

Evaluating performance for classification vs. development: balancing performance rating and employee coaching

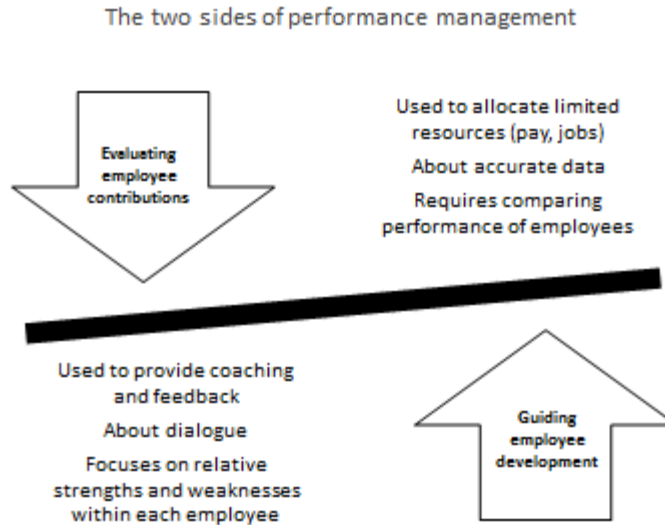
Excerpt from the book "Common sense talent management"
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The figure below illustrates a conflict that is central to performance management design. This conflict is rooted in the desire to use performance management processes for two related but somewhat conflicting goals:

Employee Evaluation and Classification: Assessing employee performance to support decisions about where to invest scarce resources such as pay, promotions, or limited development opportunities (e.g. job assignments, expensive training courses).

Employee Coaching & Development: Assessing employee performance to provide coaching feedback and advice to increase effectiveness.



Both objectives require evaluating employee job performance. But how employees should be evaluated is different depending if the focus is on classification or development. Classification decisions involve comparing employees against one another to determine which employees deserve higher pay raises, development resources, or promotion opportunities. This requires recognizing that certain employees perform at a higher level than others. Performance evaluation methods that are effective for classifying employees use ratings, calibration, and expected performance distributions to identify differences in performance levels between employees.

Developmental assessments are about letting employees know what they can do to be more successful. Performance evaluations used for development focus on helping employees understand their personal strengths and weaknesses to determine the best way to increase their individual effectiveness. Rather than comparing employees to find out who is the "best performer", these evaluations emphasize differences within each employee. They may provide descriptions of employee behaviors with no overall evaluative information at all (e.g., "you have bias for action but may not spend enough time on

planning”). These assessments are useful for development but provide no information about whether one employee is better than another. For example, knowing that the weakest part of my golf game is driving and the weakest part of my colleague’s golf game is putting does not tell you whether I am a better golfer than my colleague. But it does tell both of us how we can get better at the game.

Performance management methods that stress development tend to avoid normative evaluations like ratings and rankings that directly compare people against one another. There is evidence that normative evaluations of performance can actually hurt development¹. They may cause some employees to give up rather than trying to compete against their peers, create infighting among coworkers, and lead to a sense of entitlement for those employees identified as the best. On the other hand, purely descriptive, developmental evaluations will not help companies who are seeking to create fair, consistent, and accurate methods to categorize high or low performers for the purpose of compensation, development, or staffing.

It does not make sense to argue whether classification is more or less important than development. Companies must both evaluate and develop employees to create a high performance culture. The key is to build a performance management process that effectively balances both needs. This can be illustrated using an example from coaching youth sports. Imagine you are coaching a basketball team of 12 year old kids. During practice you constantly evaluate the performance of players to provide encouragement on what they are doing well and give tips on how they could improve their game. For example, “You’re doing a great job running down the court but you need to use the backboard when shooting the ball”. Good coaching feedback is highly descriptive and focuses on each person’s strengths and weaknesses relative to their own performance. It also downplays or completely avoids comparing players against one another. A good youth basketball coach is unlikely to tell a player “You’re the worst shooter on the team”. Even if it is true, such a statement is not going to help the child become a better player. In fact, it is more likely to make them give up completely.

Now imagine you are asked to select your five best players for an all-star team. Your player evaluations will shift from a focus on development to a focus on classification. You want to determine who the best players are. You may start talking with your fellow coaches about who is the best shot, who is fastest, and who is the best all-around athlete. If you are a good coach, you will not share these evaluations with the players. If a player who did not make the all-star team asks why you might tell them specific things they need to improve but you are not going to tell them they were the worst player to try out. It is one thing to tell a player “the best way to make the team next year is to work on your speed”. It is quite another to say “you are slower than your team mates so that’s why we didn’t pick you”.

This example illustrates a fundamental dilemma of performance management. How can you create a process that supports coaching players while also providing the data needed to make accurate decisions around who should be on the all-star team? Start with an understanding that there are two basic types of performance assessments: assessments for classification and assessments for development. Managers use both types of assessments to evaluate performance, but there is a time to use one and a time for another. Success lies in knowing when and how to use them.

¹ Dweck, C.S. (1990). Self-theories and goals: Their roles in motivation, personality, and development. The Nebraska symposium on motivation, 1990, (pp. 199-235). Lincoln, NE: University of Nebraska Press.
Roch, S. G., Sternburgh, A. M., & Caputo, P. M. (2007). Absolute vs relative performance rating formats: Implications for fairness and organizational justice. *International Journal of Selection and Assessment*, 15, 302-316.