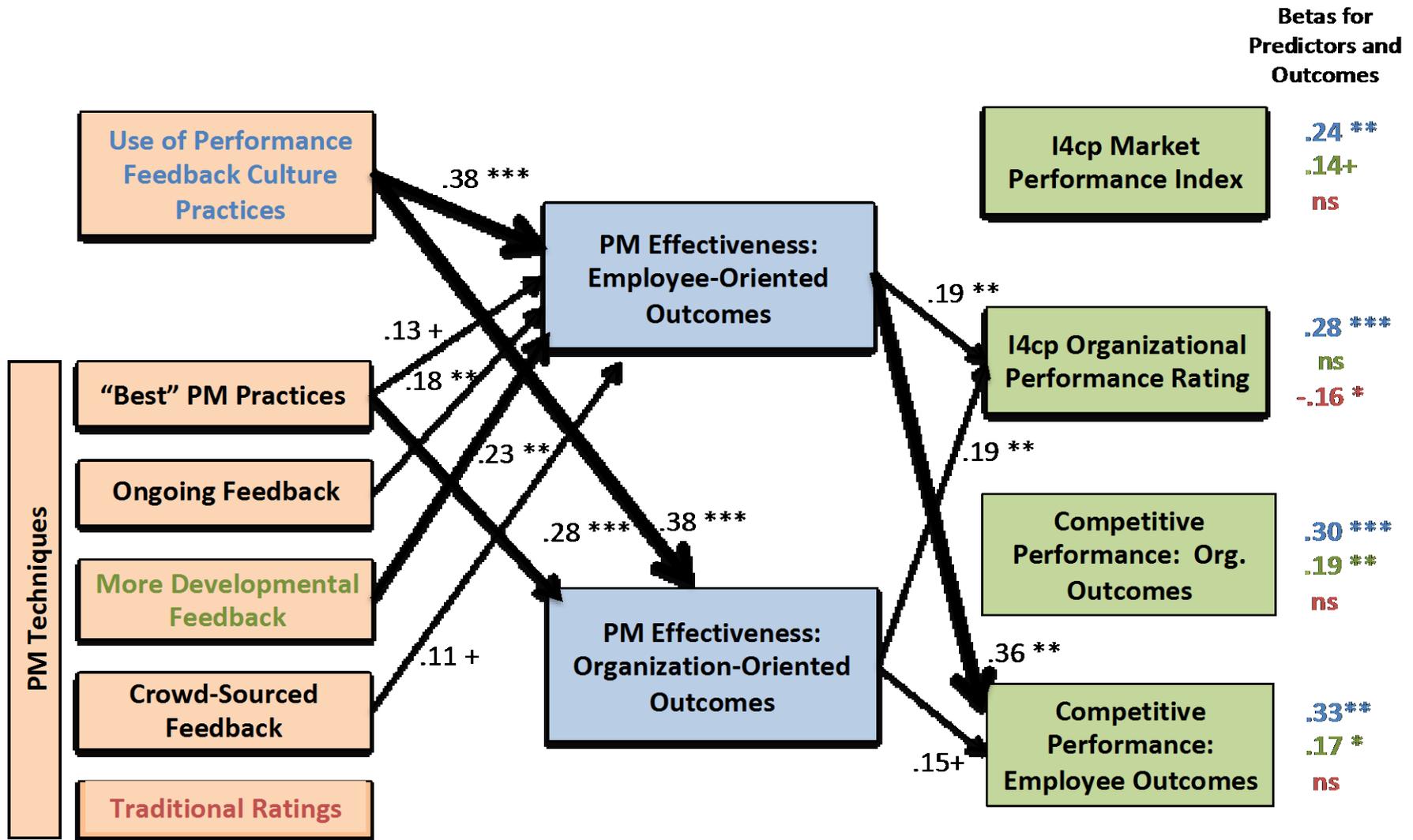
# ROA Controlling For Industry and Size



# ROE Controlling for Industry and Size



# Analysis With Survey Outcomes



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# The PwC Study

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- **The Center for Effective Organizations (CEO) conducted a survey study in Spring 2017**
- **Staff surveys covered perceptions of feedback received from managers and perceptions of organizational culture**
  - Feedback perceptions
- **Manager survey covered perceptions of support for high quality feedback and perceptions of organizational culture**
  - Feedback culture